CSR, Sustainability, Ethics & Governance

Series Editors: Samuel O. Idowu · René Schmidpeter

John O. Okpara
Samuel O. Idowu *Editors*

Corporate Social Responsibility

Challenges, Opportunities and Strategies for 21st Century Leaders

Springer

CSR, Sustainability, Ethics & Governance

Series Editors

Samuel O. Idowu, London, United Kingdom
René Schmidpeter, Ingolstadt, Germany

For further volumes:
http://www.springer.com/series/11565

John O. Okpara • Samuel O. Idowu
Editors

Corporate Social Responsibility

Challenges, Opportunities and Strategies for 21st Century Leaders

Springer

Editors
John O. Okpara
Department of Management
and Marketing
Bloomsburg University of Pennsylvania
Bloomsburg
Pennsylvania
USA

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

ISSN 2196-7075 ISSN 2196-7083 (electronic)
ISBN 978-3-642-40974-5 ISBN 978-3-642-40975-2 (eBook)
DOI 10.1007/978-3-642-40975-2
Springer Heidelberg New York Dordrecht London

Library of Congress Control Number: 2013954987

Printed on acid-free paper

Springer is part of Springer Science+Business Media (www.springer.com)

To my wife Christiana, my children, Benjamin, Daniel, and Abigail, and to my Mother and the memory of my Father.

John O. Okpara

In Memory of my Dad and Mum who passed away in 1973 and 1998, respectively.

Samuel O. Idowu

Foreword

It would be an understatement to say that the concept of "corporate social responsibility" has taken center stage in business literature, both academic and nonacademic. Although academics have discussed a wide variety of issues under this rubric for over half a century, one could say that the financial crisis of 2008 has made everyone aware of the enormous impact of business firms in general and financial institutions in particular on every aspect of modern civilization and in every corner of the globe.

All business firms, not just large multinational corporations, now find themselves under a microscope. Confronted with a host of challenges from environmental impact to accounting practices, individual companies have been forced to adopt strategies to cope with this multitude of issues. Individual countries have had to rethink their public policies not only with regard to domestic economic issues but in the context of globalization. We have become much more aware of different and competing models of markets, the US/UK, the EU/Rhine, Asian models, etc., and especially with the end of the Cold War and the rise of the new economic giants among developing countries (Brazil, Russia, India, South Africa, and China). Scholars in every area of business, not just business ethicists, have had to raise new questions about research and teaching in their respective disciplines about the social impact of accounting, finance, marketing, management, and a host of subdisciplines.

As is to be expected, trying to put all of this in some kind of larger perspective is a daunting task. So we should not be surprised to find much of the literature circling around established political–economic paradigms such as neoliberalism, neo-Keynesianism, and radical deconstructive critique. But others are searching for new paradigms, both descriptive and normative. Scholars have been forced to cross traditional disciplinary boundaries as they confront novel structures and challenges.

John Okpara and Samuel Idowu have put together an anthology remarkable for both its breadth and depth in addressing the importance of conceptualizing in all of its complexity what constitutes Corporate Social Responsibility, the range of problems it addresses, and the global context in which all of this is taking place.

New Orleans, LA, USA

Nicholas Capaldi

Preface

We are now in an era where being socially responsible is what is expected of all organizations regardless of where such organizations are based and what they do. Being socially responsible must start from the very top of the organization; those at the very top must believe in the concept of CSR and what it expects them to do. Leaders of organization in the twenty-first century are expected to address many CSR issues which affect their areas of operation and impact on their stakeholders. Most organizational leaders are too aware of the serious consequences of ignoring their responsibilities to their stakeholders and the environment. These areas where responsibility is desired are no longer few in modern times; in fact stakeholders expect organizations to go well beyond these expected areas of responsibility.

In order to address these CSR issues responsibly, corporate leaders must be innovative when formulating strategies capable of providing effective solutions to the social, economic, and environmental challenges their organizations face or are likely to face; these managers are now unconsciously expected to understand the modern field of *social innovation*.

In September 2000, 189 country leaders in New York led the way in formulating a vision of what our world should look like by year 2015 in the form of the eight United Nations Millennium Development Goals (MDGs). The eight Development Goals were expected to address some of the core social, economic, and environmental problems faced by our world, for example, "*to eradicate extreme poverty and hunger*" and "*to develop a global partnership for development*" two of the eight goals. Our world has faced a series of challenges since the eight goals were set. Some of these challenges came about as a result of greed and socially irresponsible attitude of some individuals, and others were acts of God. But it was not all about challenges, there had been many opportunities. A few countries have thrived and become socially and economically stronger since year 2000. If leaders of some of the poorer countries around the world inculcate a few more CSR approaches to their style of leadership more countries would become socially and economically stronger.

It is hoped that a book on “CSR: Challenges, Opportunities and Strategies for twenty first century leaders” would set the scene for tomorrow’s leaders of whatever perspective to face the art of leadership, since they would have been made aware of some of the challenges, opportunities, and strategies today’s leaders are experiencing. It is not being suggested that tomorrow’s leaders would face similar challenges and opportunities as today’s leaders, but the lessons learnt from these experiences would hopefully make them better leaders.

This book has therefore been fortunate in its ability to have attracted interests from scholars writing about CSR from 13 countries’ experiences in terms of Challenges, Opportunities, and Strategies. We were fortunate to have contributions from Austria, Australia, Bangladesh, Brunei, China, Denmark, India, Italy, Nigeria, Romania, Singapore, UK, and USA. It is therefore hoped that the information it contains will be useful to our readers from any sector of society, for example, education, industry and commerce, practitioners, international organizations, governments, and nongovernmental organizations and those who are enthusiastic about the challenges and opportunities derivable from corporate social responsibility.

London, UK — Samuel O. Idowu
Bloomsburg, USA — John O. Okpara
Summer 2013

Acknowledgements

This book would not have been possible without the support of many people. We would first like to thank all the distinguished authors whose highly significant contributions comprise this book. We owe a depth of gratitude to them. We appreciate their commitments and hard work for making the publication of this book a reality. We also want to thank our reviewers, who took the time to carefully read through the manuscript and made corrections, additions, and suggestions. Their efforts undoubtedly improved the quality of the book dramatically.

I would really like to thank Samuel Idowu for providing me with the opportunity to become the coeditor for this book. I appreciate that he believed in me to provide the leadership and knowledge to make this book a reality. Samuel Idowu is a great person and an outstanding scholar; without him, this book may not have been written. Sam and I collaborated to find the other great authors that helped us write this book. In the end, I believe that the team of authors that was chosen provides the perfect blend of knowledge and skills that went into authoring this book in Corporate Social Responsibility.

In addition I would also like to take the opportunity to thank my dear friend and brother John who I also call my dear American friend for agreeing to partner me in this book project; everything went well despite our many professional and life commitments. His professionalism has demonstrated that there are still many reliable and conscientious scholars around.

We are grateful to our publisher Springer for believing in the worth of the book and supporting it, in particular our Publishing Editor Christian Rauscher and his Personal Assistant Frau Barbara Bethke. We appreciate their dedication, commitments, and outstanding contributions to the development and publication of this book.

And finally, we would like to thank our respective families and loved ones for their gracious support, forbearance, and patience during the long hours it took to produce this book. We cannot give back the lost weekends and evenings, but we can gratefully acknowledge your contributions to the success of the end product.

We are aware that a book of this significance cannot be 100 % free of errors or omissions; we would therefore like to apologize for any errors or omissions that may appear anywhere in the book; no harm was intended to anyone.

Bloomsburg, USA John O. Okpara
London, UK Samuel O. Idowu

About the Editors

John O. Okpara is professor and chair of the Department of Management and Marketing at the Bloomsburg University of Pennsylvania. He received his Ph.D. from New York University. His primary research interests lie in the areas of corporate governance, ethics and social responsibility, cross-cultural management, strategic management, international business, entrepreneurship, and small business management. He has published in numerous journals including *Journal of World Business Management Decision, Journal of Management Development, Journal of Business Ethics, Thunderbird International Review, International Journal of Business and Globalization, SAM Advanced Management Journal, Journal of Business & Policy Research, Journal of African Business, African Journal of Business and Economic Research, Journal of Globalization and Small Business, International Journal of Social Entrepreneurship and Innovation,* and *International Journal of Entrepreneurial Behavior & Research, among others*. He is the founding Editor-In-Chief of International Journal of Social, Entrepreneurship and Innovation. He serves on the editorial board of SAM Advanced Management Journal, Corporate Governance, Journal of Management Development, International Journal of Business and Applied Sciences, African Journal of Business and Economic Research, and African Journal of Economic and Management Studies. He is the recipient of several research awards including the prestigious Provost's Award for Excellence in Research/Scholarly Activity; 2007, 2008, 2010, and 2012 outstanding reviewer awards from Emerald's Literati Network, 2012 Emerald Literati Network Highly Commended Award; and 2011 Best Paper Award from the World Business Institute, among others. He is a Visiting Professor of Strategic Management at the University of Warsaw Center for Management Training in Poland. His nonwork interests include spending time with his wife and children, reading, watching African movies, watching the English Premier Football League, and rooting for Manchester City, Chelsea, and Arsenal Football Clubs.

Samuel O. Idowu is a senior lecturer in Accounting at the city campus of Faculty of Business & Law, London Metropolitan University where he was course organizer for Accounting Joint degrees and currently the Course Leader/Personal Academic

Tutor (PAT) for students taking Accounting and Banking degree. Samuel is a Guest Professor at Nanjing University of Finance and 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. Samuel has published about 40 articles in both professional and academic journals and contributed chapters in edited books. Samuel has been in academia for 26 years winning one of the Highly Commended Awards of Emerald Literati Network Awards for Excellence in 2008. 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, 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 was an external examiner at the University of Sunderland, University of Ulster, Belfast, Northern Ireland, and Anglia Ruskin University, Chelmsford, and currently an External Examiner at the University of Plymouth and Robert Gordon University, Aberdeen, Scotland. He was the Treasurer and a Trustee at Age *Concern*, Hackney, East London, and he is on the Editorial Advisory Board of the Management of Environmental Quality Journal and the International Journal of Business Administration. 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 edited several books in the fields of CSR and Forensic Accounting and was the Editor-in-Chief of Springer's Encyclopedia of Corporate Social Responsibility. He is a series Editor for Springer's books on CSR, Sustainability, Ethics and Governance.

Challenges, Opportunities, and Strategies of CSR: An introduction

Corporate leaders of the twenty-first century have a lot to contend with in their struggle to lead sustainably, but whether they like it or not sustainably they must lead! The path that leads to sustainable leadership is very rough; indeed, there are many challenges and of course several opportunities along the way. How do twenty-first century leaders overcome these challenges and take advantage of the many opportunities they invariably come across during the process of leading their corporate entities in this modern age? This is basically the question the chapters in this book have set out to provide answers to and we believe that this objective has been satisfactorily met.

Corporate socially responsibility has drastically transformed corporate entities of the twenty-first century in the way they conduct their business practices and function in the social environment where they operate. Issues which did not matter some 30 or 40 years ago are now core issues to be included in corporate strategies when running or leading corporate entities in our world today, regardless of whether the entity in question is profit or not profit seeking, large or small, or national or multinational.

Corporate managers of today are too aware that they will not be judged by their stakeholders only on the basis of their financial performance. In fact it has been argued that a too profitable business is likely to be socially irresponsible as it would have ignored many of its social responsibilities to its stakeholders and not addressed them properly. In the same token, an unprofitable business in today's world is a socially irresponsible business since the responsibilities of a business are embedded in the 3 Ps—People, Planet, and Profit.

The still lingering global financial crisis has actually driven home the point to all and sundry that reckless and irresponsible acts by some business leaders in one particular nation could lead to serious global devastating consequences. We have had to live with the evidence of this since 2008 or perhaps a bit earlier. We can no longer continue to act irresponsibly and hope that everything will be alright; everything will not be alright and life will become tougher for everyone. Corporate leaders worldwide would acknowledge that things have been more challenging for them following the aftermath of the events that caused the crisis, but the concept of

CSR has lightened many of their heavy burdens. This probably is the case with those leaders who knew how to take advantage of the opportunities CSR has for them. Those who still erroneously believe that CSR is an add-on activity would have many different tales to tell.

Over the last few years, many corporate entities around the world have identified the value creation ability of CSR and have started to weave the so-called triple bottom-line idea—economic, social, and environmental (ESE) considerations in to their strategy. The pace of advancement in CSR depends on several factors, e.g., which continent you operate from, the view of the leader of the entity about CSR, and a host of other factors. Of course, what constitutes CSR actions as noted in the *Global Practices of CSR* (the first book in a series of books on CSR, Sustainability (S), Sustainable Development (SD), Ethics (E) and Governance (G)) depends on a series of factors and circumstances. Interestingly, several scholars and authors have identified different issues that fall within the domain of CSR for instance. Kotler and Lee (2005) have categorized the following initiatives as issues falling within CSR activities:

- Issues that contribute to community health
- Issues that encourage safety
- Issues that enhance education
- Issues that improve employability
- Issues that enhance the quality of life in the natural environment
- Issues that enhance community and economic developments
- Issues that facilitate the provision of basic human needs and desires

***Source*: Idowu (2010).**

These aforementioned issues fall either under internal or external CSR; needless to say, internal CSR relates to actions taken by an entity to address CSR-related issues of its internal stakeholders whilst external CSR are issues relating to an entity's external stakeholders. Corporate entities of today have realized that both classes of stakeholders have enormous power to affect their success or failure in both the marketplace and community; they therefore no longer take issues which affect these stakeholders lightly.

To argue that whether a business survives or fails depends on its leader is actually noting the obvious, the leader makes or breaks her organization. A good and responsible leader makes her organization to survive and prosper. Some of the ingredients required to make the organization successful are derivable for the relationship the organization has with society. This is because in today's world it has been understood that society and business are interwoven. Business can no longer operate successfully without society and conversely society will find it difficult, if not totally impossible, to function effectively without business. That the two are interdependent may appear too simplistic an argument, but that is the state of play in our world today. It therefore follows that what is needed in order for the two to coexist in harmony is really not confrontation or any form of coercing by NGOs or some other activist groups, but an atmosphere that creates the opportunity for a deep understanding between the two. Of course some may argue that the laws of economics may make what is being suggested here difficult. They may argue further that the more business provides in order to satisfy society's social, economic, and environmental (SEE) concerns, the more society will demand from business; they are probably right, but these two editors do not concur with this baseless argument. Society owns corporate entities, whether or not they want to accept it, albeit, this ownership may not be direct in the same sense as primary stakeholders such as shareholders, employees, or creditors. It is therefore in society's best for business to continue to thrive and prosper; it is through this that prosperity pervades the community. The general acceptance of CSR globally has taken the debate on the interrelationship between the two beyond the level of whether or not society has a say in what is going on inside the walls of a corporate entity in terms of how the entity deals with or interacts with its surrounding community. If one agrees with this argument, then the argument that the more is provided by business the more is demanded no longer holds. The mutual understanding between the two has gone beyond this level Idowu (2010).

This book, *Corporate Social Responsibility: Challenges, Opportunities and Strategies for Twenty First Century Leaders*, provides an insight into what challenges and opportunities twenty-first century managers need to consider when formulating their strategies in this modern era. Senior corporate leaders of our time have understood the value-adding benefits derivable from being socially responsible. Apart from that, scientists, NGOs, stakeholders, governments, etc., are requesting that corporate leaders should take a lead in transforming their organizations into being socially responsible not only for this generation but because of future generations of living creatures. Any drive to be socially responsible should begin from the board room—senior decision makers of the organization and then filter through to those below them. This can only be good for our world. The argument that "of course we have paid our taxes, why should we bother" died many years ago; modern businesses are expected to help find innovative solutions to solving our social and environmental problems regardless of whether or not they created them in the first place.

The book has been fortunate in the sense that it was able to attract contributions from thirteen countries from around the globe. The views expressed by these respectable scholars are theirs and not that of the organizations they work for or represent, but these are serious views on how current and future leaders in the twenty-first century could improve their understanding of issues relating to CSR.

The book has been divided into four parts, each part focusing on different CSR issues as they affect the core themes of the title of the book: Challenges, Opportunities, and Strategies. Part I—Conceptual framework of CSR which includes decision making and managerial competence—comprises of five chapters, Part II—Global Challenges and Opportunities—is made up of three chapters, Part III—Sustainability: Implementing CSR in MNCs,/MNEs, SMEs, and Family Businesses in four chapters, and Part IV—CSR in Higher Education Institutions around the world—completes the book with four chapters.

In the very first chapter entitled '*Corporate Social Responsibility: A review of the concept analysis of the business case for CSR in the Twenty first century*' the two editors reviewed the concept of corporate social responsibility (CSR) with a view to explaining its meaning and component parts, and examining the business case for corporate social responsibility. They argued that the business case for CSR refers to arguments made in support of the reasons why businesses accept and advance CSR activities. The business case they also noted is concerned with CSR benefits to corporations and particularly with the bottom-line financial gains for businesses introducing CSR activities into their operational activities. The two editors also provided some conceptual definitions of CSR as well as arguments that have been advanced in favor of the notion of business assuming any responsibility to society beyond profit seeking and maximizing its own financial well-being for its shareholders.

In Chap. 2 on *The Ethical Foundations for CSR*, Claus Stue Frederiksen and Morten Ebbe Juul Nielsen discuss the ethical foundation of CSR using three approaches, namely, instrumental, ethical, and hybrid approaches. They argue that the ethical approach is the best of them all. The chapter also explores three of the most influential ethical theories with their key principles. These two scholars were also able in the chapter to consider ethical challenges for CSR whilst asking the question: whether or not companies should just avoid doing harm or should naturally do good in everything they do.

In Chap. 3 by Martin Brueckner, Anthea Wesley, Christof Pforr, and Diana MacCallum entitled "*Corporate Social Responsibility: A governable space*" note that the rise in the discourse and practice of CSR has largely been driven by a dominant business case logic. These scholars argue that the concept of CSR is more complex, loaded, and problematic than it is often acknowledged in mainstream literature. The chapter notes that CSR should be situated within a relational space, and this should enable CSR to be deconstructed at the level of the political economy, they argue.

Ruhul Amin and Quanxin Zhang in Chap. 4 on *"Emotional Intelligence, Intelligence Quotient and Competence: Towards a comparative model of China and Bangladesh"* use EI and IQ which when combined determine managerial competence in problem solving. The chapter tests four hypotheses using data from a study in China and Bangladesh in order to provide a model on managerial effectiveness. The study uses seventy-eight entry- to middle-level managers in Bangladesh and 52 from 26 different organizations in a province in China in the comparative study to provide reliable indices on EI, IQ, and Employee Development concepts.

In Chap. 5 entitled *"Confucius Teachings and Corporate Social Responsibility"* by Patrick Low and Liong Ang argue that insufficient attempts have been made by business managers, government leaders, and academics to address CSR challenges of our time from the global perspectives. These inadequate attempts have failed us all and hence the reason why the following problems pervade our world: global warming, executive greed, ageism, financial crisis, money laundering, terrorism corporate scandals, and many others. The chapter notes that perhaps global entities should go back to the drawing board in order to remodel the CSR strategies in terms of the Confucius doctrines which lay emphasis on social obligations, ethical decision making, positive business dealings, harmonious relationships, and the values of education.

Jean D. Kobongo and John O. Okpara in Chap. 6 entitled *"Environmental performance: the impact of R& D intensity of firms' environmental concerns"* investigate the relationship between Research and Development and firms' environmental concerns conceptualized as negative environmental externalities resulting from manufacturing activities . The study uses a large sample of US firms from different manufacturing industries over a period 1991–2009 and notes that environmental concerns decrease with R&D intensity expenditures at the firm level.

In Chap. 7 entitled "*CSR Life cycle exploration*" Catalina Sitnikov argues that the concept of CSR has continued to develop dynamically in societies around the globe. The chapter notes that CSR will be a continuously changing issue in both theory and practice; to this end, the author notes that understanding CSR life cycle would contribute to knowledge immensely. The chapter explores the vision of CSR as a managerial and academic concept from companies' perspective. The chapter traces back the root of CSR in the USA from late 1800s.

John Okpara and Jean Kabongo in Chap. 8 entitled "*Corporate Leaders' Perception about CSR: An exploratory analysis*" examine how a sample of African corporate leaders perceive CSR through a survey and personal interviews. The study notes that the respondents were able to identify a range of parameters and stakeholders pertaining to CSR; actual practice of CSR tended to revolve around its philanthropic dimension. The authors note that corporate leaders in Africa were motivated by different factors to practice CSR, which the two scholars saw as being driven by either a proactive, accommodative, or reactive approach.

In Chap. 9 of the book, entitled "*CSR—oriented SMEs: A question of entrepreneurial virtues in action? Reflections in theory and practice*," Mara Bel Baldo poses a few searching questions about CSR in small and medium sized enterprises. The chapter provides answers to the following relevant questions. Does an adhesion to the philosophy and to the practice of CSR arise from entrepreneurial virtues? How are entrepreneurial values and attitudes influenced by (and derived from) entrepreneurial virtues? Starting from these research questions the chapter describes, after an analysis of the literary framework on business ethics and CSR in SMEs, the principal findings that have emerged from a qualitative investigation focused on a multiple case study relative to two Italian SMEs, in which the entrepreneurs' objectives comply with both economic and social issues which are inspired by virtues. Empirical analysis highlights the importance of transcendental values (virtues) which lie at the bases of the choices and decisions made by top management heads. Such values are transferred to the entire organization, thus making the approach towards social responsibility and sustainability authentic and effective.

In Chap. 10 entitled *"Corporate Social Responsibility: A new Paradigm?"* René Schmidpeter describes how CSR has developed from single issue engagement and legal compliance measures to explicit responsibility management. This scholar notes that the central point is no longer a question of how profits will be put to use, but rather how they are made in the first place. The chapter describes how CSR 2.0 has now graduated to CSR 3.0-sustainable entrepreneurship.

In Chap. 11 entitled *"Corporate Social Responsibility implementation in the EU and USA: The trend and the way forward"* Mia Rahim and Nakib Nasrullah note that, globally, the core principles of CSR are gradually being integrated into political and corporate goals. The chapter explicates the trends in implementing CSR principles in the EU and USA. It argues that companies in the developed economies use different mix of strategies to incorporate CSR principles in their self-regulatory mechanisms.

The Chap. 12 by Monica Singhania et al. entitled "*Corporate Social Responsibility: An Indian Perspective"* notes an increase in emphasis on CSR following a series of corporate frauds and failures worldwide. The chapter presents a comprehensive analysis of corporate social responsibility practices and issues arising from it from the Indian domain, tempered with an international perspective. It analyzes the various implications of the wide-ranging definitions of the term "CSR" and determines what it takes to become a "socially responsible" company. The chapter also discusses the evolution of CSR in India which it divides into four phases.

John Okpara et al. in Chap. 13 entitled *"Corporate Social Responsibility in Business Education: A review of the current status of American Business School Curriculum*" investigate the extent to which CSR has been incorporated into MBA courses in business schools in the USA. The chapter affirms that MBA graduates are tomorrow's managers and leaders which invariably means that they would have a big say in how corporate entities of the future practice and implement CSR strategies and sustainability. This chapter undertakes an exploratory analysis of MBA curriculum at the top 50 business schools in the USA. These scholars study reveals that a high percentage of business schools in the USA include CSR-related subjects in their curriculum. CSR content is taught as either specific CSR subjects (stand-alone CSR subjects) or as part of various subjects on the academic curriculum (embedded CSR subjects). While at first sight these findings may seem promising, a more detailed analysis shows that few MBA curricula include stand-alone CSR subjects and that although many MBA programs have embedded CSR subjects, the content of CSR at most MBA schools is by no means fully developed.

In Chap. 14, Olanrewaju Samson Ibidunni takes on the issue of CSR in Higher Education Institutions in Africa's most populous state—Nigeria with a chapter titled "*Corporate Social Responsibility in higher education institutions in the development of communities and society in Nigeria"* The chapter explores the roles being played by higher education institutions in the development of the communities and society at large in Nigeria. The scholar selected some Federal (central government owned), States, and Private Universities that have drawn so much benefits from the environment and included them in the study. The literature revealed that higher institutions in Nigeria are endemic with corrupt practices, tribal and ethnic sentiments, and individual academic pursuits of goals rather than empowering the Nigerian society with their research findings, teaching, and community services. Some variables used included land acquisition, labor workforce, and annual financial votes from the government purse. Models and theories related to corporate social responsibility were employed. The findings from the study revealed that the development ascribed to the communities and society is hardly traced to the scholarly contributions of institutions, and only a few people are aware of the relevance of the institutions in terms of social development contributions. The chapter concludes that community services, research findings, and teaching of the higher institutions should impact positively on the environment, people, and society, in other words—stakeholders.

In the penultimate chapter on *"Management and policy process in Adult Education: Leadership implications to corporate social responsibility in Higher Institutions"* William Obiozor and Vivian Nwogbo argue that, globally, the management and policy process of adult education target the identification of felt needs and their applications for future development of the sector in any nation. There is a pressure on the stakeholders, including corporations to support education alongside the government provisions. This includes the demand by adult education advocates for effective policy and information on adult education programs which are needed to contribute effectively to national productivity and leadership development in all sectors of the economy. These authors in the chapter highlighted the CSR challenges facing the educational leadership of Nigeria and made suggestions on ways government, NGOs, and corporations could work together to support education beyond the twenty-first century.

In the final Chapter on *"Ethics in American Universities: A review of ethics teaching in Business Schools Accounting programs"*, Nicholas Koumbiadis and John Okpara note that the corporate scandals of the late 1990s and early part of this century have led to a decline in the public's trust of the accounting profession. This they argue has resulted in the government, corporations, and universities taking a conscious attempt to rebuild that trust through a number of methods, such as passing laws requiring better regulation and more disclosure as well as requiring improved ethics education for future accountants. The chapter focuses on this latter issue. This latter issue has also led to the call that some type of integration of ethical education among accounting students should be added to the curriculum.

A careful read through of the issues highlighted in this introductory chapter to each of the 16 chapters which make up the book should hopefully have revealed that these chapters have one common theme and message: that CSR is not something that should be treated as an add-on activity; it is an important core business activity. Modern corporate entities have come to realize that long-term economic growth and success would be far too difficult to achieve if they were perceived by all and sundry to be socially irresponsible. Success is no longer measured only in terms of the bottom-line results or share prices on the stock market; in any case a company that is perceived to be socially irresponsible would have a poor bottom-line result and lower share price at the stock exchange. It is now no longer a case (as was previously believed) that it's only society which benefits from corporate entity's

CSR actions, but the entity actually helps itself to operate sustainably and consequently do well because of its triple bottom-line actions Elkington (1997). CSR would in fact make survival and prosperity in any market especially the global market a lot easier to come by when corporate responsibility initiatives are embedded in corporate strategies.

London, UK Samuel O. Idowu
Bloomsburg, USA John O. Okpara

References

Elkington, J. (1997). *Cannibals with forks: The triple bottom line of 21st century business*. Oxford: Capstone.

Idowu, S. O. (2005). Corporate social responsibility: What's it really about? *Accountancy Ireland, 37*(4), 86–88.

Idowu, S. O. (2010). Professionals' perspectives of CSR: An introduction. In S. O. Idowu & W. Leal Filho (Eds.), *Professionals perspectives of CSR*. Berlin: Springer.

Idowu, S. O., & Leal Filho, W. (2009). *Global practices of corporate social responsibility*. Berlin: Springer.

Kelley, T., & Littman, J. (2001). *The art of innovation*. London: Harper Collins.

Kotler, P., & Lee, N. (2005). *Corporate social responsibility*. Hoboken, NJ: John Wiley.

Lantos, G. P. (2001). The boundaries of strategic corporate social responsibility. *Journal of Consumer Marketing, 18*(7), 595–612.

Contents

List of Contributors

M Ruhul Amin is a professor of management at Bloomsburg University of Pennsylvania, USA. He has been at Bloomsburg University since 1986. He has published numerous scholarly papers in many business journals of national/international reputation. He is the managing editor of International Journal of Business and Applied Sciences (IJBAS) and President of Business and Applied Sciences Academy of North America (BAASANA). In the past he had served on many academic/administrative positions such as Department Chair, Director, and Dean of graduate Studies and Research. Since 2008 Dr. Amin has been serving as a senior Fulbright Management Specialist for a period of 5 years. In this capacity he provided management services to the Government of Thailand recently.

Sik Liong Ang is a lecturer in Business at the University Brunei Darussalam. He has over 30 years of work experience with an oil and gas industry in Brunei. His PhD thesis is on Confucian leadership and management and he also participates in research studies on knowledge management and e-government.

Mara Del Baldo is an Assistant Professor of Small Business Management at the University of Urbino, Italy. Moreover she teaches Financial Accounting at the Department of Economics, Society and Politics at the same University. Her main research interests are in small business economics and management with particular focus on Corporate Social Responsibility and small entrepreneurs/SMEs' business ethics; entrepreneurial values and attitudes as drivers for the diffusion and implementing of CSR and sustainability in SMEs; SMEs strategies of qualitative development; networking processes and networking strategies for the development of SMEs; and Social and Environmental Accounting Research (SEAR). She is currently involved in diverse researches and projects on those topics. She is member of European Council for Small Business (ECSB); Centre for Social and Environmental Accounting Research (CSEAR), University of St Andrews, Scotland; EBEN Italia (European Business Ethics Network); and Editorial Board Member of several journals including the following (International Journal

Piccola Impresa/Small Business; International Journal of Society Systems Science; Journal of Business Administration Research (JBAR); and International Journal of Business and Management) as well as reviewer for different international journals. She has published in Italian and foreign journals as well as in national and international conferences proceedings.

Martin Brueckner is a lecturer at the Institute for Social Sustainability at Murdoch University, Western Australia. His research focuses on industry–community relations, corporate social responsibility, and sustainable communities through a social and environmental justice lens.

Claus Strue Frederiksen is a postdoctoral fellow in the Department of Media, Cognition and Communication at the University of Copenhagen. Frederiksen holds a Master's degree and a Ph.D. in philosophy from the University of Copenhagen, specializing in corporate social responsibility, political philosophy, and business ethics. He is the author of several articles about ethics and corporate social responsibility published in international journals and books.

Olanrewaju Samson Ibidunni holds B. Sc. (Hons.) Business Administration, M.Sc. Marketing, and Ph.D Marketing. A Fellow of the National Institute of Marketing of Nigeria since 2003, he possesses 33 years experience in the practice and teaching of marketing. Out of this period, he served 18 years with a cognate experience in sales and marketing/marketing research at Unilever Nigeria Plc, Portland Organization, International Data Management Service Limited (Tower Group), and Doyin Group of Companies at management levels. Since 1999, Ibidunni, Olanrewaju Samson joined Lagos State University as an Academic until 2005 when he joined Covenant University, Business Studies Department. He has published in reputable local and international journals and authored three renowned textbooks: (1) Marketing Management, Practical Perspective, first published in 2004, (2) Marketing Research for Excellence in 2010, and (3) Competitive Marketing, Concept, Theories and Strategies (International).

Apart from researching, teaching, and community service, Ibidunni, Olanrewaju Samson has been involved in project/dissertation supervision at Ph.D, Master's, and Undergraduate levels both at Lagos State University and Covenant University, Ota.

Presently, he is the Head of Department, Business Management at Covenant University, Canaanland, Ota. The department is presently housing three programs of Business Administration, Industrial Relations & Human Resource Management and Marketing.

It could be of interest to know that Ibidunni, Olanrewaju Samson also holds Bachelor Degree in Theology (B.Th, 1999). His wife, a mathematician, Deaconess Mopelola Morounmubo Ibidunni and himself are "Speakers" of the "Word" first in Foursquare Gospel Church in Nigeria/Divine Success Apostolic Ministry (Soul Winning Ministry). Their four children are all University graduates and graduate students in different fields of endeavors. Ibidunni, Olanrewaju Samson and his wife have two standing Local Foursquare Gospel Churches to their credit; and their four children are also wonderful Vessels in the Vineyard of the Lord.

Samuel O. Idowu is a Senior Lecturer in Accounting at London Metropolitan University, UK. He researches in the fields of Corporate Social Responsibility (CSR), Corporate Governance, and Accounting. Samuel is as Guest Professor at Nanjing Univeristy of Finance and Economics, China. He has led several edited books in CSR and is the Editor-in-Chief of two Springer's reference books—Encyclopedia of Corporate Social Responsibility and Dictionary of Corporate Social Responsibility (forthcoming). He is a Series Editor for Springer's CSR, Sustainability, Ethics and Governance books. One of his edited books was ranked 18th in 2010 Top 40 Sustainability Books by *Cambridge University, Sustainability Leadership Programme*. He is on the Editorial Boards of International Business Management Journal and Management of Environmental Quality: An International Journal.

Jean D. Kabongo is an Assistant Professor of strategic management and entrepreneurship at the College of Business at the University of South Florida, Sarasota-Manatee. His current research focuses on corporate governance, environmental, and financial performance; sustainable entrepreneurship; and entrepreneurship education in developing economies. His work has been published in academic journals such as *Journal of Business Ethics*, *Business Strategy and the Environment*, *International Journal of Sustainable Strategic Management*, *VertigO*, *Revue Française de Gestion, Journal of World Business, International Journal of Business and Globalisation*, *SAM Advanced Management Journal*, *and African Journal of Business and Economic Research*. He holds a PhD in management from Université Laval, Canada.

Nicholas J. Koumbiadis is an assistant professor of accounting at Adelphi University located in New York, USA. Professor Koumbiadis holds degrees of BBA, MBA, and DBA in accounting. His research interests are in the areas of ethics and accounting theory. He has published several peer-reviewed papers and book chapters in US and international journals. In addition, he is a partner in NJK Associates, LLC located in New York, a public accounting firm. Dr. Koumbiadis currently serves on several editorial boards of international journals.

Kim Cheng Patrick Low Ph.D. (South Australia), Chartered Marketer, Certified MBTI Administrator, and Certified Behavioural Consultant (IML, USA), brings with him more than 21 years of combined experience from sectors as diverse as the electronics, civil service, academia, banking, human resource development, and consulting. During his consultancy days, his MNC and local corporate clients from Asia-Pacific include from manufacturing, electronics, IT, retail, engineering services, hospitals, hotels, banks and financial institutions, as well as the public sector. The once Visiting Professor, Graduate School of Business, University of Malaya (Jan to Feb 2007), Prof. Dr. Low was the Deputy Dean, Postgraduate Studies & Research, teaching in University Brunei Darussalam (2009). He teaches the graduate students/MBA in Organisational Behaviour, Managing Negotiations, and Leadership and Change Management and the undergraduates in Leadership Basics, Challenging Leadership, Business and Society, Issues in Organizational Leadership, Organization Analysis & Design, and Organization Development & Change. The former Associate Dean, Director of Career Services and Chair of the Management and Marketing Department of a University in Kazakhstan (2004–2006) focuses on leadership/human resource management and behavioural skills training covering areas like negotiation/influencing, leadership, and behavioural modification. An academician-practitioner, a prolific author (author of 12 books including bestsellers (*Strategic Customer Management*, 2006, 2002, 2000—one of Borders' top ten in 2001/2002, *Sales Success*, 2006, 2003; *Team Success*, 2003 and *The Power of Relationships*, 2001), his most recent books include *Leading Successfully In Asia* (Springer, 2013), *Successfully Negotiating In Asia* (Springer, 2010), and *Corporate Culture and Values—Perceptions of Corporate Leaders of Cooperatives in Singapore* (VDM-Verlag, 2009). A business coach, Prof. Dr. Low is the founder of BusinesscrAFT™ Consultancy and he previously served as an examiner for University of South Australia's DBA and Ph.D. candidates (2003 to October 2006); presently, he has been appointed as the supervisor for its DBA candidates. Besides his experience in academia, training, and consulting, Prof. Dr. Patrick Low has held positions in regional human resource development (HRD). He has been the Senior Training Manager (Asia Pacific Region) in Standard Chartered Bank where he was responsible for regional management training and development, marketing of HRD services, and management succession.

Diana MacCallum lectures in Urban and Regional Planning at Curtin University, Western Australia. Her research interests center on urban development in its social aspects: governance practices, policy discourse, politics, grassroots action, and community development.

Nakib Mohammad Nasrullah is an Associate Professor in the Department of Law at the University of Dhaka. He did his LLB with Honours and LLM from the University of Dhaka; LLM in International Law from the University of New South Wales with a University Development Scholarship; M.Phil. in CSR from Macquarie University with a Australia Leadership Award. Currently he is perusing his doctoral research in Macquarie Law School at Macquarie University with a Research Excellence Scholarship. Corporate social responsibility and legal issues in foreign investment are his main areas of research.

Morten Ebbe Juul Nielsen is an Associate Professor at the Philosophy, Humanities/Institute for Food and Resource Economics/Science, Copenhagen University in Denmark. Has written on a broad range of issues in business ethics, bioethics, political, and moral philosophy.

Vivian Ngozi Nwogbo is an associate professor in the Department of Educational Management and Policy, Faculty of Education, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria. She was the Sub-Dean of the Faculty of Education (2010–2012) and currently the Head of Department of Educational Management and Policy, Nnamdi Azikiwe University, Awka. She is the Managing Editor, Journal of Educational Management and Policy, UNIZIK Awka, and has served as Editor in many journals. She has published widely in many reputable journals nationally and internationally. Dr. Nwogbo has also written some book chapters.

Williams Emeka Obiozor is a motivational speaker, freelance journalist, and the Editor-in-Chief, International Journal of Education, Science and Public Policy in Africa (IJESPPA) USA; former Editor-in-Chief, African Journal of Teacher Education (AJOTE) published in Canada (2008–2010). Dr. Obiozor is currently a Senior Lecturer in Adult Education and also the Deputy Coordinator, Collaborative Linkages for the Americas and Canada, Nnamdi Azikiwe University, Awka, Anambra State—Nigeria. He taught for more than a decade in American Universities and Colleges at both graduate and undergraduate levels in special education, literacy, and vocational and transition services. A widely traveled and published author; his research papers, articles, critiques, commentaries, features, and general interest contributions have appeared in many local and international Journals, newspapers/magazines, and conference proceedings, including some book chapters. He has authored three adult literary books, with new release- *Globalization of Adult Education: Theories and Strategies for Instructors with Uche J. Obidiegwu* will be published in September 2013 by ONEStreet Books.

John O. Okpara is professor and chair of the Department of Management and Marketing at the Bloomsburg University of Pennsylvania. He received his Ph.D. from New York University. His work has been published in academic journals such as Dr. Okpara's research has appeared in publications such as the *Journal of World Business Management Decision, Journal of Management Development, Journal of Business Ethics, International Journal of Business and Globalization, SAM Advanced Management Journal, Journal of Business & Policy Research, Journal of African Business, African Journal of Business and Economic Research, Journal of Globalization and Small Business, International Journal of Social Entrepreneurship and Innovation, and International Journal of Entrepreneurial Behavior & Research*, *among others*. Dr. Okpara is the recipient of several research awards including prestigious Provost's Award for Excellence in Research/Scholarly Activity.

Christof Pforr is an Associate Professor in the School of Marketing at Curtin University, Western Australia. His research interests include tourism policy and planning, sustainable development, as well as destination governance with a specific focus on network management and network analysis.

Mia Mahmudur Rahim is a lecturer at QUT Business School at the Queensland University of Technology, Australia. He obtained his LLB with Honours and LLM from Dhaka University; LLM in International Economic Law from Warwick University as a Chevening Scholar; MPA from LKY School of Public Policy with NUS Graduate Scholarship; and PhD from Macquarie University with the Research Excellence Scholarship. Before he joined academia, he was a lawyer and a Deputy District and Sessions Judge in Bangladesh. He also worked for the Law Commission and the High Court of Bangladesh. He is a member of the Center for Legal Governance of Macquarie University and Technical Committee for Asian Consumer Protection Research Network. His interests include research and consultancy, preferably on issues related to state, market, and regulation.

J.Yagnesh Rohit is currently doing his Bachelors in Electrical and Electronics Engineering, along with his Masters of Science in Economics from Birla Institute of Technology and Science (BITS) Pilani University, India. Yagnesh's main interests lie in corporate finance, corporate management strategies, cost accounting, and investment management. He has also coauthored a paper entitled "Working Capital Management and Profitability: Evidence from Indian Manufacturing Companies".

René Schmidpeter Is the scientific head of the "Zentrum für humane Marktwirtschaft" (Centre for Humane Market Economy) in Salzburg and teaches Corporate Social Responsibility at universities both in Austria and abroad. Together with colleagues, he has authored many publications on the topic of CSR such as "Social Innovation" (2013), "Corporate Social Responsibility—Verantwortungsvolle Unternehmensführung in Theorie und Praxis" (2012), "Handbuch Corporate Citizenship" (2008), and "CSR across Europe" (2005).

Navendu Sharma is currently pursuing his Bachelors in Electronics and Communications Engineering along with his Masters of Sciences in Economics from Birla Institute of Technology and Science (BITS) Pilani University, India. He has a keen interest in the fields of corporate finance and corporate management strategies. He has coauthored two research papers. His research paper entitled "Testing the Pecking Order Theory on Select Indian Corporates" was adjudged the Best Paper at the 12th International Conference on Global Contemporary Issues, Innovations and Future Challenges in Business, IT & Management.

Monica Singhania is an Associate Professor, Faculty of Management Studies (FMS), University of Delhi. She is a graduate from Shri Ram College of Commerce, postgraduate from Delhi School of Economics and a Fellow Member (FCA) of the Institute of Chartered Accountants of India. She has the distinction of being placed in the merit list of the examinations conducted by both the University as well as the Institute. She has been awarded Ph.D. in the area of corporate finance and taxation from the University of Delhi. She is the author of seven books on direct tax laws and several research papers published in leading journals. She teaches management accounting, management control systems, project management, and corporate taxation to MBA students at FMS.

Catalina Soriana Sitnikov in 1995 graduated from the Faculty of Economics, University of Craiova, Romania, with major in Informatics applied to Economy. In 1996, Catalina received a Master's degree in Human Resources and in 2000 she received her PhD in Management. Since 1995—present, she has held a teaching and researching post in the Faculty of Economics and Business Administration, University of Craiova, on topics such as Quality Management, Strategic Management, Management, and Corporate Social Responsibility and cooperating within projects with national and international Universities and Organizations. Between 2001 and 2003 she was a Visiting lecturer and researcher at Helsinki University Lahti Center, teaching Benchmarking and developing projects with partners from Japan, China, USA, Spain, Portugal, and France.

Anthea Wesley is a doctoral student nearing completion of her dissertation at Curtin University. Her research focus is situated under the broad scope of industry–political–community relations across the resources and tourism industries. Her research interest has necessarily become multidisciplinary exploring literatures in business, geography, and philosophy, such as corporate social responsibility, governmentality, spatiality, and discursive power.

Quanxin Zhang (Tracey) is an associate professor at the School of Management, Shandong University of China, Shandong, People's Republic of China. Her teaching and research interests are in the areas of Management and Information Sciences. Recently she was the recipient of China Central Government Scholarship and served 1 year as a research fellow at Bloomsburg University of Pennsylvania, USA, under the supervision of Dr. M. Ruhul Amin, Professor of Management.

Part I
Conceptual Framework of CSR

Chapter 1
Corporate Social Responsibility: A Review of the Concept and Analysis of the Business Case for Corporate Social Responsibility in the Twenty-First Century

John O. Okpara and Samuel O. Idowu

Abstract This paper reviews the concept of corporate social responsibility (CSR) with a view toward understanding its meaning and component parts, and examines the business case for corporate social responsibility. The business case for CSR refers to arguments made in support of the reasons businesses should accept and advance CSR activities. The business case is concerned with CSR benefits to corporations, and particularly with the bottom-line financial gains for businesses pursuing CSR activities. In developing this paper, we provided conceptual definitions of CSR as well as arguments that have been made in favor of the notion of business assuming any responsibility to society beyond profit-seeking and maximizing its own financial wellbeing for its shareholders.

1.1 Introduction

The concept of corporate social responsibility (CSR) has been the subject of considerable debate among scholars and practitioners. In spite of the ongoing debates as to what it means and what it embraces, it has developed and evolved in both academic as well as practitioner communities around the world. Although the term corporate social responsibility (CSR) is still generally used today, related concepts such as business ethics, corporate citizenship, and corporate social performance are competing to replace it (Carroll & Shabana, 2010). All these terms are

J.O. Okpara (✉)
Department of Management and Marketing, College of Business, Bloomsburg University of Pennsylvania, Sutliff Hall, Room 358, 400 East Second Street, Bloomsburg, PA 17815, USA
e-mail: jokpara@bloomu.edu

S.O. Idowu
Faculty of Business & Law, London Metropolitan University, Calcutta House, Old Castle Street, London, E1 7NT, UK
e-mail: s.idowu@londonmet.ac.uk

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_1,

somehow related in that they contain underlying themes such as community, morals, and accountability (Schwartz & Carroll, 2008). They also refer to the collective of policies, practices, investments, and tangible results deployed and achieved by a business corporation in the pursuit of its stakeholders' interests (Carroll & Shabana, 2010). CSR concept focuses on corporate self-regulation mainly associated with ethical issues, human rights, health and safety, environmental protection, social and environmental reporting, and voluntary initiatives involving support for community projects and philanthropy (Carroll & Shabana, 2010). The need for corporations to be socially responsible has been discussed in the literature and has been a topic of academic study for years (Moir, 2001). This paper is structured as follows: in the first section, we discussed the definition of CSR. In the second section, we analyzed the arguments in support of CSR. Finally, the paper concludes with summary and conclusions.

1.2 What Is Corporate Social Responsibility?

In the last two decades, several definitions of CSR have emerged in management and organizational literature. Corporate social responsibility covers the broad areas of responsibilities corporations have to the societies within which they operate. More specifically, CSR involves a business identifying its stakeholders and incorporating their needs and values within the day-to-day decision-making process. Furthermore, the notion that profit maximization is the only legitimate goal of management has been recognized as one end of a continuum, while at the other end is the recognition that corporations are the trustees of societal property that should be managed for the public good. For example, Friedman (1962) argues that the business of business should remain business, whereas Abrams (1954) speaks of a firm's responsibility to maintain an equitable and working balance among the claims of the various groups such as employees, customers, and the public at large. Other scholars such as Fredrick (1994) argue that profit maximization should not be the only legitimate goal of business. Fredrick (1994) indicates that corporations have an obligation to society other than their shareholders and beyond what is prescribed by law or business contract.

There are several definitions of CSR. However, in this chapter we will touch upon only a few definitions of CSR to illustrate its evolving nature and meaning. Here are some of the most popular ones:

> *The World Business Council for Sustainable Development (WBCSD) defines CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workers and their families as well as of the local community and society at large (WBCSD,* 2012*).*

> *Carroll defines social responsibility of business as encompassing the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll,* 1979*).*

The UK Institute of Directors defines CSR as businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organizations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent to which they attempt to protect the environment (Ruth Lea, 2002).

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

In this paper, we use Carroll's categories of CSR to illustrate the evolving nature and problems of defining CSR. The four dimensions of CSR—defined by Carroll (1979) as economic, legal, ethical, and philanthropic—address the incentives for initiatives that are useful in identifying specific kinds of benefits that flow back to companies, as well as society, in their fulfillment of CSR activities. Carroll's definition of CSR has been successfully used by researchers and practitioners for over two decades; we decided that this might be an appropriate definition to use for the purpose of this paper.

1.2.1 Economic Responsibility of Business

According to Carroll (1979), the economic responsibility of a business is "to produce goods and services that society desires and to sell them at a profit" (Carroll, 1979, p. 500). Carroll claims that by doing so, businesses fulfill their primary responsibility as economic units in society. According to Carroll (1991, p. 41), the profit-making principle was originally set in terms of "acceptable profits"; however, the concept later changed to profit maximization. The principle of profit maximization is endorsed and amplified by the classical economic view led by Milton Friedman (1962), who argues that there is one and only one social responsibility of business, which is to use its resources to engage in activities designed to increase its profits so long as it stays within the rules of the game—which is to say, engages in open and free competition without deception or fraud. Drucker (1954, 2006) presents an alternative perspective within the classical school perspective. He argues that profit performs three main functions. First, it measures the effectiveness of business activities; second, it provides a "risk premium" necessary for the corporation to stay in business; and third, it insures the future supply of capital. Therefore, a profitability objective of a business measures both maximum and minimum profits a company can and must make in order to remain in business (Drucker, 1954, 2006).

Some scholars argue that the principle of maximizing shareholder wealth may not be in the interests of shareholders. For example, Barnett (2007) argues that excessive financial performance may decrease the ability of a company to influence its stakeholders. He explains that doing too well financially can lead stakeholders to perceive that a firm is not doing enough in other areas. He further reasons that excessive profit may give a negative signal to the border stakeholders that indicate that a firm is extracting more from society than it is returning, and can suggest that profits have increased because the firm has exploited some of its stakeholders in order to favor shareholders. This can create a feeling of distrust among stakeholders who are looking to establish or maintain relations with the firm (Carroll & Shabana, 2010).

Although there are differences between these two views in terms of corporate profit, the notion of economic responsibility in terms of financial profit to stockholders is accepted and required by both views. One may even argue that maximizing shareholder wealth in the long run is a fundamental principle that both views agree upon. The real difference could be that the classical economic view ignores the long-term negative effects of the application of the maximization principle. In contrast, the opposite view applies the maximization principle for long-term benefits, which entails that such a principle may be ignored in certain short-term considerations (Carroll & Shabana, 2010).

1.2.2 Legal Responsibility

The legal responsibility of business refers to the positive and negative obligations put on businesses by the laws and regulations of the society in which it operates (Carroll & Shabana, 2010). According to Carroll and Shabana (2010), the legal responsibility of business constitutes the totality of the responsibility of business towards society. With respect to the scope of legal responsibility, some advocate its expansion to encompass more regulation. Proponents of this view assert that regulation is necessary for the fulfillment of CSR. For example, De Schutter (2008) argues that the business case for CSR rests on certain presuppositions about markets and the business environment, which cannot be simply assumed, but should be positively created by a regulatory framework for CSR.

On the other hand, some oppose such claims and state that engagement in CSR activities and management of stakeholder relations should continue to remain voluntary. For example, Phillips, Freeman, and Wicks (2003) reject the claim that stakeholder theory, which contends that firm performance is influenced by the firm's management of its relationships with its stakeholders, promotes expanding or changing laws and regulations. They indicate that stakeholder theory does not require a change in the law to remain viable (Phillips et al., 2003). The two opposing camps continue to present their arguments to justify the need for the expansion or contraction of the legal requirements imposed on business. Supporters of regulation question the ability of the free market mechanism to support CSR activities (Valor, 2008; Williamson, Lynch-Wood, & Ramsay, 2006). They contend that market failure and the business environment are not rewarding firms engaging in CSR activities. In contrast, opponents of regulation argue that the free market mechanism promotes the interest of individuals, and in turn society, by rewarding CSR activities that are actually favored by individuals. Corporate social responsibility activities that are not rewarded by the market are those activities that individuals do not value and are therefore unwilling to support (Carroll & Shabana, 2010).

1.2.3 Ethical Responsibility

Whereas economic and legal responsibilities symbolize ethical norms about fairness and justice, ethical responsibility on the other hand refers to those activities and practices that are expected or prohibited by society even though they are not codified into law (Carroll, 1991). According to Carroll (1991), ethical responsibility represents those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights. The business ethics movement of the past decade has firmly established an ethical responsibility as a legitimate CSR component. This is shown as one of the layers of the CSR pyramid; it must be constantly recognized that it is in dynamic interplay with the legal responsibility category. That is, it is constantly pushing the legal responsibility category to broaden or expand while at the same time placing ever higher expectations on businesspersons to operate at levels above that required by law (Carroll, 1991).

1.2.4 Philanthropic Responsibility

Philanthropic responsibility includes those corporate activities that are in response to society's expectation that businesses be good corporate citizens; this comprises actively engaging in programs to promote human welfare or goodwill (Carroll, 1991). Furthermore, Carroll (1991) includes business contributions to financial resources or executive time, such as contributions to the arts, education, or the community, as philanthropy. Carroll states that a loaned-executive program that provides leadership for a community's United Way campaign is one example of philanthropy. Thus, the difference between philanthropy and ethical responsibility is that the former is not expected in an ethical or moral sense. For example, communities desire corporations to contribute their money, facilities, and employee time to humanitarian programs, but they do not regard the firms as unethical if they do not provide the desired level. Hence, philanthropy is more voluntary on the part of businesses; however, there is always the societal expectation that businesses provide it (Carroll, 1991). According to Carroll (1991), one notable reason for making the distinction between philanthropic and ethical responsibility is that some firms feel they are being socially responsible simply by being good citizens in the community.

Based on the description of CSR outlined above, we next examine the business case for CSR to assist top management in integrating CSR in their organizations.

1.3 Arguments in Favor of CSR

The business case for CSR refers to the justification that the specific benefits to businesses in terms of an economic and financial sense would flow from CSR activities (Carroll & Shabana, 2010). Studies have shown that corporate social responsibility provides measurable benefits to businesses (Kurucz, Barry, & Wheeler, 2008). One of the arguments made in favor of CSR usually begins with the notion that it is in a business's long-term self-interest to be socially responsible (Carroll & Shabana, 2010). Supporters of this view believe that if business is to have a healthy environment in which to function in the future, it must take actions now that will ensure its long-term survival. A second argument in favor of CSR is based on the notion that future government intervention can be avoided if business policies fulfill society's expectations. Another justification for CSR holds that being proactive is better than been reactive, in the sense that anticipation, planning, and initiation are more practical and less costly than simply reacting to social problems once they have appeared (Carroll & Buchholtz, 2012).

1.3.1 Company Reputation and Legitimacy Arguments

Reputation and legitimacy arguments maintain that firms may strengthen their legitimacy and enhance their reputation by engaging in CSR activities (Carroll & Shabana, 2010). Mainlining a good reputation remains an important benefit that affects almost all levels of organizational function. It has been argued that corporate social responsibility programs can effectively build and enhance a firm's reputation (Stephenson, 2009). Stephenson argues that by developing a solid corporate social responsibility program, companies can expand their business, attract new customers, improve shareholder value, and develop better relationships with local communities. Additionally, a firm can achieve a competitive advantage by attracting additional loyal customers because of its positive image.

In addition to CSR activities enhancing a firm's ability to attract new consumers and investors, employees, too, express a preference for working for more socially responsible companies. Smith also argues that strong vendor standards and independent monitoring helps build a firm's reputation and the value of its brand, which are among its most valuable assets (Smith, 2003). An example of a CSR activity directed at developing reputation and legitimacy is cause marketing. Cause marketing is a strategy where, in addition to emphasizing product advantages, product benefits are linked to appeals for charitable giving (Smith & Alcron, 1991).

The benefits of this strategy include creating purchasing incentives and enhancing company and product images. Through cause marketing, companies are able to illustrate that they can, mutually, pursue their profitability goals and meet the needs of the different stakeholders in society. Therefore they are able to demonstrate that they "belong" to society. For example, General Mills Inc., through its subsidiary Yoplait USA Inc., donated $1.5 million to the breast cancer cause through its Breast Cancer Initiative (Yoplait, 2009a). The company donated 10 cents for every "pink lid" that consumers sent to the company as proof of purchase (Yoplait, 2009b). Another example of cause marketing is the buy RED initiative. RED is a simple idea that transforms the incredible collective power of consumers into a financial force to help others in need (RED, 2009). Companies participating in the RED initiative donate 50 % of their profits from the product to purchase and distribute antiretroviral medicine to battle AIDS in Africa (RED, 2009). Both examples illustrate how firms are able to underscore that their pursuit of financial gains is not inconsistent with the pursuit of social goals, but rather that both goals may be pursued simultaneously.

Accordingly, firms succeed in establishing that their pursuit of financial gains is a legitimate pursuit and is not carried out at the expense of social welfare. Corporate philanthropy is another CSR activity that aims to enhance corporate legitimacy and reputation. Chen, Dennis, and Roberts (2008) suggest that corporate philanthropy may be a tool of legitimization. They argue that some firms that have negative social performance in the areas of environmental issues and product safety use charitable contributions as a means for building their legitimacy. Kamens (1985) also argues that firms can use philanthropy to strengthen their legitimacy through managing their local need and creating trust. Corporations can also work to enhance their legitimacy and reputation through disclosure of information regarding their performance on different social and environmental issues (Brammer & Pavelin, 2004). One such disclosure practice is corporate social reporting. Corporate social reporting refers to the issue of stand-alone reports that provide information regarding a company's economic, environmental, and social performance (Carroll & Shabana, 2010). A review of Fortune 500 companies' web sites shows that the majority of information there consists of corporate social reporting. This tends to support the argument that corporate disclosure and social reporting legitimizes firms' stands on society.

1.3.2 Competitive Advantage Argument

The competitive advantage argument contends that by engaging in certain CSR activities firms may improve their competitiveness. Stakeholders currently demand that corporations behave ethically in their dealings with the public as well as engaging in a socially responsible manner. These demands should be seen as opportunities rather than limitations for corporations. Firms strategically manage their resources to meet these demands and exploit the opportunities associated with them for the benefit of the firm. “Competitive advantages” has been cited as one of the top two justifications for CSR in a survey of business executives reported in Fortune (2003). Firms can build their competitive advantage through CSR programs and initiatives by carefully crafting a unique strategy that aligns their corporate strategies with CSR programs. This unique strategy can serve as a basis for setting a firm apart from its competitors and, accordingly, its competitive advantage. For example, Smith (2005) argues that an explicit statement of EEO policies would have additional benefits to the cost and risk reduction, discussed above. Such policies would provide the firm with a competitive advantage because firms without inclusive policies may be at a competitive disadvantage in recruiting and retaining employees from the widest talent pool.

Corporate social responsibility initiatives can also contribute to strengthening a firm’s competitive advantage through enhancing its relationships with its customers. For example, Pivato, Misani, and Tencati (2008) demonstrate that CSR initiatives enhance brand loyalty. In another study, Bhattacharya and Sen (2004) indicate that there is a positive link between CSR and consumer patronage, spurring companies to devote greater energies and resources to CSR initiatives. Corporate social responsibility initiatives were also found to have a positive impact on attracting investment. According to Smith (2005), many institutional investors avoid companies that violate their organizational mission, values, or principles. They also seek to do business with companies that have good records on employee relations, environmental stewardship, community involvement, and corporate governance.

According to Porter and Kramer (2002), a business may gain competitive advantages through CSR, such as its philanthropic activities, when such activities are directed at causes where there is a common interest between the economic gains and the social benefits. For example, Bruch and Walter (2005) argue that companies use philanthropy to enhance their competitive advantage through combinations of market (external) and competence (internal) orientations. Through a market orientation, companies design their philanthropic activities to fit external demands and meet the expectations of key stakeholders. The companies therefore improve their competitive advantage through improved marketing and selling capabilities, higher attractiveness as an employer or better relationships with governmental and non-governmental organizations (Bruch & Walter, 2005). For example, Deutsche Lufthansa AG has improved its relationship with communities within which it operates by operating a community-involvement program (Bruch & Walter, 2005). McDonald’s Corporation has done likewise by supporting Ronald McDonald House Charities as its largest corporate donor (Ronald McDonald House Charities, 2010).

Through a competence positioning, companies can align their philanthropic activities with their capabilities and core competencies. In so doing, they avoid distractions from the core business, enhance the efficiency of their charitable activities, and assure unique value creation for the beneficiaries' (Bruch & Walter, 2005). For example, McKinsey & Co. offers free consulting services to non-profit organizations in social, cultural, and educational fields. Beneficiaries include public art galleries, colleges, and charitable institutions (Bruch & Walter, 2005, p. 50). Home Depot Inc. has been providing rebuilding know-how to the communities victimized by Hurricane Katrina (Home Depot, 2009). Strategic philanthropy, defined as the process by which contributions are targeted to serve direct business interests while also servicing beneficiary organizations (Tokarski, 1999), helps companies gain a competitive advantage and, in turn, boosts their bottom line (Seifert, Morris, & Bartkus, 2003). Corporate philanthropy, in this case, is used as a means of advancing corporate interests. In sum, corporate social responsibility programs enhance a firm's competitive advantage to the extent that they influence the decisions of the firm's stakeholders in its favor. Firms build a competitive advantage by engaging in those CSR initiatives that meet the perceived demands of stakeholders. In other words, one or multiple stakeholders will prefer the firm over its competitors specifically because of the firm's engagement in such CSR initiatives.

1.3.3 Equal Employment Opportunity and Cost Reduction Arguments

CSR activities in the form of equal employment opportunity (EEO) policies and practices can, according to Smith, also enhance long-term shareholder value by reducing costs and risks (2005). Smith contends that explicit EEO statements are necessary to illustrate an inclusive policy that reduces employee turnover through improving morale. Smith's (2005) argument is in line with the contentions of other scholars such as Berman, Wicks, Kotha, and Jones (1999), Robinson and Dechant (1997), and Thomas and Ely (1996) who maintain that the lack of diversity may cause higher turnover and absenteeism from disgruntled employees (Berman et al., 1999). Cost and risk reduction justifications contend that engaging in certain CSR activities will reduce the firm's inefficient capital expenditures and exposure to risks. The principal view that has been expressed by scholars and practitioners is that the demands of stakeholders present potential threats to the viability of the organization, and that corporate economic interests are served by mitigating the threats through a threshold level of social or environmental performance. Cost and risk reduction may also be achieved through CSR activities directed at the natural environment. A number of researchers (Berman et al., 1999; Dechant, Altman, Downing, & Keeney, 1994; Hart, 1995; Shrivastava, 1995) contend that being environmentally proactive results in cost and risk reduction. Berman et al. (1999) states that being proactive on environmental issues can lower the costs of complying with present and future environmental regulations and may enhance firm efficiencies and drive down operating costs. Environmentally responsible commitments may also reduce the negative impact of social concern. For instance, lawsuits filed in 1999 against 27 well-known retailers on behalf of Saipan garment workers demonstrate the business risk associated with inadequate vendor standards (Smith, 2005).

Furthermore, corporate social responsibility activities directed at managing community relations may also result in cost and risk reductions (Berman et al., 1999). Building positive community relationships may contribute to the firm's attaining tax advantages. In addition, positive community relationships decrease the amount of regulation imposed on the firm, because the firm is perceived as a sanctioned member of society. According to Carroll and Shabana (2010), cost and risk reduction arguments for CSR have been gaining wide recognition among managers and executives; for example, in a survey of business executives by PricewaterhouseCoopers, 73 % of respondents indicate that "cost savings" are one of the top three reasons companies are becoming more socially responsible. Cost savings obviously attracts top management attention as a specific bottom-line benefit to CSR (Fortune, 2003).

1.3.4 The Win-Win Argument

CSR programs are beneficial to communities. For example, when a company opens a production or service facility in a community, it will provide employment for individuals in the community as well as for other local businesses in the community. In this way, it is increasing opportunities for local employees to improve their means of living. For example, employees will have more money to spend in the local economy, thus bolstering revenues for business and tax revenues for local governments. By the same token, community CSR programs undertaken by a firm can facilitate further growth of the firm. For example, a location of a computer company in a community may contribute to the development of programs for IT professionals in local communities. This in turn can improve the firm's access to human capital in the community. With more access to human capital, the company will be able to expand its operations and generate more business in the local community. More business should, all things being equal, mean more profit. This will translate into more growth, more tax revenue, and more economic growth in the local community. Thus, while a CSR program developed by a company may not include the local community, the end result can well be an overall improvement in economic health and growth for the community. When placed in this context, it becomes evident that the development of CSR programs creates a partnership between the firm and the community in which it operates. While the reality might be that even if the intentions of firm's CSR program is not aimed directly at the community, but rather for the long-term improvement of the firm, the community will nevertheless receive a number of pertinent benefits as well. More tax revenues generated by the firm will result in more funding for community programs that will benefit residents. Further, the organization will be able to offer more jobs and a stable source of employment for community members. Overall, indirect benefits of CSR have critical importance for the development of the community as well as the success of organizations.

1.4 Summary and Conclusions

The rationale for the business case for CSR can be categorized under the following arguments: (1) company reputation and legitimacy, (2) equal employment opportunity and cost and risk reeducation, (3) competitive advantage, and (4) creating win–win situations through synergistic value creation. To summarize, proponents of cost and risk reduction arguments suggest that CSR allows a firm to take advantage of tax benefits or avoid strict and excessive government regulations, which would lower its operating cost. The firm in turn may also lower the risk of opposition by its stakeholders through CSR activities. Those in favor of legitimacy and reputation arguments hold that CSR activities may help a firm strengthen its legitimacy and reputation by demonstrating that it can meet the competing needs of its stakeholders, and at the same time operate profitably in a global business arena. A firm therefore would be perceived as a member of its community, and its operations would be endorsed by the community at large. Competitive advantage arguments contend that by adopting certain CSR activities, a firm may be able to build strong relationships with its stakeholders and garner their support in the form of lower levels of employee turnover, access to a higher talent pool, and customer loyalty. Consequently, the firm will be able to differentiate itself from its competitors. The win-win synergistic value creation arguments hold that CSR activities may present opportunities for a firm that would allow it to fulfill the needs of its stakeholders and at the same time pursue its profit objectives. However, the pursuit of these opportunities is only possible through CSR activities. Growing support for the business case among academic and practitioners is evident. Generally, the business case for CSR is being made by research evidence documenting and explaining that CSR has a positive economic impact on a firm's financial performance.

References

Abrams, F. (1954). Management responsibilities in a complex world. In A. B. Carroll (Ed.), *(1979), Business education for competence and responsibility*. Chapel Hill, NC: University of North Carolina Press.

Barnett, M. L. (2007). Stakeholder influence capacity and the variability of financial returns to corporate social responsibility. *Academy of Management Review, 32*, 794–816.

Berman, S. L., Wicks, A. C., Kotha, S., & Jones, T. M. (1999). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management Journal, 42*(1999), 490.

Bhattacharya, C. B., & Sen, S. (2004). Doing better at doing good: When. Why, and how consumers respond to corporate social initiatives. *California Management Review, 47*, 9–24.

Brammer, S., & Pavelin, S. (2004). Voluntary social disclosure by large UK companies. *Business Ethics: A European Review, 13*(2/3), 86–99.

Bruch, H., & Walter, F. (2005). The keys to rethinking corporate philanthropy. *MIT Sloan Management Review, 47*, 48–56.

Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of Management Review, 4*(4), 500.

Carroll, A. B. (1991, July–August). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*.

Carroll, A. B., & Buchholtz, A. K. (2012). *Business and society: Ethics, sustainability and stakeholder management* (8th ed.). Mason, OH: South-Western Cengage Learning.

Carroll, A. B., & Shabana, K. M. (2010). The business case for corporate social responsibility: A review of concepts, research and practice. *International Journal of Management Reviews, 12* (1), 85–105.

Chen, J. C., Dennis, M., & Roberts, R. (2008). Corporate charitable contributions: A corporate social performance or legitimacy strategy? *Journal of Business Ethics, 82*, 131–144.

De Schutter, O. (2008). Corporate social responsibility European style. *European Law Journal, 14*, 203–236.

Dechant, K., Altman, B., Downing, R. M., & Keeney, T. (1994). Environmental leadership: From compliance to competitive advantage. *Academy of Management Executive, 8*, 7–28.

Drucker, P. F. (1954). *The practice of management*. New York, NY: Collins.

Drucker, P. F. (2006). *The effective executive: The definitive guide to getting the right things done*. New York: Harper Collins.

European Commission. (2011). *A renewed EU strategy 2011-14 for Corporate Social Responsibility*, Brussels, 25.10.2011, COM (2011) 681 final. Available at: http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF

Fortune. (2003, May 26). *Corporate America's social conscience*, S8.

Frederick, W. C. (1994). From CSR1 to CSR2: The maturing of business and society thought. *Business and Society, 33*(2), 150–64.

Friedman, M. (1962, September). The social responsibility of business is to increase its profits. *New York Times*, 126

Hart, S. (1995). A natural-resource-based view of the firm. *Academy of Management Review, 20*, 986–1014.

Home Depot. (2009). *Rebuilding hope and homes: Mapping our impact*. Retrieved from http://rhh.homedepot.com/pc.htm

Kurucz, E., Barry, C., & Wheeler, D. (2008). Chapter 4: The business case for corporate social responsibility. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. Siegel (Eds.), *The oxford handbook of corporate social responsibility* (pp. 83–112). Oxford: Oxford University Press.

Kamens, D. H. (1985). A theory of corporate civic giving. *Sociological Perspectives, 28*, 29–49.

Moir, L. (2001). What do we mean by corporate social responsibility? *Corporate Governance, 1* (2), 16–22.

Phillips, R. R., Freeman, R. E., & Wicks, A. C. (2003). What stakeholder theory is not? *Business Ethics Quarterly, 13*, 479–502.

Pivato, S., Misani, N., & Tencati, A. (2008). The impact of corporate social responsibility on consumer trust: The case of organic food. *Business Ethics: A European Review, 17*, 3–12.

Porter, M. E., & Kramer, M. R. (2002). The competitive advantage of corporate philanthropy. *Harvard Business Review, 80*, 56–69.

RED. (2009). *The (RED) idea*. Available at: http://www.joinred.com/Learn/AboutRed/Idea.aspx

Robinson, G., & Dechant, K. (1997). Building a business case for diversity. *Academy of Management Executive, 11*, 21–31.

Ronald McDonald House. (2010). *Ronald McDonald house charities of Southern California*, Available at: http://www.rmhcsc.org/
Lea, R. (2002). *Corporate social responsibility, IoD member opinion survey*. UK: The Institute of Directors.
Schwartz, M., & Carroll, A. B. (2008). Integrating and unifying competing and complimentary frameworks: The search for a common core in the business and society field. *Business and Society, 47*, 148–186.
Seifert, B., Morris, S. A., & Bartkus, B. R. (2003). Comparing big givers and small givers: Financial correlates of corporate philanthropy. *Journal of Business Ethics, 45*, 195–211.
Shrivastava, P. (1995). The role of corporations in achieving ecological sustainability. *Academy of Management Review, 20*, 936–960.
Smith, N. C. (2003). Corporate social responsibility: Whether or how? *California Management Review, 45*, 52–76.
Smith, T. (2005). Institutional and social investors find common ground. *Journal of Investing, 14*, 57–65.
Smith, S. M., & Alcron, D. S. (1991). Cause marketing: A new direction in the marketing of corporate responsibility. *Journal of Consumer Marketing, 8*, 19–35.
Stephenson, A. K. (2009). The pursuit of CSR and business ethics policies: Is it a source of competitive advantage for organizations? *Journal of American Academy of Business, 14*(2), 251–262.
Thomas, D., & Ely, R. (1996). Making differences matter: A new paradigm for managing diversity. *Harvard Business Review, 74*, 79–90.
Tokarski, K. (1999). Give and thou shall receive. *Public Relations Quarterly, 44*, 34–40.
Valor, C. (2008). Can consumers buy responsibly? Analysis and solutions for market failures. *Journal of Consumer Policy, 31*, 315–326.
WBCSD. (2012). *Corporate social responsibility (CSR)*. Available at: http://www.wbcsd.org/work-program/business-role/previous-work/corporate-social-responsibility.aspx
Williamson, D., Lynch-Wood, G., & Ramsay, J. (2006). Drivers of environmental behavior in manufacturing SMEs and the implications for CSR. *Journal of Business Ethics, 67*, 317–330.
Yoplait. (2009). *You did it*. Available at: http://www,yoplait.com/slsl/
Yoplait. (2009) *Commitment*. Available at: http://www.yoplait.com/slsl/HowItWorks.aspx

Chapter 2
The Ethical Foundations for CSR

Claus Strue Frederiksen and Morten Ebbe Juul Nielsen

Abstract In this chapter we will discuss the ethical foundations of CSR. The chapter consists of three major parts. First, we discuss three different approaches to CSR, namely (a) an instrumental approach, (b) an ethical approach and (c) a hybrid approach, attempting to combine the instrumental and the ethical approach. We will conclude that the ethical approach to CSR is the most reasonable of the three alternatives. Second, we introduce some of the most influential ethical theories and their key principles, namely (a) the utilitarian principle of maximizing well-being, (b) theories of rights, and (c) social contract principles concerning fairness, and discuss how they might relate to CSR in general. Third, we present and discuss some specific ethical challenges characteristic for CSR including whether companies should focus solely on avoiding harmful actions or whether they also have obligations to actively do good.

2.1 Introduction

The purpose of this chapter is to discuss some of the key relations between ethics and CSR. More specifically, our main aim is to discuss the relation between *ethical theories* and CSR. We offer no substantial recommendations and defend no particular theory here. The purpose is much more modest: to clarify different views and possibilities as to how morality[1] and CSR can be said to go together. Briefly, by "ethical theory" (or "foundation") we mean any reasonably sophisticated, well-considered and cogent normative background theory informing, guiding or criticizing some practice. By "CSR" or Corporate Social Responsibility, we mean any

[1] We do not differentiate between the terms ”ethics” and ”morality”.

C.S. Frederiksen (✉) • M.E.J. Nielsen
Philosophy Unit, Department of Media, Cognition and Communication, University of Copenhagen, Karen Blixens Vej 4, 2300 Copenhagen, Denmark
e-mail: clausf@hum.ku.dk

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_2,

business or organization practice that intends, or purports to intend, to follow at least some rules, principles, policies or values that in at least some cases are identifiable as "socially responsible".

The chapter consists of three parts, apart from this introduction. First, we will outline the possible structural relations between ethics and CSR. We present three different approaches to CSR, namely (a) an instrumental approach, (b) an ethical approach and (c) a hybrid approach, attempting to combine (a) and (b). Second, we introduce some of the most influential ethical theories and their key principles, namely (a) the utilitarian principle of maximizing well-being, (b) theories of rights, and (c) social contract principles concerning fairness, and discuss how they might relate to CSR in general. Third, we present and discuss some specific ethical challenges characteristic for CSR. We focus on two important questions, namely: (a) whether companies should focus solely on avoiding harmful actions, i.e. respect negative rights, or whether they also have obligations to actively do good, e.g. by promoting positive rights and (b) the scope of companies' obligations, i.e. which stakeholders (or other groups) they are obligated towards and to what degree.

Some preliminary notes: our intention is to outline some key systematic and analytic relations between ethical theories and the practice of CSR (or put more simply, between morality and CSR), and *not* to outline the "history of business ethics or CSR." An "archaeology" of the existing body of literature and theory of CSR focusing on the relation between normative thoughts and CSR would indeed be interesting and valuable; however, our focus is on the systematic, not the empiric relations. Moreover, we do not hold the naïve view that businesses and consultants in fact are informed by only one ethical theory when they do CSR (or even any such theory at all.)[2] Rather, businesses (and business scholars) are most of the time notoriously eclectic in their approach, foraging freely in the wood of principles and values as they see fit. We do not take a stand for or against that approach, but for reasons of exposition we generally ignore that fact. Finally, we should point out that we trace only the connections between the most well-consolidated and influential moral theories within the field of academic ethics and CSR. We cannot in this short space even begin to offer a comprehensive overview of all plausible moral theories and their relations to CSR.

2.2 The Relationship Between Ethics and CSR

One of the questions business leaders ask themselves is why their company should (continue to) be engaged in CSR. Basically, there are three different ways of addressing this question in the affirmative, namely by referring to the positive business case for CSR ("it's good for business", the instrumental approach), or by

[2] However, there seems to be good evidence that businesses *do* view their engagement with CSR as being an *ethical* enterprise. See Arlbjørn, Warming-Rasmussen, Liempd, and Mikkelsen (2008).

insisting that it is morally obligatory to do so ("it's the right thing to do", the ethical approach) or by combining the points of view and say that, at least potentially, it is the right thing to do both financially and morally ("we should do good, both for business and morally speaking", the hybrid approach).

We will begin by looking at the instrumental approach to CSR. This approach is characterized by its exclusive focus on the business case for CSR. One should engage in CSR-practices if, and only if, they are, at the end of the day, *profitable*. There are several ways in which such a connection can be construed. But essentially, they almost always boil down to one and the same key idea, namely *CSR as company branding*. (Some) customers are likely to prefer buying from companies with a good reputation, and building up legitimacy in the eyes of consumers and NGO's will reduce risk when or if the company is seen to step out of line on some issue. Likewise, a good reputation is important vis-à-vis other key stakeholders, such as employees (current or future), policy makers, contract and business partners etc. In short, according to the instrumental perspective, CSR projects are to be evaluated on the basis of their propensity to make the company look good in the eyes of various stakeholders. CSR is a sophisticated marketing tactic in the company's toolbox. Note that the instrumental approach does not imply that companies should ignore local or international legislation; it simply implies that companies should not go *beyond* the letter of the law and do good, unless such acts are expected to have a positive impact on the bottom line. Supporters of the instrumental approach might thus very well believe that companies should play by the laws and regulation set out by national governments and international forums like the UN and WTO.

We will return to the instrumental approach and some of its problems below, but we turn now to the ethical approach. The main characteristic of the ethical approach is the focus on ethical aspects rather than the possibilities for profiting from CSR. Supporters of this approach believe that companies should engage in CSR at least also because it is the morally right thing to do. In general supporters of this approach accept that CSR might not *always* be the most profitable avenue. In a conflict between the company's narrow economic interest and moral considerations, the moral considerations at least on some issues take precedence over the company's interests. However, it is a misunderstanding of the ethical approach to say that "true" or "moral" CSR *necessarily* is bad for profits: profit is not in itself morally wrong. Hence, taking an ethical approach to CSR entails that companies accept *potential* loss of profit, and that (eventual) loss of profit is accepted for moral reasons; because sometimes ethical demands such as a concern for the interests of other parties override the demand for profit.

A third approach to CSR is what we call the hybrid approach. The hybrid approach tries to reconcile the instrumental and ethical approaches to CSR. It is characterized by rejecting or downplaying the potential conflicts between financial and moral considerations, i.e. supporters of this position believes that the interests of companies and society at large (mostly) coincide. In the (characteristically) optimistic jargon of much business literature, social demands (roughly what we have called ethical demands) and profit match each other, offering a "win-win" situation. The hybrid position has one main advantage, namely that it seems to solve the dilemma between economic and ethical considerations facing business leaders worldwide on a daily basis. By asserting that the conflict between companies' self-interests and society's interests is by and large an illusion, the hybrid position seems like a very attractive alternative. It is not difficult to muster examples that support the intuition that society and businesses prosper in conjunction. Businesses provides goods and services, they employ people and hence give them a livelihood, the workplace is very important for person's sense of self-esteem etc. and businesses *need* profit to provide all these good things. The question is, however, whether the hybrid approach is empirically realistic. We will not go into a thorough discussion of the matter here. However, one general point seems appropriate: It is an empirical question whether doing the right thing *always* pays off—whether there is *never* a conflict between maximising profit and acting morally. It seems very unlikely that this should always be the case, and supporters of the hybrid approach should provide an answer about what companies should do when such conflicts occur. The problem here is that if they argue that profit should prevail when there is a conflict then the hybrid approach is indistinguishable from the instrumental. Likewise, if they argue that the ethical choice is the right one, then the hybrid position collapses into the ethical. In the absence of the (happy but improbable) circumstance that profits and ethics always coincide, the hybrid approach lacks cogency and we shall limit ourselves to a discussion of the instrumental and the ethical approach. In this part, we shall focus on the instrumental approach, only to zoom in on the ethical in the next.

To recap: we have defined the instrumental approach as one that sees profit as the ultimate motivation for engaging in CSR. However, and this can be rather tricky, the instrumental approach *does not* require that companies should not engage themselves in ethical projects, or deny to adopt (seemingly) high standards on some moral issues (such as equal opportunity, or worker's rights) that might entail a *short-term* loss of profit. Doing so might be profitable in the long run. What the instrumental approach *does* entail is that the final standard of evaluation is all-things-considered profit. The bottom line is the (economic) bottom line, not some other standard. Note a complication here. Some scholars advocate what might *seem* like an instrumental approach, but do so on quite explicit *moral* terms. For example, Friedman's (1970) famous saying, that the social responsibility of companies is to increase profit, might be thought to be in line with the instrumental approach. However, Friedman's position is based on libertarian ethical arguments, and is thus, at least in one sense, in accordance with the ethical approach. That being said, the Friedman position seems to elude or bypass our definition of the ethical approach: according to his line of thought, it can never be morally acceptable not to maximize profit (within the limits of law.) However, note that the argument *is*—or at least purports to be—a *moral* argument. In that sense, we believe that it is best labelled as an ethical approach. Whether or not the Friedman's position rest on a feasible or desirable argument depends on the defensibility of the specific libertarian background theory and is hence beyond the scope of this article.

With this confounding issue aside, what can we say about the instrumental approach? There are, we believe, two major problems with that line of thought, a practical and a more principled. The practical problem is that an instrumental approach might be unstable, at least in the longer run. If a company *only* invests resources in CSR-programs and *only* "behaves ethically" if it is indeed profitable, and backs out whenever long term maximizing of profits are seen to be undermined by doing so, then stakeholders such as customers, employees and policy-makers are likely to be alienated. Of course, a *clever* instrumental approach might take this into consideration. But the stability of such a line of thought depends ultimately on the same happy coincidence between morality and profits that is unlikely to hold for hybrid theories. The more principled problem is that is becomes hard to envisage what should *legitimize* the instrumental approach: since moral arguments cannot underpin it (remember, that the Friedman position rests on a moral argument), what could? With reference to what could corporations argue that their profit is the only things that matters *in principle*, without reference to some ethical background theory? See, however, the final discussion in this article.

2.3 Major Ethical Theories and CSR

An ethical theory can defined as a relatively sophisticated, well thought through and, at least to some extent cogent and self-consistent theoretical background answer to the question "what ought I do, morally speaking", applicable to all or a broad range of issues. There is a score of such theories available; nevertheless, we shall focus on just three, namely *utilitarianism*, *the ethics of rights*, and *contractualism*. Apart from reasons of limited space, our justifications for focusing on these three theories are as follows: first, they are central in the philosophical debate of ethical theories. Many of the staple issues in ethical theory are defined in and by the debate between these major players. Second, these theories and their concepts and principles largely (though far from completely) define and inform the academic literature on "the morality of CSR" and business ethics.

2.3.1 Utilitarianism

Utilitarianism is the, superficially at least, simple idea that morality concerns doing as much good and preventing as much bad as possible. More specifically, most contemporary utilitarians, including Singer (1993), argue that moral agents, including companies, should maximize the total sum of well-being.

Several characteristics are worth noticing. First, because it is the total sum of well-being that moral agents are obligated to maximize, it follows that the well-being of all humans (or sentient beings) should be taken equally into account. This means that the interests of distant strangers are just as important as our own interests. Second, utilitarianism is perceived as a very demanding moral theory, because it rejects that agents have *options* to (sometimes) act in ways that does not maximize the total sum of well-being. Third, utilitarianism is also perceived to allow too much, since it rejects that moral theories should include categorical constraints against harmful actions such as using forced labour or discriminating on the basis of race or gender. Harmful actions are only morally wrong if they do not maximize the total sum of well-being. There are no *constraints* against maximising the good. Fourth, since the sole focus is on the consequences utilitarians do not distinguish between harmful actions and harmful omissions, meaning that not assisting a needy person is just as bad as actively harming him. Finally, utilitarianism focuses solely on well-being, i.e. other things like health or close relationships are only worth pursuing because (or if) they increase the total sum of well-being. In this regard it is important to note that even though utilitarians differ in what they regard as well-being, this difference rarely has any practical implications in regards to business ethics, since these kinds of utilitarianism would make the same moral judgments in regards to child labour, bribery, discrimination, etc.

Companies and business leaders wanting to act in accordance with utilitarianism might believe that they, when confronted with a moral dilemma, should simply try to calculate which actions seem to maximize the total sum of well-being. For example, when confronted with a possibility to land an important order by "inviting" a public official and his family on a trip to Bahamas, the company, personified by the manager, might try to calculate whether this seems to maximize the total sum of well-being. However, there are good utilitarian reasons not to follow such a direct decision procedure. First of all, constant calculation takes a lot of time, and thus they can be counter-productive. Secondly, and more importantly, since managers, like most of us, have a tendency to care more about their own interests and downplay or even disregard the interests of others, constant calculation will most likely not lead to the maximization of the total sum of well-being. Instead of constant calculation many utilitarians suggest that moral agents, including companies, should follow some kind of *indirect* decision procedure that might, on the face of it, differ from utilitarianism.

2.3.2 Utilitarianism and CSR

Indirect utilitarianism, embodying a two-level approach as just sketched, does not seem to allow companies to commit harmful actions, including bribery, discrimination and using forced labour, since such actions *generally* do not maximize the total sum of well-being. Basically, utilitarians would thus not recommend that companies should stop respecting negative human rights. There is, however, one major difference from today's CSR practice and a CSR policy that would be in accordance with utilitarianism. Unlike today, where companies seem to focus on the interests of its stakeholders, a utilitarian approach would imply that companies took everybody's interest into account, meaning that companies should consider the interests of faraway strangers as just as important as the interests of closely related groups, e.g. the local community. The utilitarian so-called *agent-neutral* perspective, where everybody's interest counts equally, combined with the demand of maximizing well-being thus imply that companies should direct a large portion of their CSR resources (and some of their other resources as well) towards the needs of the poor living far away from where they operate, instead of spending them on "closer" stakeholders, which seems to be the current policy. It seems likely that using resources on saving faraway children from dying of hunger or (easily curable) diseases would promote more well-being than spending the resources on, e.g., relatively well-off workers in the rich parts of the world. Notice that the reference to the two-level approach does not seem to chance this conclusion, since companies, would have a hard time justifying eventual rules-of-thumb that prioritize (close) stakeholders to the same degree as today. In this regard, rules-of-thumb focusing a lot more on the interests of faraway strangers seems more in accordance with the utilitarian doctrine of maximizing the total sum of well-being.

To sum up, respecting negative rights utilitarians, at least those in favour of a two-level approach, would probably approve of many current CSR-practices, e.g. respecting the ten principles suggested by UNGC. However, when it comes to the question of promoting wellbeing, utilitarianism implies heavy reformation of the current practices. Utilitarians would demand that companies focus a lot more on the needs of faraway strangers than they do today. Additionally, it is important to notice that utilitarianism is not an easy theory to use in practice. Even though it might seem evident, from a utilitarian perspective, to assist e.g., poor Africans rather than relatively wealthy Europeans, difficulties arises when we turn to dilemmas concerning (fairly) certain immediate benefits versus more speculative future effects. For instance, it seems fair to say that the tremendous effort made by many companies to reduce their CO_2 emission has a very limited (if any) positive effect on the total sum of well-being in the short term. On the other hand, such steps might have a huge positive impact on the total sum of well-being 50 years from now. So what would a good utilitarian company do when faced with a choice between improving (and maybe even saving) people's lives today or taking costly steps to reduce CO_2 emission? In trying to solve such a dilemma companies should try to calculate the long-term expected benefits by reducing CO_2 emission and balance these against the immediate benefits resulting from e.g. assisting needy Africans. However, since the expected benefits by reducing CO_2 emission generally are difficult to predict, such a utilitarian calculation might be almost impossible to make for a particular company. We might thus end up with a somewhat unsatisfying answer, namely, that companies should try to calculate the benefits by the best of their abilities and then take the steps that seem to maximize the total sum of well-being.[3]

[3] For further reading, see Frederiksen and Nielsen (2013).

2.3.3 Ethics of Rights

The term “ethics of rights” (from now on, ER) covers a set of theories (including theories frequently labelled as “deontological”) that congregate around some key notions, rights being one of the most prominent. A right can loosely be defined as a claim or “trump” against other claims which a person can “play” against the claims of other persons. Hence, if you have the right not to be killed, you can play the “trump” against the utilitarian arguing that killing you will, in fact, maximally promote the good.[4]

In general, ER proposes that morality consists of much more than just promotion of the good. Many actions are *morally wrong* even though they might promote the overall good. Conversely, agents have many forms of rights to act in ways that does not promote the good. Using the vocabulary from the above, proponents of ER argue that there are *constraints* against certain ways of acting (even if these actions sometimes promote the good.) Such actions are easily recognizable as something which at least in rough outline tracks “ordinary” or “common sense” morality, such as killing, lying, stealing, doing bodily harm, bribing etc. In short, persons have *negative rights* against being lied to, physically assaulted, killed etc., and businesses are to respect these rights. Moreover, most proponents of ER argue that we have *options* to refrain from acting in ways that maximally promotes the good. Hence, agents are permitted to further their own interests (for as long as they respect the rights of other agents) even though this does not necessarily promote the overall good. The question whether agents have duties to promote the interests of others—which is to say whether or not agents have *positive* rights, rights that others assist them—is a question we return to in the discussion below. ER has a long and complex pedigree. Still, a defining moment can be pinpointed to German philosopher Immanuel Kant.[5] The probably most trenchant version of Kant’s (1994) various foundational formulations of basic ethical principles is:

> *Act in such a way that you treat humanity, whether in your own person or in the person of any other, always at the same time as an end and never merely as a means to an end.*

What does it mean to treat another person as an end, or, conversely, merely as a means to an end? Treating someone “merely as a means” implies either that you act selfishly, or that you use that person as a vehicle to reach some other goal (which is not shared by the person.) It means ignoring that person *as a person* with his or her interests. Treating a person as an end means taking him or her seriously as an equal human being with interests that ought not to be ignored just to further some other end. Note that Kant does not say we should treat other agents *only* as ends in themselves; the demand is (somewhat) more modest, namely that one should always treat other agents *also* as ends in themselves. ER tracks many aspects of common sense morality (at least as it is perceived in many respects in western

[4] The idea of rights being trumps is beautifully laid out in from Dworkin(1984).

[5] For this, see Gjerris, Nielsen, and Sandøe (2013).

liberal democracies), and it is also encapsulated in various forms in some of the most important regulatory and legal frameworks relevant for businesses. For instance, all legal codes incorporate notions such as a negative right not to be killed, property rights against stealing etc. Especially relevant for CSR-purposes are the human rights charter and similar regulatory codes, such as the UN Global Compact.

2.3.4 The Ethics of Rights and CS

Few, if any, companies working with CSR would openly say that they flaunt human rights – at least insofar we are speaking of negative human rights. Companies don't officially steal, lie, kill etc. Hence, the ethics of rights is in practice informing at least some of the already existing CSR-practices. However, a key question is whether companies are in fact conscientiously following something which a proponent of ER would find satisfying. Treating other agents *always* as ends in themselves seems to imply a "duty of care" that goes well beyond what most companies think they are morally bound to. It seems to make many actions, such as firing personnel, outsmarting business opponents, polluting in ways that do not benefit some other parties etc. much more ethically problematic, though they not necessarily outright morally impermissible (it is possible, for instance, to fire people in ways that take their interests into account). In general, a CSR-policy heavily informed by ER will emphasize the rights and moral dignity of all agents that are affected by the actions of the business. A key notion here is *respect*; respect for all involved agents, in virtue of their standing as proper rights-bearers. On the face of it, this makes ER especially relevant for global contexts where (equal) respect for persons adhering to different sets of beliefs and cultures is in demand. The emphasis on respect can of course take many different forms. But generally, it seems to imply models of corporate governance where all important actions are carefully scrutinized from the point of view of rights—"do we respect the rights of affected agents?"—and where key members of the organizations are held accountable for their actions. If we return to the dilemma concerning reducing CO_2 emission, which (assumingly) will promote future well-being, versus assisting needy people today, supporters of ER will typically focus on whether companies CO_2 emission can reasonably be expected to harm anyone (now or in the future). If CO_2 emission is considered (substantially) harmful, then most versions of ER seems to imply that companies should reduce their CO_2 emissions, even if it can be demonstrated that it will promote far more well-being to use the resources to fight poverty and diseases in Africa. The key point, as we elaborate on further below, is that supporters of ER generally consider harmful actions to be morally worse than harmful omissions.[6]

[6] For further reading on the (admittedly multi-facetted) relation between ethics of rights and CSR, see, e.g., Arnold and Harris (2012).

2.3.5 Contractualism

Contractualism, as we understand the idea here, is a basic ethical theory that represents a full-blooded alternative to both utilitarianism and the ethics of rights, even though it is also fair to mention that it has clear affinities to the latter. The key idea of contractualism is that normative truths—normatively relevant propositions—are defined *procedurally* as the outcome of (in almost all cases) *hypothetical* "contracts" or agreements between the relevant agents. Hence, a normative proposition is true or justified just insofar all relevant and reasonable agents *agree* or *should agree* with it. *Reciprocity* and *mutual acceptability* are key terms. Note the term "reasonable". Almost all contractualists agree that reasonability is a necessary condition for an agent to be presumed to enter into the contract. Reasonability can in essence be defined as the willingness to corporate on fair and equal terms with other agents, given their reciprocal reasonability. Hence, "reasonability" goes a long way towards weeding out outrageous, egotistic or frivolous claims. Naturally, this presupposes some form of equal bargaining field: the consequences of a "contract" agreed to under coercion or duress is not for that reason a valid one. Due to the procedural nature of contractualism, it is difficult to come up with a well-defined set of normative principles that is uniquely representative of contractualism. Different contractualist will disagree as to precisely which substantive propositions and principles reasonable persons would or should agree to. However, contractualist principles will often not allow for some of the actions that utilitarians in principle mandates, such as sacrificing the welfare of a few in order to increase the welfare of the many. The reason is quite simple: few would agree that it is justified to sacrifice *their own* interests completely in order to promote the interests of others. In short, due to the reciprocal nature of contractualism, the theory offers strong protection to all parties, and especially to those in a weak, real-life bargaining position. On the other hand, contractualism might diverge from some key principles in the ethics of rights. If, for instance, lying is downright forbidden by the ethics of rights, it might be the case that reasonable agents trying to find principles that should guide our everyday interactions will allow for such things as "a white lie" or lying when it serves to protect people against hurt feelings.

Contractualism in various guises has played a major role in CSR and business ethics. There are several reasons for this, one being that influential and important moral and political philosophers (Habermas, 1983; Rawls, 1999; Scanlon, 1998) have proposed philosophical programmes that are implicitly or explicitly identifiable as contractualist. But perhaps even more importantly is the fact that the idea of a "contract" seems to fit the relation between businesses and society very nicely on an intuitive or allegorical level: there is a (to some degree but not wholly) explicit contract between the two: businesses are expected to deliver goods and services, to produce a surplus and provide jobs and opportunities etc., it is obliged to follow the law and special regulations not relevant for other legal agents. On the other hand it benefits from special permissions and privileges such as the right to managing and distributing work, to profit from its employees work, to have status as a legal entity etc. However, one should not focus solely on this quasi-empirical notion of the contractual relation between business and society if one wants to grasp the key notions of contractualism. The *actual* or implicit contracts between business and societies are not necessarily justified (or lends justifiability) in the way contractualists envisage.

Contractualism and CSR: A CSR-policy informed by contractualism will necessarily emphasize the key issues *reciprocity* and *mutual acceptability*, alongside the notion of reasonability. Imagine, for instance, that a company must decide between different ways of upgrading its means of production. It can either (a) opt for a cheap solution that pollutes on a high level or (b) a more costly one that reduces pollution. Imagine, moreover, that the pollution will (negatively) affect parties that in no discernible way benefit from the pollution. Other things being equal, what should the company do, as seen from a contractualist perspective? Clearly, some relevant parties might have no problem with option a). Shareholders, customers, and employees might prefer option a) if it is more cost-effective. However, from the contractualist perspective mutual acceptability is, as emphasized, a key notion, and it is conceivable that parties that do not in any sense benefit from the increased pollution could reasonably exercise a veto over the decision to go for the cheaper, more polluting option. This is of course subject to a lot of qualifications. It could, for instance, be argued that even though the negatively affected third parties do not benefit from *this* particular instance of pollution, they *do* benefit from a (contractual or quasi-contractual) system that allows businesses to pollute at *some* level in general. However, as a means of illustration the example stands: a company whose CSR-policy has roots in contractualism should use moral imagination to take into account the general and mutual acceptability of all their important business decisions. Alternatives where such an agreement is unlikely should, all things being equal, at least, not be pursued. With this in mind let's return to our example concerning reducing CO_2 emission versus assisting needy people today. It is worth to notice that this example differs in various respects from the above case concerning pollution. First of all, in the CO_2 example we might imagine that the needy people of today might protest if companies choose to take (expensive) steps to reduce CO_2 emission instead of fighting poverty. On the other hand, if the price for not dealing with the treat of climate change is very high, then such protest might not be considered reasonable, and (most) companies should therefore focus on reducing their CO_2 emission. Again (as it was the case for the utilitarians) a lot depends on the expected future negative impact of not taking (expensive) steps to reduce CO_2 emission. Notice, that a contractualist approach to CSR might thus very well imply that some companies should prioritize to reduce their CO_2 emission whereas others should focus more on assisting needy people today—the key point is when specific CO_2 reducing steps can be said to be something that reasonable parties would agree to - and thus something that reasonable agents ought to agree upon.[7]

2.4 Some Key Ethical Issues for CSR

When constructing or revising the company's CSR policy, business leaders are confronted with a vast number of ethical challenges. In this section, we will focus on two of the most important. First we discuss whether companies should focus solely on *avoiding harmful actions*, e.g. refraining from paying bribes and discriminating, or whether they should also focus on *actively doing good*, e.g. assisting needy stakeholders after an earthquake in the local community. This question concerns the debate about positive and negative rights, i.e. whether companies should focus mainly on respecting negative rights, e.g., the right not to be discriminated against, or whether they also should respect positive rights, e.g., the right to health and education. Secondly, we discuss the *scope* of companies' obligations, i.e. which stakeholders (or other groups) they have an obligation towards and to what degree. Should companies, as suggested by utilitarianism, focus more on the needs of the poor and hungry, or should the stick to the current practice and focus mainly on their (close) stakeholders? And, if they should, are the interests of some stakeholder groups more important than the interests of other groups? We will begin by looking at the question regarding positive and negative rights in regards to CSR.

2.4.1 Positive and Negative Rights

Should companies' CSR policies focus solely on avoiding harm, i.e. respecting negative rights? In answering this question it might be a good idea to start by briefly looking into what companies actually do. Probably, the most widespread of all CSR standards is the UN Global Compact (UNGC) principles, where the focus is mainly on respecting negative rights. It seems accordingly that companies' main focus is on avoiding harm (against negative rights) rather than promoting the good. However, two points are worth noticing. First, even though the UNGC charter mostly concerns respecting negative rights, it also contain elements regarding positive duties, i.e. duties to actively do good. Companies are thus not only signing up for respecting negative human rights, they are in fact also committing themselves to

[7] Although much early CSR-theory and business ethics revolved around notions of "the social contract" between society and business, not overly much has (yet) been written on the relation between contractualism as we define it here and CSR, despite contractualism's recent rise in moral and political philosophy. For some reflections akin to those made here, see Sacconi, Blair, Freeman, and Vercelli (2010), Chaps. 1, 7, 8.

support and promoting these rights, which mean that they are committing themselves to engage actively in human rights projects. Secondly, studies indicate that companies also feel that they have positive obligations toward needy stakeholders (Frederiksen, 2010). This means that a company deciding to focus *solely* on avoiding harmful actions would be going *against* common CSR practice.

In addition, what arguments would support such a position? None of the basic ethical theories discussed above implies that companies should focus solely on respecting negative rights. Utilitarians would definitely reject such a position, because it would be absurd to think that we always maximize the total sum of well-being by focusing solely on respecting negative rights. Supporters of contractualism would reach the same conclusion; we have reasons to reject principles that give moral agents the right to ignore positive rights altogether. Or they would argue that reasonable agents (behind the rawlsian veil of ignorance or engaged in a habermasian ideal discourse) would not accept a contract that involves that companies should focus solely on respecting negative rights. The same goes for (most) supporters of theories of rights. You are not respecting other people solely by not violating their negative rights. For instance, if a child is drowning in a lake and we are able to save it just by wading in and pulling it out, most rights advocates (except maybe a few very hard core libertarians) would say that we have a moral duty to save the child. The same goes for states: most theories of rights seem to imply that states should not only enforce negative rights but also promote positive rights, e.g. the right to health care and education. There seem to be no reason why the same should not be the case for companies. Some, including Donaldson (1993), argue that we should not expect the same kind of benevolence from companies as we expect from people and states, since companies are *designed* for a different purpose. Companies are designed to make profit, not to do good. There are several problems with this kind of argument. First of all, it does not seem to be especially directed against companies having an obligation to promote positive rights, since it might as well imply that companies should not respect negative rights in the first place. Secondly, a company's purpose is decided by persons (not by "nature", whatever that means), which means that the purpose might be defined differently, e.g. the purpose is not just to make a profit, but to uphold and promote some negative and positive rights *and* make a profit.

We have argued that the prominent ethical theories considered in this article imply that it is not, in principle, justified if CSR-policies focus *solely* on respecting negative rights (albeit pragmatic considerations can justify it; we will get back to this point in the discussion below.) However, a different question is whether CSR-policies should focus *equally* on negative and positive rights, or even *more* on positive than negative ones. We cannot adequately deal with that question here, but just to sketch some implications of the various theories, we can note that utilitarians would say that this is an instrumental consideration: whatever promotes well-being the most should, at the end of the day, be the basis for a company's CSR-policy. The implications of both theories of rights and contractualism would differ according to which specific account of morality they provide. Clearly, a libertarian or "classic liberal" ethics of rights would emphasize negative rights over positive ones. On the other hand, a contemporary social liberal theory of rights, such as proposed by rawlsians, can be construed as giving equal importance to negative and positive rights. A similar fissure can be found in contractualist theories: some would say that we have reason to accept a wider range of negative rights than positive ones, whereas others would argue that they are on an equal footing.

2.4.2 *The Question of Scope*

However, if a company, on the basis of the above, decides that its CSR policy should focus both on avoiding harmful actions and on actively doing good, a new problem appears, namely the problem concerning scope. The question regarding *whose* (rather than *which*) rights companies should uphold and secure becomes a lot more difficult in relation to positive rights than in relation to negative rights. Unlike respecting negative rights, which a company (at least in theory) is able to do universally, securing positive rights, or fulfilling positive duties, is not something a company is necessarily able to do for everyone. Since a company cannot take care of all the problems in the world, it has to decide which persons it should assist. (Of course, the question of "which agents should we count as morally relevant" arises irrespectively of one's view concerning positive and negative rights; the point is that it becomes more pressing as one accentuates positive duties and rights.)

A popular way of trying to define this scope is by focusing exclusively on stakeholders, ordinarily understood as the customers, employees, suppliers, shareholders and the local community (Freeman, Harrison, Wicks, Parmar, & Colle, 2011). According to some of the most prominent stakeholder theorists, including Freeman and Phillips (2002) stakeholder theory rests on a libertarian foundation. Whether this is correct is still heavily debated, see for instance Stieb (2009). However, if Freeman and Phillips are correct, stakeholder theory seems to be in accordance with at least one of the above basic moral theories, namely the theory of rights (or at least a specific version of it). A stakeholder approach to CSR implies that companies are (at least under normal circumstances) not obligated to assists needy non-stakeholders, ordinarily excluding the vast majority living in the poor parts of the world.

Stakeholder theory might seem like a good solution on a number of counts. First of all, it seems to benefit not just the beneficiaries but also the company itself. Secondly, even though there is some discussion regarding who should count as stakeholders, stakeholder theory still seems to limit the number of potential beneficiaries to a clearly identifiable group and to limit companies' obligations to an acceptable (understood here as manageable) number of people or groups. That being said, stakeholder theory faces three hard questions. First, how should companies prioritize *within* the stakeholder groups, i.e. what should companies do in cases of conflicting interests between the stakeholders; e.g. owners and employees might have conflicting interests. Second, to what degree are companies obligated to assists needy or vulnerable stakeholders. Are they, for example, obligated to pay wages that enable its workers to provide food and shelter for themselves and their families, or are they only obligated to pay its workers in accordance with the minimum wage of the country where the factory is located, however low that might be? Third, are there any convincing moral arguments that support a stakeholder approach to CSR, e.g. are stakeholder theorists able to defend their position against less excluding positions? As regards the first challenge, companies can basically choose between three different approaches. First, companies can construct a stakeholder ranking list, where they rank the different stakeholder groups in order of desert thus that in cases of conflicting interest, the company should (under ordinary circumstances) choose in favour of the highest ranking stakeholder group. Such an approach seems to be supported by Kaler (2009). Second, companies can choose a utilitarian inspired strategy and prioritize between its stakeholders on the basis of which acts results in maximizing the total *stakeholder* sum of well-being. Third, companies can construct some kind of hybrid and try to include both of the above positions. Concerning the second challenge, companies can choose to limit their obligation by operation with a threshold, e.g. we only assist stakeholders below (or in risk of falling below) a certain standard of welfare. Finally, as concerns the third challenge, companies might try to build a case for stakeholder theory by referring to so-called agent-centered arguments, i.e. arguments where the relation between the agent and the potential beneficiary plays an important part in regards to the agent's obligation to assistance. A classic example of such a relation that denotes special obligations is friendship. As Scheffler (1997) notes, special obligations are a necessary condition for having valuable relationships, since we cannot value a relationship with another person without seeing ourselves as having special obligations. A friend that does not prioritize the needs of his friends over the needs of strangers is no friend at all. Note that agent-centered arguments not only concerns close relationships like friendship. Some supporters of contractualism, including Rawls (1999) defend special obligations toward fellow compatriots, and companies might try to use these ideas as point of departure to develop a defence for a stakeholder approach to CSR. Some theorists believe that this strategy is problematic. The key allegation is that "special obligations" are in some important sense morally arbitrary. If, for instance, morality asks us to respect all persons, then it seems arbitrary, from the moral point of view, that you happen to be a rich stakeholder with lots of institutions (including companies) that should care about your rights and your well-being, and that some poor person a third-world country do not have any relevant "stakeholder connections." It hence seems arbitrary to support one's local community and not more needy non-local communities. We will not, however try to settle the matter here. Our objective is to point out that the question regarding the scope of ethically relevant persons seems to be one of the most challenging *ethical* questions regarding CSR.

2.5 Concluding Remarks

2.5.1 *CSR and the Division of Moral Labour in "Reasonably Just States"*

We have mentioned that some theorists, including Donaldson (1993) argue against ethical CSR on the basis of an argument saying that businesses are not designed to promote ethical goals; they are designed to make profit. We have rejected that position, but there is a much more powerful version with some of the same implications available. Roughly, the argument asserts the following: in reasonably just states, it is the job of governments (i.e., of democratic institutions) to pursue ethical agendas. Governments define good laws, tries to pursue some ideal of social justice etc. Businesses are of course restricted by these laws. But within this restricting legal framework, businesses should simply pursue the maximisation of profits, for the benefit of consumers, employees, shareholders, and, of course, the taxman, In short, there is, or should be, a form of "division of moral labour" between the state and private enterprises. If the premises are true, then of course this is an extremely strong argument. However, there are two countervailing reasons to be sceptic here. First, the argument relies on the state being "reasonably just", and that the state is in fact at least somewhat effective in its endeavour to make good laws and secure social justice. This is of course a matter of deep controversy. Maybe it holds in some countries in some respects, but it is also fair to say that this does not hold universally. And even if it holds for some countries, it does not give companies any reason to relax their CSR-policies vis-à-vis their relations to stakeholders in countries with less-than-ideal political institutions. Also, many companies operate in states that cannot be described as well-ordered or reasonably just. In such cases the "division of labour argument" does not even seem to get off the ground. Secondly, even in an ideal state, state institutions cannot be all-knowing. In short, companies might have detailed, local knowledge (e.g., as concerns the local environment, or the plight of unemployed or marginalized minorities in the local areas of their businesses) which surpass that of the state.

If these reflections are true, then even the powerful "division of moral labour"--argument cannot justify a purely instrumental approach to CSR. We hence seem to be left with a choice between the ethical and the hybrid solution. The hybrid solution seems as mentioned above far from convincing, since it is highly unlikely that ethical and financial considerations always coincide. Therefore we end up with the ethical solution as the most reasonable approach to CSR. However, this raises a wide range of challenges. Especially difficult are the questions about which approach to ethics one should choose and what the implications of choosing that particular approach will be.

References

Arlbjørn, J. S., Warming-Rasmussen, B., Liempd, D. V., & Mikkelsen, O. S. (2008). *A European survey on corporate social responsibility*. Kolding: Department of Entrepreneurship and Relation Management, University of Southern Denmark.

Arnold, D. G., & Harris, J. D. (2012). *Kantian business ethics: Critical perspectives*. Cheltenham: Edward Elgar.

Donaldson, T. (1993). Fundamental rights and international duties. In T. L. Beauchamp & N. E. Bowie (Eds.), *Ethical theory and business* (Vol. 4). Englewood Cliffs, NJ: Prentice Hall.

Dworkin, R. (1984). Rights as trumps. In J. Waldron (Ed.), *Theories of rights* (pp. 153–167). Oxford: Oxford University Press.

Frederiksen, C. S. (2010). The relation between policies concerning corporate social responsibility (CSR) and philosophical moral theories—An empirical investigation. *Journal of Business Ethics, 93*, 357–371.

Frederiksen, C. S., & Nielsen, M. E. J. (2013). Utilitarianism and CSR. In S. O. Idowu (Ed.), *Encyclopedia of corporate social responsibility* (pp. 2643–2649). Berlin: Springer.

Freeman, R. E., Harrison, J. S., Wicks, A. C., Parmar, B. L., & Colle, S. D. (2011). *Stakeholder theory. The state of the art*. Cambridge: Cambridge University Press.

Freeman, R. E., & Phillips, R. A. (2002). Stakeholder theory: A libertarian defense. *Business Ethics Quarterly, 12*(3), 331–349.

Friedman, M. (1970, September 13). The social responsibility of business is to increase its profits. *New York Times Magazine*, 122–126.

Gjerris, M., Nielsen, M. E. J., & Sandøe, P. (2013). *The good, the right, and the fair*. London: College Publications.

Habermas, J. (1983). *Moralbewusstsein und kommunikatives Handeln*. Frankfurt am Main: Suhrkamp Verlag.

Kaler, J. (2009). An optimally viable version of stakeholder theory. *Journal of Business Ethics, 86*, 297–312.

Kant, I. (1994). *Grundlegung zur Metaphysik der Sitten*. Hamburg: Felix Meiner Verlag.

Rawls, J. (1999). *A theory of justice* (Rev. ed.). New York: Oxford University Press.

Sacconi, L., Blair, M., Freeman, R., & Vercelli, A. (2010). *Corporate social responsibility and corporate governance*. Basingstoke: Palgrave MacMillan.

Scanlon, T. M. (1998). *What we owe to each other*. Cambridge, MA: The Belknap Press of Harvard University Press.

Scheffler, S. (1997). Relationships and responsibilities. *Philosophy and Public Affairs, 26*(3), 189–209.

Singer, P. (1993). *Practical ethics* (2nd ed.). New York: Cambridge University Press.

Stieb, J. A. (2009). Assessing Freeman's stakeholder theory. *Journal of Business Ethics, 87*, 401–414.

Chapter 3
Corporate Social Responsibility: A Governable Space

Anthea Wesley, Martin Brueckner, Christof Pforr, and Diana MacCallum

Abstract The rise in the discourse and practice of corporate social responsibility (CSR) has been significant over the last few years, driven largely by a dominant business case logic. The CSR concept though, as suggested here, is more complex, loaded and problematic than is acknowledged within mainstream CSR scholarship. In this chapter, we present the view that CSR should be re-conceptualised as being situated within a relational space, ever unfolding and constituted by a range of forces, be they political, institutional, economic or social. This allows governmentality and spatiality as analytical instruments to deconstruct CSR at the level of the political economy. In this way, it is possible to capture the construction, dissemination and the lived experience of CSR. We also indicate that the impact of global social forces such as the prevailing neoliberal mentalities and the global accumulation agenda are for example better understood when taking this perspective.

3.1 Introduction

Recent decades have witnessed a discernible growth in interest in, and debate on doing business the 'right' way (Shamir, 2002, 2004). This shift has been quite remarkable given that only a few decades ago the ideology of business was constructed around Milton Friedman's (1970) dictum that 'the social responsibility of business is to increase its profits'. Despite the vast array of terminologies within the literature addressing this ethical space, in this chapter we use 'Corporate Social Responsibility' (CSR) as the umbrella term to capture this longstanding and

A. Wesley • C. Pforr • D. MacCallum
Curtin University, Bentley, WA, Australia

M. Brueckner (✉)
Institute of Social Sustainability, School of Management and Governance, Murdoch University, 90 South Street, 6150 Murdoch, WA, Australia
e-mail: m.brueckner@murdoch.edo.au

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_3,

constantly evolving conversation about the role and responsibility of business in society (Jenkins, 2005).

In early conceptualisations of CSR (pre-1960s), social responsibility was rationalised from an altruistic and moral standpoint, where being good was simply the right thing to do (see for example Bowen, 1953; Drucker, 1954; Mikkilä, 2003). Today, an alternative construction of social responsibility has been advanced, rationalised on the basis of making good economic business sense (Idemudia, 2009). The discourse that underpins the 'business case for CSR' suggests that corporations' bottom lines improve when companies consider their social and environmental impacts, as this can enhance their reputation and help minimise their risks as well as realise efficiency gains and enhance stakeholder value (Branco & Rodrigues, 2006; Hart, 1997; Kotler & Lee, 2005; Lantos, 2001; McWilliams & Siegal, 2001; O'Riordan & Fairbrass, 2008; Porter & Kramer, 2002, 2006, 2007; Schreck, 2011). The 'win-win' ideology that underpins this idea is based on the assumption that a company can both be profitable and contribute to the welfare of communities in which they operate (Banerjee, 2007; González & Martinez, 2004; Schreck, 2011). This at least is the dominant message sent by development elites from the northern hemisphere and by proponents of the capitalist strands of CSR theory.

With the mainstream research agenda dominated by the 'business case' logic, there is a largely naïve and unproblematic portrayal of CSR (Brueckner & Mamun, 2010), and an evident absence of robust internal critique (Blowfield, 2005). In this chapter, we present the view—also shared by others in the field (e.g. Banerjee, 2007; Blowfield, 2005)—that this conceptualisation of CSR and associated CSR scholarship are problematic. We argue that CSR must be understood as largely political in nature, in that the intersections between its social, economic, environmental and cultural (indigenous) aspects are firmly embedded in, and affected by structural influences and mechanisms of power (Banerjee, 2010). These complexities indicate that CSR is more loaded and problematic than suggested by the mainstream CSR agenda.

Accordingly, this chapter proposes a new conceptualisation of CSR; CSR as a *governable space*. This is about bringing to the surface some inherent structural challenges and contradictions embedded within CSR that tend to encourage certain corporate behaviours over others (Blowfield, 2005). Thus, we look critically at CSR, both in policy and practice, from a number of perspectives: (1) *Political economy*, the way government, corporate and social interests interact; (2) *Governmentality*, the vast and different array of techniques, institutions, technologies of power, discourses and rationalities underlying the conduct of government in support of particular interests over others, (3) and *Spatiality*, how social, economic, political and ecological relations interact across multiple scales. To achieve this, we conceptualise CSR as occurring in relational space, ever unfolding, 'constituted through a very large number of spaces, discursive, emotional, physical, natural, organisational, technological and institutional' (Rose, 1999, p. 248).

In sum, the aims of this chapter are threefold: (a) to problematise some key aspects within the dominant CSR theory, (b) to introduce CSR as a governable space, and (c) to propose an analytical framework that incorporates governmentality and spatiality. We argue that this framework represents an opportunity to identify often invisible CSR problems and challenges and to find alternative pathways to move forward.

3.2 Deconstructing Corporate Social Responsibility

The proliferation of the CSR discourse among political, corporate and international non-government organisations (NGOs) demonstrates the magnitude of support for the caring and friendly face of corporate capitalism (Doane & Abasta-Vilaplana, 2005). This is a face that displays a balance between the diverse demands of host communities, environmental protection and shareholder expectations (Jenkins, 2004). Those companies that succeed are rewarded for being good corporate citizens while others are punished for having or being perceived to have broken the social contract (Greening & Turban, 2000; Idemudia, 2007; Maignan & Ferrell, 2004). Despite corporations' 'emancipatory rhetoric' (Banerjee, 2008, p. 51), critics of contemporary CSR suggest that serious questions remain about the social and environmental efficacy of many CSR practices and strategies. For example, Zappala (2010) questions the capacity of CSR to address global social problems such as poverty and social inclusion, inequality and environmental security. Palazzo and Scherer (2008) highlight the way companies with 'good' CSR credentials continue to find themselves at the centre of community outrage and in some cases costly litigation (see also Blowfield, 2007).

The mining industry, as one of the primary champions and leaders of the CSR movement, is also increasingly the focus of critical research and advocacy concerning industry-community conflicts (Kemp, Owen, Gotzmann, & Bond, 2011). In this regard, Idemudia (2009) asks why, despite the 'win-win' philosophy of mainstream CSR, do some mining companies find themselves unable to secure their social license to operate without conflict and confrontation? An ongoing problem for the industry, as Frynas (2005) suggests, is that the design and implementation of CSR policy and practice is not in fact based on, and does not refer directly to, the negative economic, social and environmental consequences of the operations themselves. As a consequence, industry-community conflicts continue to erupt over the perceived inequitable distribution of risks, benefits and impacts associated with resource projects (Kemp et al., 2011).

Within the CSR literature, there is continuing disagreement about what CSR is (conceptual definitions), what it achieves (outcomes) and what it should do (potential) (Prieto-Carron, Lund-Thomsen, Chan, Muro, & Bhushan, 2006). There also appears to be a critical shortcoming in the way the mainstream CSR literature privileges corporate interests over sociological ones (Lee & Carroll, 2011) through an excessive emphasis on corporate social performance and the business case logic for CSR (Banerjee, 2005; Blowfield & Frynas, 2005; Brooks, 2010; Lee, 2008; Lee & Carroll, 2011). This 'outcomes' focus, particularly in economic and financial terms, means that sociological ideas have had very little influence on the design and implementation of CSR policy and practice (Idemudia, 2007). For example, in Idemudia's (2010, p. 841) research into the CSR practices of multinational corporations (MNCs) in Nigeria, 'systemic deficiencies inherent within CSR initiatives at the level of design and implementation' were revealed. In particular, Idemudia (2008) identifies the tendency by oil MNCs to use CSR to meet business objectives, which results in limited contextual analysis of the development needs of the local communities, and also results in ongoing conflict. Newell (2005) also points to the way the strategic business ambitions of image enhancement and performance management are central concerns shaping CSR practice today.

In addition to the dominant business case logic setting the boundaries for CSR policy in practice, political-economic dynamics at the national and global level also play a role (Frynas, 2009a, 2009b; Gjølberg, 2009; Hiss, 2009; Idowu & Filho, 2008; Moon, 2007). It is considered that even the most enlightened examples of CSR initiatives can be constrained by structurally embedded limitations that exist within the wider political systems and mechanisms for societal governance (Frynas, 2008; Gulbrandsen & Moe, 2007). This led the former president of the World Bank to suggest 'perhaps a critical look at the system . . . may reveal the limits of what corporations can and cannot do to address societal ills' (cited in Banerjee, 2007, p. 127). Consequently, we can conclude that CSR does not operate in a neutral terrain, but instead within a politically contested one (Idemudia, 2010), where 'structural biases' operate to define and in some cases, constrain CSR policy and practice (Blowfield & Frynas, 2005, p. 504).

By deconstructing the CSR construct, the processes, interactions, relationships, and the politics shrouding its very nature and core can be explored (Idemudia, 2008). This especially involves examining the relationships between major actors and institutions—corporations, governments, international institutions, NGOs and others, as well as the structural and discursive mechanisms of power that define these relations (Banerjee, 2007). Banerjee (2008) explains how these interact to produce a particular kind of political economy and define the rules of the game for participating (Banerjee, 2008). In the CSR literature, very few have undertaken a systematic and detailed analysis of power where power is central to the CSR construct (Banerjee, 2007, 2010; Gordon, 2005).

In this chapter, we are interested in the way the state, market and civil society function not as mutually exclusive, but as an interconnected, complex whole that defines and structures 'socio-political' morality (Banerjee, 2010). We use the phrase 'socio-political' morality because CSR emerges from within a contested 'socially constructed system of norms, values, beliefs and definitions' (Suchman, 1995, p. 574) as well as various imaginations, discourses, techniques and practices (Rutherford, 2011). This combination of factors structures managerial rationality that influences how problems are defined and the formulation of solutions to those problems (Banerjee, 2010; Blowfield, 2005; Blowfield & Frynas, 2005). As Enoch (2007, p. 80) points out, 'to view the adoption of CSR as an individual management choice is to lose sight of the system in which it is meant to operate'. As the mainstream CSR agenda fails to problematise these aspects in any great detail, we propose an alternative way to conceptualise and analyse CSR.

3.3 Defining CSR as a Relational Space

Over recent decades, scholarship has seen a persistent ‘spatial turn’ across various disciplines outside the business schools, especially Human Geography and Sociology. This refers to a view of space and place as continually unfolding and evolving as a consequence of, and a contributor to, the construction of social relations (Warf & Arias, 2008). It is therefore assumed that no social or cultural phenomenon—for instance, CSR policy and practice—can in fact be separated from its spatial context. As Warf and Arias (2008, p. 7) explain, ‘the social, the temporal, the intellectual, and the personal are inescapably always and everywhere also the spatial’. Consequently, we are encouraged to think about space relationally, rather than in its earlier absolute and relative constructions (Jones, 2009, 2010).

These former perspectives treated space as fixed and immobile, an inactive ‘container’ for functions and events (Soja, 1989), while the relational view of space is thought to play a much greater role in human affairs and the sociology of modern life (Arias, 2010; Soja, 1996). Similarly, it is now acknowledged that global social phenomena such as globalisation, neoliberalism and ‘New capitalism’ as well as the persistent problems of inequality and poverty have led scholars to think more critically about space and spatiality (see, for example Ferguson and Gupta, 2002; Harvey, 2012; Sheppard, 2002). Space has since reached ‘new levels of material and ideological significance’ (Warf & Arias, 2008, p. 5) through the writings of prominent geographers such as Henri Lefebvre (1991), David Harvey (2006), Edward Soja (1996), and also to some extent Michel Foucault, albeit less visibly (Hubbard, Kitchin, & Valentine, 2004).

According to the relational view, space is conceived as a social product (produced and producer) ‘continuously being made, unmade and remade’ (Jones, 2010, p. 243) by heterogeneous arrangement of physical and social relations, patterns, structures and processes, be it political, legal, economic and/or social (Martin, McCann, & Purcell, 2003; Valentine, Holloway, & Clifford, 2009). While space is significant for being inherently political as well as geographical, physical and social (Butler, 2010), it is also a concept that ‘defies easy summarising’, as Amin (2007, p 103) demonstrates:

> These new spatialities have become decisive for the constitution of place. The varied processes of spatial stretching, inter-dependence and flow, combine in situ trajectories of socio-spatial evolution and change, to propose place—the city, region or rural area—as a site of intersection between network topologies and territorial legacies. The result is no simple displacement of the local by the global, of place by space, of history by simultaneity and flow, of small by big scale, or of the proximate by the remote. Instead, it is a subtle folding together of the distant and the proximate, the virtual and the material, presence and absence, flow and stasis, into a single ontological plane upon which location—a place on the map—has come to be relationally and topologically defined. Grasping the implications

> of such a definition of place is not easy, given the grip of cartographic legacy measuring location on the basis of geographical distance and territorial jurisdiction.

We argue here that the theory underlining the relational view of space, representing unchartered territory within CSR theory, provides an alternative, more critical way of conceptualising the CSR construct. By acknowledging the importance of space and spatiality, we conceive CSR as a 'swirling, complex, contingent, ever-changing maelstrom of possibilities' (Warf & Arias, 2008, p. 8) influenced by a variety of dynamics, flows and politics (Massey, 1994, 2005). Similarly, with relational space being understood to anchor and foster domination, oppression, contestation, liberation, disintegration and other phenomena that define lived everyday experience (Kaspersen & Strandsbjerg, 2007; Ma, 2002), we can capture some key sociological aspects that plague CSR in policy and practice. In addition, as space is also a site of power, we can capture the way the lived CSR experience is defined and given shape though these power arrangements (Ma, 2002).

In order to contextualise and problematise the current system shaping CSR, the examination of experiences, perceptions, processes, relations, politics and the power asymmetries between and among these elements analytically requires 'touching down' on the ground in a Cartesian sense (Ettlinger, 2011). However, through this spatial lens, the territory in which CSR policy and practice are designed and implemented must be considered 'more than merely land, but a rendering of the emergent concept of "space" as a political category: owned, distributed, mapped, calculated, bordered, controlled' (Elden, 2007, p. 578). Therefore, CSR is not simply about things that exist and events that happen. It is more than some physical or absolute space, but in fact something far more complex (Arias, 2010).

3.4 The Governmentality Perspective

By changing the way we think about CSR from its being a simplistic business tool to representing a space of relational unfolding, we can also demonstrate the value of the governmentality perspective, first developed by Michel Foucault (2004) and subsequently shaped by leading scholars such as Miller and Rose (1990), Rose (1999), Rose and Miller (1992), Lemke (2001), Miller and Rose (2008) and Dean (2010), as an analytical instrument to interrogate the complex CSR terrain. We are not the first to consider governmentality a valuable sense-making tool for CSR 'in providing a critical understanding of how it works and what it does' (Vallentin & Murillo, 2009, p. 10). The governmentality perspective, along with Foucault's other key ideas about power, biopower/biopolitics and discourse have been applied in various ways to the field of CSR (see, for example Banerjee, 2007, 2008; Blowfield & Dolan, 2008; Charkiewicz, 2005; Shamir, 2008; Vallentin & Murillo, 2008, 2009, 2012).

Increasingly, Foucault's ideas have emerged as fruitful for 'unpacking the assumptions' that embed the ongoing conversation among the socio-political institutions of society (i.e.: academia, industry, non-government organisations, community and government) about CSR (Roseberry, 2007, p. 1). Following Foucault, a critique of CSR 'does not consist in saying that things aren't good the way they are'. Rather, and more importantly, 'it consists in seeing on just what type of assumptions, of familiar notions, of established and unexamined ways of thinking the accepted practices are based' (Foucault, 1994/2000, p. 456).

Conceptually, the governmentality perspective acknowledges the existence of 'a tricky combination' (Lemke, 2010, p. 34) of multiple causalities, webs of relations (Miller & Rose, 2008) and a 'coagulation of practices' (Valverde, 2008, p. 15) that shape the way things happen, the process of governing, and the conduct of people and territories (Hannah, 2000; McKee, 2008; Miller & Rose, 2008). This is aligned with a hegemonic political rationality, as Miller and Rose (2008, p. 40) explain:

> There [. . . is] a diversity of mechanisms, both direct and indirect, through which political authorities have sought to act upon entities and processes that make up a population in order to secure economic objectives, and the loose linkages between political ambitions, expert knowledge and the economic aspirations of individual firms.

Given its focus, the governmentality perspective brings with it a view about the political as an articulation of a very specific form of power that is embedded in liberal democracies and regimes of practice (Dean, 2010). This perspective captures a 'productive dimension of power' (Lemke, 2010) that is 'productive of meanings, of interventions, of entities, of processes, of objects, of written traces and of lives' (Miller & Rose, 2008, p. 9). Shown to exist within social relations and norms, articulated within discourses and institutions and distinctive forms of knowledge, this form of power is conceived as being diffuse, capillary and omnipresent (Foucault, 2004), enabling and constraining (McHoul & Grace, 1993, p. 34) and productive, facilitative and creative (McKee, 2009, p. 470). Similarly, relational space is 'inextricably linked to power: it limits and enables, it creates and hinders through precise spatial arrangements' (Kornberger & Clegg, 2003, p. 78) making governmentality and relational space compatible constructs for conceptualising and analysing CSR.

The 'art of government' is a situated activity that is taking place within a discursive field (Dean, 2010; Miller & Rose, 2008)—that is, it is mediated and continually constructed through particular discursive practices. Discourse is argued to inextricably permeate all aspects of social life (Punch, 2005), resembling a manifestation of diverse and hegemonic power relations and constructions of knowledge and ideology (Dean, 2010; Fairclough, 1989; Prince, Kearns, & Craig, 2006; Punch, 2005). Consequently, discourse cannot be seen as neutral, it must be viewed as having ideological effects through the way it represents the world and positions people (Fairclough & Wodak, 1997).

The 'analytics of government' that underpins governmentality thus forms a style of analysis that entails mapping the multiple aims of government and range of mechanisms (manoeuvres, visions, proposals, strategies, schemes, programmes and technologies of government) (Rose & Miller, 2010). It also includes the embedded and taken-for-granted truths and stratums of knowledge and professional bodies of expertise that exist to shape conduct, behaviour, attitudes and opinions of individuals, organisations, societies and populations (Dean, 2010; Huxley, 2008; Rose, 1999; Rose, O'Malley, & Valverde, 2006). Its empirical power thus is a critical one, concerned not with explaining 'why' something happened, but 'how' people and places are governed, including the definition of problems, the objectives sought, the conflicts between them, the heterogeneity of techniques, strategies used and the solutions rendered (Rose, 1999). It then becomes an instrument for understanding the way CSR is constructed, disseminated and experienced by private and public organisations (Huxley, 2008).

3.5 Merging Governmentality and Spatiality

Rose (1999) argues that dominant political rationalities are diffused through spaces, institutions, discourses, knowledge, practices and programmes. This gives rise to issues, patterns and contradictions that become visible in 'spaces' and distinctive 'places' at various scales: national, sub-national and enclosed spaces (Rose, 1999; Stenson & Watt, 1999). Given this, among its various and diverse 'instrumentations', governmentality is also seen to give rise to 'governable spaces' (and 'governable subjects'), reflecting the objects of governance (Rose, 1999). Rose (1999) also suggests that the production of governable spaces involves 'marking out a territory in thought and inscribing it in the real, topographizing it, investing it with powers, bounding it by exclusions, defining who and what can rightfully enter' (Rose, 1999, p. 34). Thus, the spatial arrangement of territory, built forms (schools, factories, prisons, and offices) as well as projects to manage the population, their spatial arrangement and the qualities of their environment, are seen to be embedded with the aims and rationalities of government as 'truths' (Huxley, 2006, 2008). Thus, in the process of shaping collective and individual forces, governmentality becomes inherently spatial (Huxley, 2006, 2007, 2008; Raco, 2003).

Shamir (2008), Blowfield and Dolan (2008) as well as Vallentin and Murillo (2008, 2009, 2012) employing a governmentality perspective have all demonstrated that CSR is neither natural nor coherent, but shaped and formed by various mechanisms of human intervention at various stages and places underpinned by a prevailing political rationality (Johnston & Shearing, 2003; Miller & Rose, 2008). However, grounding our analysis of CSR in relational space draws further meaning into the way CSR is being re-imagined and re-constituted by way of spatialised forms and arrangements (Larner, 2008).

An engagement with space demonstrates attentiveness to the issues at the core of the political economy, that is, social relations, practices, institutions and power structures as well as associated modes of oppression and domination that define these arrangements (Gregory, Martin, & Smith, 1994, Warf & Arias, 2008). As Flyvbjerg and Richardson (1998, pp. 9–10) explain: 'spaces . . . may be constructed in different ways by different people, through power struggles and conflicts of interest ... spaces are socially constructed, and ... many spaces may co-exist within the same physical space...suggest[ing] the need to analyse how discourses and strategies of inclusion and exclusion are connected with particular places'.

3.6 CSR as a Governable Space

By situating both the policy and practice of CSR within a relational space, we acknowledge the strategic, political and ideological character of CSR. We also acknowledge that the constitution of these forces will always emerge in different ways and in different places (Arias, 2010, p. 39) suggesting the need to be attentive to the construction, dissemination and experience of CSR in individual case examples. It is through this conceptualisation that the impact of capitalist expansion and the emergence of 'glocalisation' associated with transformations of the nation-state under neoliberal ruling mentalities (Swyngedouw, 2004) on CSR can be better accounted for, and understood.

These forces cannot be separated from the debate about CSR as they play a critical role in the way CSR is constructed, disseminated and experienced. For example, the 'moralisation of the corporation' (Shamir, 2004) came about at the same time as the 'economization of the political' (Shamir, 2008) which was accompanied by the process of 'decentering' (Brenner, 1999) or 'hollowing out' (Jessop, 2004) of the nation state. These 'neo-liberal ruling mentalities' of the North (Charkiewicz, 2005, p. 80) encompassing economic ideology and technologies of production and control (Mitchell, 2006) have been responsible for marked changes in the political and social landscape (Charkiewicz, 2005; Enoch, 2007).

This has led to a lively debate about the way market based economic rationality has now come to shape how authorities are organised, their policy positions, their corporate ethos and its consequences on the ground (e.g., Bourdieu, 1999; Harvey, 2005; Jayasuriya, 2005; Jessop, 1997; Lemke, 2001; Strange, 1996). The resulting 'public policy vacuum' has placed increased expectations on corporations to fill the social and environmental voids, which has provided a space for CSR discourse (Enoch, 2007; Shamir, 2004; Wright & Rwabizambuga, 2006). The resulting 'CSR space' has been occupied by indirect forms of regulation and a range of internal CSR discourses in the form of voluntary corporate codes of conduct statements, as well as strategic stakeholder partnerships (with for example, the World Wildlife Fund 'WWF') considered as adequate substitutes (Enoch, 2007; Shamir, 2004).

While corporations are emerging as 'global private authorities' capable of influencing and shaping socio-economic-politic spaces (Shamir, 2004), there is also a global capitalist accumulation agenda being aggressively pursued. This has the extraction and exchange of key resources (raw materials and energy) at its epicentre. With continued production imperatives, new territorialities are being opened up to industrial development with domestic and foreign capital at an ever increasing rate (Harvey, 2006). CSR policy and practice thus emerges as a moral legitimisation tool, a source of modification, or ‘a spatial fix’ (see Harvey, 2006) for a system of capitalist relations of production that is premised on profit maximisation and a never ending cycle of growth (Enoch, 2007, Magdoff & Foster, 2012).

The literature also points to a systematic entrenchment of the profitability and competitiveness agenda that underpins the ‘business case’ permeating successfully through and within CSR discourse (e.g., Blowfield & Dolan, 2008; Shamir, 2008; Vallentin & Murillo, 2008, 2009, 2012). The ‘profit promotion’ (Amaeshi, Osuji, & Doh, 2009) message is being effectively legitimised by key knowledge disseminators as ‘truths’; academic CSR theorists (particularly from American business schools) continue the cycle alongside experts, corporate executives and a range of non-government organisations (Shamir, 2004). Elkington (1997) who pioneered the ‘greening of business’ can be seen as—perhaps an unwitting—architect of this shift in CSR whose influential concept of the ‘Triple Bottom Line’ became a platform for non-financial reporting (see Global Reporting Initiative 2000–2006) (Charkiewicz, 2005). This shift meant that the discourse of CSR and sustainability was effectively moved from its roots in social justice to that of cost-benefit analysis and other such economic concepts (Charkiewicz, 2005). Thus, CSR was defined as a ‘merger of profits and morals’ (Charkiewicz, 2005, p. 78) or as ‘converging values with value creation’ (Shamir, 2008, p. 11). Shamir (2004) points to the ‘dozens’ of MaNGOs (market-orientated non-government organisations) operating in Europe and United States that promote this kind of CSR, which is easily amenable to business interests.

We have since witnessed a gradual and systematic framing of CSR as a business opportunity, resulting in the concept becoming embedded within a system that seeks to undermine its radical social transformative potential (Shamir, 2004). Björn Stigson, President of the World Business Council for Sustainable Development (WBCSD), representing the ‘foremost industry association promoting’ (Enoch, 2007, p. 81) the ‘economic arm’ of CSR notes that: *A coherent ‘CSR’ strategy, based on integrity*, *sound values and a long-term approach can offer clear business benefits*. *These cover a better alignment of corporate goals with those of society; maintaining the company’s reputation; securing its continued license to operate; and reducing its exposure to liabilities, risks and associated costs*. This dominant ‘economic arm’ of CSR also extends to the belief that economic development is in its own right a form of social responsibility (Blowfield, 2005), because it provides ‘sustainable livelihoods’ for local communities (Enoch, 2007). This perspective also underpins the WBCSD’s justification that ‘sustainable development is good for business and business is good for sustainable development’ (cited in Shamir, 2010, p. 11). Business development opportunities are then closely interrelated with the goal of poverty alleviation, both of which are intertwined within CSR policies and practices (Fox, 2004). In short, all matters social and environmental are thus prone to fall within the market domain under the umbrella of a narrowly constructed brand of CSR and become subject to a dominant economic rationality. As such, calls once made for value changes at the firm level have effectively been replaced by the notion that enlightened, economic self-interest serves the common good. It is through the governmentality perspective and the theory of spatiality that the nature, and impact of these dominant CSR constructions can be better conceptualised and understood. These lenses allow for a more realistic assessment of the potential and pitfalls of CSR, which mainstream theory today does not yet fully capture and articulate.

3.7 Conclusion

In this chapter, we drew attention to some leading contributors of the critical research agenda for CSR (e.g., Banerjee, 2007, 2008, 2010; Blowfield & Frynas, 2005; Vallentin & Murillo, 2008, 2009, 2012). The critical perspective suggests that CSR is not only shaped by the discretion of managers, it is also embedded in spatial, social and political contexts, with consequent interests and implications (Amaeshi & Amao, 2009; Ungericht & Weiskopf, 2007). In doing so, this perspective shifts CSR, both its policy and practice, from a simple business phenomenon to one situated within an entanglement of forces, subject to power relations and political processes.

To better account for this complexity of CSR, we have re-conceptualised CSR using the theory of spatiality and in particular situated CSR within a relational space. We argued that this perspective can provide the foundations for a critical analysis. Along with other CSR scholars, we indicated how a governmentality perspective can be a powerful instrument for deconstructing the CSR construct. At the same time, however, we suggest that because governmentality also gives way to governable spaces, spatiality must sit alongside governmentality perspectives for a more complete analysis of the way CSR is actualised on the ground.

We also pointed to the way global forces such as globalization, neoliberalism and late capitalism inevitably shape locally-based constructions, disseminations and experiences of CSR. For future research, we suggest examining the way these dominant constructions reveal themselves in local based constructions, either at the national policy or project level.

References

Amaeshi, K., & Amao, O. (2009). Corporate social responsibility in transnational spaces: Exploring influences of varieties of capitalism on expressions of corporate codes of conduct in Nigeria. *Journal of Business Ethics, 86*(2), 225–239.

Amaeshi, K., Osuji, O., & Doh, J. D. (2009). *Corporate social responsibility as a market governance mechanism: Any implications for corporate governance in emerging economies?* UK: University of Edinburgh.

Amin, A. (2007). Re-thinking the urban social. *City, 11*(1), 100–114.

Arias, S. (2010). Rethinking space: an outsider's view of the spatial turn. *GeoJournal, 75*(1), 29–41.

Banerjee, S. B. (2005). Corporate social responsibility: The good, the bad and the ugly. In *11th Asia Pacific researchers in organization studies conference, Melbourne*.
Banerjee, S. B. (2007). *Corporate social responsibility: The good, the bad, the ugly*. UK: Edward Elgar.
Banerjee, S. B. (2008). Corporate social responsibility: The good, the bad and the ugly. *Critical Sociology, 34*(1), 51–79.
Banerjee, S. B. (2010). Governing the global corporation: A critical perspective. *Journal of Business Ethics, 20*(2), 265–274.
Blowfield, M. (2005). Corporate social responsibility: Reinventing the meaning of development? *International Affairs, 81*(3), 515–524.
Blowfield, M. (2007). Reasons to be cheerful? What we know about CSR's impact. *Third World Quarterly, 28*(4), 683–695.
Blowfield, M., & Dolan, C. (2008). Stewards of virtue? The ethical dilemma of CSR in African agriculture. *Development and Change, 39*(1), 1–23.
Blowfield, M., & Frynas, J. G. (2005). Editorial: Setting new agendas: Critical perspectives on corporate social responsibility in the developing world. *International Affairs, 81*(3), 499–513.
Bourdieu, P. (1999). The abdication of the state. In P. Bourdieu (Ed.), *The weight of the world: Social suffering in contemporary society* (pp. 181–188). Stanford, CA: Stanford University Press.
Bowen, H. (1953). *Social responsibilities of the businessman*. New York: Harper and Brothers.
Branco, M., & Rodrigues, L. (2006). Corporate social responsibility and resource-based perspectives. *Journal of Business Ethics, 69*(2), 111–132.
Brenner, N. (1999). Globalisation as reterritorialisation: The re-scaling of urban governance in the European Union. *Urban Studies, 36*(3), 431–451.
Brooks, S. B. (2010). CSR and the strait-jacket of economic rationality. *International Journal of Sociology and Social Policy, 30*(11/12), 604–617.
Brueckner, M., & Mamun, M. A. (2010). Living downwind from CSR: A community perspective on corporate practice. *Business Ethics: A European Review, 19*(4), 326–348.
Butler, C. (2010). Critical legal studies and the politics of space: Law, boundaries and the production of space. *Social and Legal Studies, 19*(3), 275–284.
Charkiewicz, E. (2005). Corporations, the UN and neo-liberal bio- politics. *Development, 48*(1), 75–83.
Dean, M. (2010). *Governmentality: Power and rule in modern society* (2nd ed.). Los Angeles: Sage.
Doane, D., & Abasta-Vilaplana, N. (2005). The myth of CSR. *Standford Social Innovation Review, 3*(3), 22–29.
Drucker, P. F. (1954). *The practice of management*. New York: Harper & Brothers.
Elden, S. (2007). Governmentality, calculation, territory. *Environment and Planning D: Society and Space, 25*(3), 562–580.
Elkington, J. (1997). *Cannibals with forks. The triple bottom line of twentieth century business*. Oxford: Capstone.
Enoch, S. (2007). A greener potemkin village? Corporate social responsibility and the limits of growth. *Capitalism Nature Socialism, 18*(2), 79–90.
Ettlinger, N. (2011). Governmentality as epistemology. *Annals of the Association of American Geographers, 101*(3), 537–560.
Fairclough, N. (1989). *Language and power*. London: Longman.
Fairclough, N., & Wodak, R. (1997). Critical discourse analysis. In T. A. van Dijk (Ed.), *Discourse studies: A multidisciplinary introduction* (Discourse as social interaction, Vol. 2, pp. 2–4). London: Sage.
Ferguson, J., & Gupta, A. (2002). Spatializing states: Toward an ethnography of neoliberal governmentality. *American Ethnologist, 29*(4), 981–1002.
Flyvbjerg, B., & Richardson, T. (1998). *In search of the dark side of planning*. Paper presented at the planning theory conference. Oxford Brookes University.

Foucault, M. (1994/2000). So is it important to think? (R. Hurley and others, Trans.). In J. D. Faubion (Eds.) *Power: Essential works of foucault 1954–1984* (Vol. 3). London: Penguin.

Foucault, M. (2004). *Sécurite, Territoire, Population: Cours au Collège de France (1977-1978)* (M. Senellart Ed.). Paris: Gallimard.

Fox, T. (2004). Corporate social responsibility and development: In quest of an agenda. *Development, 47*(3), 29–36.

Friedman, M. (1970, September 13). The social responsibility of business is to increase its profits. *The New York Times Magazine*.

Frynas, J. G. (2005). The false developmental promise of corporate social responsibility: Evidence from multinational oil companies. *International Affairs, 81*(3), 581–598.

Frynas, J. G. (2008). Corporate social responsibility and international development: Critical assessment. *Corporate Governance-an International Review, 16*(4), 274–281.

Frynas, J. G. (2009a). Corporate social responsibility in the oil and gas sector. *The Journal of World Energy Law and Business, 2*(3), 178–195.

Frynas, J. G. (2009b). *Corporate social responsibility: Oil multinationals and social change*. London: Cambridge University Press.

Gjølberg, M. (2009). The origin of corporate social responsibility: Global forces or national legacies? *Socio-Economic Review, 7*(4), 605–637.

González, M. D., & Martinez, C. (2004). Fostering corporate social responsibility through public initiative: From the EU to the Spanish case. *Journal of Business Ethics, 55*(3), 275–293.

Gordon, R. (2005). An empirical investigation into the power behind empowerment. *Organization Management Journal, 2*(3), 144–165.

Greening, D. W., & Turban, D. B. (2000). Corporate social performance as a competitive advantage in attracting a quality workforce. *Business and Society, 39*(3), 254–280.

Gregory, D., Martin, R., & Smith, G. (1994). *Human geography: Society, space and social science*. London: Macmillan.

Gulbrandsen, L. H., & Moe, A. (2007). BP in Azerbaijan: A test case of the potential and limits of the CSR agenda. *Third World Quaterly, 28*(4), 813–830.

Hannah, M. (2000). *Governmentality and the mastery of territory in nineteenth-century America*. Cambridge: Cambridge University Press.

Hart, S. (1997). Beyond greening: Strategies for a sustainable world. *Harvard Business Review, 75* (1), 66–76.

Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press.

Harvey, D. (2006). *Spaces of global capitalism: Towards a theory of uneven geographical development*. London: Verso Press.

Harvey, D. (2012). *Spaces of capital. Towards a critical geography*. New York: Routledge.

Hiss, S. (2009). From implicit to explicit corporate social responsibility: Institutional change as a fight for myths. *Business Ethics Quarterly, 19*(3), 433–451.

Hubbard, P., Kitchin, R., & Valentine, G. (2004). *Key thinkers on space and place*. London: Sage.

Huxley, M. (2006). Spatial rationalities: order, environment, evolution and government. *Social and Cultural Geography, 7*(5), 771–787.

Huxley, M. (2007). Geographies of governmentality. In J. Crampton & S. Elden (Eds.), *Space, knowledge, power: Foucault and geography* (pp. 185–205). Aldershot, UK: Ashgate.

Huxley, M. (2008). Space and government: Governmentality and geography. *Geography Compass, 2*(5), 1635–1658.

Idemudia, U. (2007). Community perceptions and expectations: Reinventing the wheels of corporate social responsibility practices in the Nigerian oil industry. *Business and Society Review, 112*(3), 369–405.

Idemudia, U. (2008). Conceptualising the CSR and development debate: Bridging existing analytical gaps. *Journal of Corporate Citizenship, 29*(1), 91–110.

Idemudia, U. (2009). Oil extraction and poverty reduction in the Niger Delta: A critical examination of partnership initiatives. *Journal of Business Ethics, 90*(1), 91–116.

Idemudia, U. (2010). Rethinking the role of corporate social responsibility in the Nigerian oil conflict: The limits of CSR. *Journal of International Development, 22*(7), 833–845.

Idowu, S. O., & Filho, W. L. (Eds.). (2008). *Global practices of corporate social responsibility*. Germany: Springer.

Jayasuriya, K. (2005). *Economic constitutionalism, liberalism and the new welfare governance* (Working Paper No.121). Perth, WA: Asia Research Centre, Murdoch University.

Jenkins, H. (2004). Corporate social responsibility and the mining industry: Conflicts and constructs. *Corporate Social Responsibility and Environmental Management, 11*(1), 23–34.

Jenkins, R. (2005). Globalization, corporate social responsibility and poverty. *International Affairs, 81*(3), 525–540.

Jessop, B. (1997). Capitalism and its future: Remarks on regulation, government and governance. *Review of International Political Economy, 4*(3), 561–568.

Jessop, B. (2004). Hollowing out the 'nation-state' and multilevel governance. In P. Kennett (Ed.), *A handbook of comparative social policy* (pp. 11–25). Cheltenham: Edward Elgar.

Johnston, L., & Shearing, C. (2003). *Governing security: Explorations in policing and justice*. London: Routledge.

Jones, M. (2009). Phase space: Geography, relational thinking, and beyond. *Progress in Human Geography, 33*(4), 487–506.

Jones, M. (2010). Limits to 'thinking space relationally'. *International Journal of Law in Context, 6*(3), 243–255.

Kaspersen, L. B., & Strandsbjerg, J. (2007). *How States make Space and how Space makes States*.... Paper presented at the 6th Pan-European international relations conference—The 'inside/outside' to historical sociology: Nation, state and territoriality Turin, September 12–16.

Kemp, D., Owen, J. R., Gotzmann, N., & Bond, C. J. (2011). Just relationsl and company-community conflict in mining. *Journal of Business Ethics, 101*(1), 93–109.

Kornberger, M., & Clegg, S. (2003). The architecture of complexity. *Culture and Organization, 9* (2), 75–91.

Kotler, P., & Lee, N. (2005). *Corporate social responsibility: Doing the most good for your company and your cause*. Hoboken. NJ: Wiley.

Lantos, G. P. (2001). The boundaries of strategic corporate social responsibility. *Journal of Consumer Marketing, 18*(7), 595–630.

Larner, W. (2008). Comments on Kevin Stenson's 'Governing the local: Sovereignty, social governance and community safety'. *Social Work and Society, 6*(1).

Lee, M. D. P. (2008). A review of the theories of corporate social responsibility: Its evolutionary path and the road ahead. *International Journal of Management Reviews, 10*(1), 53–73.

Lee, S., & Carroll, C. (2011). The emergence, variation, and evolution of corporate social responsibility in the public sphere, 1980-2004: The exposure of firms to public debate. *Journal of Business Ethics, 104*(1), 115–131.

Lefebvre, H. (1991). *The production of space* (D. Nicholson-Smith, Trans.). Malden, MA: Wiley-Blackwell.

Lemke, T. (2001). The birth of bio-politics: Michel Foucault's lecture at the Coll'ege de France on neo-liberal governmentality. *Economy and Society, 30*(2), 190–207.

Lemke, T. (2010). Foucault's hypothesis: From the critique of the juridico-discursive concept of power to an analytics of government. *Parrhesia, 9*(1), 31–43.

Ma, E. K.-W. (2002). Translocal spatiality. *International Journal of Cultural Studies, 5*(2), 131–152.

Magdoff, F., & Foster, J. B. (2012). *What every environmentalist needs to know about capitalism. A citizens guide to capitalism and the environment*. New York: Monthly Review Press.

Maignan, I., & Ferrell, O. (2004). Corporate social responsibility and marketing. An integrative framework. *Journal of the Academy of Marketing Science, 32*(1), 3–19.

Martin, D., McCann, E., & Purcell, M. (2003). Space, scale, governance, and representation: Contemporary geographical perspectives on urban politics and policy. *Journal of Urban Affairs, 25*(2), 113–121.

Massey, D. (1994). *Space, place, and gender*. Minneapolis, MN: University of Minnesota Press.
Massey, D. (2005). *For space*. London: Sage.
McHoul, A., & Grace, W. (1993). *A Foucault primer: Discourse, power and the subject*. London: Routledge.
McKee, K. (2008). Transforming Scotland's public sector housing through community ownership: The reterritorialisation of housing governance?'. *Space and Polity, 12*(2), 183–196.
McKee, K. (2009). Post-Foucauldian governmentality: What does it offer critical social policy analysis? *Critical Social Policy, 29*(3), 465–486.
McWilliams, A., & Siegal, D. (2001). Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review, 26*(1), 7–27.
Mikkilä, M. (2003). Acceptability of operations as an indicator of corporate social performance. *Business Ethics: A European Review, 12*(1), 78–87.
Miller, P., & Rose, N. (1990). Governing economic life. *Economy and Society, 19*(1), 1–31.
Miller, P., & Rose, N. (2008). *Governing the present: Administering economic, social and personal life*. UK: Polity Press.
Mitchell, K. (2006). Neoliberal governmentality in the European Union: Education, training and technologies of citizenship. *Environment and Planning D: Society and Space, 24*(3), 389–407.
Moon, J. (2007). The contribution of corporate social responsibility to sustainable development. *Sustainable Development, 15*(5), 296–306.
Newell, P. (2005). Citizenship, accountability and community: The limits of the CSR agenda. *International Affairs, 81*(3), 541–557.
O'Riordan, L., & Fairbrass, J. (2008). Corporate social responsibility (CSR): Models and theories in stakeholder dialogue. *Journal of Business Ethics, 83*(4), 745–758.
Palazzo, G., & Scherer, A. G. (2008). Corporate social responsibility, democracy and the politicization of the corporation. *Management Review, 33*(3), 773–775.
Porter, M. E., & Kramer, M. R. (2002). The competitive advantage of corporate philanthropy. *Harvard Business Review, 80*(12), 56–69.
Porter, M. E., & Kramer, M. R. (2006). Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review, 84*(12), 78–92.
Porter, M. E., & Kramer, M. R. (2007). Strategy and society: The link between competitive advantage and corporate social responsibility—Response. *Harvard Business Review, 85*(6), 136–137.
Prieto-Carron, M., Lund-Thomsen, P., Chan, A., Muro, A., & Bhushan, C. (2006). Critical perspective on CSR and development: What we know, what we don't know and what we need to know. *International Affairs, 82*(5), 977–987.
Prince, R., Kearns, R., & Craig, D. (2006). Governmentality, discourse and space in the New Zealand health care system, 1991–2003. *Health & Place, 12*(3), 253–266.
Punch, K. (2005). *Introduction to social research: Quantitative and qualitative approaches*. London: Sage.
Raco, M. (2003). Governmentality, subject-building and the discourses and practices of devolution in the UK. *Transactions of the Institute of British Geographers, 28*(1), 75–95.
Rose, N. (1999). *Powers of freedom: Reframing political thought*. Cambridge: Cambridge University Press.
Rose, N., & Miller, P. (1992). Political power beyond the State: Problematics of government. *The British Journal of Sociology, 43*(2), 173–205.
Rose, N., & Miller, P. (2010). Political power beyond the State: Problematics of government. *The British Journal of Sociology, 61*(1), 271–303.
Rose, N., O'Malley, P., & Valverde, M. (2006). Governmentality. *Annual Review of Law and Social Science, 2*(1), 83–104.
Roseberry, L. (2007). *Towards a discourse analysis of the corporate social responsibility/accountability debate* (CSR & Business in Society CBS Working Paper Series No. 02). Centre for Corporate Social Responsibility.

Rutherford, S. (2011). *Governing the wild: Ecotours of power*. Minneapolis, MN: University of Minnesota Press.
Schreck, P. (2011). Reviewing the business case for corporate social responsibility: New evidence and analysis. *Journal of Business Ethics, 103*(2), 167–188.
Shamir, R. (2002). The commodification of corporate social responsibility: An Israeli test case. Discussion paper. Available from http://sapir.tau.ac.il/papers/sapir-wp/13-02.pdf
Shamir, R. (2004). The de-radicalization of corporate social responsibility. *Critical Sociology, 30* (3), 669–689.
Shamir, R. (2008). The age of responsibilization: On market-embedded morality. *Economy and Society, 37*(1), 1–19.
Shamir, R. (2010). Capitalism, governance, and authority: The case of corporate social responsibility. *Annual Review of Law and Social Science, 6*(1), 531–553.
Sheppard, E. (2002). The spaces and times of globalization: Place, scale, networks, and positionality. *Economic Geography, 78*(3), 307–330.
Soja, E. (1989). *Postmodern geographies: The reassertion of space in critical social theory*. London: Verso Press.
Soja, E. (1996). *Thirdspace: Journeys to Los Angeles and other real-and-imagined places*. UK: Blackwell.
Stenson, K., & Watt, P. (1999). Governmentality and 'the death of the social'?: A discourse analysis of local government texts in South-East England. *Urban Studies, 36*(1), 189–201.
Strange, S. (1996). *The retreat of the state: The diffusion of power in the world economy*. Cambridge, UK: Cambridge University Press.
Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Journal, 20*(3), 571–610.
Swyngedouw, E. (2004). Globalisation or 'glocalisation'? Networks, territories and rescaling. *Cambridge Review of International Affairs, 17*(1), 25–48.
Ungericht, M. B., & Weiskopf, R. (2007). Filling the empty shell. The public debate on CSR in Austria as a paradigmatic example of a political discourse. *Journal of Business Ethics, 70*(3), 285–297.
Valentine, G., Holloway, S., & Clifford, N. (2009). *Key concepts in geography*. London: Sage.
Vallentin, S., & Murillo, D. (2008). *CSR as Governmentality*. Paper presented in the fourth ISBEE world congress. Cape Town, South Africa.
Vallentin, S., & Murillo, D. (2009). *CSR as Governmentality, CSR & Business in Society CBS* (Working Paper Series No 04). Centre for Corporate Social Responsibility.
Vallentin, S., & Murillo, D. (2012). Governmentality and the politics of CSR. *Organization, 19*(6), 825–843.
Valverde, M. (2008). Police, sovereignty, and law: Foucaultian reflections. In M. D. Dubber & M. Valverde (Eds.), *Police and the liberal state* (pp. 15–32). Stanford, CA: Stanford Law Books.
Warf, B., & Arias, S. (Eds.). (2008). *The spatial turn: Interdisciplinary perspectives*. London: Routledge.
Wright, C., & Rwabizambuga, A. (2006). Institutional pressures, corporate reputation and voluntary codes of conduct: An examination of the equator principles. *Business and Society Review, 111*(1), 89–117.
Zappala, G. (2010). *Beyond corporate responsibility: The spiritual turn and the rise of conscious business* (CSI Background Paper No. 6). Centre for Social Impact. Retrieved from http://www.csi.edu.au/

Chapter 4
EI, IQ and Competence: Toward a Comparative Model of China and Bangladesh

M. Ruhul Amin and Quanxin Zhang

Abstract EI (Emotional Intelligence) alone or when combined with IQ (Intelligence Quotient) has been known to often determine managerial competence (or problem solving index.) This paper retests a conceptual model developed earlier to interpret how EI (Emotional Intelligence), IQ (Knowledge, Skills and Abilities or KSA) and ED (Executive Development) contribute to Managerial Problem Solving. It tests four hypotheses with data from Bangladesh and China toward a comparative management effectiveness model. Seventy eight entry to mid- level managers of BRAC in Bangladesh and 52 managers from 26 diverse organizations of Shandong, China participated in this comparative study. The authors provide reliable indices for Emotional Intelligence, IQ (KSA) and Employee Development concepts while providing empirical support for the managerial effectiveness model. The paper makes a definitive claim about the contribution of EI in managerial effectiveness (or problem solving).

4.1 Introduction

Emotional Intelligence (EI) is a set of abilities and skills pertaining to perception, recognition and regulation of supervisor's personal and employee emotions. It also involves using emotions to facilitate individual performance. Although the literature on the concept still debates whether EI is a trait or ability (Austin, 2010), this paper uses the original construct of Salovey and Mayer (1990) in the prediction of managerial competence or problem solving behavior. The construct uses the following mental abilities: (1) Managing one's emotion to achieve specific goals;

M.R. Amin (✉)
Department of Management and Marketing, College of Business, Bloomsburg University of Pennsylvania, Sutliff Hall, Room 358. 400 East Second Street, Bloomsburg 17815, PA, USA
e-mail: mamin@bloom.edu

Q. Zhang
Shandong University of China, Jinan, Shandong, China

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_4,

(2) Understanding emotional language, and the signals conveyed by emotions; (3) Using emotions to facilitate thinking; (4) Perceiving emotions in oneself and others. The surge of research interest began with Salovey and Mayer (1990) who made a claim that emotional intelligence (EI) influence socially desirable outcomes. Since then a great deal have been written about emotional intelligence as a major explanatory variable in conjunction with variables such as managerial IQ reflected in operational, communication, and problem solving skills contributing to individual and managerial performances (Butler & Chinowsky, 2006; Caruso & Salovey, 2004a, 2004b; Cote & Miner, 2006; Goleman, 1998, 2000; Lyusin, 2006; Petrides & Furnham, 2006; Rahim et al., 2002; Rapisadra, 2002; Salovey & Mayer, 1990; Mayer et al., 1998, 2000, 2004, 2008; Caruso et al., 2002). While the conceptual and philosophical debates of mixing intelligence with emotion is yet to be resolved (Becker, 2003; Cote & Miner, 2006; Landy, 2005; Locke, 2005; Mathews et al., 2006) an ever increasing number of business have been using MSCEIT (Mayer, Salovey, & Caruso, 2002), Goleman ECI 360 (1995), and Bar-On EII (1997) as the screening device for recruiting new managers and executives. However, despite the debates, there seems to be a consensus that EI of manager is as important as IQ if not more, and as such it also affects individual behavior and consequently the organizational outcomes.

In the recent studies, EI has been found to explain occupational stress (Nikolaou & Tsaousis, 2002; Nooryan, Gasparyan, Sharif, & Zoladl, 2011; Petrides & Furnham, 2006) employee commitment (Petrides & Furnham, 2006); team cohesiveness (Rapisadra, 2002); burnout (Sharma, 2007); sales performance (Law, Wong, & Song, 2004); professional success.

Scholars who assume EI as a mental ability tend also to believe that EI could be developed through socialization and training. Schachter (2009) emphasized EI in leadership training; Nooryan et al. (2011) emphasized teaching of EI to overcome job related stress; Yaghoubi, Mashinchi, and Hadi (2011) showed how variations in parenting explain EI in children. In addition a recent empirical study confirmed gains in EI in a leadership development program (McEnrue, Groves, & Shen, 2009). Another competency model for interpersonal effectiveness developed by Kunnanatt (2008) provided a practical framework that could help executives, employees, and career advisors understand what EI competencies managers need and how these could be developed through EI training. Yet in another study by Fambrough and Hart (2008) suggest alternative ways to include increased awareness of emotions in the leadership development. Furthermore, Berman and West (2008) in a study of social skills among public managers have identified practices that lead to development of EI skills. These studies may have influenced the management practices and many organizations recently have adopted emotional intelligence in their employee development programs (Cote & Miner, 2006).

While the importance EI has been recognized in both in the literature as well as in practice, the operational definition and measurement of the aspects of EI continue to remain an unresolved issue. Rahim et al. (2002) in a cross-cultural (seven country) model of emotional intelligence, used five dimensions: self awareness, self regulation, motivation, empathy, and social skills. For each of these dimensions, Likert type scales were used. Petrides and Furnham (2006) made a distinction between Trait EI vs. Ability EI, reflecting perceived vs. demonstrated emotional intelligence leading to a complex mutlti-dimensional measurement technique. In such a complex model, overestimation/underestimation of parameters of EI are practical problems stemming from the confounded data of both perceived and/or the demonstrated emotional intelligence. In spite of all risks of confounding data and measurement errors, EI has been established as an explanatory variable of managerial effectiveness and as such is a highly desired trait in the executive hiring decisions.

However, it is also not clear in the literature as to how managerial IQ in conjunction with Managerial EI or independently explain managerial effectiveness. Therefore, we proposed a model to empirically discern relative contributions both variables with data from two developing countries. Beside EI, we therefore need to introduce IQ, Executive Development (ED), and Managerial Competence related to organizational problem solving as a prelude to the discussion of our model.

Psychological literature on IQ is very rich and its measurement has been universally accepted. Based on the literature, we can safely deduce that managerial IQ lies in the cognitive domain of the managers and it is demonstrated in the operational knowledge, conceptual abilities and skills pertaining to performance of the traditional functions of planning, organizing, leading, and controlling. We have attributed Managerial IQ to Knowledge, Skills, and Abilities (KSA) of managers.

Executive Development (ED) stands for executive development training programs in the organization. These programs usually are skill/ability development programs leading to Knowledge, Skills and Abilities (KSA) of managers. We proposed ED as the KSA booster contributing to overall competency expectations of managers.

Managerial Problem Solving (MPS) is a composite index of problem solving performance attributions by subordinates representing supervisor's managerial effectiveness.

By using the above variables, we have conceptualized Managerial Competence (MC) is a function of KSA + ED + EI, where ED stands for the amount of management training and development received by the manager. Therefore, we can formulate the following conceptual Equation:

$$\mathrm{MC}\left(\sum \mathrm{KSA}, \mathrm{ED}, \mathrm{EI}\right) + \acute{\varepsilon} = \mathrm{MPS}$$

Where $\acute{\varepsilon}$ stands for errors or contributions of unknown variables; MPS stands for Managerial Problem Solving.

Based on above formulations, it may be stated that all managers are expected to resolve issues and solve problems. Managerial effectiveness depends on solving organizational problems as well as resolving interpersonal issues. Figure 4.1 below illustrates the relationship depicted in the Equation:

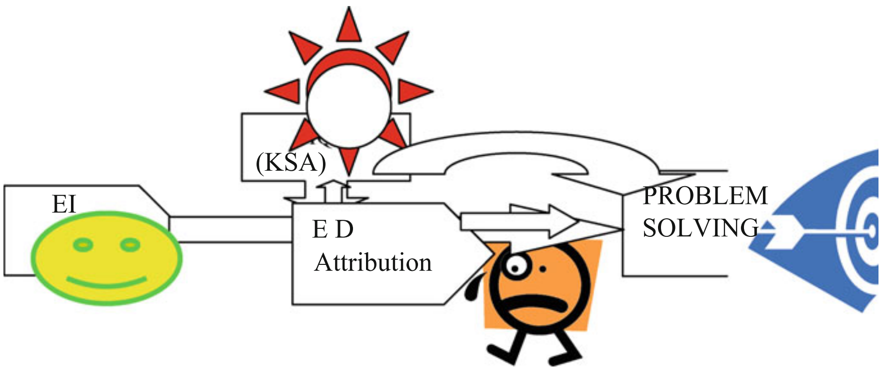


Fig. 4.1 A model of managerial effectiveness

The above model was initially developed by Amin and Afza (2008). It was first tested with data from an organization (BRAC) in Bangladesh. Legends in the Fig. 4.1: The moon symbolizes (emotion) EI, and the Sun symbolizes (reason) i.e. IQ (KSA). The action figure (clip art) symbolizes management training and education, and the arrow on a target symbolizes problem solving efforts by the manager.

The following illustrative Hypotheses from the above model may be deduced:

H_1: Higher the observed EI (Emotional intelligence), higher is the managerial problem solving (or managerial effectiveness)

H_2: Higher IQ (KSA), higher is the managerial problem solving (or managerial effectiveness)

H_3: Higher EI along with higher IQ (KSA) lead to higher managerial problem solving (or managerial effectiveness)

H_4: Higher EI along with higher IQ (KSA) and ED (Employee Development Attribution) lead to higher managerial problem solving (or managerial effectiveness)

4.2 Methods and Measurement

A five point interval variable with upward grading scale (1 = below 60 %; 2 = 60–69 %, 3 = 70–79 %, 4 = 80–89 %, and 5 = 90–100 %) was used for 93 different items concerning perception, recognition, and regulation of personal and employee emotions. This grading scale was judged to be better than that of self-reports of the respondents in Likert type of scale as the grading is assumed to be based on demonstrated EI ability of the immediate supervisor. Typical items were: My supervisor has ability to control his/her emotions; helps subordinates without hurting feelings of coworkers; has ability to handle interpersonal conflicts through tact and diplomacy. An EI index was created by adding 27 of these items and then dividing the aggregate by 27. A Cronbach alpha was calculated by using SPSS-16 sub routine Reliability. The coefficient α = .937 affirms high reliability of the EI index. Similarly another index was created for Managerial Problem Solving with 12 items. The typical items in this index were: My supervisor investigates issues to find a solution acceptable to us; tries to bring all our concerns out in the open so that the issues can be resolved; tries to work with me for proper understanding of a problem. A Cronbach alpha α = .921 confirms the reliability of the index. Using the same method of dividing the aggregate score by19, an operational skill index (IQ) of the manager was created with 19 individual items. The typical items in this index were: My supervisor comes up with new and practical ideas to improve performance; suggests new ways to improve quality; promotes and champions ideas of others. A Cronbach alpha α = .929 confirms the high reliability of the index. ED (Executive Development) index was created with seven individual items through the above math routine. The typical items in the index were: My supervisor encourages continual training for improved employee performance; encourages sharing work related knowledge and skills among employees; encourages education for individual efficiency and effectiveness. A Cronbach alpha α = .905 confirms the high reliability of the index.

Managerial Problem Solving (MPS) is an index comprising of 12 variables. Typical items in this index are: My supervisor demonstrates problem solving skills; work with us in understanding issues and problem; helps us solve problems. A Cronbach alpha α = .904 confirms reliability of the index.

Data were collected in the winter of 2008 from 51 entry level managers of organizations located in Shandong province of China through structured interviews who were selected based on their respective management (entry level or supervisory) positions. What follows are brief descriptions of organizations involved in this survey. This survey was carried out in 26 organizations in Shandong Province of China which are classified into five groups as Conventional Business Organizations, IT Companies, Non-profit Institutions, Educational Organizations and Financial institutions.

4.2.1 Conventional Business Organizations

There are six companies representing petrochemical, pharmaceutical, tourist trade, and construction companies in this group. They are: China National Petroleum Corporation (CNPC), Qilu Petroleum Engineering Corporation (QPEC), Linuo Group, The Tourism Administration of Shouguang (Shandong), The City Construction Corporation of Zhangqiu (Shandong), and Qilu Pharmaceutical Co. Ltd.

4.2.2 Educational Institution

There are three Universities, one college and a high school in this group. They are Shandong University, Shandong University of Art, Shandong University of Agriculture, Shandong Economy & Trade Professional College, and No.1 High School of Zhucheng (Shandong).

4.2.3 Financial Institution

Four banks and a non-bank financial institution are included in this group. They are The Leyuan Branch of Bank of Commerce of Jinan, The Subsidiary Bank in Weifang (Shandong) of Bank of China, The Subsidiary Bank in Weifang (Shandong) of Bank of peoples' Republic of China, The Subsidiary Bank in Jinan (Shandong) of China Merchants Bank, the non-bank financial institution is Dagong International Credit Evaluation Co. Ltd.

4.2.4 Non-profit Institution

This group includes four organizations, they are: Dadi Scene Travel Planning Institute, Jinan Landscape Management Bureau, Qingdao Port Bureau, and Shandong Architectural Design & Research Institute.

4.2.5 IT Companies

This group includes six companies. They are: Jinan Telecom Company, Jinan Lanfu Managerial Consult Company, Jinan Chengtian Information Company, Jinan Xinhainuo Technical &Trade Company, Shandong Branch of China Mobile Company, and, Zhongqing Jiye Group Ltd. Company. What follows are the brief introductions of some of the organizations based on the publicly provided websites:

1. *China National Petroleum Corporation* http://www.cnpc.com.cn
   Shandong Liaocheng of China National Petroleum Corporation (CNPC) was built in July 2002. CNPC is China's largest oil and gas producer and supplier, as well as one of the world's major oilfield service providers and a globally reputed contractor in engineering construction. It provides crude oil, natural gas, refined products and chemicals for business and customer use. It also provides the industry with a full range of oilfield and engineering services. More than 400 employees serve this company. Some lower level managers in this company are involved in this survey.

2. *Linuo Group* http://www.lino.com

   Linuo Group was established in 1994, specializing in solar products, glass products, pharmacy and automotive coatings; it is an internationalized group that also involves in foreign trading. It was honored as Shandong Province's Outstanding Private Enterprise, National High and New Tech Enterprise, National High Tech Private Enterprise and Top 1,000 Greatest Industrial Enterprises of China in 2005. The group operates departments for solar products, pharmacy, glass products and chemical industry; It also owns 28 manufacturing companies, 2 publicly held companies, 2 overseas companies. It has 9 offices in eight cities of China and 2 R&D institutions abroad and a new-tech R&D center at Linuo University. There are 11,000 employees in Linuo Group and some middle to high level managers of the head office of Linuo Group participated in this survey.

3. *Shandong University* http://www.sdu.edu.cn/

   Shandong University is one of the oldest and prestigious universities in China. Shandong University was founded in 1901 and is the second national university established soon after Jingshi University (the Metropolitan University) in the country. Recently, the Ministry of Education approved the university as a "national key comprehensive university." In 2001, it was listed among the 21 national first-class key universities. by the Ministry of Education, PRC.

   Shandong University embraces an abundance of scientific research facilities, a strong teaching staff, and favorable studying environment. The university has a group of reputed scholars known both at home and abroad among 922 professors. There are 29 academicians (including adjunct academicians) who are members of the Chinese Academy of Sciences and the Chinese Academy of Engineering. Three general hospitals, including Qilu Hospital and 12 teaching hospitals are affiliated with the university. Over 175 experimental labs, teaching and research facilities are well-EIuipped. Some of the interviewees come from the lower level management positions of the university.

4. *Shandong University of Arts.* http://www.sdca.edu.cn/

   Shandong University of Arts is located in Jinan, a famous historic and cultural city with many springs, and is the only comprehensive arts institution of higher education in Shandong Province. Since its establishment in 1958 and after continuous efforts of several generations, Shandong University of Arts has developed into a comprehensive arts institution of higher education and is playing an important role in arts education and arts talent cultivation in Shandong Province. It has great influence in some domestic arts academies. It now has 728 full-time teachers, including 292 professors with doctorate and master degrees, and 281 teachers with senior professional qualification. Some teachers of this university participated in this survey.

5. *Shandong Branch of China Mobile Company* http://www.sd.chinamobile.com/

   Officially established on April 20th, 2000, China Mobile Communications Corporation (CM) has a registered capital of 51.8 billion RMB yuan and assets of over 400 billion RMB yuan. Currently, in terms of its market value, China Mobile Limited is the largest among all the overseas listed Chinese companies, *and among all the telecom carriers in Asia. It ranks the first in the world in terms of the network scale and the customer base. By the end of 2005, 100 % of the counties (cites) in China had been covered by network with seamless coverage on the backbone lines and indoor coverage in key urban areas. The training program framework for China Mobile has basically been established and the Internet-based education program covering the thirty-one subsidiaries was implemented and promoted, reinforcing the development, management and analysis of the basic training data, and improving the efficiency and quality of the training efforts. There are nearly 10,000 employees in this company and some of the lower level managers have participated in this survey.*

6. *Jinan (Shandong) Subsidiary Bank of China Merchants Bank* http://www.cmbchina.com/branch+websites/0531

   China Merchants Bank is the sixth largest commercial bank by assets in China and is currently among the top 100 banks in the world. During 22 years since the inception, China Merchants Bank have grown from a small bank with one office and capital totaling USD 14.5 million to a national bank with net capital of USD 12.33 billion and more than 600 offices as well as about 36 thousand employees in 40 major cities across China. There are several hundred managers in Jinan subsidiary bank of CMB and some of the junior managers participated in this survey.

7. *Shandong Architectural Design & Research Institute* http://www.sdad.cn/

   Shandong Architectural Design & Research Institute (SDAD) was built in 1953, which is the largest and most powerful entities of architectural design, engineering survey and design. SDAD has trained and cultivated a group of high-quality employees who with the means of advanced design and quality assurance system have achieved excellence. There are 427 existing employees including 48 researcher for engineering applications, 122 senior engineers at the national level, 30 registered architects, and other professionals and technical professionals with diverse professional certification. Some junior managers of this firm participated in this survey.

8. *Jinan Landscape Management Bureau* http://www.jnsylj.gov.cn/

   Jinan Landscape Management Bureau is an governmental institute. It exercises its administrative functions in accordance with the laws and regulations and is responsible for the implementation of local laws, regulations, and the conservation and management of nature. Urban landscaping, as well as the planning, construction and management of amusement parks are among its charges. There are 26 subordinate units and more than 1,000 employees are on active service. Two operational level officers of this Bureau participated in the survey.

   BRAC: Bangladesh http://www.brac.net

BRAC, based in Bangladesh, is (as of May 2010) the world's largest non-governmental development organization. BRAC operates all over Bangladesh and in nine other countries of Asia and Africa and Latin America. In Bangladesh alone, it has over seven million microfinance group members, 37,500 non-formal primary schools and more than 70,000 health volunteers. BRAC is the largest NGO by number of staff employing over 120,000 people, the majority of whom are women. BRAC operates programs such as those in microfinance and education in nine countries across Asia and Africa, reaching more than 110 million people. The organization is 80 % self-funded through a number of commercial enterprises that include a dairy and food project and a chain of retail handicraft stores called 'Aarong'. BRAC maintains offices in 14 countries throughout the world, including BRAC USA and BRAC UK. BRAC is a few years into their initiative to operate in ten African countries in the next 10 years.

BRAC has organized the isolated poor and learned to understand their needs by finding practical ways to increase their access to resources support their entrepreneurship and empower them to become agents of change. Women and girls have been the focus of BRAC's anti-poverty approach; BRAC recognizes both their vulnerabilities and thirst for change.

BRAC was founded in Bangladesh in 1972 and over time, it has established itself as a pioneer in recognizing and tackling the many different realities of poverty. We have learned over time to find the poorest of the poor—those who are destitute and outside the reach of most NGOs—and help them rebuild their lives from scratch and achieve financial independence.

Today, in Bangladesh alone, BRAC (Table 4.1) works to combat poverty in 70,000 villages and 2,000 slums, reaching three quarters of the entire population with an integrated package of services for rural and urban communities. It employs more than 120,000 people—microfinance officers, teachers, health staff and enterprise managers—to be on the very doorstep of the poorest families, making its services accessible, relevant and adaptable.

BRAC is conglomerate of organizations that mirrors the six sectors of organizations chosen in the Chinese study. Participants of the survey are entry to mid level managers in the various enterprises of BRAC- Bangladesh. The initial model as depicted in Fig. 4.1 was tested successfully with data from 78 entry to mid-level managers of this organization (Amin & Afza, 2008).

4.3 Findings

We have used SPSSX Sub-routine, Pearson correlation to determine the level of associations among the variables. Table 4.2 reports result on the Chinese data and Table 4.3 reports results on the Bangladesh (BRAC) data.

Based on coefficients (r) reported on Table 4.2, EI is positively related to managerial problem solving ($r = .673$). It means that an interval increase in EI leads to a corresponding increase in Problem Solving index by 67.3 % of an interval. Similarly, an increase in IQ (KSA) index by one interval leads to a corresponding increase in Problem Solving index by 67.1 % of an interval. In the same way, an increase of one interval in Executive Development (ED) index leads to a corresponding increase in Problem Solving index by 88.4 % of an interval.

Table 4.1 BRAC's programs in Bangladesh include

• Agriculture and food security	• Environment
• Microfinance	• Gender justice and diversity
• Targeting extreme poverty	• Social communications and advocacy
• Empowering adolescents	• Social enterprises
• Education	• Socially responsible investment
• Health	• Technical assistance
• Legal empowerment	• Community empowerment

Table 4.2 Pearson correlation coefficients (r)—China

	EI	IQ	ED	PSolve
EI	1.00	.820**	.650**	.673**
IQ	.820**	1.00	.630**	.671**
ED	.650**	.630**	1.00	.884**
PSolve	.673**	.671**	.884**	1.00

**Significant at .001 level

Table 4.3 Pearson correlations coefficients (r)—BRAC, Bangladesh

	EI	IQ/OS	ED	PSolve
EI	1.00	.630**	.576**	.497**
IQ	.630**	1.00	.588**	.723**
ED	.576**	.588**	1.00	.613**
PSolve	.497**	.723**	.613**	1.00

**Significant at .001 level

These associations are significant at .001 which means that the same relationships would be found in 999 samples out of 1,000 sample if the study is replicated.

Based on coefficients reported on Table 4.3, EI is positively related to Problem Solving ($r = .497$). It means that an increase in one interval of EI index leads to a corresponding increase in Problem Solving by about 50 % of an interval. Similarly, an increase of an interval in IQ (KSA) leads to a corresponding increase of 73.23 % of an interval in Problem Solving index. In the same manner an increase of one interval in ED leads to corresponding increase of 61.3 % of interval of Problem Solving index. The above coefficients are also highly significant at .001.

It appears that both Chinese and Bangladesh studies support linear positive relationships of three independent variables i.e., EI, IQ and ED with Managerial Problem Solving index representing managerial effectiveness. There are however noticeable difference in the magnitude of associations (i.e. sizes of r). Whether these differences are significant may be a subject matter of future studies with larger sample sizes.

However, linear positive associations could often be spurious and that is why we conducted a multiple regression analysis. Multiple regression also enables us to test complex relationships stipulated H_2 and H_3. Table 4.4 below shows findings of the regression equation with Managerial Problem Solving as dependent variable and EI, IQ, and ED indices as independent variables respectively. The subroutine Enter

Table 4.4 Regression analysis (Chinese organizations)

Equation: $\text{PSolve} = \alpha + b_{EI} + b_{IQ} + b_{ED} + \varepsilon$					
Independent	Dependent	Beta	R	R^2	F
EI	PSolve	.079			
IQ	PSolve	.141			
ED	PSolve	.746**			
			.898	.807	64.212**

**Significant at .001 level

of SPSS-16: Linear Regression was chosen to determine the contribution of each of the independent variables while keeping the impact of the other variables constant.

Table 4.4 above reports the result of regression analysis with data from the Chinese organization. The model in Table 4.4 explains 80.7 % of the variations (R^2) in Managerial Problem Solving by all the independent variables in the equation. The highly significant F-value confirms the efficacy of the model. The multiple $R = .898$ also confirms the high association of the independent variables with the dependent variable. The standardized B coefficient for Executive Development Index ($B = .746$) is positive and highly significant. The coefficient ($B = .079$) for EI Index while positive however did not show any significant association with managerial Problem Solving when the impact of both IQ and ED indices are kept constant. The coefficient ($B = .141$) for IQ is positive, but not significant while both EI and ED are kept constant. It seems that Executive Development (ED) stands out as the single most significant variable with strongest association ($B = .746$) with Problem Solving while the impact of both EI and IQ are kept constant. When B coefficients are compared with Pearson correlation coefficients, it reveals underlying interaction effect between EI and IQ variables. Such an underlying relationship was demonstrated in the Pearson correlation coefficient of $r = .820$ between EI and IQ variables. This was not an unexpected phenomenon considering the fact that IQ index is composed of KSA, and some of the skills and ability items of IQ index are expected to be collinear with items of EI index.

BRAC in Bangladesh shows a different picture based on the regression analysis as reported on Table 4.5. It states that about 63 % of the variation in the Managerial Problem Solving is explained by the regression model. The F ratio ($F = 37.73$) is highly significant and the multiple correlation coefficient $R = .79$ attest to the strong association between independent and dependent variables. The striking difference between BRAC and the Chinese organizations are that: (1) the fact that EI produced a significant Beta ($B = .341$) with Managerial Problem Solving (while keeping the influences of IQ and ED constant) in the case of Bangladeshi organization; and (2) IQ also produced a significant Beta ($B = .422$) with Managerial Problem Solving for BRAC while keeping two other independent variables constant; (3) Contrary to Chinese organizations, Executive Development (ED) does not show any significant association with Problem Solving while EI and IQ are kept constant for BRAC.

Table 4.5 Regression analysis (BRAC, Bangladesh)

Equation: PSolve = $\alpha + b_{EI} + b_{IQ} + b_{ED} + \varepsilon$					
Independent	Dependent	Beta	R	R^2	F
EI	PSolve	.341**			
IQ/OS	PSolve	.422**			
ED	PSolve	.089			
			.79	.625	37.734**

**Significant at .001 level

Based on significant Pearson correlation coefficient between EI Index and PSolve Index (r = .673) and the positive standardized regression coefficient (B = .079) with the Chinese data; and the association between EI index and PSolve index (r = .497; B = .341) with Bangladeshi data, our hypothesis, H_1: Higher the observed EI (Emotional intelligence), higher is the managerial problem solving (or managerial effectiveness) is substantiated by the empirical evidence.

Again, based on Pearson correlations between IQ index and PSolve index (r = .671; r = .723) respectively of the Chinese and Bangladeshi organizations which correspond to significant standardized regression coefficients (B = .141; B = .422), our hypothesis, H_2: Higher IQ, higher is the managerial problem solving (or managerial effectiveness) seems verified by the empirical evidence.

Moreover, based on Pearson correlations of EI index, IQ index with PSolve index (r = .673 and r = .671 respectively; r = 497, r = .723 respectively) and significant as well non significant but positive standardized regression coefficients (B = .079 and B = .141 respectively; B = .341 and B = .422 respectively), our hypothesis, H_3: Higher EI along with higher IQ lead to higher managerial problem solving (or managerial effectiveness) received empirical justification.

Finally, based on Pearson correlations of EI index, IQ index and ED index with PSolve index both in the Chinese and Bangladeshi organizations (i.e. r = .673, r = .671 and r = .884 respectively; and r = .497, r = .723, r = .613 respectively) and on significant positive standardized regression coefficients for EI and IQ indices and a highly significant positive B coefficient for ED (B = .746), our hypothesis H_4: Higher EI along with higher IQ and ED (Executive Development) lead to higher managerial problem solving (or managerial effectiveness) seem to be at least partially supported by empirical evidence. However, the evidence from the Chinese organizations seemingly suggest that the Executive Development and training relative to EI contributes more to Managerial Problem solving than their Bangladeshi counterpart organization. It is expected that positive Beta (i.e. B = .079 and B = .141) coefficients with EI in the Chinese organization and positive Beta (i.e. B = .089) coefficient for ED with Problem Solving are likely to be significant in future studies with larger sample sizes in both countries.

4.4 Conclusion

A model of managerial competency was developed with observed emotional intelligence (EI), managerial IQ (KSA), employee development (ED) as antecedent variables explaining managerial effectiveness. Highly reliable indexes (determined by their respective Cronbach's alpha coefficients that are greater than $\alpha = .70$) created to measure each of the above variables. By reviewing relevant literature, four illustrative hypotheses dealing with linear relationships among EI, IQ, ED and the managerial effectiveness (managerial problem solving) were developed. This model was originally developed by Amin and tested with data (Amin & Afza, 2008) collected in Bangladesh. The Bangladeshi data is used again here to provide a comparative basis with the Chinese organizations. The Chinese data came from organizations in Shandong Province of the Peoples' Republic of China. The measurement uniqueness of the study is also notable. It used an interval level quantitative grading scale (an appropriate for respondent's judgment of the superiors' ability) relative to Likert type semantic differential interval scale.

The findings established both individual as well as joint contributions of EI (Emotional Intelligence), IQ (KSA) and ED (Executive Development) to managerial effectiveness (problem solving skills). Four hypotheses were tested with the collected data. All four hypotheses were supported by significant Pearson correlation coefficients and multiple regression coefficients and significant F statistics. While both the Chinese and Bangladeshi studies provide support for the model, there were noticeable differences between the two countries with regard to performance of the regression model especially on the issue of Executive Development. In Bangladesh, ED did not seem be contributing significantly to managerial effectiveness while influences of both EI and IQ variables were kept constant. But in China, ED seems to be a more significant variable in terms of explaining managerial problem solving when both EI and IQ are kept constant. We attribute this difference to managerial cultural factors differentiating the two countries. Future research should address the issue further. In terms of significant contribution, this study provides a model of managerial effectiveness. It also provides a reliable measures of EI, IQ, managerial Problem Solving (or effectiveness) and ED (Executive Development). The authors claim that these measures are more viable and more objective than many others that came out in the EI literature. The main reason for this claim is the fact the data addressed the demonstrated ability perceived by the subordinates, contrary to self- reports of the respondents. As a result of this study we now know how much emotional intelligence contributes to managerial effectiveness (Problem Solving).

References

Amin, M. R., & Afza, M. (2008). Observed EI, IQ and the managerial problem solving: empirical evidence from the effective third world organization. *Journal of Business and Behavioral Science, 19*(2), 133–143.

Austin, E. J. (2010). Measurement of ability emotional intelligence: Results for two new tests. *British Journal of Psychology, 101*, 563–578.

Bar-On, R. (1997). *The emotional quotient (EQ-i): Technical manual*. Toronto, ON: Multi-Health Systems.

Becker, T. (2003). Is emotional intelligence a viable concept? *Academy of Management Review, 28*, 192–195.

Berman, E. M., & West, J. P. (2008). Managing emotional intelligence in U.S. cities: A study of social skills among public managers. *Public Administration Review, 68*(4), 742–758.

Butler, C. J., & Chinowsky, P. S. (2006). Emotional intelligence and leadership behavior. *Journal of Management in Engineering, 22*(3), 119–125.

Caruso, D. R., Mayer, J. D., & Salovey, P. (2002). Relation of an ability measure of emotional intelligence to personality. *Journal of Personality Assessment, 79*, 306–320.

Caruso, D. R., & Salovey, P. (2004a). *The emotionally intelligent manager*. San Francisco: Jossey-Bass.

Caruso, D. R., & Salovey, P. (2004b). *The emotionally intelligent manager: How to develop and use the four key emotional skills of leadership*. San Francisco: Jossey-Bass.

Cote, S., & Miner, C. T. H. (2006). Emotional intelligence, cognitive intelligence, and job performance. *Administrative Science Quarterly, 51*, 1–28.

Fambrough, M. J., & Hart, R. K. (2008). Emotions in leadership development: A critique of emotional intelligence. *Advances in Developing Human Resources, 10*(5), 740–758.

Goleman, D. (1995). *Emotional intelligence: Why it can matter more than IQ*. New York: Bentam Books.

Goleman, D. (1998). What makes a leader? *Harvard Business Review, 76*, 93–103.

Goleman, D. (2000). Leadership that gets results. *Harvard Business Review, 78*, 78–90.

Kunnanatt, J. T. (2008). Emotional intelligence: Theory and description; a competency model for interpersonal effectiveness. *Career Development International, 13*(7), 614–629.

Landy, F. J. (2005). Some historical and scientific issues related to research in emotional intelligence. *Journal of Organizational Behavior, 26*, 411–424.

Law, K. S., Wong, C. S., & Song, L. J. (2004). The construct and criterion validity of emotional intelligence and its potential utility for management studies. *Journal of Applied Psychology, 89*, 483–496.

Locke, E. A. (2005). Why emotional intelligence is an invalid concept. *Journal of Organizational Behavior, 26*, 425–431.

Lyusin, D. B. (2006). Emotional intelligence as mixed construct. *Journal of Russian and East European Psychology, 44*(6), 54–68.

Mathews, G., Emo, A. K., Funke, G., Zeidner, M., Roberts, R., & Costa, P. T., Jr. (2006). Emotional intelligence, personality, and task-induced stress. *Journal of Experimental Psychology Applied, 12*(2), 96–107.

Mayer, J. D., Salovey, P., & Caruso, D. R. (2000). Models of emotional intelligence. In R. J. Sternberg (Ed.), *The handbook of intelligence* (pp. 396–420). New York: Cambridge University Press.

Mayer, J. D., Salovey, P., & Caruso, D. R. (2004). Emotional intelligence: Theory, findings, and implications. *Psychological Inquiry, 15*, 197–215.

Mayer, J. D., Salovey, P., & Caruso, D. R. (2008). Emotional intelligence: New ability or eclectic mix of traits? *American Psychologist, 63*, 503–517.

Mayer, J. D., Salovy, P., & Caruso, D. R. (1998). Competing models of emotional intelligence. In R. J. Sternberg (Ed.), *Handbook of human intelligence*. New York: Cambridge University Press.

Mayer, J. D., Salovy, P., & Caruso, D. R. (2002). *Mayer -Salovey-Caruso emotional intelligence test (MSCETT) user manual*. Toronto, ON: MHS Publishers.

McEnrue, M. P., Groves, K. S., & Shen, W. (2009). Emotional intelligence development: Leveraging individual characteristics. *The Journal of Management Development, 28*(2), 150–174.

Nikolaou, I., & Tsaousis, I. (2002). Emotional intelligence in the workplace: Exploring its effects on occupational stress and organizational commitment. *The International Journal of Organizational Analysis, 10*(4), 327–342.

Nooryan, K., Gasparyan, K., Sharif, F., & Zoladl, M. (2011). The effect of teaching emotional intelligence (EI) items on job related stress in physicians and nurses working in ICU wards in hospitals, Yerevan, Armenia. *International Journal of Collaborative Research on Internal Medicine and Public Health, 3*(10), 704–713.

Petrides, K. V., & Furnham, A. (2006). The role of trait emotional intelligence in a gender-specific model of organizational variables. *Journal of Applied Social Psychology, 36*(2), 552–569.

Rahim, A., Psenicka, C., Polychroniou, P., Zhao, J.-H., Yu, C.-S., Chan, K. A., et al. (2002). A model of emotional intelligence and conflict management strategies: A study in seven countries. *The International Journal of Organizational Analysis, 10*(4), 302–326.

Rapisadra, B. A. (2002). The impact of emotional intelligence on work team cohesiveness and performance. *The International Journal of Organizational Analysis, 10*(4), 363–379.

Salovey, P., & Mayer, J. D. (1990). Emotional intelligence. *Imagination, Cognition and Personality, 9*, 185–211.

Schachter, D. (2009). Developing and applying emotional intelligence. *Information Outlook, 13* (5), 49–50.

Sharma, R. R. (2007). Indian model of executive burnout. *Vikalpa, 32*(2), 23–38.

Yaghoubi, E., Mashinchi, S. A., & Hadi, A. (2011). An analysis of correlation between organizational citizenship behavior (OCB) and emotional intelligence (EI). *Modern Applied Science, 13* (5), 119–123.

Chapter 5
Confucius' Teachings and Corporate Social Responsibility

Kim Cheng Patrick Low and Sik Liong Ang

Abstract Corporate social responsibility (CSR) has been continuously seen to be a key issue in today's global business economy. The authors feel that business managers, government leaders and academics have made insufficient attempts to address and attend to CSR issues and challenges from the global perspectives. So far, just to name a few, we have seen global warming, terrorist attacks and corporate and financial institutions collapse; besides, business scams, fraud and bankruptcies and other unethical practices. Greed is foolish and irresponsible. Executive greed in the United States, Europe, China and other parts of the world can only show the serious and appropriate need for good governance and corporate social responsibility (Kothari, Executive Greed, Palgrave Macmillan: New York, 2010; Low, Leadership and organizational manage 2009:40–59, 2009c; Low and Ang, i-manager's J Manage 5:8–20, 2011). There have also been increasing concerns of ageism such as how one can be treated ethically, and how one can age positively in a caring society (Low and Ang, J Res Int Business Manage 1:293–303, 2011; Low, Conflict Resol Negot J 2011:29–39, 2011; Low, Insights to A Changing World 2006:133–150, 2006). Faced with increasing business turmoil and rising concerns of ageism, it is crucial that leaders and managers actively seek fresh ways of thinking and actions in applying business ethical principles in decision making as well as tapping the experiences of the seniors; it is indeed necessary to sustain their business performance and growth in line with CSR in a global setting. Here, the authors interpret and present Confucian or Asian lessons on learning,

K.C.P. Low (✉)
University of South Australia, Adelaide, SA, Australia

BusinesscrAFT Consultancy, Singapore, Singapore

74 Highland Road, 549 162 Singapore, Singapore
e-mail: patrick_low2003@yahoo.com

S.L. Ang
Faculty of Business, Economics & Policy Studies, Universiti Brunei Darussalam, Brunei, Brunei

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_5,

self-cultivation, self-discipline, self-growth, relationships with family members/ others and social responsibility based on Confucius' wise teachings. Interestingly, Confucius' teachings stress on social obligations, ethical decision-making, positive business dealings and harmonious relationships and the value of learning and education; these bring benefits and excellent practices including good business management and corporate social responsibility. The understanding and practices of Confucius' teachings and social obligation in a business organization coupled with awareness and applications of corporate social responsibility can bring much peace, harmony, learning and economic growth for both the organization, the community well-being and nations in the region.

5.1 Introduction

Warren Buffet, an American business magnate, investor, and philanthropist once said, "It takes 20 years to build a reputation and 5 min to ruin it". The reason is that nowadays, consumers, investors, governments and even employees have become more sophisticated and more aware of good corporate behavior, or lack thereof. In this new business environment, a company's reputation has become one of its most valuable assets, and CSR has become one of the key components of corporate reputation. Positive CSR experiences build confidence and goodwill with stakeholders (Aventis, 2011). Henceforth, most corporations/companies follow the good practice of the corporate world especially on the concept of corporate social responsibility (CSR) which is being unanimously encouraged and well accepted by all nations. This results in corporations/companies taking the CSR issue very seriously in running their businesses. It is also because of the stakeholders or the public at large expect corporate leaders/managers to apply ethical principles in their businesses and indeed, many tough situations and ethical concerns exist when new sciences and technologies bring along new ethical situations and concerns such as genetically modified, high yielding crops/food or nuclear crises that might cause safety and health problems, yet there are also other threats including scams, online frauds, invasion of privacy, internet pornography. Besides, some categories of people such as the green peace activists believe that human beings share a single planet with finite natural resources, and it is crucial to ensure the sustainability of the supplies and the resources for present and future generations.

Like it or not, one must also realize that each of us, as a world citizen, has a social responsibility and looking at a wider perspective, ethically-speaking, each organization unit such as a corporation has a social responsibility which is the corporation's recognition of how its business decisions can affect society and the setting in which it operates.

5.2 Who Was Confucius?

Confucius lived in 551 BC–479 BC was a Chinese thinker and social philosopher; he stressed on personal and governmental morality, correctness of social relation ships, justice and sincerity. Just over 2,000 years ago, the great Han Dynasty Emperor Wu (156 BC–87 BC), rejected a hundred other philosophical schools in favor of Confucius, effectively making China a Confucian (leadership) state (Yu, 2009). Until the mid-twentieth century, China was totally embraced and practiced the idea of Confucius that her scheme of government and society, her concept of self and relationships, her construct of culture and history all appear to have derived from his mind alone (Chin, 2008). His teachings and philosophy have, in fact, deeply influenced or affected Chinese, Japanese, Korean and Vietnamese thought, life, leadership and organizational culture (Chew, 2000; Chin, 2008) and also elsewhere, even in the Western world (Yang, 1993). His ideas have, overall, been everlasting.

5.3 What Are the Teachings of Confucius?

Ethics is a set of moral rules and guidelines for an individual to deal with his or her fellow people in the given setting and environment. And Confucius' teachings (on ethics) belong to one of the moral philosophies in guiding the people on how one should strive for perfect virtues in one's living, and using these virtues acquired, one would be able to behave orderly and participate positively in a group relationship such as in a family/an organization/community/a country (Tsai & Ng, 1992).

Similar to Cicero's "the function of wisdom is to discriminate between good and evil", in applying Confucian ethics, one gains the wisdom of knowing what is right and what is wrong (Low, 2012, 2013a, 2013b). The aim and purpose of Confucian ethics are to develop individuals to be green and also to encourage people to carry out a proper life and livelihood and have good relationships with the people around oneself so that when more people would attain similar good virtues; and if this is so, there would be fewer frictions in relationships and this thus create positive energies in group dynamics and teams. All would then be working towards a peaceful, harmonious society, and since everybody behaves in a socially responsible way by adopting Confucian ethics, the people in business, when relating with their stakeholders (community and society) would be able to prosper in doing their businesses and furthermore, there would be fewer problems in business dealings and transactions in the wider society and country.

*5.3.1 Benevolence (*仁*,* **rén***)*

One key concept in Confucian ethics is that of '*rén*' (仁) which means human heartedness, benevolence, a dignity for human life as well as a sense of respect for fellow human beings and oneself. The Chinese writing 仁 is composed of two radicals (人) and (二). The radical (人) means people and the radical (二) means the close relationship of each other (http://zh.wikipedia.org/zh/仁). Low (2010a, 2010b, 2011a) highlights the critical importance of "practicing the language of the heart" or in essence, humaneness in leadership. And therefore to be ethical, one is to act according to '*rén*'. '*rén*' is dearer than life itself, and in fact, it is the virtue of all virtues. A Confucian ethics believer would also give away or sacrifice his or her life to defend '*rén*', and equally, it is what makes life worth living, or being a worthy person. And a worthy person is a benevolent person (Low, 2012). For Confucius, *rén* (仁) is the highest virtue a human being would constantly strive for. Even his disciple *zēng zǐ* (曾子) felt that a scholar must uphold the virtue of benevolence until the day (s)he left this world. "A scholar must be resolute and steadfast, for one's burden is heavy and one's road is long. To practise the virtue of benevolence in the world is one's burden. Is that not heavy? Only with death does one's journey come to an end. Is that not long?" (*Analects of Confucius*, VIII: 7). Here, very scholar has the duty to strive for the virtue of benevolence in one's life in order to enable the society at large to live peacefully. In Confucius' mind, people including leaders and managers must have an obligation to cultivate themselves morally, to demonstrate filial piety and loyalty, and to act with loving-kindness, caring and human heartedness towards their fellow people. Therefore, Confucius' teachings emphasize correct moral and ethical behaviour of both the individual and the organisation unit such as the government. It underscores the importance of social relationships, justice and sincerity. In short, it aims at creating peace and harmony in a society with social responsibility.

*5.3.2 Reciprocity (*恕*,* **shù***)*

Another key concept in Confucian ethics is the ethics of reciprocity. The concept and practice of leadership is actually linked to reciprocity or The Golden Rule (恕, *Hanyu Pinyin: shù).* One leads through two-ways of communication. Much of it is non-verbal. Take for instance, when one sets the example to his or her people and communicates to them that (s)he would not ask them to perform anything that (s)he would not be willing to do. This obviously means that what and how an individual does or communicates may either build or harm the relationship between the leader and his (her) employees. Confucius was once asked by his student, *Zi Gong*, "Is there a word that one can use as a life guidance to follow and practice in one's daily doings?" Confucius replied, "Yes, the word is *shù* (恕, forbearance), what one would not desire oneself, do not impose on others" (*Analects of Confucius*, Chapter XV verse 24). This reciprocity (*shù*) ethics is better known as the Golden Rule—"Do unto others what you want others to do unto you". The Reverse Golden Rule is that of "do not do unto others what you do not want others to do unto you". The ethics of reciprocity further expresses that one has the right to just and fair treatment and the responsibility to ensure justice for others. And a person attempting to live by this rule treats all people with consideration. Therefore, in an organization or nation where everybody is considerate, treating each other and the environment well, there would be less conflict in all dealings.

All in all, in applying the Confucian principle of reciprocity into human relationships simply means that one moves away from oneself and becomes less self-centred, thinking more of others, and in fact, more altruistic and more socially responsible.

5.3.3 *Prudence (*慎, **jǐn shèn***)*

The authors propose that one should not save what is left after spending, but spend what is left after saving. Being prudent is yet another trait of the Confucian leadership (Low, 2002, 2005, 2009b ; Low & Ang, 2011a). Indeed being responsible is about taking care of others and nature, and here, one should reuse, recycle and value resources.

In the authors' interpretation, the Confucian value of prudence is overall about taking care and having a good sense when making a decision or taking action; one should be prudent and responsible. Confucius is attributed to say these: Tze-chang (子張) asked Confucius, "In what way should a person in authority act in order that he may conduct government properly?" The Master replied, "Let him observe the five excellent things, and banish away the four bad things, then he may conduct government properly." And one of the five excellent things is as Confucius replied: "When the person in authority is beneficent without great expenditure" (Pay, 2000). Being prudent means one would not be extravagant, spending beyond one's means or 'keeping up with the Jones'. Not being prudent can eventually lead one to be corrupt, committing frauds or accepting bribery to cope to make ends meet in which one would not be socially responsible to one's employer/ customers/ investors or even suppliers/community (Low 2008a, 2008b; Low & Ang, 2011a).

5.4 Filial Piety (孝, *xiào*)

Yet another important concept in Confucian ethics is filial piety (孝, *xiào*). In general terms, being filial refers to the duties, feelings, or relationships which exist between a son or daughter and his or her parents. Piety is a strong religious belief, or behaviour that is religious or morally correct. [Here, perhaps one can also extend filial piety to include the employer-employee relations.] There is a Chinese saying that goes, "百 善 孝 为 先" *Hanyu Pinyin: bǎi shàn xiào wéi xiān* meaning among all things, filial piety (respect) is the utmost virtue and is considered to be the first virtue of the Confucian ethics (values). Confucius said, "One should remember one's parents' birthdays for on the one hand, one is happy to congratulate and celebrate with them for their longevity and on the other hand, one is to worry about their getting older by a year." (*Analects of Confucius*, Chapter IV verse 2. 父母之年不可不知也 一則以喜 一則以懼。) Therefore, a son is said to be filial if he makes his parent happy at all times; he cherishes them. It is of human nature that one's parents would feel that they have not been forgotten and that they are still being loved by their families. In a society where more children are filial, and respect their parents and the elders, the elderlies and the seniors would be less lonely. Besides, there would be fewer homeless old people living in the streets since the aged will naturally be taken care of by their own children, families and relatives. As more and more children become filial; they become socially more responsible, and consequently, the country would be alleviated from the burden, if not, responsibility of taking care of its aged population (Low & Ang 2012a, 2012b). This value is still practised by the overseas Chinese living in most of Confucian-influenced Asian countries such as China, Korea, Japan, Vietnam, Malaysia, Indonesia and Singapore. One must agree that parents provide protection, food and clothing to the newly born and the young. It is natural for the loving mother to sacrifice her comforts and sleep to look after her new born baby. When the children are growing up, the mother takes care of the children and the family. Similarly, the father works hard to provide the children with their physical, educational and psychological (and spiritual) needs. In return, the old expects the young to be good to one's parents; to take care of one's parents; to engage in good conduct not just towards one's parents, but also outside the home so as to bring a good name to one's parents and ancestors. They are also expected to perform the duties of one's job well, obtaining the material means to support parents as well as to carry out sacrifices to the ancestors. Connected to this, a good society is thus built upon by children who love and respect their parents and take care of them when they age. This would enable the children to help the society in taking care of the aged population; and in this way, it also encourages one who wants to practise corporate social responsibility should inevitably start at home. After all, everybody will go through the natural process of ageing and by practising filial piety at home; by respecting the elders and not discriminating them in the society, it would indeed help the elders to age positively and healthily (Low, 2011b); and by taking care of the olds, the nation would attain peace and social harmony (Low & Ang 2011b, 2012a). All the positive relationship to attain peace and harmony in a society should start with the practice of filial piety and respect at home (Fig. 5.1).

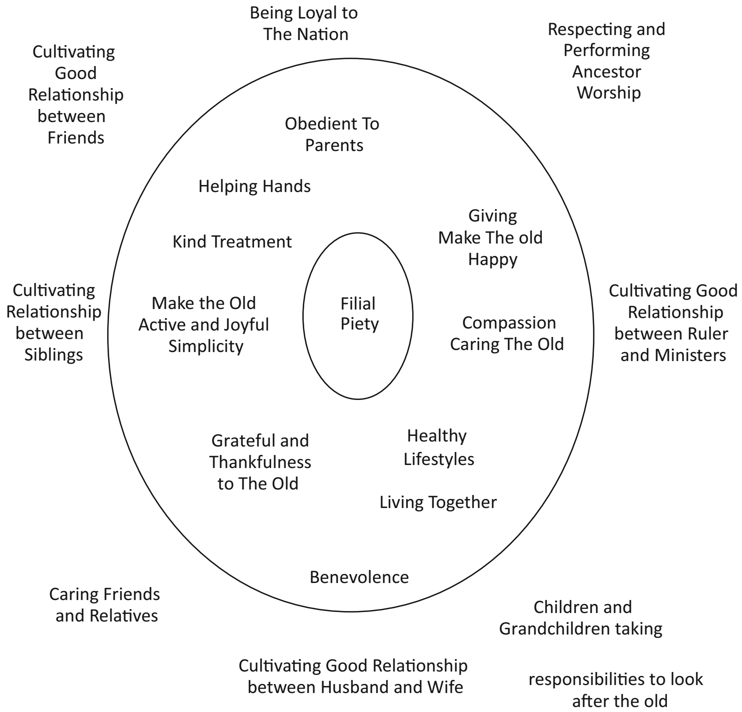


Fig. 5.1 shows the influence of filial piety on the stability of social relationship. Data from literature: Low, K. C. P. and Ang, S. L. (2011b). 'Confucius, Confucian Values and their Applications on Marketing-The Brunei Perspective' *Journal of Research in International Business Management* (ISSN: 2251-0028) Vol. 1(9) pp. 293-303 November, 2011

5.5 Corporate Social Responsibility

Corporate Social Responsibility is defined by the WBCSD (World Business Council for Sustainable Development) as *"Corporate social responsibility is 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 local community and society at large"* (WBCSD, 2000). In 2002, the definition was further simplified to, "*Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life*" (WBCSD, 2002).

Corporate Social Responsibility (CSR; also called corporate conscience, corporate citizenship, social performance or sustainable responsible business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public.

5.6 Learning, Self-cultivation and Confucian Ethics

In Confucius' teachings (ethics), social responsibility consists of benevolence (仁, *Hanyu Pinyin: rén*); peace and harmony with others (和平, *Hanyu Pinyin:hé píng*); being ethical (倫理 *Hanyu Pinyin:lún lǐ*); and contributing to society (社會的義務, *Hanyu Pinyin: shè huì de yì wù*). And by adopting Confucius ethics, one has to first self-cultivate oneself before one can participate, contribute and help in a group such as the family, the organization, the society and the country. With regard to self-cultivation, one has to go through a constant process of learning to acquire knowledge in depth and in breadth and when in carrying out a task, one should be clear in thinking and sincere in intention to work on a task or a job. To complete a task effectively, one should work diligently with much concentration (one-mindedness). This process can be useful in business for the employees would be performing positively and responsibly. By practicing Confucian ethics, one would be encouraged to learn, cultivate and discipline oneself in all stages of life.

Stressing the importance of continuous learning, Confucius once said to his disciple, "To love cleverness without loving learning may lead to misconduct." (好知不好學 其蔽也蕩) (*Analects of Confucius*, Chapter XVII verse 8). To be socially responsible in one's doing, one improves oneself with the best knowledge and technology to prevent one from irresponsibly applying any outdated knowledge and technology which may have an adverse effect to the society at a later date. With self-cultivation, one would regulate one's family in a proper way. Unless there is a cultivation of self, a person will not be able to regulate his family or bring them into a state of ordered harmony (Low, 2009a). To govern a state well, it is vital for an individual to have the capability first to regulate his or her family. In other words, it is not possible for him or her to discipline others when (s)he is not able to discipline his or her own family. Therefore, a leader does not need to complete his learning on managing a state without his or her knowing in regulating his or her own family. The good government of the states will help in stabilizing the world, and hence providing a peaceful and harmonious environment for people to live in. Confucius propounded some good virtues for self-cultivation such as filial piety; respect the elders; fraternal brotherhood; loyalty; trust; rites; integrity; benevolence and compassion to the lonely and weak; for achieving the objective. He also proposed the principle of reciprocity (or the way of the measuring square) in which one can use oneself as the measuring square of how one should treat others, hence regulating one's behavior constantly. For example, if an individual expects or wants one's superior to treat one in a respectable and kind manner, one should also display the same respectable and kind treatment to those below oneself; and this applies and extends as well to one's friends and neighbors. This principle enables a person to be socially responsible in whatever one is doing. Hence by adopting Confucian ethics, one would be socially responsible to the society at large.

5.7 Confucian Ethics and the Stakeholder Theory

*5.7.1 The Golden Rule (*shù, 恕*)*

Low (2008a, 2008b) argued that in Confucian ethics, the overall anchor is the Golden Rule as Confucius empathetically stressed. That Golden Rule is not to do unto others what one does not want others to do unto oneself. It is also called *shù* or reciprocity as a principle of the conduct for life (Lin, 1994). Incorporating the Golden Rule, the stakeholder theory becomes relevant. One moves away from oneself and becomes less self-centered and more altruistic. All businesses should recognize their responsibilities to their stakeholders and make decisions that reflect these responsibilities (Low, 2013a; Low & Ang, 2011a; Low 2008b). Here, the business can then engage the stakeholders moving from inactive to reactive to proactive to interactive. One can thus argue that business cannot avoid but has to enter into dialogue, do something, and engage with its stakeholders—market or non-market—in an ongoing relationship.

5.7.2 Being Responsible to Stakeholders

It is self-evident that the firm should be responsible to all its stakeholders. The stakeholder theory is very attractive in that the stakeholders can also be expanded to any party(ies) (an individual/ business) ("the (*Confucian*) measure of man is man"; Lin, 1994: 183, *italics/emphasis added* cited in Low, 2012) needs to do is to think of the party(ies) and be responsible to act or satisfy the needs and interests of the party (ies) involved. Besides, the normative value of the stakeholder theory should be appreciated; stakeholders are seen as possessing value regardless of their instrumental use to management. The normative view is often perceived as the moral or ethical view because it stresses on how stakeholders should be treated; hence, the importance of the principle of stakeholder fairness.

5.7.3 Being True to Oneself

Many often overlook that the essence of Confucianism is the "idea of being true to oneself in this world" (interestingly, there is an intrinsic or inside-out approach) when fulfilling obligations to family and others in society (Wang, 2004: 51 cited in Low, 2012). That is the key strength of the Confucian ethics when applied to the stakeholder theory/ others in society. Whatever, even very little that each of us, individuals and businesses can do for our respective universe that would be great; after all, it would contribute to the overall goodness.

5.7.4 Men Are Inherently Good

As Mencius said, men are inherently good (Lin, 1994). Individuals have ethical attributes that can be cultivated and extends outwards. Currently, there is an urgent need for ethical renewal by applying an inside-out approach. Mother Earth is sick; there should be ethical concerns, not to say, the many environmental concerns, by all. China and India are growing but "the vast majority of Asia's poor are rural", "millions more are barely getting by (*surviving*)" (Wehrfritz, 2008; *italics author's*, cited in Low, 2008b), there are problems of income gaps and other issues. Technologies are also changing and with it, various ethical issues such as , just to name a few, Internet pornography and e-scams, are emerging.

5.7.5 The Enron Case and the Confucian Lessons

In the stakeholder theory, to its stockholders/ investors, the firm and/or its managers should monitor employee decisions to ensure that they are made in the best interests of the owners and stockholders. Employee compensation may be directly tied to the firm's performance. The firm's financial reporting should also be accurate; it should give complete financial statements, those that are more understandable and more readily interpreted. Firms need to fulfill their responsibility to their creditors by providing good financial reporting. As in the case of Enron by hiding some debt, Enron was able to more easily borrow funds and ultimately, it went bankrupt because it could not cover the payments on all of its debt. Specifically Enron did not disclose some of its debt and indeed, its creditors would have been concerned about extending more credit if they had fully understood how much debt Enron already had (Robbins, 2005 cited in Low, 2009d).

To its customers, the Company should adopt responsible production practices and dutiful sales practices. Customers should receive fair exchange: value and quality for money spent. The firm, in establishing a code of responsibilities, can monitor customer complaints and harness customer feedback to improve its service to the customer.

Sweatshops characterized by child and women labor, worker exploitation, labor abuses, low pay and improper, unsafe working conditions and health and safety violations have existed for decades, and indeed these (such practices are treating people below their human dignity and respect) should be stopped, if not marginalized. Applying Confucian ethics and the stakeholder theory, the business should instead take care of its employees, providing stable employment, fair pay, safe and decent working conditions as well as the fact that employees are treated properly by other employees. Here, not only satisfying employees, but the key issues in modern businesses also include diversity, equal opportunity, the prevention of sexual harassment and promoting creativity as well as overall employee well-being.

5.7.6 Being Community-Responsible

The Company needs to ensure its responsibility to the community. Being socially responsible, avoiding corruption as well as accepting and giving bribes, the Company needs to also take care of and protect the environment. Firms need to prevent air, water and land pollution. Automobile and steel firms have reduced air pollution by changing their production processes so that less carbon dioxide escapes into the air. It is said that China, for example, the government has admitted and reported that it has failed badly; the country has not made much headway in improving the environment. In this aspect, present day China needs to apply the Confucian Ethics in conjunction with the stakeholder theory—particularly in terms of the firm's responsibility to the environment—to make Mother Earth a healthier and a more pleasant place for all to live. The Chinese needs to realize that in traditional Chinese/ Confucian mind, men exist in harmony with nature (one with Nature), and unlike in the Western mind, traditionally, nature is to be conquered; there is a dominance orientation. In this light, the Chinese have to do something, if not more, for the environment and Mother Earth.

The support for the Confucian ethics in its relationship with the stakeholder theory can also be strengthened by the Confucian argument of the Rectification of Names (Low, 2012). Here, a father acts as a father, a mother acts as a mother, a son acts as a son, and so on. Each has a role to play, each is also involved in doing (a) focused goal(s) and role, and when these roles are fulfilled [social responsibility will also be duly fulfilled] and played well; better human relationships ensue, and peace and harmony exists. In other words, the Rectification of Names in the Confucian doctrine certainly means to know one's roles in the web of relationships that create community, and to behave accordingly would ensure and promote social harmony.

5.8 Trust (Xin) and Doing Business

When applying Confucian ethics to doing business, for Confucians, the Company (a person) should not be resting on one's laurels. For the Confucian adherents, trust (*xin*) is very important when doing business. As a Confucian, the late Konosuke

Matsushita, the founder of Matsushita Electric Company, now Panasonic, believed in building the customers' trust. Customers' trust, with quality Company's delivery of good and services, can ensure the growth, if not the survival of the Company in terms of its customers, markets and overall business (Matsushita, 1994 cited in Low, 2011a; PHP, 1991, 1994).

Merchants normally work hard to create a respected name for their shops or companies; they seek to sell goods whose quality lived up to that name. Confucian in his ways, for Konosuke Matsushita, no matter how old and esteemed its name may be, a business today would receive no quarter if it shows incompetence or inadequacy in its performance (that is, fulfilling the needs of its customers and stakeholders), and it would eventually go under. Matsushita (1994) highlighted that the Company or one should not be resting on one's laurels—after all, the Company's reputation is developed after constant and steady efforts exerted over many years of treating each customer as an important patron. The Company should, while keeping abreast of times, continue (continuous improvement) to do good for the society and the setting/ environment in which it operates (Matsushita, 1994 cited in Low, 2011a; PHP, 1991, 1994).

5.9 Built-in Strengths of Confucianism (Confucian Ethics) and CSR

Confucianism is based on humanistic principles and being benevolent (*jen*), businesses/ business owners and individuals can become increasingly conscious, make things happen and practice more humanistic policies which are ethically and ultimately more important than making profits and seeking monetary gains alone. Good businesses can provide employment to people; they also do more good to the people such as alleviate poverty; contribute to charities; extend help and shape the communities and societies; and improve the surrounding environment in which they are operating their business activities.

Filial piety (respect for parents and clan elders) has been a cornerstone of Chinese culture for ages, part of a defining social contract in which parents care for their children while they were young and the children then supported their parents in their old age (Low, 2011a).

Prudence and thriftiness are some core values embedded in Confucianism (Low, 2002, 2007, 2009b) and these help as guideposts not to overuse or overexploit and in fact, to save and conserve nature and resources; there is a need to smartly reduce, re-use and recycle resources. As Confucius said, "Extravagance will lead to thing/ situation going too extreme and out of control, thriftiness will lead to pettiness, I rather be petty than be in a position where I am not in control." (*Analects of Confucius* 7: 35). Hence in Confucian ethics, thriftiness is very much encouraged and to be practiced by everybody. When generally there is thriftiness and dislike of wastefulness, business people would create products that are economic in production and of quality and reliable in use. This would also lead to a more careful economy with robust finances and consequently profitable businesses and nations. A high level of savings and reduced borrowing leads to more financially stable organizations (nations) (Ang & Low, 2012).

5.10 The Value of Caring Towards Others and the Environment

Caring for others is a vital aspect of opening up oneself by engaging in relationships with others in the community at large. It would help an individual to improve one's relationship when one shows interest, concern and attention; and it also helps one to become less self-absorbed and more empathetic. Volunteering and helping out in charity work is something many of us feel that we would like to do but cannot afford the time. Looking at ways to give something back to society and feel more invested in it is very satisfying and rewarding. There are many areas where charity and voluntary work are involved. Children, animals, environmental, search and rescue are some of the areas that rely on unpaid help to survive. Finding an area that is of particular interest can add an important dimension to one's life, introduce one to new skills and people and enhance one's quality of life. By finding positive ways to care for others one adds value to one's life, feeling more engaged with others and generating a more constructive, healthy and sharing way of living with others. One can then improve the quality of life for everyone.

Here, Mohandas Gandhi (1869–1948) once said, "The earth, the air, the land and the water are not an inheritance from our fore fathers but on loan from our children. So we have to handover to them at least as they were handed over to us" (Low & Ang 2012a, 2012b). The firm thus needs to ensure its responsibility to the community. Socially responsible, it needs to take care and protect the environment and prevent air, water and land pollution. Automobile and steel firms should reduce air pollution by changing their production processes so that less carbon dioxide escapes into the air (Madura, 2007). China, for example, has admitted that it has failed badly; the country has not made much headway in improving the environment, says the Chinese Government Report (Tschang, 2007). Present-day China really needs to apply the Confucian values in conjunction with the stakeholder's theory—particularly in terms of the firm's responsibility to the environment—to make Earth a healthier and a more pleasant place. The Chinese should realize that in traditional Chinese/Confucian mind, men exist in harmony with nature (One with Nature), and unlike in the Western mind, traditionally, nature is to be conquered; there is a dominance orientation (Adler & Gundersen, 2008).

5.11 The Value of Contribution to Society

One of the key challenges encountered by the successful business leaders is that of "giving back or returning" to the community; and attaining the goal of greater common good by subscribing to and upholding Confucian values and the stakeholder's theory. To be a responsible individual, one should not condone something which is not right or against human rights. Therefore, child prostitution, like child slavery, should not be simply accepted or tolerated. It is a gross abuse of the human rights of those who are least able to do anything. Whoever one is and whatever one does, one should and must do something about it. Just imagine if it happened to one when one were young, or to one's own child. Individuals and companies alike must look after the younger generations such as sponsoring children education in developing countries and/or sponsoring some awareness events including posting Internet articles and printing simple leaflets [which could include facts and figures to end sex trade/trafficking, prostitution, pornography and child sex tourism]. Street children (human beings who also need the basic human rights), particularly in developing countries, can also be attended to. Companies can also help to improve their welfare, and thus fulfilling their CSR while contributing to the society's well-being. The families of street-children are often too poor to feed an extra mouth; and among other things, companies can help by giving meals, books/ educational resources and old toys and improve their welfare. Besides street-children, companies can also help the prisoners by donating books so that they can educate themselves to a get a high-school diploma or a college degree (Low & Ang 2012a, 2012b, 2013a, 2013b, 2013c). In sum, the core values of an individual who embraces and practices Confucian ethics can be summarized as Fig. 5.2.

5.12 Nature, Humanity and the Environment

When people while doing their businesses and daily activities, do care and take the full responsibility of not doing any harm to nature, humanity and environment; they embrace sustainable leadership and practice the concept of corporate social responsibility. Figure 5.3 shows the key elements of corporate social responsibility which encompasses nature, humanity and environment.

5.13 The Success of Singapore as a Confucian State

Singapore's success, at this point of time, is mainly due to people (young and old) putting a lot of trust to the Singapore leadership in the hope that, "Tomorrow is a better day than today for all". This means that everybody is synergized to work hard for that dream. In the beginning, Singapore without any resources just merely acts

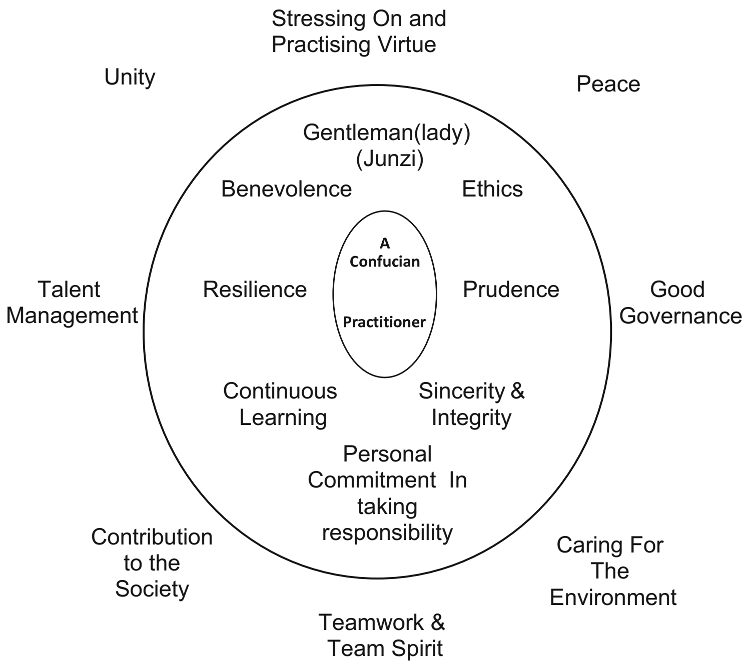


Fig. 5.2 Core values of an individual who embraces and practices Confucian Ethics. Data from literature: Low, K. C. P. and Ang, S. L. (2012a). 'Confucian Leadership and Corporate Social Responsibility (CSR), the Way Forward', *Asian Journal of Business Research (AJBR)*, New Zealand. ISSN: 11788933. Volume 2 Number 1 2012, pp. 85-108

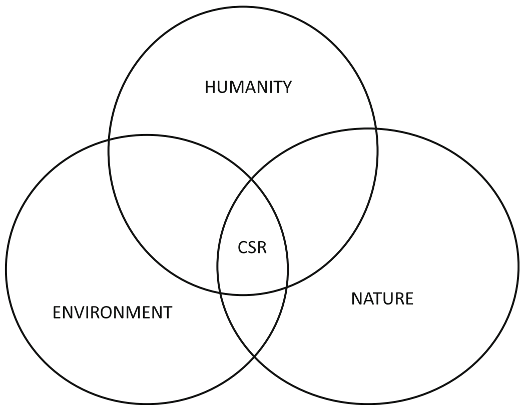


Fig. 5.3 Corporate Social Responsibility: CSR (Nature, Humanity and Environment)

as a trading port for business for centuries. Very truly, these motivations and factors such as political and economic policies, hard work and sense of unity work for Singapore and Singapore was transformed from a 3rd world to the 1st world country. Singapore leadership is proactive. Low (2011c) commented on the leadership of

Lee Kuan Yew as "the Singapore's leader very much of a planner with great foresight and vision as well as wanting to make things happen. He delivered the results—got independence, the island's progress and business growth. And Lee had also succeeded in ensuring a good succession". This is remarkable because for a small country without any natural resources except human capital and a stable and reliable platform to do business, Singapore is adaptable and is evolving with political and economic changes.

5.14 Building Singapore to Be a Green State

The vision of a leader and his determination is extremely vital in leading the country towards sustainable development (Low, 2011c). Lee Kuan Yew's vision was to make Singapore from a Garden City to a Model Green City. Trained as a lawyer, Lee Kuan Yew understands the importance of effective law enforcement and rigorous administrative system. Under his leadership, the Government has been proactive in developing high standards of public health and a quality environment with clean air, clean land, clean water and also a control on noise pollution. As one can see that in 1968, he declared to develop Singapore into a clean and green city as the goal of the government. His policy was consistent in subsequent years in creating a Garden City with a clean and green environment. In April 1970, he established an Anti-Pollution Unit in the Prime Minister's Office. To improve the aesthetic value of Singapore, he also took a personal interest in the cleaning-up of the Singapore and Kallang River basins. His initial speech to trigger these cleanup activities was in February 1977 when he said, *"It should be a way of life to keep the water clean. To keep every stream, culvert and rivulet, free from pollution in ten years let us have fishing in the Singapore River and Kallang River. It can be done."* By October 1977, plans were put up and actions were taken to clean up the Singapore River and Kallang Basin. This involved massive housing development and resettlement of squatters, industrial workshops, backyard trades, industries and farmers. Other measures were relocation of street hawkers to food centers and phasing out of polluting activities. a government committee comprising various government ministries was set up to plan, coordinate and implement programmes to prevent pollution to the rivers. The cleaning-up of the Singapore River and Kallang Basin took 10 years to complete (ESCAP, 2003). Today, the River and Basin are used for recreational purposes. The price of land around these areas has been enhanced, adding to its economic and social development.

5.15 Concluding Remarks

Confucius said, "Those who are brave and cannot tolerate living in poverty are likely to be irresponsible and go on rioting. Those who know nothing about benevolence, if not carefully guided will also make trouble to the society." (*Analects of Confucius*, VIII: 10). Therefore, self-cultivated people who embrace and practise the value of benevolence in life are important for the society. Confucian ethics can, overall, significantly strengthen, align and support the concept of corporate social responsibility and environmental management. It starts with helping an individual to develop and self-cultivate oneself through relationship and continuous learning to be a better individual (gentleman/lady) so that one can later lead more people to help and contribute to the society. When good people leads, motivates and influences other people to be ethical and to do good for the society, more people would become ethical and do good for the society (Low & Ang, 2012b). This coincides very well with the concept of corporate social responsibility in which business leaders are committed to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life (WBCSD, 2002). In short, the Confucian business leader grows or 'perfects' one's virtue. Being just and ethical to humanity, the Confucian business leader would build his or her credibility, and has the right status so that what he or she says and practices are justified and are in alignment with CSR.

References

Adler, N. J., & Gundersen, A. (2008). *International dimensions of organizational behavior*. USA: Thomson South-Western.

Aventis. (2011). *Corporate social responsibility: Singapore impact*. Aventis School of Management. Accessed January 11, 2013, from http://aventis.edu.sg/singapore_compact.html

Ang, S. L., & Low, K. C. P. (2012). The value of integrity, the Confucian perspective. *i-Manager's Journal on Management, 5*(4), 1–10.

Chai, S. C., Lai, P., & Sia, Y. H. (1994). *Analects of confucius*. Beijng: Sinolingua.

Chew, K. H. P. (2000). *A Gentleman's code*. Singapore: Graham Brash (Pte) Ltd.

Chin, A. (2008). *Confucius: A life of thought and politics*. Great Britain: St. Edmundbury press Ltd.

ESCAP. (2003). *Clean up of the Singapore River and Kallang Basin*. ESCAP virtual conference, ESCAP & the Ministry of the Environment, Singapore. Accessed January 11, 2013, from http://www.unescap.org/drpad/vc/conference/bg_sg_14_csr.htm

Kothari, V. B. (2010). *Executive greed*. New York: Palgrave Macmillan.

Lin, Y. (Ed.). (1994). *The wisdom of confucius*. New York: The Modern Library.

Low, K. C. P. (2002).*Corporate culture and values: Perception of corporate leaders of co-operatives in Singapore*, Unpublished Ph.D. Thesis, the University of South Australia, Adelaide

Low, K. C. P. (2005). Towards a framework and typologies of Singapore corporate cultures. *Management Development Journal of Singapore, 13*(1), 46–75.

Low, K. C. P. (2006). Crisis management—Can core values be considered as a built-in safety net? The Singapore case. *Insights to A Changing World, 2006*(3), 133–150. http://franklinpublishing.net/insightstoachangingworld.html.

Low, K. C. P. (2007). The cultural value of resilience: The Singapore case study. *Cross Cultural Journal, 14*(2), 136–149.

Low, K. C. P. (2008a). Confucian ethics and social responsibility—The golden rule and responsibility to the stakeholders. *Ethics and Critical Thinking Journal, 2008*(4), 46–54.

Low, K. C. P. (2008b). Value-based leadership: Leading, the Confucian way. *Leadership and Organizational Management Journal, 2008*(3), 32–41.

Low, K. C. P. (2009a). The way of dragon—Some strategic leadership ways. *Leadership and organizational management Journal, 2009*(2), 40–59.

Low, K. C. P. (2009b). *Corporate culture and values, perceptions of corporate leaders of co-operatives in Singapore*. USA: VDM Verlag.

Low, K. C. P. (2009c). 'How to lead in today's context? What leadership skills set do we need? *Leadership and Organizational Management Journal, 2009*(1), 48–56.

Low, K. C. P. (2009d), *Leading globally—What makes a successful global leader in today's turbulent times*. e-Leader Estonia conference, CASA: Chinese American Scholars Association June 8–10, 2009, Tallinn, Estonia.

Low, K. C. P. (2010a). Zen and leadership—Growing one's leadership excellence. *Insights to A Changing World, 2010*(1), 1–10.

Low, K. C. P. (2010b). Values make a leader, the confucian perspective. *Insights to A Changing World, 2010*(2), 13–28.

Low, K. C. P. (2011a). Confucius, the value of benevolence and what's in it for humanity? *Conflict Resolution and Negotiation Journal, 2011*(1), 32–43.

Low, K. C. P. (2011b). Old is gold—Appreciating old age and what the old and the young can do! *Conflict Resolution and Negotiation Journal, 2011*(2), 29–39.

Low, K. C. P. (2011c). Lee Kuan Yew and his key leadership ways. *Business Journal for Entrepreneurs, 2011*(2), 50–62.

Low, K. C. P. (2012). *The confucian rectification of names and people/human resource management*. Educational Research (ISSN: 2141-5161, Vol. 3(8) pp. 662–668). Available August 2012, from http://www.interesjournals.org/ER

Low, K. C. P. (2013a). *Leading successfully in Asia*. Heidelberg: Springer.

Low, K. C. P. (2013b). Confucian ethics and corporate social responsibility. In S. O. Idowu (Ed.), *Encyclopaedia of corporate social responsibility*. Berlin: Springer.

Low, K. C. P., & Ang, S. L. (2011a). Confucian ethics and the stakeholder theory in business. *i-manager's Journal on Management, 5*(4), 8–20.

Low, K. C. P., & Ang, S. L. (2011b). Confucius, confucian values and their applications on marketing—The Brunei perspective. *Journal of Research in International Business Management, 1*(9), 293–303. ISSN: 2251-0028.

Low, K. C. P., & Ang, S. L. (2012a). Confucian leadership and corporate social responsibility (CSR), the way forward. *Asian Journal of Business Research*, *2*(1), 85–108. New Zealand. ISSN: 11788933.

Low, K. C. P., & Ang, S. L. (2012b). *Filial piety and good leadership e-Leader*. Chinese American Scholars' Association: CASA conference, June 4–6, 2012 Berlin, Germany.

Low, K. C. P., & Ang, S. L. (2013a). Filial piety and corporate social responsibility. In S. O. Idowu (Ed.), *Encyclopaedia of corporate social responsibility*. Berlin: Springer. doi:10.1007/978-3-642-28036-8.

Low, K. C. P., & Ang, S. L. (2013b). Ageism. In S. O. Idowu (Ed.), *Encyclopaedia of corporate social responsibility*. Berlin: Springer. doi:10.1007/978-3-642-28036-8.

Low, K. C. P., & Ang, S. L. (2013c). Christianity and corporate social responsibility. In S. O. Idowu (Ed.), *Encyclopedia of corporate social responsibility*. Berlin: Springer. doi:10.1007/978-3-642-28036-8.

Madura, J. (2007). *Introduction to business* (4th ed.). Canada: Thomson South-Western.

Matsushita, K. (1994). *Not for bread alone*. New York: Berkley Books.
Pay, R. (2000). *Confucius*. Accessed June 27, 2008 from http://www.humanistictexts.org/confucius.htm
PHP. (1991). *Velvet glove, iron fist*. Japan: PHP Institute, Inc.
PHP. (1994). *Matsushita Konosuke (1894–1989): His life & his legacy*. Japan: PHP Institute, Inc.
Robbins, S. P. (2005). *Organizational behavior* (11th ed.). USA: Pearson Prentice, Hall.
Tsai, C. C., & Ng, E. T. (1992). *Da Xue, the great learning*. Singapore: Market Point Design Pte. Ltd.
Tschang, C. C. (2007, January 29). Ecology: china admits it has failed badly. *The Straits Times,* 2.
Wang, G. (2004). Confucianism. In F.-J. Richter & P. C. M. Mar (Eds.), *Asia's new crisis: Renewal through total ethical management* (pp. 51–62). Singapore: Wiley (Asia).
WBCSD. (2000). *Corporate social responsibility:Meeting the expectations*. The World Business Council for Sustainable Development (WBCSD). Accessed January 5, 2011, from http://www.wbcsd.org/DocRoot/RGk80O49q8ErwmWXIwtF/CSRmeeting.pdf
WBCSD. (2002). *Corporate social responsibility: The WBCSD's journey*. Accessed January 13, 2011, from http://www.wbcsd.org/DocRoot/I0NYLirijYoHBDflunP5/csr2002.pdf
Wehrfritz, G. (2008, September 8). The price of survival. *Newsweek*, 39.
Yang, H. (1993). 'Confucius (Kung Tzu) 551–479 BC'. *Prospects: the Quarterly review of comparative education,* UNESCO: International Bureau of Education*, XXIII* No. 1, 12, pp. 211–219. Accessed June 29, 2008, from http://www.ibe.unesco.org/publications/ThinkersPdflconfucie.PDF
Yu, D. (2009). *Confucius from the heart: Ancient wisdom for today's world*. Great Britain: Macmillan.

Part II
Global CSR Challenges and Opportunities

Chapter 6
Environmental Performance: The Impact of R&D Intensity on Firms' Environmental Concerns

Jean D. Kabongo and John O. Okpara

Abstract This study investigates the relationship between R&D intensity and firms' environmental concerns conceptualized as negative environmental externalities resulting from manufacturing activities. The study uses a large sample of U.S. firms in manufacturing industries over the period of 1991–2009. Our finding, robust to a number of sensitivity analyses, is that environmental concerns tend to decrease with R&D intensity expenditures at the firm level. This finding supports previous research and fills a gap in that research linking R&D intensity to corporate environmental performance. The result strengthens the discussion about environmental performance—namely, the reduction of negative environmental externalities—and economic performance.

6.1 Introduction

The reconciliation of environmental and economic performance to improve corporate sustainability has generated a great deal of interest among researchers and practitioners over the past decades (Claver et al. 2007; de Villiers, Naiker, & van Staden, 2011; Grinyer, Yasai-Ardekani, & Al-Bazzaz, 1980; López-Gamero et al. 2009; Orlitzky, Schmidt, & Rynes, 2003; Porter & van der Linde, 1995; Russo & Fouts, 1997; Waddock & Graves, 1997; Weber, Koellner, Habegger, Steffensen, & Ohnemus, 2008). In this perspective, studies have examined the influence of corporate financial strategies with regard to sustainability and the

J.D. Kabongo (✉)
College of Business, University of South Florida, Sarasota-Manatee, 8350 N. Tamiami Trail, SMC-C263, Sarasota, FL 34243, USA
e-mail: jkabongo@sar.usf.edu

J.O. Okpara
Department of Management and Marketing, College of Business, Bloomsburg University of Pennsylvania, Sutliff Hall, Room 358, 400 East Second Street, Bloomsburg, PA 17815, USA
e-mail: jokpara@bloomu.edu

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_6,

environment. Corporate financial strategies are corporate responses to regulations and investments in research and development (R&D) that are likely to foster innovation to improve environmental performance (Heyes & Kapur, 2011; Jaffe & Palmer, 1997; Johnstone & Labonne, 2009). R&D intensity, a measure of a company's research and development expenses over its sales, has been used in previous research as a proxy of a firm's financial strategy to improve environmental performance.

Previous research analyzing the relationship between R&D intensity and environmental performance (Hull & Rothenberg, 2008; McWilliams & Siegel, 2000; Padgett & Galan, 2011) generally has focused on the overall corporate social responsibility (CSR) dimensions of environmental performance. These studies found a positive correlation between R&D intensity and CSR. The focus on overall CSR dimensions of environmental performance has led researchers to suggest that R&D intensity tends to reinforce positive environmental practices or environmental strengths: recycling, pollution prevention programs, positive environmental impact of a firm's products and/or services, clean energy policies, monitoring and management of environmental practices. While previous studies document a positive relationship between R&D intensity and overall CSR dimensions of environmental performance, they do not address the extent to which R&D intensity reduces environmental concerns. The focus on R&D intensity and positive environmental practices/strengths does not consider firms' efforts to invest in R&D intensity in order to reduce environmental risks. The findings of previous studies partially discussed the link between R&D intensity and environmental performance. These findings are also limited because they rely on small sample sizes over relatively short periods of time. Our study attempts to go beyond positive environmental practices and to overcome the limitations of previous studies examining the dark side of the link between R&D intensity and environmental performance.

In the perspective of this study, environmental concerns are negative environmental externalities/problems resulting from manufacturing activities. These negative environmental externalities include, but are not limited to, emission of toxic chemicals, greenhouse gas emissions, climate change, negative impact of products and services, and the overall regulatory problems faced by firms. We believe it is necessary to examine separately the link between R&D intensity and environmental concerns for three main reasons. First, emission reductions are at the forefront of public and political attention. For decades, governments, industry associations, environmental groups and society, in general, have come together to induce firms to enhance their environmental "protection" performance. Documenting that R&D intensity reduces environmental concerns is of particular interest to a firm's external stakeholders, particularly investors who are concerns with future liabilities associated with environmental risks. Berrone and Gomez-Mejía (2009) found that firms with strong environmental performance are more likely to lower the risk of facing legal sanctions, higher insurance costs, and significant remediation costs. Second, by examining the link between R&D intensity and CSR dimensions, as in previous research, a firm's environmental performance is "pooled" together; however, there is no readily available means to document the extent to which investments in R&D intensity might result in fewer environmental concerns. Finally, the analysis of the link between R&D intensity and environmental concerns helps to better understand the influence of R&D intensity on the protection of the environment. Our paper contributes to current literature by documenting a negative and encouraging relationship between R&D intensity and environmental concerns, showing the effectiveness of investments in R&D intensity in reducing environmental concerns at the firm level. It is our belief that the results of the study will strengthen the discussion about environmental performance—namely, the reduction of negative environmental externalities—and firms' financial strategies through R&D intensity.

The remainder of this paper is organized as follows. First, we review previous studies on the relationship between R&D intensity and environmental performance, as well as the quest for reduction of negative environmental externalities; subsequently, we develop the study hypothesis. Later, the methodology used to conduct the study will be described, followed by the presentation of the empirical results. Finally, we discuss the findings and highlight directions for future research.

6.2 Literature Review and Hypothesis

6.2.1 R&D Intensity and Environmental Performance

We are aware of only three previous studies (Hull & Rothenberg, 2008; McWilliams & Siegel, 2000; Padgett & Galan, 2011) that investigated R&D intensity and environmental performance. This section reviews these very important studies, recognizes their contributions, and builds upon them for the main hypothesis of the study. The fact that these previous studies focused on the overall corporate social responsibility (CSR) dimensions of environmental performance opens a window of opportunity to examine R&D intensity further, along with its relationship with the reduction of environmental concerns.

By analyzing whether there is a correlation or a misspecification between CSR and financial performance, as previously stated by Waddock and Graves (1997), McWilliams and Siegel (2000) found that the inclusion of R&D intensity in the equation clarifies this relationship. They concluded that R&D intensity, Corporate Social Performance (CSP) and financial performance are strongly positively correlated. They based their analysis on the examination of 524 firms from panel data using the MSCI ESG dimensions of CSR over the period of 1991–1996. McWilliams and Siegel (2000) used 11 dimensions of CSP in their study: military contracting, nuclear power, gambling, tobacco, alcohol, community relations, diversity, employee relations, environment, product quality (innovation/R&D), and non-U.S. operations (usually environment and labor relations). McWilliams and Siegel (2000) analyzed R&D intensity and overall CSP in a sample of firms from different industries.

Building on the inquiry of McWilliams and Siegel (2000), Hull and Rothenberg (2008) investigated the relationship between CSP and financial performance, innovation, and firm and industry differentiation. They found that innovation (the weighted 3-year average of the company's research and development spending) and the level of differentiation in the industry are moderators for the positive relationship between corporate social performance and financial performance. Studying 69 companies from the MSCI ESG panel data over the period of 1998–2001, Hull and Rothenberg (2008) looked into innovations as a result of R&D investments based on a previous study by Rothenberg and Zyglidopolous (2007). Their study examined the determinants of environmental adoption among 565 firms in the printer industry. They found that firms in highly dynamic environments, as well as firms that have adopted other productive innovations, are more likely to adopt a greater number of environmental innovations. To measure CSP, Hull and Rothenberg (2008) used an aggregate measure of CSP originally constructed by Waddock and Graves (1997), which is an index of all categories of CSR rated by MSCI ESG.

While previous studies by McWilliams and Siegel (2000), Rothenberg and Zyglidopolous (2007), and Hull and Rothenberg (2008) found that R&D intensity, innovation, Corporate Social Performance (CSP) and financial performance are strongly positively correlated, the direct impact of R&D intensity on CSR was examined by Padgett and Galan (2011). Drawing from the perspectives of a resource-based view of the firm (Hart, 1995; Sharma & Vredenburg, 1998; Wernerfelt, 1984) and using CSR dimensions from MSCI ESG, then KLD, over the period of 1991–2007, Padgett and Galan (2011) found that R&D intensity positively affects CSR and that the relationship is significant in manufacturing industries. Interestingly, a non-significant result was obtained in non-manufacturing industries. CSR dimensions used in Padgett and Galan (2011) include environment, community, human rights, employee relations, diversity, product and governance. Padgett and Galan (2011) relied on a scale of CSR ratings of environmental strengths and concerns previously used by Hillman and Keim (2001). The scale ranges from −2 (major concerns), −1 (concern), 0 (neutral), +1 (strength), to +2 (major strength) for CSR ratings. To check the robustness of their models, they replaced the CSR scale that ranges from −2 to 2 with an alternative specification of their dependent variable CSR, following research in industrial organization and strategy (citing Kortum & Lerner, 2000). The alternative specification used by Padgett and Galan (2011) equals the logarithm of the sum of MSCI ESG strength ratings plus 1 (citing Kacperczyk, 2008).

The analysis of the above-mentioned studies reveals that the examination of the relationship between R&D intensity and environmental performance has focused on the overall CSR dimensions. However, the specific link between R&D intensity and the reduction of environmental concerns is often overlooked. For instance, the scale of CSR dimensions used by Padgett and Galan (2011), and their alternative specification of MSCI ESG strength ratings plus 1, do not reveal the extent to which R&D intensity reduces the number of environmental concerns faced by firms. Environmental performance should be measured not only in terms of product innovation but also by the extent of resource, emission, and environmental issue reductions.

6.3 R&D Intensity, Innovation and Reduction of Environmental Concerns

We acknowledge that previous research has emphasized the production of positive environmental externalities through investments in R&D that are used to improve product innovation. In this section, we discuss the reduction of environmental concerns as a valuable outcome of R&D intensity via environmental innovation. We believe that this outcome has been overlooked by previous research. Like studies that have analyzed environmental performance and R&D intensity, we assume that firms use R&D intensity expenditures to improve environmental innovation.

The reconciliation of environmental and economic performance to improve corporate sustainability lies largely with investments in environmental innovation (Boons, Montalvo, Quist, & Wagner, 2012; Carrión-Flores & Innes, 2011). Environmental innovation is understood as the development of products, processes and services aimed at reducing environmental harm by using new methods for treating emissions, recycling or reusing waste and finding cleaner energy sources (Brunnermeier & Cohen, 2003). Studies have suggested that environmental innovation might be riskier than other environmental practices, as it requires higher financial commitment; moreover, its results can be reached in the long term (Ahuja, Lampert, & Tandon, 2008; Scherer, 1999). Environmental innovation goes beyond meeting minimal environmental standards to tackle serious negative environmental externalities through systematic pollution prevention programs aimed at reducing or eliminating the use and generation of hazardous substances (Berrone, Fosfuri, Gelabert, & Gomez-Mejía, 2013; Berrone & Gomez-Mejía, 2009). In this perspective, environmental innovation constitutes a source of competitive advantage because it is valuable to firms' consumers and key stakeholders (Hart, 1995; Sharma & Vredenburg, 1998). The competitive advantage will be the result of meeting overarching goals of improving environmental performance by dealing with hazardous waste, regulatory problems, ozone-depleting chemicals, substantial emissions and climate change. In such, firms create valuable environmental innovation resources through R&D expenditures (Dierickx & Cool, 1989; Grabowski & Vernon, 1990). R&D investments are thereby used to improve the technical and environmental performances of the manufacturing processes and equipment.

We argue that if R&D intensity positively affects CSR and the relationship is significant in manufacturing industries, as Padgett and Galan (2011) demonstrated, manufacturing firms with R&D intensity should be reporting less environmental concerns. This is consistent with the fact that R&D intensity leads to environmental innovations, which focuses on pollution prevention programs aimed at reducing or eliminating the use and generation of hazardous substances (Berrone et al., 2013; Berrone & Gomez-Mejía, 2009). In the same line of thought, Lopez-Gamero et al. (2009) found that early investment timing and intensity in environmental concerns impact the adoption of a proactive environmental management, which in turn helps to improve environmental performance. The positive relationship between R&D intensity and CSR is specifically materialized in lowering the level of environmental concerns, including hazardous waste, regulatory problems, ozone-depleting chemicals, substantial emissions and climate change. The reduction of environmental concerns has significant importance for investors who are concerned about future environmental risks (Berry and Junkus, 2013; Koellner, Sangwon, Weber, Moser, & Scholz, 2007). In this perspective, companies that invest in R&D intensity are creating long-term shareholder value. We expect R&D intensity to reduce firms' environmental concerns in the long run. Based on the above arguments, we formulate our main hypothesis of the study as follows:

Hypothesis: R&D intensity will be correlated with the reduction of environmental concerns.

6.4 Research Methods

6.4.1 Sample and Data Collection

The data consist of pooled time series and cross-sectional observations of U.S. corporations rated by the Environmental, Social, and Governance (ESG) database provided by Morgan Stanley Capital Investment (MSCI), over the period from 1991 through 2009. ESG ratings were originally developed in 1991 by Kinder, Lynderberg and Domini (KLD) and have been further developed over the past 20 years. RiskMetrics acquired KLD in 2009; later, Morgan Stanley Capital International (MSCI) acquired RiskMetrics in 2010. To date, the MSCI ESG database covers approximately 3,000 large U.S. companies. The MSCI ESG website (http://www.kld.com) provides the following description of the dataset. For each year, beginning with 1991, the database provides a table of data with a collection of approximately 650 companies that comprise the Domini 400 Social℠ Index and S&P 500®, with one record for each company and columns indicating membership of each index. Beginning in 2001, MSCI ESG, formerly KLD, expanded its coverage to include all companies on the Russell 1000®. In 2003, KLD added full coverage of the Russell 3000®. The MSCI ESG database includes over 50 environment, social and governance quality indicators organized in seven categories: Community, Corporate Governance, Diversity, Employee Relations, Environment, Human Rights and Product. MSCI ESG also provides information for companies' involvement in controversial business concerns: Alcohol, Gambling, Firearms, Military, Nuclear Power and Tobacco. The qualitative indicators include positive (strength) and negative (concerns) ratings. The controversial business indicators only include negative ratings. Although some researchers (Graves &

Waddock, 1994; Vogel, 2005) cautioned about possible limitations of the MSCI ESG database, it offers the advantage of multiple rating criteria for social performance (Vaidyanathan, 2008). Moreover, the MSCI ESG database has been used intensely by researchers focusing on corporate social responsibility (see, for instance, Albinger & Freeman, 2000; Bear, Rahman, & Post, 2010; Chen, Patten, & Roberts, 2008; Post, Rahman, & Rubow, 2011). Our paper focuses on quality indicators in the categories of Environment.

The financial data we used came from Compustat. In total, the sample represents 1,700 companies and 10,134 firm-year observations. Because of the focus of the study, these firms represent various sectors in the manufacturing industries according to the one digit Standard Industry Code (SIC). These industries are considered to be high technology industries (Hadlock, Hecker, & Gannon, 1991). Table 6.1 provides the distribution of manufacturing firms by the industries to which they belong. Table 6.1 shows that environmental manufacturing practices and R&D intensity vary by industry and hence, it is critical to control for the industry effect to investigate the true effect of R&D intensity on environment concerns. Table 6.2 provides annual distribution of environment concerns and R&D intensity by years. We see that there are big differences in sample size before and after year 2003. Starting in year 2003, the total number of companies covered in MSCI ESG expanded to 3,000 companies. This expansion is reflected in our sample, with the increase of the number of observations from 373 in 2002 to 956 in 2003. The yearly distribution suggests that controlling for firm size and fixed effects is critical for this study.

6.4.2 Measures

6.4.2.1 Dependent Variable

Environmental Concerns. The main dependent variable is a continuous variable, ENV_CONCERNS, which measures a firm's total environment concerns. As noted earlier, we conceptualize environmental concerns as negative environmental externalities resulting from manufacturing activities. We use MSCI ESG ratings of environmental concerns as a measure of environmental concerns. These include seven ratings in the environment category. (1) Regulatory problem: the measure a firm's record of compliance with environmental regulations. Fines/sanctions for causing environmental damage and/or violations of operating permits are considered to facilitate evaluation of a firm's compliance with environmental regulations. (2) Substantial emissions: a measure of a firm's emission of toxic chemicals according to data from the Toxics Release Inventory (TRI), a database from the U.S. Environmental Protection Agency (EPA) that gathers information on toxic chemical releases and waste management activities. (3) Climate change: a measure of the severity of controversies related to a firm's climate change policies and initiatives. The climate change indicator covers a wide range of concerns, including

Table 6.1 Distribution of firms according to industry sectors

Industry by 2-digit SIC code	# of firms	Environment concerns count average	R&D intensity average
20 Food and kindred products	80	0.3778	0.0033
21 Tobacco products	8	0.0222	0.0079
22 Textile mill products	10	0.0163	0.0047
23 Apparel and other finished products made from fabric and similar material	28	0.0276	0.0001
24 Lumber and wood products, except furniture	17	0.6304	0.0014
25 Furniture and fixtures	18	0.1901	0.0163
26 Paper and allied products	45	0.7908	0.0097
27 Printing, publishing, and allied products	51	0.0755	0.0031
28 Chemical and allied products	390	0.4422	0.1456
29 Petroleum refining and related industries	31	2.3652	0.0055
30 Rubber and miscellaneous plastic products	26	0.1846	0.0156
31 Leather and leather products	14	0.0000	0.0021
32 Stone, clay, glass, and concrete products	15	0.2795	0.0065
33 Primary metal industries	56	0.9783	0.0069
34 Fabricated metal products, except machinery and transportation equipment	45	0.2475	0.0113
35 Industrial and commercial machinery and computer equipment	227	0.1782	0.0593
36 Electronic and other electrical equipment and component except computer	291	0.0940	0.0853
37 Transportation equipment	81	0.8282	0.0301
38 Measuring, analyzing and controlling instruments, photographic, and medical	237	0.1281	0.0752
39 Miscellaneous manufacturing industries	30	0.0000	0.0386
Total/Average	**1,700**	**0.3355**	**0.0655**

a firm's history of involvement in greenhouse gas (GHG)-related legal cases, resistance to improve practices, criticism by non-governmental organizations (NGOs), revenues from the sale of coal or oil and a firm's derivative products, etc. (4) The negative impact of products and services: a measure of a firm's negative environmental impact of its products/services. This rating considers factors such as products/services that involve regulated substances, as well as the production/consumptions of hazardous chemicals and controversial products, including those that use genetically modified organisms or nanotechnology. (5) Land use and biodiversity: a measure of the severity of a firm's controversies related to its use or management of natural resources. (6) Non-carbon emissions: a measure of the severity of controversies related to a firm's non-GHG emissions. This rating takes into account a firm's history of involvement in land, air or water emissions-related legal cases, widespread impacts due to corporate non-GHG emissions, resistance to improved practices, and criticism by NGO and/or other third-party observers. (7) Other concern: a measure of the severity of controversies related to a firm's environmental impact. We use the total count of MSCI ESG environment concerns

Table 6.2 Observations for our sample per year

Years	# of observations	Environment concerns mean	R&D intensity mean
1991	178	0.5112	0.0315
1992	182	0.5824	0.0319
1993	186	0.5860	0.0331
1994	187	0.6470	0.0315
1995	238	0.5001	0.0337
1996	246	0.4796	0.0377
1997	248	0.4959	0.0406
1998	255	0.4705	0.0424
1999	260	0.4923	0.0368
2000	265	0.5056	0.0446
2001	375	0.4426	0.1813
2002	373	0.3914	0.2214
2003	956	0.1820	0.6631
2004	1,026	0.2378	1.3076
2005	1,007	0.2631	5.0471
2006	1,007	0.3068	3.3162
2007	1,001	0.2977	27.510
2008	1,040	0.2942	14.310
2009	1,040	0.2925	1.7988
Total	**10,134**	**0.3355**	**0.0655**

as a proxy for ENV_CONCERNS of a firm. Let I_{iet} be the number of concerns of environmental controversies/concerns received by any firm i ($i = 1,\ldots, 1{,}700$) in period t ($t = 1991,\ldots, 2009$). Issues of environmental controversies/concerns are published by MSCI ESG at the end of each calendar year. Our dependent variable is thus $\sum_{e} I_{iet}$. Table 6.3a and 6.3b show summary statistics and correlations of the main variables.

6.4.2.2 Explanatory Variable

R&D Intensity. Studies have suggested that R&D intensity is an indicator of a firm's level of effort in producing future products and improving its processes. R&D intensity is also an indicator of a firm's sensitivity to future demands for new and environmentally sound products and services. The sensitivity to future demands is likely to lead to innovative opportunities through investments in environmental innovation (Brunnermeier & Cohen, 2003). We are assuming that R&D intensity expenditures enable a firm to improve its ongoing reengineering—"fundamental rethinking and radical redesign of business processes to achieve dramatic improvement in critical, contemporary measures of performance such as cost, quality, service and speed" (Hammer & Champy, 1993). R&D intensity will enable a manufacturing firm to make products with minimal negative environmental impacts

Table 6.3 (a) Summary statistics and (b) correlations

(a)						
	# obs.	Mean	Median	St. dev.	Min.	Max.
ENV_CONCERNS	10,134	0.3355	0	0.8085	0	6
RDINT	10,134	0.0655	0.0270	0.1242	0	4.94128
LOGTA	10,134	7.0573	6.9722	1.6678	1.2859	12.6267
TOBIN'S Q	10,121	2.2926	1.7470	1.8406	0.3452	48.3943
CASH_R	10,132	0.2056	0.1137	0.2280	0	0.99953
PPE_TA	10,125	0.2284	0.1947	0.1583	0	0.86316
(b)						
	1	2	3	4	5	6
1. ENV_CONCERNS	1					
2. RDINT	−0.1407***	1				
3. LOGTA	0.5042***	−0.2434***	1			
4. TOBIN'S Q	−0.1377***	0.4269***	−0.2197***	1		
5. CASH_R	−0.2454***	0.5392***	−0.4844***	0.3406***	1	
6. PPE_TA	0.3298***	−0.2643***	0.2823***	−0.1613***	−0.4845***	1

***$p < 0.001$

(Sarkis, 1995; Watkins & Granoff, 1992), and ultimately, to lower the number of environmental concerns.

The main explanatory variable is a continuous variable, RDINT, which equals a company's research and development expenditures over its total assets. This variable measures the intensity of research and development expenses. Prior research (Hull & Rothenberg, 2008; McWilliams & Siegel, 2000; Padgett & Galan, 2011; Rothenberg & Zyglidopolous, 2007) has used the ratio of expenditures by a firm on research and development to its sales as a measure of R&D intensity. However, since R&D intensity is a ratio, outliers might be an issue if sales are close to 0. Preliminary exploratory analysis of the data using the ratio of R&D expenditures to sales revealed that the standard deviation (288.3) was much higher than the mean (5.39). In addition, research by Leonard (1971) suggests that other variables such as productivity, profits and assets can be used to compute R&D intensity. For instance, Berrone et al. (2013) used the ratio of R&D expenditures to the number of employees as a proxy of R&D intensity. For the purpose of this study, we calculated R&D intensity as a ratio of a firm's R&D expenditures to its total assets. Because of the non-normality of the distribution of R&D investment, we used the logarithm so that the final measure of R&D intensity in our estimations is the logarithm of R&D expenditures over firms' total assets.

6.4.2.3 Control Variables

We included several variables suggested by previous studies on CSR literature as control variables for regression analyses: firm size, Tobin's Q, cash, asset tangibility, and industry and fixed effect controls.

Firm Size. Studies have suggested that bigger firms have a higher propensity to invest in R&D expenditures (García-Manjón & Romero-Merino, 2012; Hirschey, Skiba, & Wintoki, 2012). We use the logarithm of total assets (LOGTA) as a control variable for firm size and expect a positive relationship between firm size and environment concerns.

Tobin's Q. Firms with a high Tobin's Q are considered to be high-growth firms. TOBIN'S Q is used for Tobin's Q. We expect a negative relationship between TOBIN'S Q and environment concerns. Liou and Sharma (2012) found that firms' Tobin's Q and environmental corporate social responsibility are negatively correlated.

Cash. The ratio of a company's cash and marketable securities to total assets (CASH_TA) is used as a control.

Asset Tangibility. The ratio of a company's property, plant and equipment over total assets (PPE_TA) is used as a control variable for asset tangibility. We expect a positive relationship between asset tangibility and environment concerns.

Consumer Goods. For robustness analyses, we controlled for CONSUMER_GOODS, a variable that equals 1 for a company that manufactures products that are purchased for consumption by the average customer and 0 otherwise.

Miscellaneous Controls. We include in all estimated models industry sectors from Compustat and year effects to control for unobserved heterogeneity between sectors (at the two-digit level SIC codes). Continuous variables are standardized to facilitate the interpretation of the results.

6.4.3 Empirical Model and Estimation Method

Given the nonnegative integer or count nature of our dependent variable (number of environmental concerns denoted by y, $y \in \mathrm{N} = \{0,1,2, \ldots\}$), we needed to use the nonlinear estimators such as Poisson and negative binomial regression models (see Cameron & Trevidi, 2010). Initial analysis of the data using the likelihood-ration test and Wald statistics rejected the pure Poisson model in favor of a model where the variance is proportional to the mean: negative binomial regressions. The results presented below are only for the negative binomial estimations.

6.5 Results

6.5.1 Main Regression Estimations

Table 6.4 reports the detailed negative binomial estimations run to test the relationship between a firm's R&D intensity and its environment concerns. RDINT has a negative and significant effect on the level of a firm's environment concerns, providing support for our main hypothesis. More precisely, a change of one standard deviation in RDINT decreases environment concerns by 0.1638. The results suggest that investments in research and development tend to lower the number of environment concerns such as regulatory problems, substantial emissions, climate change, negative impact of products and services, land use and biodiversity, non-carbon emissions, etc.

Model 1 estimates ENV_CONCERNS with only financial variables, industry and year effects. As anticipated, the coefficients on control variables LOGTA and PPE_TA are positive and statistically significant. We also expected a negative correlation between ENV_CONCERNS and TOBIN'S Q (Liou & Sharma, 2012). Similar results are reported for Model 2. RDINT is negatively correlated with environment concerns and is statistically significant at 0.1 %. The impact of industry and year fixed effects does not seem to affect the results. These results from Table 6.4 confirm that a firm's investments in research and development tend

Table 6.4 Negative binomial estimations of the influence of R&D intensity on environment concerns

	Dependent variable: Environmental concerns	
	Model 1	Model 2
LOGTA	0.5642***	0.5688***
	(0.0125)	(0.0153)
	[44.82]	[36.97]
TOBIN'S Q	−0.2574***	−0.2028***
	(0.0281)	(0.0306)
	[−9.18]	[−6.62]
CASH_TA	−2.6526***	−2.6451***
	(0.2091)	(0.2501)
	[−12.69]	[−10.58]
PPTE_TA	1.4454***	1.2812***
	(0.1247)	(0.1596)
	[11.59]	[8.03]
RDINT		−0.1638***
		(0.0289)
		[−5.65]
Observations	10,110	8,023
Log likelihood	−4,985.4994	−3,923.8753
Prob > $\chi 2$	0.000	0.000

Reported coefficients are standardized. Standard errors are robust and are adjusted for clustering at a firm level. Average marginal effects are reported in brackets. All models include a constant, industry and year fixed effects. Significance levels: *p < 0.05; **p < 0.01; ***p < 0.001

to decrease the effects of environment concerns. Thus, our empirical results support the main hypothesis.

The estimated coefficients of firm size (LOGTA) and asset tangibility (PPE_TA) given in Models 1and 2 are positive and statistically significant at 0.1 %. This indicates that bigger firms have a higher propensity for reporting environment concerns as a consequence of their accelerated manufacturing activities. It also suggests that firms with cash are more likely to reduce the number of environmental concerns. Similarly, the estimated coefficients of Tobin's Q given in Models 1 and 2 are negative. This suggests that when a firm reports environment concerns, it incurs a 0.1 % decrease in its Tobin's Q. These financial correlations are consistent with a recent study by Liou and Sharma (2012).

6.5.2 *Robustness Tests*

We conducted a series of analyses to examine the robustness of our estimations. The results are reported in Tables 6.5 and 6.6. The first was to make sure that omitted variables and/or endogeneity did not create a bias. Unknown firm characteristics may influence the negative and significant relationship we found between ENV_CONCERNS and RDINT. To address this concern, we included random fixed effects and adjusted all our variables using industry mean/median. The random effect estimator uses unbiased estimates of the variance components (Cameron & Trevidi, 2010). The adjusted variables (all continuous) are adjusted as row numbers minus annual industry median numbers. Kabongo, Chang and, Li (2012) used a similar technique. The results are reported in Table 6.5. After controlling for industry and year fixed effects, the basic results were not affected and the results in Table 6.5 are unchanged. The negative sign of RDINT is significant at 0.1 % in both Models 1 and 2. Another omitted variable might be that companies that expect to be performing better may be able to invest into R&D and, at the same time, be more in the spotlight of media/activists, thus feeling greater pressure to minimize environmental concerns. This could be driving a spurious relationship between RDINT and ENV_CONCERNS. We needed to control for pressures from environmental groups; therefore, we created a variable, PRESSURE, and included it in the estimations by using information on the number of environmental NGOs per year and state available at the National Center for Charitable Statistics (NCCS). This institution gathers data on the nonprofit sector in the United States. We divided the number of environmental NGOs in each state by 1,000 to create a measure of the level of PRESSURE per state. We assume that companies operating in a state with a higher number of registered environmental NGOs would face higher pressures to optimize their environmental concerns (Berrone et al., 2013). Panel A of Table 6.6 shows that the negative sign of RDINT remains unchanged and statistically significant at 0.1 %. These results demonstrate that the main findings are not driven by omitted variables. Additionally, these findings are robust even when controlling for pressures from environmental groups.

Panel B of Table 6.6 reports the results of a 2-year lag for the explanatory and control variables. We assume that omitted variables and endogeneity issues might have been caused by the fact that RDINT is unlikely to generate immediate results. Therefore, we regressed ENV_CONCERNS on lagged values of control variables: LOGTA, TOBINS'Q, CASH_TA and PPE_TA (Model 1) and RDINT (Model 2). The results show that the coefficient of lag of RDINT is statistically significant at 1 % in Model 2. These results confirm that investments in R&D at a firm level reduce environment concerns.

We also noticed that Table 6.3b of correlations indicated a high correlation between LOGTA and ENV_CONCERNS (r = 0.5042, $p < 0.001$), and a high correlation between CASH_TA and RDINT (r = 0.5392, $p < 0.001$). This might create a multicollinearity problem that would bias our results. To deal with this issue, we dropped LOGTA and CASH_TA; we then reran the analysis. The results shown in Panel C of Table 6.6 are consistent and unchanged, even when controlling for CONSUMER_GOODS, a variable that equals 1 for a company that manufactures products that are purchased for consumption by average customer and 0 otherwise. This indicates that multicollinearity is not a problem with our main results.

Table 6.5 Random negative binomial estimations and adjusted variables

	Model 1 Random effect negative binomial regression		Model 2 Negative binomial regression with adjusted variables
LOGTA	0.5879*** (0.0375) [15.65]	ADJ_LOGTA	0.7461*** (0.0250) [29.73]
TOBIN'S Q	−0.0273 (0.0333) [−0.82]	ADJ_TOBIN'S Q	−0.1608*** (0.0393) [−4.08]
CASH_TA	−1.6695*** (0.3747) [−4.46]	ADJ_CASH_TA	−4.1276*** (0.4361) [−9.46]
PPTE_TA	0.9601*** (0.2979) [3.22]	ADJ_PPE_TA	2.4074*** (0.2661) [9.05]
RDINT	−0.2363*** (0.0458) [−5.16]	ADJ_RDINT	−0.1194*** (0.0248) [−4.80]
Observations	8,023		5,094
Log likelihood	−3,241.5707		−1,750.3019
Prob > $\chi 2$	0.000		0.000

Reported coefficients are standardized. Standard errors are robust and are adjusted for clustering at a firm level. Average marginal effects are reported in brackets. All models include a constant, industry and year fixed effects. Significance levels: *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$

6.6 Discussion and Conclusions

The study was designed to investigate the relationship between a firm's R&D intensity and its environmental concerns including hazardous waste, regulatory problems, ozone-depleting chemicals, substantial emissions, climate change and the negative impact of products/services. We hypothesized that R&D intensity will be negatively correlated with environmental impacts in the case of manufacturing firms. We use a large sample of firms in manufacturing industries over the period of 1991–2009 and conducted a series of analyses to examine the robustness of our estimations. The results support the hypothesis that R&D intensity is negatively correlated with environmental impacts. The results also indicate that bigger firms have a higher propensity for reporting environment concerns as a consequence of their accelerated manufacturing activities and firms with cash are more likely to reduce the number of environmental concerns.

6.6.1 Contribution and Implications for Research

Our study contributes to R&D intensity and environmental performance literature in documenting the relationship between R&D intensity and environmental

Table 6.6 Negative binomial estimations of the influence of R&D intensity on Environment concerns

Panel A: Estimates with pressures from environmental NGOs		
	Dependent variable: Environmental concerns	
	Model 1	Model 2
LOGTA	0.6517***	0.5714***
	(0.0126)	(0.0142)
	[51.62]	[40.07]
TOBIN'S Q	−0.2806***	−0.2144***
	(0.0286)	(0.0316)
	[−9.80]	[−6.77]
CASH_TA	−1.7347***	−2.1539***
	(0.2133)	(0.2481)
	[−8.13]	[−8.68]
PPTE_TA	2.3521***	1.4293***
	(0.1042)	(0.1631)
	[22.55]	[8.76]
PRESSURES	−0.1791***	−0.1541***
	(0.0149)	(0.0166)
	[−11.96]	[−9.26]
RDINT		−0.1645***
		(0.0285)
		[−5.76]
Observations	10,019	7,953
Log likelihood	−5,182.6391	−3,826.6953
Prob > $\chi 2$	0.000	0.000
Panel B: estimates with 2-year lag of explanatory and control variables		
	Dependent variable: Environmental concerns	
	Model 1	Model 2
$LOGTA_{t-2}$	0.0583***	0.0393**
	(0.0133)	(0.0143)
	[4.36]	[2.75]
TOBIN'S Q_{t-2}	−0.0051	0.0104
	(0.0129)	(0.0149)
	[−0.40]	[0.70]
$CASH\_TA_{t-2}$	0.0723	0.3138*
	(0.1416)	(0.1553)
	[0.51]	[2.02]
$PPTE\_TA_{t-2}$	−0.0617	0.0693
	(0.1592)	(0.1586)
	[−0.39]	[0.44]
$RDINT_{t-2}$		−1.288**
		(0.5598)
		[−2.30]
Observations	9,588	9,588
Log likelihood	−4,989.5725	−4,985.2337
Prob > $\chi 2$	0.000	0.000
Panel C: estimates without LOGTA and CASH_R		
	Dependent variable: environmental concerns	
	Model 1	Model 2

(continued)

Table 6.6 (continued)

TOBIN'S Q	−0.3624***	−0.3048***
	(0.0305)	(0.0334)
	[−11.86]	[−9.11]
PPTE_TA	2.1567***	2.0679***
	(0.1546)	(0.1995)
	[13.95]	[10.37]
CONSUMER_GOODS	−0.5614***	−0.4145***
	(0.0860)	(0.0901)
	[−6.53]	[−4.61]
RDINT		−0.2872***
		(0.0231)
		[−12.43]
Observations	10,112	8,025
Log likelihood	−6,144.7892	−4,848.2261
Prob > $\chi 2$	0.000	0.000

Reported coefficients are standardized. Standard errors are robust and are adjusted for clustering at a firm level. Average marginal effects are reported in brackets. All models include a constant, industry and year fixed effects. Significance levels: *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$

concerns and showing the effectiveness of investments in R&D intensity in reducing environmental concerns at the firm level. We argue that if R&D intensity positively affects CSR (environmental performance), manufacturing firms with R&D intensity should be reporting less environmental concerns. This is consistent with the fact that R&D intensity leads to environmental innovations, which focuses on pollution prevention programs aimed at "protecting" the environment by reducing or eliminating the use and generation of hazardous substances (Berrone et al., 2013; Berrone & Gomez-Mejía, 2009). In this perspective, investments in environmental innovations through R&D intensity should enable firms to reduce environmental concerns. When faced with limited investments in environmental innovations, and therefore, less R&D intensity expenditures, firms may be less motivated to implement environmental programs geared toward the systematic reduction of environmental concerns.

Our emphasis on the direct link between R&D intensity and the reduction of environmental concerns—thereby reducing negative environmental externalities—adds to the methods in which researchers could explore environmental performance, as it suggests that the reconciliation of environmental and economic performance lies in reducing/eliminating the use and generation of hazardous substances. Thus, a company that reduces more environmental concerns than its rivals in the same industry should be developing competitively valuable organizational capabilities in line with the work of Sharma and Vredenburg (1998). For environmental performance research, the effectiveness of a firm's R&D intensity should also be evaluated accordingly in terms of both product innovation and resource/emission reduction. In such, in this study, we attempted to link R&D intensity and environmental concerns reduction.

Prior research has documented a positive relationship between R&D intensity and environmental performance in terms of overall CSR dimensions. We extend this line of research by documenting that there is a relationship between R&D intensity and negative environmental externalities. First, we have shown that firms that invest in R&D intensity are more likely to reduce the number of environmental concerns they encounter. Specifically, environmental reductions are more likely to result from prior investments in R&D intensity. If R&D intensity is a proxy of a firm's financial strategy to improve environmental performance, it would appear that environmental performance is first and foremost a function of financial performance. Reducing the level of environmental concerns will require firms to commit more financial resources. This suggests that firms experiencing financial challenges likewise face an environmental disadvantage.

Second, not surprisingly, we found through our control variables that bigger firms are more likely to reduce their environmental concerns. The correlation between firm size and R&D intensity persisted in all our regression estimations. Because bigger firms are under pressure from shareholders to maximize their return on assets, they are more likely to invest in R&D intensity through environmental innovation and reduce environmental concerns as a source of competitive advantage (Hart, 1995; Sharma & Vredenburg, 1998).

This study strengthens the discussion about environmental performance—namely, the reduction of negative environmental externalities—and investors' decision-making to minimize future environmental risks. From this perspective, our study is consistent with those of McWilliams and Siegel (2000), Hull and Rothenberg (2008), and Padgett and Galan (2011). Moreover, the findings of our study show that R&D intensity is beneficial, specifically for the efforts of minimizing environmental concerns.

6.6.2 Practical Implications

This study has used empirical findings to show that a firm's R&D intensity is negatively correlated with environmental impacts. In other words, R&D intensity has a positive impact on environmental performance by lowering the reported environmental problems, such as hazardous waste, regulatory concerns, ozone-depleting chemicals, substantial emissions and climate change. Managers of manufacturing firms seeking to go 'green' with their processes might find the results of this study useful, as it will assist them to better understand the impact of R&D intensity on environmental concerns. In such, the absence of, or sporadic investments in, R&D may be perceived by stakeholders as a weakness, not a full-scale commitment to corporate social responsibility.

For environmental manufacturing firms that are investing in R&D intensively, the findings of this study support their efforts in demonstrating that past investments in R&D intensity have an impact on environmental performance by reducing liabilities for hazardous wastes, substantial fines and civil penalties for environmental violations, ozone-depleting chemicals and emissions of toxic chemicals.

6.6.3 Limitations and Future Directions

The study has examined R&D intensity and its relationship with firms' environmental concerns using pooled time series and cross-sectional observations of a large number of firms in manufacturing industries over the period of 1991–2009. As a direct consequence of this methodology, the study faced two limitations, which need to be mentioned. The first concerns the nature of the industry analysis. Although we used a larger sample of manufacturing companies than used in previous studies, our analysis did not focus on specific industries. Future research should consider the impact of R&D intensity on environmental concerns, along with its relationship with specific industries, including consumer-sensitive ones, such as tobacco products, textile mill products, paper and allied products, chemicals and allied products, etc.

A second issue of concern pertains to the measure of environmental concerns. In this study, we used the total count of seven environment ratings of the MSCI ESG database: regulatory problems, substantial emissions, climate change, negative impact of products and services, land use and biodiversity, non-carbon emissions and other concerns. Future research should consider improving this measure. Another interesting topic is the analysis of the link between environmental "protection" and a firm's absorptive capacity. The analysis of the impact of R&D intensity on environmental concerns through qualitative primary data is also a promising topic for future research.

The findings of this paper provide researchers and practitioners with elements of interest on which the understanding of the relationship between R&D intensity and environmental concerns should be focused relative to the reconciliation of environmental and financial performance. It is our hope that the importance of this reconciliation will encourage researchers to continue examining R&D intensity and other specific dimensions that improve corporate sustainability.

References

Ahuja, G., Lampert, C. M., & Tandon, V. (2008). Moving beyond Schumpeter: Management research on the determinants of technological innovation. *Academy of Management Annals, 2*, 1–98.

Albinger, H., & Freeman, S. (2000). Corporate social performance and attractiveness as an employer to different job seeking populations. *Journal of Business Ethics, 28*(3), 243–253.

Bear, S., Rahman, N., & Post, C. (2010). The impact of board diversity and gender composition on corporate social responsibility and firm reputation. *Journal of Business Ethics, 97*(2), 207–221.

Berry, T., & Junkus, J. (2013). Social responsible investing: An investor perspective. *Journal of Business Ethics, 112*(4), 707–720.

Berrone, P., Fosfuri, A., Gelabert, L., & Gomez-Mejía, L. (2013). Necessity as mother of 'green' inventions: Institutional pressures and environmental innovations. *Strategic Management Journal*. doi:10.1002/smj.2041.

Berrone, P., & Gomez-Mejía, L. (2009). Environmental performance and executive compensation: An integrated agency-institutional perspective. *Academy of Management Journal, 52*(1), 103–126.

Boons, F., Montalvo, C., Quist, J., & Wagner, M. (2012). Sustainable innovation, business models and economic performance: An overview. *Journal of Cleaner Production*. doi:10.1016/j.jclepro.2012.08.013.

Brunnermeier, S. B., & Cohen, M. A. (2003). Determinants of environmental innovation in U.S. manufacturing industries. *Journal of Environmental Economics and Management, 45*, 278–293.

Cameron, C., & Trevidi, P. (2010). *Microeconometrics using stata* (Rev. ed.). College Station, TX: Stata Press.

Carrión-Flores, C., & Innes, R. (2011). Environmental innovation and environmental performance. *Journal of Environmental Economics and Management, 59*(1), 27–42.

Chen, J., Patten, D., & Roberts, R. (2008). Corporate charitable contributions: A corporate social performance or legitimacy strategy? *Journal of Business Ethics, 82*(1), 131–144.

Claver, E., Lopez, M. D., Molina, J. F., & Tari, J. J. (2007). Environmental management and firm performance: A case study. *Journal of Environmental Management, 84*(4), 606–619.

de Villiers, C., Naiker, V., & van Staden, C. (2011). The effect of board characteristics on firm environmental performance. *Journal of Management, 37*(6), 1636–1663.

Dierickx, I., & Cool, K. (1989). Asset stock accumulation and sustainability of competitive advantage. *Management Science, 35*(12), 1504–1511.

García-Manjón, J., & Romero-Merino, M. E. (2012). Research, development, and firm growth. Empirical evidence from European top R&D spending firms. *Research Policy, 41*(6), 1084–1092.

Grabowski, H., & Vernon, J. (1990). A new look at the returns and risks to pharmaceuticals R&D. *Management Science, 36*(7), 804–821.

Graves, S. B., & Waddock, S. A. (1994). Institutional owners and corporate social performance. *Academy of Management Journal, 37*(4), 1035–1046.

Grinyer, P. H., Yasai-Ardekani, M., & Al-Bazzaz, S. (1980). Strategy, structure, the environment, and financial performance in 48 United Kingdom companies. *Academy of Management Journal, 3*(2), 193–220.

Hadlock, P., Hecker, D., & Gannon, J. (1991). High technology employment: Another view. *Monthly Labor Review, 114*, 26–30.

Hammer, M., & Champy, J. (1993). *Reengineering the corporation*. New York: Harper Collins.

Hart, S. L. (1995). A natural-resource-based view of the firm. *Academy of Management Review, 20*(4), 986–1014.

Heyes, A., & Kapur, S. (2011). Regulatory attitudes and environmental innovation in a model combining internal and external R&D. *Journal of Environmental Economics and Management, 61*(3), 327–340.

Hillman, A. J., & Keim, D. G. (2001). Shareholder value stakeholder management, and social issues: What's the bottom line? *Strategic Management Journal, 22*, 125–139.

Hirschey, M., Skiba, H., & Wintoki, B. (2012). The size, concentration and evolution of corporate R&D spending in U.S. firms from 1976 to 2010: Evidence and implications. *Journal of Corporate Finance, 18*(3), 496–518.

Hull, C. E., & Rothenberg, S. (2008). Firm performance: The interactions of corporate social performance with innovation and industry differentiation. *Strategic Management Journal, 29*(7), 781–789.

Jaffe, A., & Palmer, K. (1997). Environmental regulation and innovation: A panel data study. *The Review of Economics and Statistics, 79*(4), 610–619.

Johnstone, N., & Labonne, J. (2009). Why do manufacturing facilities introduce environmental management systems? Improving and/or signaling performance? *Ecological Economics, 68*(3), 719–730.

Kabongo, J. D., Chang, K., & Li, Y. (2012). The impact of operational diversity on corporate philanthropy: An empirical study of U.S. companies. *Journal of Business Ethics*. doi:10.1007/s10551-012-1445-9.

Kacperczyk, A. (2008). With greater power comes greater responsibility? Takeover protection and corporate attention to stakeholders. *Strategic Management Journal, 30*(3), 261–285.

Koellner, T., Sangwon, S., Weber, O., Moser, C., & Scholz, R. (2007). Environmental impacts of conventional and sustainable investment funds using input-out life-cycle assessment. *Journal of Business Ethics, 11*(3), 41–60.

Kortum, S., & Lerner, J. (2000). Assessing the contribution of venture capital to innovation. *The RAND Journal of Economics, 31*(4), 674–692.

Leonard, W. (1971). Research and development in industrial growth. *Journal of Political Economy, 79*(2), 232–256.

Liou, A., & Sharma, Z. (2012). Environmental corporate social responsibility and financial performance: Disentangling direct and indirect effects. *Ecological Economics, 78*, 100–111.

López-Gamero, M., Molina-Azorín, J., & Claver-Cortés, E. (2009). The whole relationship between environmental variables and firm performance: Competitive advantage and firm resources as mediator variables. *Journal of Environmental Management, 90*(10), 3110–3121.

McWilliams, A., & Siegel, D. S. (2000). Corporate social responsibility and firm financial performance. *Strategic Management Journal, 21*(5), 602–609.

Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies, 23*(4), 403–441.

Padgett, R., & Galan, J. (2011). The effect of R&D intensity on corporate social responsibility. *Journal of Business Ethics, 93*(3), 407–418.

Porter, M. E., & van der Linde, C. (1995). Toward a new conception of the environment-competitiveness relationship. *Journal of Economic Perspectives, 9*(4), 97–118.

Post, C., Rahman, N., & Rubow, E. (2011). Green governance: Boards of directors' composition and environmental corporate social responsibility. *Business and Society, 50*(1), 189–223.

Rothenberg, S., & Zyglidopolous, S. C. (2007). Determinants of environmental innovation adoption in the printing industry: The importance of task environment. *Business Strategy and Environment, 16*(1), 39–49.

Russo, M. V., & Fouts, P. A. (1997). A resource-based perspective on corporate environmental performance and profitability. *Academy of Management Journal, 40*(3), 534–559.

Sarkis, J. (1995). Supply chain management and environmentally conscious design and manufacturing. *International Journal of Environmentally Conscious Design and Manufacturing, 4*(2), 43–52.

Scherer, F. (1999). *New perspectives on economics growth and technological innovation*. Washington, DC: Brookings Institution Press.

Sharma, S., & Vredenburg, H. (1998). Proactive corporate environmental strategy and the development of competitively valuable organizational capabilities. *Strategic Management Journal, 19*(8), 729–753.

Vaidyanathan, B. (2008). *Corporate giving: A literature review*. Center for the Study of Religion and Society, University of Notre Dame.

Vogel, D. (2005). *The market for virtue: The potential and limits of corporate social responsibility*. Washington, DC: The Brookings Institution.

Waddock, S., & Graves, S. (1997). The corporate social performance—Financial performance link. *Strategic Management Journal, 18*(4), 303–319.

Watkins, R. D., & Granoff, B. (1992). Introduction to environmentally conscious manufacturing. *International Journal of Environmentally Conscious Design and Manufacturing, 1*(1), 5–11.

Weber, O., Koellner, T., Habegger, D., Steffensen, H., & Ohnemus, P. (2008). The relation between sustainability performance and financial performance of firms. *Progress in Industrial Ecology, 5*(3), 236–254.

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal, 5*(2), 171–180.

Chapter 7
CSR Life-Cycle Exploration

Catalina Sitnikov

Abstract During the last century, CSR has developed dynamically from the believe that business is responsible for what transpires in societies—in terms of factors which contribute to social, economic and environmental achievements and with regard to taking sustainable actions which reduce the external negative effects of business operational activities on the environment. Business is also deemed responsible for connecting positively business and society and consolidating relations between parties. Due to CSR's dynamic nature as a cluster and its contextual dimension, it continues to change society in all ramifications. Since the intention of this chapter was to search for the life-cycle of CSR, it was important to look at the terms that it takes its root from. And so, some key issues in CSR development were outlined, such as corporate responsibility (CR), global sustainability, social responsibility, as well as some of the first definitions of CSR.

Next, the visions of CSR as a managerial idea, academic concept and from companies' perspective, and their features were briefly presented and discussed. Following that, the CSR life-cycle was presented from its initiation as the ideology of social responsibility released in the U.S. in the late 1800s, to the terms of stewardship and trusteeship in the 1920s, going through its turn from practice to theory and theoretical concept between the 1950s and 1960s, to its continuous change in conceptual shape in 1970s, 1980s, 1990s until the present day.

7.1 Introduction

The scope of this chapter is to briefly discuss the main milestones of corporate social responsibility (CSR) life-cycle, with no deep recommendations or defending any of its evolutionary theories. Basically, the aim of the chapter is to bring forward

C. Sitnikov (✉)
Facultatea de Economie si Administrarea Afacerilor, Universitatea din Craiova, Str. A. I. Cuza nr.,13, Craiova, Romania
e-mail: catalinasitnikov@yahoo.com

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_7,

important moments in CSR life-cycle development. Business is also deemed responsible for connecting positively business and society and consolidating relations between parties. Due to CSR's dynamic nature as a cluster and its contextual dimension, it continues to change society in all ramifications. Since the intention of this chapter was to search for the life-cycle of CSR, it was important to look at the terms that it takes its root from. And in order to do so, some key issues in CSR development were outlined, such as corporate responsibility (CR), global sustainability, social responsibility, as well as some of the first definitions of CSR.

During the last century, CSR has developed dynamically from the believe that business is responsible for what transpires in societies - in terms of factors which contribute to social, economic and environmental achievements and with regard to taking sustainable actions which reduce the external negative effects of business operational activities on the environment.

The chapter consists of four parts. Firstly, some key issues in CSR development will be outlined. It will explore the corporatist responsibility (CR), global sustainability, social responsibility, as well as some of the early definitions of CSR. The second and third parts were dedicated to the visions of CSR as a managerial idea, an academic concept and from companies' perspective, while their features were briefly presented and discussed. Fourth, the CSR life-cycle was presented from its initiation as the ideology of social responsibility released in the U.S. in the late 1800s, to the terms of stewardship and trusteeship in the 1920s, going through its turn from practice to theory and theoretical concept between the 1950s and 1960s, to its continuous change in conceptual shape in 1970s, 1980s, 1990s until the present day.

Fourthly, the objectives achieved, the limitations and the perspectives of CSR were briefly introduced. As the methodology was mainly qualitative, the chapter's research was a walk through a large collection of publications on the subject of CSR and its life-cycle.

Although there is much to be researched on, this chapter tried to contribute to the CSR debate tracing the route and milestones of the concept based on the retrospective and prospective construction of CSR life cycle, the previous theoretical and practical developments and the foundation for future developments and trends in CSR.

7.2 Key Issues in CSR Development

The various issues of sustainable development assist us in the contextualisation of CSR and its elements. Coined by the Brundtland Report, which was released by the United Nations in, 1987 and which defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

In addition, it introduced the concept of corporate responsibility (CR), from which the concept of CSR was derived. Taking into consideration that the research focuses on CSR, the concept of CR is briefly introduced here, in order to provide a systematic progression by CSR. The CR concept is not an entirely new one. While some CR practices were empirically used more than a century ago, various authors have noted that they occurred in sequential cycles as noted by the following scholars (Carroll, 1999; Hummels, 2004; Vogel, 2005; White, 2004, 2005).

Most notably, the CR concept is now closely connected with the sustainability movement. Even if both concepts had different development tracks, lately they have become integrated. While sustainability concept was the product of the environmental movement, CR emerged in the early 1950s and was primarily concerned with social issues (Carroll, 1999, Loew, Ankele, Braun, & Clausen, 2004). CR incorporates social, economic and environmental components of sustainable development and provides a holistic approach to companies in order to understand the issues involved in sustainable development. This fact supports the clarification and the translation of numerous factors in corporate language, according to their relevance for companies. In addition, CR offers a holistic structure of global sustainability from the corporate point of view, therefore, from an individual business and its operations' perspective, the accession and implementation will be easier.

As Brady (2004) asserts "it is not useful to use CSR to refer to the net contribution of business to sustainable development because it implies that the only reason we would conserve…the environment is because society demands it. That suggests that the environment …does not have its own innate value. That suggestion goes against the founding ethos of sustainable development". The previous statement sets the CSR as part of CR and CR as a whole which represents a company's contribution to sustainability. Therefore, it can be concluded that CSR covers social dimension of CR, where it created the link between CSR and sustainability.

Responsibility has been interpreted in various forms, including profit allocation and investment, research and development of community. These interpretations have been developed in a more detailed form of CSR, first stated in 1953 in Bowen's book "Social Responsibility of Business Man", which was the beginning of the modern era of corporate responsibility.

He states that "social responsibility rests upon the idea that business should be conducted with concern for the effects of business operations upon the attainment of valued social goals" (1953). Further, he proposes a set of objectives that include "community improvement, security, justice, personal integrity, freedom and development of individual person".

As Hens and Nath assert "CSR is clearly supportive of sustainable development, making companies, managers, employees and shareholders alike aware of the impact that the company has socially" (2005).

Later, numerous definitions of CSR appeared. Davis defined it as "decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" (1960). Carroll (1979) in the Pyramid of CSR asserts "the social responsibility encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point of time". The World

Business Council for Sustainable Development (WBSCD), defines CSR 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 the local community and society at large" (WBCSD report, 1998).

In recent years, Porter and Kramer (2006) have noted that "the relationship between business and society that does not treat corporate success and social welfare as a zero-sum game". Definitions, although they retain the meaning of CSR (a company' responsibilities to society), can create ambiguities, because they include a wide range of words such as ethics, economic and technical development, as well as quality of life, which contain numerous items of complexity. This is a positive issue in terms of grouping people from various fields and creating and developing solutions and strategies. However, it could undermine the genuine social responsibility of a company, for they include a wide range of issues involving different actors. Therefore, it can be concluded that the context in which CSR is used supports the clarity of the concept.

7.3 CSR as Managerial Idea and Academic Concept

As they were identified in the literature "social aspects have received less consideration, even though they are of considerable importance to the successful and sustainable operation" (Werner & Schafer, 2007). Throughout the twentieth century, CSR has developed both as a managerial idea Porter and Kramer (2006), Donham (1927) and as an academic concept (Bowen, 1953, Clark, 1916, Walsh, Weber, & Margolis, 2003).

This development was reflected in the area occupied in management and academic level, as well as, particularly within the framework of business scholarship and education (Cheit, 1978; Frederick 2006; Gond, & Moon, 2011; Matten and Moon, 2004; Moon and Orlitzky, 2010).

The development was certainly not equal, but it is also true that the status of CSR in the second decade of the twenty-first century is higher than it has been in the last hundred years (de Bakker, Groenewegen, & den Hond, 2006; Lockett, Moon, & Visser, 2006; Margolis & Walsh, 2003; World Commission on Environment and Development 1987).

Therefore, the emphasis should be put on both the CSR as a concept of management and managerial practice and as an academic concept.

Corporate social responsibility refers generically, to the hope that the company is responsible in before society when noted in a hierarchical order, in the sense of responsibility (Bowen, 1953; Carroll, 1979) and for society, in order to explain the negative aspects and the contribution to social welfare (Crouch, 2006; Arrow, 1974); hopes that the company acts in a responsible manner (Carroll, 1979); and the management of corporate business-society by strengthening relations with and among concerned parties (stakeholders) (Barnett, 2007; Gond & Matten, 2007; Freeman, 1984). Based on stakeholder theory, which addresses the management of business ethics an organization identifies and implement, and shapes the groups of a corporation's stakeholders, CSR can support management to give due regard to the interests of those groups. In fact, in this context, CSR will address the "Principle of Who or What Really Counts" (Freeman, 1984).

The above mentioned concepts have varied together with the definitions used for describing social phenomena relating to CSR. Although these transformations usually reflect the conceptual developments (Wood, 1991a, 1991b; Carroll, 2008) or changes in management practices and visions, they also reveal the spirit of the time accompanying the trend-cycle and management consulting (Abrahamson, 1996; den Hond, de Bakker, & Neergaard, 2007; The Economist, 2005, 2008). Thus, CSR can be viewed as dynamic, contextual and overlay.

In a great extent, its quality is based on the dynamic developments in the relationships between company and society, including, among others, new trends of "irresponsibility".

The overlay feature of CSR points out that it corresponds, to a certain extent, to the "cluster concept" (Moon, 2002) getting in and pulling out from related fields such as business ethics, corporate governance, business strategy, sustainability, business and society relations and between government and business.

Although the occurrence of CSR has been far more visible in the USA, it is true that it also appeared in various contexts at national level, reflecting different occurrences of corporate governance, institutional, economic, political, social, and ethical, therefore experiences regarding CSR can be related to numerous countries. Moreover, even within and among different sectors of the countries there have been developed distinct trails of CSR, often reflecting the balance between risk and opportunity, or market structure and property.

As a result of this dynamic character in context and overlay, a wide range of concepts and structures have been used to describe and theorize social phenomena that correspond to CSR: Businessmen's Responsibility, Corporate Social Performance, Corporate Social Responsiveness, Triple Bottom Line, and Corporate Responsibility to Stakeholders or Corporate Citizenship. Consequently, the name CSR is used as a general concept of "umbrella" as it has been suggested by Hirsh and Levin, who defined this category as broad concepts used to encompass and account for a diverse set of phenomena (1999). According to Garriga and Melé (2004) and Gond and Matten (2007), in the specific case of CSR, the phenomena covered by this broad concept refers to the relationship between business and society.

7.4 CSR from Companies' Perspective

Sheldon's work on CSR management reflects the fact that the industry has been designed to be useful to society (1924). The progress that industries have recorded up to now, is rooted in the relationship between them and society. The requirements of the society led to the process of creativity and innovation. In short, the industries were established for the benefit of the society and for its sustainability.

There have been debates about the purpose and meaning of CSR in industry (Waddock, 2004). Jenson suggests that maximizing long-term wealth for shareholders by increasing the market value will lead to the achievement of social responsibility (Jensen, 2002). In addition, "Management scholars have recently focused attention on instances when managers use CSR instrumentally" (McWilliams cited in Waldman, Siegel, & Javidan, 2006). In addition, increasing pressure on the part of international organizations (including the International Labour Organization, Global Reporting Initiatives, guidelines of the Organization for Economic Cooperation and Development, the International Organization for Standardization and the Global impact of UN) has led companies in compliance with CSR codes of conduct (Mamic, 2004). However, CSR, theorists like Ackerman (1973), Sethi (1975), Wartrick and Cochran (1985), Carroll (1991), Wood (1991a, 1991b) and Margolis and Walsh (2003) underline that CSR understanding and its credibility can support companies in balancing the social and financial objectives. Although this could raise social issues, the concept of social responsibility of companies may add to the changing in their way of thinking.

As Davis (1973) asserts, "the business which vacillates or chooses not to enter the arena of social responsibility, may find that it gradually will sink into customer disfavour". Building and maintaining relationships between an organization and society is an essential part in the growth of the company (community relations).

Brady asserts that "this concept is most prominently opposed by the Milton Friedman type ideology; Friedman has suggested that only individuals can have responsibility, the corporation as an artificial person can only have artificial responsibilities" (2005). This idea becomes the joint structure only if the organization and its employees are regarded as two different entities, and the unique social responsibility of business is to increase the profits, provided that no illegal activity takes place. The strategy to turn the shareholders of the company into employees in order to make them feel that they are part of it, and responsible for its development, combines the benefits of profit maximization with those of the employees. However, such a move on the part of a company may be considered to be more beneficial for the company than for employees, creating a reciprocal relationship of give and take, and thus advantageous to both.

Another example, Husted and Salazar (2006) refer to, from the strategic perspective of CSR, is to support the community by providing scholarships for training programs.

Therefore, the company benefits through additional opportunities for personal development and has at its disposal a wider area of qualified labour selection. Individuals together form a company and consider it as being entirely responsible in front of the people and the community, taking into consideration that people in the community form the organization. As Ghosal and Bartlett state in their book *The Individualized Corporation* (1998) "The management is, above all else, about achieving results through people. Not that there is no value in crunching numbers, analysing trends, or restructuring activities. But these traditional responsibilities have, for too long, distracted managers from their most basic and most valuable role—being able to attract, motivate, develop and retain individuals with scarce and valuable knowledge skills."

Exploration of CSR in various companies will allow the enrichment of the image on CSR in general, and in specific industries where there are fewer activities of analysis and research. When people of different backgrounds work together, they create a new dimension of creativity and knowledge. The two positive aspects are the processes of learning and mutual communication in order to achieve sustainability and responsible practice. As Marrewijk noted "business forms an important triangular relationship with the state and civil society. Each has a specific mechanism that coordinates their behaviour and fulfils a role within society" (2006).

In addition, with the transfer of operations to companies in course of developing or developed economies, CSR has gone to a whole new level where more problems with social character take birth. To shed light on social issues, a survey conducted by McKinsey Quarterly showed that 84 % of the directors of companies argue that their "role is not only to generate returns for shareholders and investors but also contribute towards societal benefits" (2006). Therefore, the concern with social responsibility approach is not only outside, but also inside the companies. From this perspective, CSR could be viewed as a strategy that includes compliance with the organization's objectives and promoting sustainability.

Many companies are faced constantly with challenges but also, often with harsh criticism on the part of the interested parties as regards their participation in order to be socially responsible, despite the rigorous and intense activity in applying CSR initiatives.

There is still the perception of CSR as a "marketing stunt" that companies can use in order to access markets and expand activities. From this perspective, when a company's consumers link it to positive, specific and ethical social actions and deeds, they will always tend to view the company in a favourable light. On the other hand, as consumers have a deep understanding of hypocrisy, CSR needs to be a real commitment and not just a mere slogan that the company will abandon at the first circumstances of a market decrease or recession.

Current issues represented by sustainability, policies, regulations or standards, which many industries face, required governments, international organizations and businesses to work in dealing with the challenges of these industries. CSR is a way by which a business can be profitable and responsible; however, CSR initiatives do not seem to convince society of the connection between business and social responsibility. As Porter and Kramer (2006) say "first, they pit business against society, when in reality the two are interdependent. Secondly, they pressure companies to think of corporate social responsibility in generic ways instead of doing it in ways more appropriate to their individual strategies". Later, the issue of CSR integration on the agenda of a business and strategies still remains, despite the efforts of integration and implementation on the part of companies and their interested parties. Despite CSR implementation in order to overcome societal obstacles, the ambiguity of the concept creates ambiguity. This ambiguity raises several issues, two of which are particularly important.

The first is that CSR is seen rather as a tool of the public relations than as a process of value creation in itself, whose goal is to assist companies in achieving sustainability. Secondly there are some companies that have claimed to follow the path of CSR, but, in fact, they have used the contributions to social objectives only as a mechanism to carry out operations to maximize profit. Profit is an integral part and a concrete way to assess a company's development; however, it is not the only goal. CSR offers a mixture of vision and is ability (competence) for multinational companies. It is important to understand the perspective of business of companies that "they are challenged by real difficulties of integrating societal issues into their organizational systems and structures" (Epstein, 1987; Epstein & Hanson 2006), while they continue CSE initiatives to achieve sustainability. Exploration of CSR within various companies can lead to an understanding of the industry and of the challenges which companies currently face in order to resolve persistent misconceptions.

7.5 CSR: Cycle of Life

From a managerial point of view, the ideology of social responsibility was released in the U.S. in the late 1800s from the tradition of industrial paternalism or philanthropy with foundation in the religious belief of the leaders of major companies such as Andrew Carnegie and John D. Rockefeller (Heald, 1970; Carroll, 2008). Contrary to the image received (Porter & Kramer, 2006), social responsibility has been shaped by business people themselves (Bowen, 1953; Frederick, 2006; Swanson, 2008).

To a large extent, this is a co-product of much deeper management professionalization (Abrams, 1951; Donham, 1927) which accompanied the gradual separation of corporate ownership from corporate control (Berle & Means, 1932). This separation has created both the need for a new category of "professional managers" to justify their social status in society, as well as the opportunity to make this in improved managerial care forms, without any other precedent in the past (Bowen 1953; Berle and Means, 1932; Friedman, 1970).

In the 1920s, social responsibility was most often addressed by managers in terms of stewardship and trusteeship, two questions inspired by the Protestant religion (Bowen, 1953; Carroll, 2008; Heald, 1970). Stewardship maintains that "those who own property have the duty of using and administering it, not exclusively for their own purpose, but in ways that will serve the needs of the whole society" while trusteeship confirms that "The owner is a trustee accountable to God and society" (Bowen 1953). According to Heald (1961, 1970), these two concepts have created ideological bases which formed the basis for the development of CSR in the USA until the 1960s, and the most important innovation of the 1950s and 1960s would be the formulation and dissemination of social responsibility itself. During about half a century, the CSR was subsequently addressed in the managerial world by getting different notions such as "public service", "stewardship", "trusteeship" and finally "social responsibility".

Between the 1950s and 1960s, social responsibility has turned from practice to theory and CSR has become a theoretical concept (Heald, 1970). This process has accelerated the pace of changes in the CSR. Howard R. Bowen is often regarded as the founder of "modern corporate social responsibility" (Carroll, 1999; Wood, 1991a, 1991b), after the publication of his book *The Social Responsibilities of Business Man* in 1953. Although the book put the institutional bases for economic analysis of social responsibility as a tool to regulate corporate behavior (Acquier, Gond, & Pasquero, 2011), academia has not brought more than just the definition "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society". This first definition of social responsibility of business was the basis of a set of revisions and redefinitions.

As an ideology, social responsibility aims at increasing the legitimacy of the "great companies" as well as their management (Acquier & Gond, 2007; Moon, Kang, & Gond, 2010; Pasquero, 2005). The legitimacy of new companies was first put under question (Chandler, 1962, 1977). On one hand, corporate scandals which have raised public issues relating to corporate regulation have been strongly denounced (Sinclair, 1981) and which put public issues relating to corporate regulation (Markham, 2002). On the other hand, this uncontrolled development of the "hierarchy", an inherent characteristic of corporations as a form of organization, (Williamson, 1985) was perceived as a direct threat to the American democratic ideals (Miller & O'Leary, 1989). In this new context, the managers have begun to think about the perception of their activities by public opinion. Thus, there were created the first public relations departments (Heald, 1970), and along with them came the idea that large corporations have a duty to serve the public, and have referred to the notion of public service that corresponds to a first form of social responsibility (Toynbee, 1953).

CSR continued to change the shape, as several authors have proposed alternative conceptualizations to define the social phenomenon of CSR, such as the ability of social corporatist reaction, which in the 1970s focused on managing social problems (Frederick, 1978, 1986, 1987) or corporate social performance which aimed at integrating the concept of social responsibility (Carroll, 1979).

Conceptual changes were numerous in the last half-century, so anyone may wonder if can still talk about the same concept. This question does not receive, for three reasons, a simple answer.

First, the same concept and the corresponding acronym, CSR may refer to completely different elements: the definitions given by Bowen (1953) and Friedman (1970) refers to the social responsibility of businessmen, while the definition of Basu and Palazzo (2008) refers to corporate social responsibility.

Secondly, the creation of a new concept doesn't necessarily have aimed at replacing previous concepts, and its position between new and old concepts is not always clear. For example, Matten and Crane (2005) pointed out that corporate citizenship was described either as a component of the CSR, synonymous of CSR, or as an alternative to the CSR.

Thirdly, a few conceptual changes of duration seemed to have appeared in time, such as the tendency of CSR last definitions to borrow the vocabulary of complementary or neighbouring disciplines such as economics, the concept of "externality" (Crouch, 2006), political science, the concept of "corporate citizenship" (Bocean 2010; Crane, Matten, & Moon, 2008; Moon, 1995; Moon, Crane, & Matten, 2005; Pirvu (Gruescu) 2011).

Another notable change is the quasi-systematic use in the 1990s of the interested parties' concept to define CSR (Basu & Palazzo, 2008; Maignan 2001; Wood 1991a, 1991b). However, their review suggests that the definitions and concepts of CSR, old and new, share a few recurring and lasting features, such as the emphasis on activities to a greater or small extend illegal, and by focusing on the Corporation and/or its management as the main unit of analysis. However, the sequence of terms used to refer to social responsibility applied in practice, conceptual developments, changes of definition and rearranging of structures provide a complex image but a sense of confusion on the other hand (Garriga & Melé, 2004). Clarkson (1995), for example, claimed that CSP (corporate social performance—"a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships", Wood, 1991a, 1991b), together with CSR1 (corporate social responsibility) and CSR2 (corporate social responsiveness—capacity of a company to respond to its environment) do not have a clear meaning and remain elusive constructions. A strategy to manage this complex image lies in the adoption of a long-term perspective on the sequence of conceptual structures of CSR, which are reminiscent of the structures of CSR issues reported by the companies (Chapple & Moon, 2005).

7.6 Perspectives

Since this chapter intention was to search for the life-cycle of CSR, it was important to look at the terms that it rooted from or were the results of. As such, some key issues in CSR development were outlined, for example corporate responsibility (CR), global sustainability, social responsibility, as well as some of the first definitions of CSR.

Next, the visions of CSR as a managerial idea, academic concept and from companies' perspective, and their features were briefly presented and discussed.

Following these issues, the CSR life-cycle was presented from its initiation as the ideology of social responsibility released in the U.S. in the late 1800s, to the terms of stewardship and trusteeship in the 1920s, going through its turn from practice to theory and theoretical concept between the 1950s and 1960s, to its continuous change in conceptual shape in 1970s, 1980s, 1990s up till the present day.

The CSR life-cycle and development have not been exhaustively treated in this chapter, due to numerous theories, definitions, concepts and terms created or expressed by various authors, practitioners or theorists, thereby giving an opportunity for researchers to further look and have a thorough check into this aspect of the topic. In this view, this chapter can be considered as, at least providing a basis from which future research can be carried out. CSR has clearly developed as an academic and management concept. Demonstrating often its chameleonic character, its cycle of life suggests that CSR is in a continual state of change. The dynamism and the overlay and contextual character reflect its quality as a concept in question. Therefore, in recent years there have been many changes that critics and followers some 50 years ago would have found incompatible with what they considered to be hypothetical about CSR.

Two of these developments were represented, first of all, by the idea that CSR appears to reflect to some extent the compatibility of sociability with the success of a company.

Secondly, CSR seems to have become incorporated into the systems of national and international governance. Both conceptual developments are subject to discussion among those involved in CSR. From this perspective, any transformations of the concept could have an impact, taking into account the pro and against debates.

It is important to add that, despite its common core, CSR is also contextual and, thus, is based on the national traditions of the business society, reflecting the different institutional, legal and ethical traditions (Matten & Moon, 2008; Moon et al., 2010). However, traditions are interwoven where large corporations are transferring their operations and supply chains across borders. Moreover, the new sectorial challenges and even at the level of the company, must ensure also that each context in itself is dynamic. These trends will be, without a doubt, the subject of national and international CSR rearranging, taking into consideration that developments reflect new overlays and contexts. This should not be a source of despair, but rather a reason to recognise the fact that essentially, the contested concepts are attacked because they have value.

References

Abrahamson, E. (1996). Management fashion. *Academy of Management Review, 21*(1), 254–285.

Abrams, F. W. (1951). Management responsibilities in a complex world. *Harvard Business Review, 29*(3), 29–34.

Ackerman, R. W. (1973). How companies respond to social demands. *Harvard Business Review, 51*(4), 88–98.

Acquier, A., & Gond, J.-P. (2007). Aux Sources de la Responsabilité Sociale de l'Entreprise: (Re) Lecture et Analyse d'un Ouvrage Fondateur: Social Responsibilities of the Businessman d'Howard Bowen (1953). *Finance Contrôle Stratégie, 10*(2), 5–35.

Acquier, A., Gond, J.-P., & Pasquero, J. (2011). Rediscovering Howard R. Bowen's legacy: The unachieved agenda of social responsibilities of the businessman and its continuous relevance. *Business and Society, 50*, 4.

Arrow, K. J. (1974). Limited knowledge and economic analysis. *American Economic Review, 64* (1), 1–10.

Barnett, M. L. (2007). Stakeholder influence capacity and the variability of financial returns to corporate social responsibility. *Academy of Management Review, 32*(3), 794–816.

Basu, K., & Palazzo, G. (2008). Corporate social responsibility: A process model of sensemaking. *Academy of Management Review, 33*(1), 122–136.
Berle, A. A., & Means, G. C. (1932). *The modern corporation and private property*. New York: Transaction.
Bowen, H. R. (1953). *Social responsibilities of the businessman*. New York, NY: Harper & Row.
Brady, A. K. O. (2004). *Forecasting the impact of sustainability issues on the reputation of large multinationals*. Cambridge: University of Cambridge.
Brady, A. K. O. (2005). *The sustainability effect: Rethinking corporate reputation in the 21st century*. New York, NY: Palgrave Macmillan.
Bocean, C. (2010). Corporate governance regulation in emerging countries. *Revista Management and Marketing, 8*(Nr. 2/2010), 191–198.
Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *The Academy of Management Review, 4*(4), 497–505.
Carroll, A. B. (1991). Pyramid of corporate social responsibility: Toward the moral management of stakeholders. *Business Horizons, 34*(4), 497–505.
Carroll, A. B. (1999). Corporate social responsibility: Evolution of a definitional construct. *Business and Society, 38*(3), 268–295.
Carroll, A. B. (2008). a history of corporate social responsibility: Concepts and practices. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. Siegel (Eds.), *The oxford handbook of CSR* (pp. 19–46). Oxford: Oxford University Press.
Chandler, A. D. (1962). *Strategy and structure: Chapters in the history of the American industrial enterprise*. Washington, DC: Beardbooks.
Chandler, A. D. (1977). *The invisible hand: The managerial revolution in American business*. Cambridge, MA: Harvard University Press.
Chapple, W., & Moon, J. (2005). Corporate social responsibility (CSR) in Asia: A seven-country study of CSR web site reporting. *Business and Society, 44*(4), 415–441.
Cheit, E. F. (1978). What is the field of business & society and where is it going? In E. Epstein & D. Votaw (Eds.), *Rationality, legitimacy and responsibility: The search for new directions in business & society* (pp. 183–202). Santa Monica, CA: Goodyear Publishing.
Clark, J. M. (1916). The changing basis of economic responsibility. *Journal of Political Economy, 24*(3), 209–229.
Clarkson, M. B. E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review, 20*(1), 92–117.
Crane, A., Matten, D., & Moon, J. (2008). *Corporations and citizenship*. Cambridge: Cambridge University Press.
Crouch, C. (2006). Modelling the firm in its market and organizational environment: Methodologies for studying corporate social responsibility. *Organization Studies, 27*(10), 1533–1551.
Davis, K. (1960). Can business afford to ignore social responsibilities? *California Management Review, 2*(3), 70–76.
Davis, K. (1973). The case for and against business assumption of social responsibilities. *The Academy of Management Journal, 16*(2), 312–322.
de Bakker, F. G. A., Groenewegen, P., & den Hond, F. (2006). A research note on the use of bibliometrics to review the corporate social responsibility and corporate social performance literature. *Business and Society, 45*(1), 7–19.
den Hond, F., de Bakker, F., & Neergaard, P. (Eds.). (2007). *Managing corporate responsibility in action: Talking, doing and measuring*. Aldershot: Ashgate Publishing.
Donham, W. B. (1927). The social significance of business. *Harvard Business Review, July*, 406–419.
Epstein, E. E. (1987). The corporate social policy process: beyond business ethics, corporate social responsibility, and corporate social responsiveness. *California Management Review, 29*(3), 99–114.
Epstein, M. J., & Hanson, K. O. (Eds.). (2006). *The accountable corporation*. Westport, CT: Praeger.

Frederick, W. C. (1978/1994). From CSR1 To CSR2: The maturing of business-and-society thought. *Business and Society, 33*(2), 150–165.
Frederick, W. C. (1986). Toward CSR-3: Why ethical analysis is indispensable and unavoidable in corporate affairs. *California Management Review, 28*(2), 126–142.
Frederick, W. C. (1987). Theories of corporate social performance. In S. P. Sethi & C. M. Flabe (Eds.), *Business and society: Dimensions of conflict and cooperation* (pp. 142–161). New York, NY: Lexington Books.
Frederick, W. C. (2006). *Corporation, be good! The story of corporate social responsibility*. Indianapolis, IN: Dog Ear Publishing.
Freeman, R. E. (1984). *Strategic management. A stakeholder approach*. Boston, MA: Pitman.
Friedman, M. (1970). The social responsibility of business is to increase its profits. *The New York Times Magazine*.
Garriga, E., & Melé, D. (2004). Corporate social responsibility theories: Mapping the territory. *Journal of Business Ethics, 53*, 51–71.
Ghoshal, S., & Bartlett, C. A. (1998). *The individualized corporation*. London: Heinemann.
Global Survey of Business Executives. (2006). *McKinsey quarterly*. Retrieved April 25, 2007.
Gond, J.-P., & Matten, D. (2007). *Rethinking the business-society interface: Beyond the functionalist trap*. Nottingham: ICCSR Research Paper Series.
Gond, J. P., & Moon, J. (2011). *Corporate social responsibility in retrospect and prospect: Exploring the life-cycle of an essentially contested concept* (Research Paper Series, 59-2011). Nottingham: Nottingham University Business School, International Centre for Corporate Social Responsibility. Retrieved from http://www.nottingham.ac.uk/business/ICCSR/research.php?action=single&id=78
Heald, M. (1961). Business thought in the twenties: Social responsibility. *American Quarterly, 13*(2), 126–139.
Heald, M. (1970). *The social responsibilities of business: Company and community, 1900–1960*. Cleveland, OH: The Press of Case Western Reserve University.
Hens, L., & Nath, B. (2005). *The world summit on sustainable development*. Dordrecht: Springer.
Hirsch, P. M., & Levin, D. Z. (1999). Umbrella advocates versus validity police: A life-cycle model. *Organization Science, 10*, 199–212.
Hummels, H. (2004). A collective lack of memory. *The Journal of Corporate Citizenship, 14*, 18.
Husted, R. W., & Salazar, J. J. (2006). Taking Friedman seriously: Maximising profits and social performance. *Journal of Management Studies, 43*(1), 75–91.
Jensen, M. C. (2002). Value maximisation, stakeholder theory, and the corporate objective function. *Business Ethics Quarterly, 12*(2), 235–256.
Lockett, A., Moon, J., & Visser, W. (2006). Corporate social responsibility in management research: Focus, nature, salience and sources of influence. *Journal of Management Studies, 43*(1), 115–136.
Loew, T., Ankele, K., Braun, S., & Clausen, J. (2004). *Significance of CSR debate for sustainability and the requirements for companies: Summary*. Munster: Future e.V. and Institute for Ecological Economy Research GmbH (IÖW).
Maignan, I. (2001). Consumers' perceptions of corporate social responsibilities: A cross-cultural comparison. *Journal of Business Ethics, 30*(1), 57–72.
Mamic, I. (2004). *Implementing codes of conduct: How businesses manage social performance in global supply chains*. Switzerland: International Labour Office.
Margolis, J. D., & Walsh, J. P. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly, 48*(2), 268–305.
Markham, J. W. (2002). *A financial history of the United States. Vol. I. From Christopher Columbus to the Robber Barons (1492–1900)*. Armonk, NY: M.E. Sharpe.
Marrewijk, M. V. (2006). Corporate sustainability and sustainable development. In J. Allouche (Ed.), *Corporate social responsibility: Concepts, accountability and reporting*. New York, NY: Palgrave Macmillan.

Matten, D., & Crane, A. (2005). Corporate citizenship: Toward an extended theoretical conceptualization. *Academy of Management Review, 30*(1), 166–179.
Matten, D., & Moon, J. (2004). Corporate social responsibility education in Europe. *Journal of Business Ethics, 54*(4), 323–337.
Matten, D., & Moon, J. (2008). ||Implicit|| and explicit|| CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review, 33*(2), 404–424.
Miller, P., & O'Leary, T. (1989). Hierarchies and American ideals, 1900–1940. *Academy of Management Review, 14*(2), 250–265.
Moon, J. (1995). The firm as citizen: Corporate responsibility in Australia. *Australian Journal of Political Science, 30*(1), 1–17.
Moon, J. (2002). *Corporate social responsibility: On overview, international directory of corporate philanthropy*. London: Europa Publications.
Moon, J., Crane, A., & Matten, D. (2005). Can corporations be citizens? Corporate citizenship as a metaphor for business participation in society. *Business Ethics Quarterly, 15*(3), 427–451.
Moon, J., Kang, N., & Gond, J.-P. (2010). Corporate social responsibility and government. In D. Coen, W. Grant, & G. Wilson (Eds.), *Oxford handbook of business and government*. Oxford: Oxford University Press.
Moon, J., & Orlitzky, M. (2010). Corporate social responsibility education. In D. Swanson & D. Fisher (Eds.), *Assessing business ethics education*. Charlotte, NC: Information Age Publishing.
Pasquero, J. (2005). La Responsabilité Sociale de l'Entreprise comme Objet des Sciences de Gestion. Le Concept et sa Portée. In M. F. Turcotte & A. Salmon (Eds.), *Responsabilité sociale et environnementale de l'entreprise* (pp. 112–143). Québec, QC: PUQ.
Pirvu (Gruescu), R., (2011). *The link between migration and economic development*. Proceedings Bulletin USAVM Horticulture, 68/20ll
Porter, M. E., & Kramer, M. R. (2006). Strategy & society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review, 84*, 78–92.
Sethi, S. P. (1975). Dimension of corporate social performance: an analytical framework. *California Management Review, 17*(3), 58.
Sheldon, O. (1924). *The philosophy of management*. London: Isaac Pitman.
Sinclair, U. (1981) [1906], *The Jungle*. New York: Bentam Books.
Swanson, D. (2008). Top managers as drivers for corporate social responsibility. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. Siegel (Eds.), *The oxford handbook of corporate social responsibility* (pp. 227–245). Oxford: Oxford University Press.
The Economist. (2005, January 20). The good company. Survey on corporate social responsibility.
The Economist. (2008, January 24). A special report on corporate social responsibility.
Toynbee, A. J. (1953). *The world and the west*. Oxford: Oxford University Press.
Vogel, D. (2005). *The market for virtue: The potentials and limits of corporate social responsibility*. Washington, DC: Brookings Institution Press.
Waddock, S. (2004). Parallel universes: Companies, academics and the progress citizenship. *Business and Society Review, 109*(1), 5–42.
Waldman, D. A., Siegel, D. S., & Javidan, M. (2006). Components of CEO transformational leadership and corporate social responsibility. *Journal of Management Studies, 43*(8), 1703–1725.
Walsh, J. P., Weber, K., & Margolis, J. D. (2003). Social issues and management: Our lost case found. *Journal of Management, 29*(6), 859–882.
Wartrick, S. L., & Cochran, P. L. (1985). The evolution of the corporate social performance model. *The Academy of Management Review, 10*(4), 758–769.
WBCSD Publications. (1998, September). *Summary of the stakeholder dialogue*. Amsterdam: WBCSD. Retrieved from http://www.wbcsd.ch
Werner, M., & Schafer, A. I. (2007). Social aspects of solar-powered desalination unit for remote Australian communities. *Desalination, 203*, 375–393.

White, A. L. (2004). Lost in transition? The future of corporate social responsibility. *The Journal of Corporate Citizenship, 16*, 19.

White, A. (2005). *Fade, integrate or transform? The future of CSR*. Business for Social Responsibility. Retrieved from http://www.jussemper.org/Newsletters/Resources/BSR_Allen-White.pdf

Williamson, O. E. (1985). *The economic institutions of capitalism*. New York, NY: Free.

Wood, D. J. (1991a). Corporate social performance revisited. *Academy of Management Review, 16*(4), 691–718.

Wood, D. J. (1991b). Social issues in management: Theory and research in corporate social performance. *Journal of Management Review, 17*(2), 383–406.

World Commission on Environment and Development. (1987). Our common future, Chapter 2: Towards sustainable development. http://www.un-documents.net/ocf-02.htm

Chapter 8
Corporate Leaders' Perceptions About Corporate Social Responsibility: An Exploratory Analysis

John O. Okpara and Jean D. Kabongo

Abstract This paper examines the perceptions about corporate social responsibility (CSR) among a sample of corporate leaders in Africa. A survey and personal interviews were the primary methods of data collection. Our findings show that respondents were able to identify a range of parameters and stakeholders pertaining to CSR; actual practice tended to revolve around the philanthropic dimension. Corporate leaders were motivated by different factors to practice CSR, which we saw as being driven by either a proactive, accommodative, or reactive approach. We also found that the lack of commitment among some leaders in evaluating CSR practices might have been because they do not have clear definition of CSR goals. Based on our findings, we offer suggestions on how to evaluate CSR activities and how different stakeholders can help promote CSR.

8.1 Introduction

The idea of corporate social responsibility began during the 1960s, at a time when businesses were growing in size and power (Lantos, 2001; Sriramesh, Ng, Soh, & Luo, 2009). Since then, increases in unethical conduct of companies worldwide have heightened public awareness of the perils involved in the pursuit of economic profitability and power (Sriramesh et al., 2009). More recently, we have witnessed some of the most highly visible corporate scandals such as Enron, WorldCom, Nike, and Shell suffering the loss of public confidence after widespread publicity of

J.O. Okpara (✉)
Department of Management and Marketing, College of Business, Bloomsburg University of Pennsylvania, Sutliff Hall, Room 358, 400 East Second Street, Bloomsburg, PA 17815, USA
e-mail: jokpara@bloomu.edu

J.D. Kabongo
College of Business, University of South Florida, Sarasota-Manatee, 8350 N. Tamiami Trail, SMC-C263, Sarasota, FL 34243, USA
e-mail: jkabongo@sar.usf.edu

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_8,

their disreputable conduct. The collapse of leading companies such as Enron and WorldCom, which affected tens of thousands of people, has also raised many questions regarding corporate practices and credibility and has shaken public confidence in corporations. There has been a growing interest in investigating the perceptions of top management concerning CSR and the actions they may be likely to take regarding socially responsible issues. Keith Davis (1973), for example, has laid the groundwork for researchers to assess attitudes of managers toward CSR, stressing a number of arguments for and against the idea of businesses conducting social responsibility. Other researchers have also argued that studies of managerial attitudes towards CSR should be conducted (Davis, 1973; Quazi & O'Brien, 2000; Rashid & Ibrahim, 2002; Wood, 1991). An examination of managers' perceptions of CSR may provide an indication of the managers' inclination to respond in a particular way to CSR programs.

Research on CSR practices has been primarily conducted on the Western developed economies of North America and Europe. Regrettably, very little research has been devoted to CSR practices in Africa. Nigeria as a non-Western economy with a distinctive culture and growing economy provides a unique opportunity to examine CRS practices. The purpose of this study, therefore, is to investigate the perceptions about corporate social responsibility (CSR) among a sample of corporate leaders in Nigeria. Findings of this exploratory study could assist in bridging the gap on this important topic and provide an awareness of how CSR activities are viewed in a non-Western environment.

8.2 Defining CSR

Although CSR is not a new concept, it remains an emerging concept for scholars and practitioners, and has been a disputed issue for corporate leaders and stakeholders. Because of different definitions, and often complicated by varying use of terminologies used to describe CSR, the concept has led to the development of a variety of definitions and practices (Crane & Matten, 2004; Fairbrass et al., 2005; Freeman, 1984; Habisch & Jonker, 2005; Welford, 2004). A major challenge in this emerging field is that there is no universally accepted definition of the concept. Here are some definitions of CSR:

> *CSR is the obligation of businessmen to pursue those policies, make those decisions, or follow those lines of action that are desirable in terms of the objectives and values of our society (Bowen, 1953).*
>
> *The World Business Council for Sustainable Development (WBCSD) defines CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workers and their families as well as of the local community and society at large (WBCSD, 2012).*
>
> *Carroll defines social responsibility of business as encompassing the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll, 1979).*

The Commission of the European Communities (2001, 2002) defines CSR as corporations being held accountable by explicit or inferred social contract with internal and external stakeholders, obeying the laws and regulations of government and operating in an ethical manner.

8.3 Corporate Social Responsibility Perspectives

8.3.1 Economic Perspectives

Contrary to the proponents of the business and society approach, classical economists separated social functions from economic functions, asserting that businesses have the basic responsibility of maximizing profits for their owners or shareholders. For example, Adam Smith (1863, as cited in Lantos, 2001), perhaps the first to espouse the market value maximization perspective, argues that by pursuing profits, corporations produce the greatest social good because the invisible hand of the capitalist market ultimately will help to solve society's problems. Lantos (2001) used the term Economic CSR to refer to profit-oriented CSR activities, which absolves corporations from social contribution because they pay taxes and wages to employees rather than enslaving them (Marcoux, 2000). Some economists have gone so far as to argue that the only social responsibility corporations have is to obey the law (Carr, 1996). Similarly, Friedman (1970) offers the dominant and well-known view representing the economic approach separating social functions from business functions when he argues that the business of business is business (Klonoski, 2001). On the other hand, there are scholars who argue that there is no more powerful institution in society than business and that the business of business should not be solely about money, but should be about responsibility; it should be about public good, not private greed (Roddick, 2000). However, Friedman (1970) recognizes a spectrum of moral and ethical responsibility, positing that the social responsibility of corporations is to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom.

8.3.2 Ethical Perspectives

Ethical responsibility includes standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights (Carroll, 1991). It also includes dealing honestly with partners, providing products and services as promised, and fully disclosing all necessary information (Victor, 2012). In the planning process, corporations must think about setting rules to govern their business practices and to protect the corporation, employees, and shareholders. This is usually done by establishing ethical codes of conduct. The Caux ethics is a system of principles designed to help organizations establish ground rules for ethical practice. The first principle is to the responsibility of businesses beyond shareholders toward stakeholders and states that businesses have a role to play in improving the lives of all their customers, employees, and shareholders by sharing with them the wealth they have created (Bateman & Snell, 2007). Employees, customers, the community, and shareholders are generally responsible for the success or failure of a business. Ethical companies need to balance their responsibilities to these groups, especially when they conflict. Of these four groups, the shareholders are generally the least important, especially for public companies, even though the responsibility to the shareholders is often cited as a company's reason for taking a particular action as opposed to another.

8.3.3 Legal Perspectives

The legal responsibility of business refers to the obligations put on businesses by the laws and regulations of the society in which it operates (Carroll & Shabana, 2010). With respect to the scope of legal responsibility, some advocate its expansion to encompass more regulation. They assert that regulation is necessary for the fulfillment of CSR. For example, De Schutter (2008) argues that the business case for CSR rests on certain presuppositions about markets and the business environment that cannot be simply assumed, but should be positively created by a regulatory framework for CSR. Others oppose such claims and state that engagement in CSR activities and management of stakeholder relations should continue to remain voluntary. For example, Phillips, Freeman, and Wicks (2003) reject the claim that stakeholder theory, which contends that firm performance is influenced by the firm's management of its relationships with its stakeholders, promotes expanding or changing laws and regulations. They argue that stakeholder theory does not require a change in the law to remain viable (Phillips et al., 2003). The two opposing camps continue to present their arguments to justify the need for the expansion or contraction of the legal requirements imposed on business. Supporters of regulation question the ability of the free market mechanism to support CSR activities (Valor, 2008; Williamson, Lynch-Wood, & Ramsay, 2006). They claim that market failure and the business environment are not rewarding firms engaging in CSR activities. In contrast, opponents of regulation argue that the free market mechanism promotes the interest of individuals and, in turn, society by rewarding CSR activities that are actually favored by individuals.

8.3.4 Philanthropic Perspectives

Charitable responsibility includes those corporate activities that are in response to a community's expectation that businesses should be good corporate citizens; this involves actively engaging in programs to promote human welfare (Carroll, 1991). The major difference between philanthropy and ethical responsibility is that the former is not expected in an ethical or moral sense. For instance, communities want corporations to contribute their money, facilities, and employee time to humanitarian programs, but they do not regard the firms as unethical if they do not provide the desired level. Hence, philanthropy is more charitable on the part of businesses; however, there is always the societal expectation that businesses provide it (Carroll, 1991).

8.4 Research Questions

Based on our review of the relevant literature, the following research questions were created to guide our study:

RQ 1: What are the current perceptions of CSR among corporate leaders in Nigeria?
RQ2: What activities do corporations conduct in the name of CSR?
RQ3: What motivates corporations to practice CSR?
RQ4: Which stakeholders do these corporations perceive to be important?
RQ5: What resources are allocated for their CSR programs?
RQ6: What benefits have these corporations achieved in their CSR initiatives?
RQ7: How do corporations communicate their CSR-related messages to their stakeholders?

8.4.1 Methodology

This study used quantitative and qualitative methods in an effort to increase its validity by comparing multiple forms of data and seeking convergence in the findings (Lindlof & Taylor, 2002). Using a questionnaire survey and in-depth interview methods have been described by researchers as methodological pluralism, and have been used in conducting research related to developing countries (Ibeh & Young, 2001). This method helps to prevent some of these challenges such as the inadequate postal and internet systems and provides rich data and neutralizes the biases inherent in an individual method, thereby enhancing the study's reliability (Okpara & Wynn, 2008; Miles & Huberman, 1994).

8.4.2 Research Survey

8.4.2.1 Sample

The data were collected in the winter of 2012. The sample was composed of firms listed in the Business Directory of Nigeria. The firms identified from the list were personally visited or contacted by telephone for permission to participate in the study. The firms that agreed to take part in the study formed the research sample. To avoid losses and delays due to the unreliable internet and postal system in Nigeria, a drop-off and pick-up method was used (Ibeh, 2004; Yavas, 1987). This method ensured reliable distribution and collection procedures, which were systematic and controlled by the researchers. A total of 300 questionnaires were distributed and 198 were returned, representing a 66 % response rate. The sample comprised an almost equal number of large corporations (51 %) and SMEs (49 %). We labeled corporations with more than 200 employees as "large." Of the 35 corporations that participated in the study, 39 % were domestic and 60 % multinational. These corporations represented various industries, although the majority was from the service (20 %), manufacturing (18 %), and banking and finance (16 %) sectors, in keeping with the economic landscape of Nigeria.

8.4.2.2 Survey Instrument

The survey instrument used in this study was based on measures used previously in the CSR literature (Carroll, 1991; Freeman, 1984) as well as industry insights from the UN Global Compact. The survey instrument asked questions about their perceptions regarding CSR. Most questions were asked using the five-point Likert scale. Factor and reliability analyses were employed to assure construct validity of the measures for industries selected. All measures were also examined and verified for face validity by six industry executives who are experienced in CSR practices, and six university professors who are published authors and have experience teaching and consulting in CSR. Sample questions asked include: Is it important to be committed to being as profitable as possible?; Is it important to be a law-abiding corporate citizen?; Is it important that a successful corporation be defined as one that fulfills its legal obligations?; Is it important to perform in a manner consistent with expectations of societal morals and ethical norms?

8.4.2.3 Interview Method

In the second stage of data collection, we conducted in-depth telephone interviews with 15 corporate executives to seek insights on their CSR practices. According to Dexter (1970), this type of interview with those who are influential, prominent, and well informed in their fields is known as an elite interview. In these elite interviews, interviewees are not subject to standardized questioning but are allowed to introduce "their notions of what they regard as relevant, instead of relying upon the investigator's notions of relevance." We found this approach useful because these elites were able to elaborate on the position of CSR in their companies.

8.5 Findings

Table 8.1 shows the means and standard deviations of perceived factors of CSR. For example, complying with laws and regulations (M = 4.55, SD = 0.65), business ethics (M = 4.50, SD = 0.61), profitability (3.02, SD = 0.73), accountability and disclosure (M = 4.32, SD = 0.66), quality of products and services (M = 4.60, SD = 0.65), the environment (M = 3.36, SD = 0.75), health and safety (M = 4.01, SD = 0.56), labor practices (M = 3.56, SD = 0.62) human rights (M = 4.38, SD = 0.67), charitable contributions (M = 3.31, SD = 0.69) community involvement (M = 4.61, SD = 0.49), and sustainability (M = 3.28, SD = 0.50) were listed as the most significant factors.

The interviewees expressed mixed sentiments towards profitability. A few interviewees did not think that being profitable is a part of a corporation's social responsibility. One interviewee commented that "being profitable is the basic requirement of any company that exists in the economy." According to this interviewee, it would be too "narrow-minded" to consider profitability as being part of CSR. Some other interviewees, however, felt that profitability is an essential part of CSR. One interviewee felt that his corporation has to be profitable "to run the company efficiently... improve the system... be responsible to his shareholders... employees... contribute to the community." More than half (57 %) of the corporate leaders felt that CSR should be recognized as a core business function while almost three-quarters (74 %) agreed that social responsibility should be a consideration when formulating corporate strategies.

Our findings also suggest that managers acknowledged that CSR should be an integral part of business. Yet nearly half (49 %) agreed that CSR is largely a publicity issue. We asked about the appropriateness of using CSR to gain publicity. While some respondents felt corporations should not leverage CSR activities for publicity purposes, others stated that the benefits derived from these activities are more important than the intended motives. One interviewee explained: "We don't mind companies doing CSR for publicity. That's okay as long as they are doing something good. Who knows? Maybe after coming out to do something and having felt good, they might continue to do it." As for the need to regulate CSR, 46 % of the respondents agreed that CSR should be completely voluntary and not governed by any law or regulation.

A few interviewees felt that CSR should "come from the heart" rather than merely complying with government regulations or legislations. A manager from an MNC commented that CSR is not about what the government sees as right or wrong, saying, "It's not what the government should do but what companies should

Table 8.1 Means and standard deviations of variables of CSR (n = 198)

CSR dimensions	Mean	SD
Compliance with all laws and regulations	4.55	0.65
Business ethics	4.50	0.61
Profitability	3.02	0.73
Corporate governance	4.21	0.58
Accountability and disclosure	4.32	0.66
Anti-corruption	4.58	0.54
Quality of products and services	4.60	0.65
Environment	3.36	0.75
Health and safety	4.01	0.56
Labor practices	3.56	0.62
Non-discrimination/equal opportunity	4.59	0.53
Human rights	4.38	0.67
Charitable contributions	3.31	0.69
Community involvement	4.61	0.49
Sustainability	3.28	0.50

do... It is not about just operating within the rules." An interesting issue that emerged during the interviews was the balance between profitability and CSR, and whether corporations need to be profitable before engaging in CSR actions. A majority of interviewees perceived profitability as a pre-condition before their corporations could commit resources to CSR. The owner of an SME felt that it is understandable for corporations to put profitability as the top priority, as "every business wants their company to be as profitable as possible." Another common sentiment echoed by the respondents was that CSR should be placed at the higher end of the "hierarchy of needs," which would be considered only if a corporation is profitable. On the other hand, a few interviewees felt that CSR does not necessarily have to come only after profitability, as indicated by one interviewee: "It is acceptable to aim to be profitable, but you don't have to wait to do CSR. It has to be in the corporation's roots and culture and thus CSR has to start from the first day. Your main objective can be to increase profits and sub-objective to be a socially responsible corporation. This is regardless of your size or industry or development stage."

Table 8.2 shows activities conducted by corporations in the name of CSR. Of the 35 corporations surveyed, 32 (91 %) engaged in CSR-related activities, as defined by their own notions of CSR. The most commonly performed activities were charitable donations (87 %), employee welfare and training programs (96 %), and community projects (98 %). These findings were confirmed by many interviewees who discussed philanthropic activities as CSR efforts before any prompting by the interviewer. Some interviewees felt that CSR is simply a new way to label some of the philanthropic functions that have been traditionally practiced by corporations. One interviewee perceived CSR as basically involving altruistic actions: "When I see this term, CSR, what comes to my mind are mainly donations, or some charitable work for the society, doing something other than directly involved in the profitability of the company." Interestingly, some interviewees disagreed that philanthropy should be a major aspect of CSR, even though they acknowledged it as a commonly practiced activity in Nigeria. One interviewee commented that "companies tend to see CSR as donating money to charities and putting out a statement so that people know they have done it, and that is a very short-term view...that is not CSR; that is just philanthropic, that is just contributions." Our interviews also revealed that the type of CSR activities conducted was closely linked with the nature of the corporation. Size and industry of the corporations, too, were considered to be important determinants of the type of CSR activities those corporations practiced. One SME interviewee expressed concern over the applicability of the various CSR parameters to smaller corporations, which are generally less concerned with community relations and global outreach. An interviewee from an engineering corporation commented that "Business-to-Business corporations have fewer incentives to practice CSR because their clients are unlikely to appreciate their investment in CSR efforts."

With regard to motives, our findings show that the top three motivators were: enhance reputation ($M = 4.80$, $SD = 0.90$), attract investors ($M = 4.53$, $SD = 0.70$), and enhance community trust and support ($M = 4.80$, $SD = 0.90$). The results suggest that our sample of corporations consider CSR to be vital for a corporation's survival. In addition, the focus on enhancing reputation and community support indicates that the corporations in the sample were receptive to the business and society approach reviewed earlier in this paper. Interestingly, our interviewees were more inclined to value external and disciplinary motivators such as "consumer pressure," "government guidelines," and "crisis prevention." Interviewees also generally agreed that corporations should not be considered separate from the community, regardless of whether a corporation is local or multinational. One interviewee summed up these sentiments: "We realize that we are part of the world; an organization doesn't exist in isolation... For any company to go on as a perpetual entity, whoever is holding the fort needs to ensure that the economy and the world it operates in continue to be a safe environment."

Economic motivators align a corporation's CSR efforts with potential financial returns. The relatively low average mean of the three motivators ($M = 3.68$) implies that most corporations in the sample did not practice CSR for bottom-line reasons. Although most corporations considered all the motivators listed as essential, motivators aligned with corporate agenda ranked among the lowest in importance. External pressures ($M = 3.20$, $SD = 0.811$) was considered a less important motivator. Only 35 % of respondents agreed that external pressures coming from NGOs, government, media, consumers, and community are important in motivating CSR practices. This finding is consistent with the relatively low level of civil activism prevalent in Nigeria. The executives of the corporations in the sample were divided on whether government regulation should be considered as a CSR motivator. Almost half of them (49 %) indicated a neutral stand toward government intervention. It is important to note that the mean ($M = 2.87$) indicated that the other half of the sample corporations did not consider government regulation as a motivational factor (Table 8.3).

Table 8.2 Means and standard deviations of CSR activities

CSR dimensions	M	SD	%
Economic components (responsibilities)			
It is important to perform in a manner consistent with maximizing profit	3.40	0.55	98
It is important to be committed to being as profitable as possible	3.49	0.54	96
It is important that a successful corporation be defined as one that is profitable	3.20	0.38	86
Legal components (responsibilities)			
It is important to comply with various government regulations and laws	3.91	0.33	99
It is important to be a law-abiding corporate citizen	3.93	0.30	99
It is important to provide goods and services that meet minimal legal requirements	3.88	0.35	98
Ethical components (responsibilities)			
It is important to perform in a manner consistent with expectations of societal ethical norms	4.43	0.30	98
It is important to prevent ethical norms from being compromised in order to achieve corporate goals	4.40	0.29	98
It is important that good corporate citizenship be defined as doing what is expected ethically	3.31	0.38	93
It is important to recognize that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations	3.87	0.40	97
Philanthropic components			
It is important to perform in a manner consistent with the philanthropic expectations of society	3.52	0.45	88
It is important that managers and employees participate in voluntary and charitable activities within their local communities	3.52	0.45	87
It is important to assist voluntarily those projects that enhance a community's "quality of life"	4.32	0.43	98

Table 8.3 Motivations for practicing CSR ($n = 198$)

Variable	M	SD	%
Increase profits	3.68	0.78	90
Long-term sustainability	4.35	0.86	96
Company tradition	3.80	0.83	92
Recruit/retain employees	4.02	0.77	94
Attract investors	4.53	0.70	95
Promote transactions/partnerships	3.87	0.91	89
Enhance community trust and support	4.80	0.90	97
Avoid regulation	2.90	0.92	88
Favorable media coverage	3.6 0	0.88	86
Improve public welfare	4.40	0.89	98
Altruism	3.88	0.78	90
External pressures (NGOs, government, media, consumers, community, etc.)	3.87	0.80	91

As shown in Table 8.4, the top three stakeholders were customers ($M = 4.65$, $SD = 0.71$), employees ($M = 4.43$, $SD = 0.86$), and business partners ($M = 4.20$, $SD = 0.90$). This perception of the high importance of employees is consistent with our earlier finding that employee welfare programs constitute a major portion of the

CSR activities in the sample corporations. These findings were mirrored by our interviewees who saw employees and customers as significant stakeholder groups with the power to impact CSR. Some interviewees cited examples in the US where consumer advocacy groups pressured corporations to be more CSR conscious by boycotting products. Within the primary stakeholder group, suppliers ($M = 3.59$, $SD = 1.13$) were considered by the sample of corporations to be the least important. Some interviewees stressed that there is a growing need for corporations to pay attention to their suppliers' practices. One interviewee believed that the onus is on individual corporations to monitor and investigate the ethical behavior of their suppliers. Interestingly, the least important stakeholders appeared to be NGOs ($M = 3.28$, $SD = 1.06$). The representative of one NGO interviewed by us was not surprised with this finding. He explained that NGOs in Nigeria play a "facilitator" role rather than that of "community activist." He elaborated that this is due partly to the limited power of NGOs and the relatively low level of activism in most developing countries including Nigeria.

Many interviewees reported that the allocated budget tends to fluctuate based on situational factors such as profit margins and scale of activities. As far as the breakdown of the personnel distribution for CSR activities is concerned, almost half of the sample corporations (49.50 %) had designated personnel to plan CSR activities of which about 20 % allocated more than eight members. However, a significant proportion of respondents (30 %) were unable to cite specific numbers, suggesting the low level of commitment to tracking personnel allocation. We asked the respondents to indicate how their corporations evaluated CSR practices. A majority of the corporations (67 %) surveyed indicated that they did not evaluate their CSR practices at all. Likewise, many of the corporate executives interviewed also reported that they did not conduct any evaluation. We found that the standards and methods for evaluation differed widely among survey respondents. This was confirmed in our interviews where evaluation techniques ranged from casual and informal methods such as tracking media coverage or simply talking to customers for feedback to more formal methods such as focus groups and surveys. Nevertheless, several interviewees viewed evaluation as an essential step that should be adopted. Problems associated with evaluation, according to interviewees, include the lack of appropriate evaluation instruments, the intangible nature of the results of CSR practices, and the perceived lack of importance given to CSR reporting.

Our results show that verbal feedback was the most common method used to evaluate CSR efforts. Out of the 22 corporations in the sample that conducted CSR evaluation, only five used profit figures to measure the success of their CSR efforts. This result appears to contradict our earlier finding that profitability is a perceived benefit of CSR. This deviation between the two findings might be due to the difficulty in measuring the relationship between CSR and profitability. While the sample of corporate executives might believe that CSR has a positive impact on financial performance, it might be difficult for corporations to actually measure the impact and link the two variables conclusively. Other evaluation methods used were the number of corporate volunteers, feedback from beneficiaries, and the number of days of leave claimed to serve as volunteers were also used. A quarter

Table 8.4 Means and standard deviations of what corporate leaders perceived to be important

Variable	M	SD
Employees	4.43	0.86
Shareholders	4.20	0.90
Business partners	4.17	0.89
Suppliers	3.88	0.99
Customers	4.65	0.71
Community	3.90	0.82
Media	3.55	0.91
Government	3.88	1.10
NGO/special groups	3.18	1.21
Competitors	3.75	0.94

of the corporations surveyed were not sure of how data for evaluation were collected. Half of the corporations reported their CSR initiatives either in their annual reports or on their websites. The most often cited benefits were improved customer loyalty (57 %), improved organizational culture (53 %), and attracting and retaining employees (35 %). The top benefits cited by the corporations in our sample were related to customers and employees, who were also the most important stakeholders identified. The interviewees also cited similar benefits. In addition, they reported that their corporations enjoyed a more cohesive workforce, enhanced image, and reduced business costs as a result of CSR practices. It was paradoxical that improved image and reputation (11 %) was the least frequently cited benefit of CSR, considering an earlier finding that enhancing reputation is the most significant motivation for corporations to engage in CSR activities. The sample of corporations might have difficulty assessing the impact of CSR on reputation because corporate reputation is hard to measure.

With regard to CSR communication, an overwhelming majority (90 %) of the corporations communicated with their stakeholders about their CSR practices. The stakeholders with whom organizations communicated most frequently were customers and employees (see Table 8.5) and these corresponded with the stakeholders who were perceived by the sample of corporations to be the most important. The main communication tools employed were company leaflets and posters, websites, and annual reports. Interestingly, the sample of corporations did not communicate as frequently with the mass media. Only 37 % of the sample corporations issued press releases and 32 % communicated to the mass media about their CSR activities. It is reasonable to presume that the mass media are not a common tool used by the sample of corporations to disseminate information about CSR. Clarkson (1995) distinguishes between primary and secondary stakeholders in the following way: primary stakeholders are those groups or individuals that have direct transactions with the corporation and include owners, suppliers, employees, and customers; secondary stakeholders have a more “distant” even if no less important relationship and include environmental groups, society-at-large, media, local community groups, and social interest groups.

Table 8.5 Means, standard deviations, and percentages of CSR activities

Variable	M	SD	%
Resource allocation			
We have annual budgets allocated to CSR programs	3.39	0.92	49.50
We do not have annual budgets for CSR programs	4.02	0.87	50.50
We have a department responsible for CSR activities	3.42	0.79	36.00
We do not have a department responsible for CSR activities	4.23	0.88	64.00
Evaluating CSR activities			
We have a process in place for evaluating our CSR activities	3.15	0.91	33.00
We do not have a process in place for evaluating our CSR activities	3.78	0.77	67.00
We often solicit feedback for our CSR activities	3.34	0.98	41.00
We seldom solicit feedback for our CSR activities	3.56	0.82	59.00
Benefits of CSR programs			
Improved organizational culture	3.45	0.86	90.00
Improved corporate image and reputation	4.12	0.69	96.00
Attract investors/shareholders	3.23	0.81	89.00
Attract, motivate, and retain employees	2.97	0.99	85.00
Maintain customer loyalty	4.08	0.95	95.00
Communication of CSR activities			
We often communicate our CSR activities to our stakeholders	3.00	0.84	79.00
We seldom communicate our CSR activities to our stakeholders	4.22	0.73	89.00
We often communicate to the mass media about our CSR activities	2.89	0.67	68.00
We seldom communicate to the mass media about our CSR activities	4.19	0.72	93.00

8.6 Discussion

In Nigeria, CSR activities appear to revolve around philanthropic activities such as employee volunteerism, corporate donations, and other charitable activities. This could be attributed to the limitation that it is easier for the interviewees to discuss such activities as opposed to legal and ethical activities. We also acknowledge that such community-oriented activities may be preferred by corporations because of their ability to generate better publicity and garner public goodwill. While actual practice appears to lag behind perceptions (which is more comprehensive), this is understandable as the modern concept of CSR was introduced to Nigeria less than half a decade ago (Roche, 2000) and it is only in the last couple of years that it has really begun to be in vogue.

Leaders' CSR practices varied among corporations. For decision making, most of the interviewees commented that a top-down approach is ideal. Likewise, the survey results reveal that almost three quarters of the leaders from the sample made decisions on CSR, thus centralizing decisions on CSR.

With respect to motivation, corporations adopted three major approaches: proactive, accommodative, and reactive. Proactive leaders are motivated by their corporate values and agenda to implement initiatives on CSR, which are aligned with their corporate strategies. Accommodative corporations tend to follow existing guidelines and regulations to fulfill minimum CSR conditions. Reactive corporations tend to react to events and conduct CSR activities on an ad-hoc basis. In terms of evaluation, one of the obstacles hindering corporations from evaluating their CSR efforts may be the difficulty in measuring CSR activities.

8.7 Conclusion, Limitations, and Directions for Future Research

We recognize that our research is a descriptive one in which we relied on participants' input about their perceptions. Respondents may have felt apprehensive about revealing information about their corporations due to the sensitivity of the issues discussed. Problems associated with the survey methodology were compensated for with the in-depth interviews with corporate executives, which added considerable substance to our study. With regard to the external validity of this study, there is inevitably some degree of self-selection of the respondents as the sample is dependent on the corporate executives and corporations' willingness to participate. Thus, those who volunteered to respond are likely to have more interest in CSR. Future studies may be able to replicate our study to confirm our findings. CEOs and top managers were found to be the key decision-makers of CSR activities. Future research can conduct a deeper study of their attitudes towards CSR. Another possible research avenue is to explore the distinct CSR issues associated with the different industries so that specific guidelines and recommendations can be formulated. A longitudinal study to uncover any significant trend in executives' perceptions about CSR and corporations' CSR activities over time may also be an interesting area for future research.

References

Bateman, S., & Snell, A. (2007). *Management: Leading and collaborating in a competitive world* (7th ed.). New York: McGraw-Hill.

Bowen, H. R. (1953). *Social responsibilities of the businessman*. New York: Harper & Row.

Carr, A. Z. (1996). Is business bluffing ethical? In S. B. Rae & K. L. Wong (Eds.), *Beyond integrity: A Judeo-Christian approach*. Grand Rapids, MI: Zondervan Publishing.

Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of Management Review, 4*, 497–505.

Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons, 34*(4), 39–48.

Carroll, A. B., & Shabana, K. M. (2010). The business case for corporate social responsibility: A review of concepts, research and practice. *International Journal of Management Reviews, 12* (1), 85–105.

Clarkson, M. B. E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review, 20*, 92–117.

Commission of the European Communities. (2001). *Promoting a European framework for corporate social responsibility*. Brussels: Commission of the European Communities.

Commission of the European Communities. (2002). *Communication from the commission concerning; corporate social responsibility: A business contribution to sustainable development*. Brussels: Commission of the European Communities.

Crane, A., & Matten, D. (2004). *Business ethics: A European perspective*. New York: Oxford University Press.

Davis, K. (1973). The case for and against business assumption of social responsibility. *Academy of Management Journal, 16*(31), 2–23.

De Schutter, O. (2008). Corporate social responsibility European style. *European Law Journal, 14*, 203–236.

Dexter, L. A. (1970). *Elite and specialized interviewing* (p. 1970). Evanston, IL: Northwestern University Press.

Fairbrass, J., O'Riordan, L., & Mirza, H. (2005). *Corporate social responsibility: Differing definitions and practices*? In University of Bradford conference paper for Leeds BSE conference. Retrieved from http://www.crrconference.org/downloads/fairbrass.pdf

Freeman, E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman Publishing.

Friedman, M. (1970). The social responsibility of businesses is to increase its profits. *New York Times Magazine*, 32–33.

Habisch, A., & Jonker, J. (2005). *Corporate social responsibility*. Berlin: Springer.

Ibeh, K. (2004). Furthering export participation in less performing developing countries. *International Journal of Social Economics, 31*(1/2), 94–110.

Ibeh, K., & Young, S. (2001). Exporting as an entrepreneurial act: An empirical study of Nigerian firms. *European Journal of Marketing, 35*(5/6), 566–586.

Klonoski, R. J. (2001). Foundational considerations in the corporate social responsibility debate. *Business Horizons, 34*(4), 9–18.

Lantos, G. P. (2001). The boundaries of strategic corporate social responsibility. *The Journal of Consumer Marketing, 18*(7), 595–639.

Lindlof, T. R., & Taylor, B. C. (2002). *Qualitative research methods*. Thousand Oaks, CA: Sage.

Marcoux, A. M. (2000). *Business ethics gone wrong*. CATO Policy Report CATO Institute.

Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook*. Beverly Hill, CA: Sage.

Okpara, J. O., & Wynn, P. (2008). Human resource management practices in a transition economy: Challenges and prospects. *Management Research News, 31*(1), 57–76.

Phillips, R. R., Freeman, R. E., & Wicks, A. C. (2003). What stakeholder theory is not? *Business Ethics Quarterly, 13*, 479–502.

Quazi, A. M., & O'Brien, D. (2000). An empirical test of a cross-national model of corporate social responsibility. *Journal of Business Ethics, 25*, 33–51.

Rashid, M. A., & Ibrahim, S. (2002). Executive and management attitudes towards corporate social responsibility. *Corporate Governance*, 210–216.

Roche, J. (2000). *Singapore: Corporate, social & responsible but no corporate social responsibility*. MHC International. Retrieved from www.csmworld.org/csr_singapore.htm

Roddick, A. (2000). *Business as unusual*. London: Harper Collins Publishers.

Sriramesh, K., Ng, C., Soh, T., & Luo, W. (2009). *Corporate social responsibility (CSR) and public relations: Perceptions and practices in Singapore*. Paper presented at the Annual Meeting of the International Communication Association. http://www.allacademic.com/meta/p91926_index.html

Valor, C. (2008). Can consumers buy responsibly? Analysis and solutions for market failures. *Journal of Consumer Policy, 31*, 315–326.

Victor, J. (2012). What are ethical responsibilities? Accessed December 13, 2012, from http://www.ehow.com/info_8180677_ethical-responsibilities.html

WBCSD (2012). Corporate social responsibility (CSR). Accessed July 12, 2012, from http://www.wbcsd.org/work-program/business-role/previous-work/corporate-social-responsibility.aspx

Welford, R. J. (2004). Corporate social responsibility in Europe and Asia: Critical elements and best practice. *Journal of Corporate Citizenship, 13*(Spring), 31–47.

Williamson, D., Lynch-Wood, G., & Ramsay, J. (2006). Drivers of environmental behavior in manufacturing SMEs and the implications for CSR. *Journal of Business Ethics, 67*, 317–330.

Wood, D. J. (1991). Corporate social performance revisited. *Academy of Management Review, 16*, 691–718.

Yavas, U. (1987). Marketing research in an Arabian Gulf country. *Journal of the Market Research Society, 29*(4), 458–461.

Part III
Sustainability: Implementing CSR in MNCs/MNEs, SMEs and Family Businesses

Chapter 9
CSR-Oriented SMEs: A Question of Entrepreneurial Virtues in Action? Reflections in Theory and Practice

Mara Del Baldo

Abstract Does an adhesion to the philosophy and to the practices of CSR arise from entrepreneurial virtues? How are entrepreneurial values and attitudes influenced by (and derived from) entrepreneurial virtues? Starting from these research questions the paper describes, after an analysis of the literary framework on business ethics and CSR in SMEs, the principal findings that have emerged from a qualitative investigation focused on a multiple case-study relative to two Italian SMEs, in which the entrepreneur's objectives complies with both economic and social issues and are inspired by virtues. Empirical analysis highlights the importance of transcendental values (virtues) which lie at the bases of the choices and decisions made by top management heads. Such values are transferred to the entire organization thus making the approach towards social responsibility and sustainability authentic and effective.

9.1 Introduction

Several studies underline how entrepreneurial behavior and values lie at the base of CSR (Corporate Social Responsibility)-oriented strategies and actions (Revell & Blackburn, 2007; Spence, 1999; Spence & Lozano, 2000; Vyakarnam, Bailey, Myers, & Burnett, 1997).

CSR can be broadly defined as the extent to which firms integrated on a voluntary basis social and environmental concerns into their ongoing operations and interactions with stakeholders. Among the various bodies that have been contributing for several years and in many ways to the debate on CSR and that have been spreading the concept and the diffusion of relative actions in the international and EU contexts (EU, 2006, 2011) in one of the most recent

M. Del Baldo (✉)
Faculty of Economics, Department of Economics, Society and Politics, University of Urbino "Carlo Bo", Via Saffi, 42, 61029 Urbino (PU), Italy
e-mail: mara.delbaldo@uniurb.it

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_9,

documents, OECD underlines that "real CSR is about how a business is run; values and beliefs become real when they are lived every day and no amount of corporate rhetoric can substitute for direct evidence of management's sincere and meaningful dedication to a consistent set of values" (OECD, 2001: p. 159).

Although few differences have been noticed regarding the ethical orientation of managers and entrepreneurs (Longenecker, Moore, Petty, Palich, & McKinney, 2006), some researches focusing on SMEs (small and medium-sized enterprises), have demonstrated that ethically connected entrepreneurial and family values are the main drivers of corporate choices and foster the diffusion of CSR and sustainability (Del Baldo, 2006; Jenkins, 2004, 2006; Morsing, 2006).

In SMEs—which constitute the backbone of the socio economic system in the vast majority of the world (and in particular in Italy)—the presence of ethical values of the entrepreneur (and of his/her family) represents a fundamental driving force in the adoption of CSR and sustainability-oriented practices and strategies. National and international literature is turning its attention to this universe in order to verify and support SMEs' role in contributing to sustainable development and CSR (Nielsen & Thomsen, 2006; Spence & Schmidpeter, 2003; Spence, Schmidpeter, & Habisch, 2003; Gallo & Cappuyns, 2004).

Ethical issues of small firms are particularly tied to subjective, contingent factors (i.e., the central importance of direct and personal relations, the connection between ownership and control and the central role of the entrepreneur) as well as objective ones (i.e., the simplicity of the company organizational structure; the frequent and direct relations with employees and, more generally, with the stakeholders; the strong embeddedness to the socio-economic context) (Longenecker, 1989; Longenecker et al., 2006). These results are also confirmed in Bucar and Hisrich's empirical research (2001): entrepreneurs tended to express attitudes that were more ethical than those of business managers, leading the authors to conclude that ownership may result in more ethical dealings with stakeholders (Bucar & Hisrich, 2001). Explanations for higher ethical standards among entrepreneurs include a greater commitment to the expectations of society, social contract theory, use of personal values, and stakeholder and agency theory that are often used to understand the differences between the ethical behaviors of entrepreneurs and business managers (Batchelor, Gibson, Harris, & Simpson, 2011). The afore-said characteristics—which typify small-sized firms—facilitate the dissemination of shared values among entrepreneur and the community of belonging in which the companies are deeply rooted (Del Baldo, 2010b; EC, 2002, 2004; Spence & Rutherfoord, 2003).

In the last 10 years, in the light of the ever increasing and widespread global economic crisis, the corporate world and scientific community have been rediscovering the centrality of values in managing the business beginning with values that place and perceive the individual and his/her needs and expectations in the centre of society (Hemingway & Maclagan, 2004; Ketola, 2008; Solomon, 1992). Recently, several studies of business ethics have emphasised the values dimension of entrepreneurial and managerial activity and have introduced concepts such as management integrity, authenticity and virtues, which are becoming widespread in the corporate context, giving rise to new models of governance and business aimed at constructing a more civil economy and the common good (Argandoña, 2003, 2011; Brown, 2005; Carrol, 2000; Cortright & Naughton, 2002; Driscoll & Hoffman, 2000; Gui & Sugden, 2005; Pruzan, 2001; Zadek, 2006; Zamagni, 1995). These studies are part of the theoretical framework of CSR and sustainability and can be placed within ethical theories (Garriga & Melé, 2004).

The present work fits into this strand of thought that include several approaches present in ethical theories, and the current of though which theorizes the perspective of the holistic development of the company (Elkington, 1994; Sorci, 2007). The holistic development involves the economic, ethical, environmental, and social dimensions and is founded on a system of universal ethical values embedded in the local environment which are shared and actively practiced by the entrepreneurs, managers, and corporate stakeholders. It is aimed at the rediscovery of the civil economy and its foundations (Bruni & Zamagni, 2004) which in turn lies in the rediscovery of the centrality of the human being. The reference to values and virtues is then tied to the anthropological concept which sees the entrepreneur as a man first and the entrepreneurship as a "*actus personae*" (John, P. II, 1991).

Furthermore, the work seeks to put forward starting points for a reflection on entrepreneurial values and virtues and strives to understand how these values and virtues fall into business activities and management and how they inspire and reinforce the tendency toward CSR and sustainability.

Does an adhesion to the philosophy and to the practices of CSR, which are reflected in a firm's mission, governance and accountability, arise from entrepreneurial virtues? On which specific entrepreneurial values and attitudes does it depend? How are entrepreneurial values and attitudes influenced by (and derived from) entrepreneurial virtues? The paper winds itself around these questions and describes, after an analysis of the literary framework on business ethics and CSR in SMEs, the principle findings that have emerged from a qualitative investigation focused on a multiple case-study (Yin, 1994) relative to two Italian SMEs, in which the entrepreneur's objectives complies with both economic and social issues and are inspired by virtues: practical wisdom (Prudence); justice (Friendship); courage (Fortitude); moderation (Temperance). These virtues are at the bases of an anthropological-based business culture which foster and reinforce CSR-strategies and actions rendering them authentic and effective (Gowri, 2007; Bruni 2009; Ruisi, 2009; Ruisi, Fasone, & Paternostro, 2009). The empirical study points out that the diffusion of CSR is tied above all to the entrepreneur's values and these are in turn linked to the entrepreneurial virtues.

The paper is divided into two main parts. The first presents the theoretical content and the strands of thought which have given importance to entrepreneurship it-IT, values and virtues. The second part describes the main results that have emerged from an empirical analysis carried out using the narrative approach and focusing on two Italian small and medium-sized companies (BoxMarche and Loccioni Group). A brief discussion and concluding reflections follow.

9.2 Values and Virtues in Ethical Theories

Among the mainstream ethical theories that have been proposed as a basis for business ethics and applied to decision-making process (for a complete overview see Melé, 2009, pp. 89–94 and following) are placed the virtues theories which follow the Aristotelian tradition and are centered on how to live to attain the human flourishing, also referring to the happiness associated to the good life—intended as the joy that comes of acting honestly, helping others, and being aware that one's work is contributing to the well-being of others. "Although each individual can have a particular view of the good life, there are some views of human flourishing that are common to every human being (integrity, concern for others, justice and so on" (Melé, 2009: p. 93). Recently, these concepts have been extended to the business world and some scholars have presented neo-Aristotelian approaches to business ethics focusing on the way they can influence managerial and entrepreneurial logics and actions (Solomon, 1994) which are the basis of sustainable development and responsible development strategies.

In light of this premise below are presented the concepts of values and virtues, while the next paragraph briefly recalls the literature framework that expands their applicability to the business environment, with particular reference to SMEs.

Value comes from the Latin *valere* (to be of worth) and it refers to a quality intrinsically worthy or desirable. In general terms, values are abstract ideals of those that are considered "good", desirable, preferable. We can speak of personal values, social values, corporate values, human values and ethical values. Personal values depend on each individual and express what is appreciated by someone because of its moral, religious or aesthetic quality or utility. Social or cultural values are values widely shared by members of groups and communities with a common cultural environment. Socio-cultural values represent one of the four conditions[1] which are at the basis of the common good for each human community—family, business, religious association, sports clubs, political groups, etc. They include "full respect for human dignity and human rights, freedom, safety, order, peace and justice, which permit living together respectfully and foster a sense of tolerance and cooperation" (Melé, 2009: p. 85).

"Ethical values are based on moral qualities that contribute to human excellence: integrity, justice, gratitude, generosity, truthfulness. They are objective, but at the same time they have a subjective dimension, since they can be discovered and applied by individuals" (Melé, 2009: p. 16). Ethical values are closely related to goods. Artistotle defined good as an aim that can motivate action since it is perceived as something desirable or valuable (a motive for acting). Human goods (or moral goods) provide motive for acting ethically, and human values (or ethical

[1] "Human goods (values) entail principles and norms (rules) and, acting in accordance with such norms, the agent acquires human virtues, which in turn favor the discovery of goods and the interior strength to obtain them" (Melé, 2009: p. 89).

values) are such motives. Basic human goods are: truth, beauty, work, friendship, religion (transcendence), life.

Virtues (from the Latin *virtus*, meaning strength) are good character traits which contribute to a better perception of ethical values and reinforce the will for good behavior. They consist of certain qualities of a person that allow him/her to achieve *eudaimonìa*, that is stay well and act well by staying well (in other words, beatitude, happiness, prosperity). Virtues contribute to enhance perception of ethical values. They are acquired by the repetition of good actions. Values belong to the cognitive sphere, whereas virtues refer to character. There are four fundamental human virtues: practical wisdom, justice, courage, and self-control. "These fundamental human virtues include all other virtues for example integrity, authenticity etc which are necessary for human excellence" (Melé, 2009: p. 97). Human virtues shape moral character and human flourishing since they are an essential element of human behavior. Finally, principles and norms provide guidelines, for determining what is morally unacceptable, for resolving ethical dilemmas and for acting as a guide to human excellence.

9.3 Values, Virtues and Entrepreneurship

Wanting bring the virtues ant values theme back to the business context—first of all to the behavior of the entrepreneur who is the main actor in the context of SMEs—it's important to apply general moral virtues (*natural* virtues) to the context of the firm (entrepreneurial/firm virtues). These last virtues allow a complete development of each economic agent, and directly or indirectly of any stakeholder: they allow an improvement of the business, of the connected network and, finally, of the whole market (Ruisi et al., 2009; Ruisi, 2010).

Some researches (Weaver, Treviño, & Cochran, 1999) underline that businesses show apparent (not authentic) commitment due to external pressures; others however, are active in showing external and internal genuine commitment and in promoting ethical practices. These cases, which are growing in the last decade, are relative to companies (both profit and non-profit companies) that have been defined as "companies with an ideal motive" (Molteni, 2009), in that they are the fruit of an ethical substratum, which directs every field of human behavior and, therefore, the economic behavior too. Among these there are "extraordinary" businesses' experiences, which are the manifestation of a particular charisma of their founders (such as the Economy of Communion Companies; see Bruni & Uelmen, 2006; Gold, 2010), or are characterized by a clear social vocation (i.e Yunus and the Grameen Bank). Others are founded on a particular conceptions of the dignity of work/workers (i.e. Olivetti and Siemens), or finally, are characterized by a strong and authentic CSR orientation, which is promoted by the entrepreneur and is reinforced by the social cohesion, the relational and values framework typical of the local socio-economic framework; this is the case of the "territorial businesses" or "spirited businesses" (Del Baldo, 2010b, 2012a, 2012b) that are frequently represented by SMEs.

Particularly in SMEs, which are owned and managed by the entrepreneur, social and environmental factors pushing for CSR and sustainability and for corporate ethics have some influence, but personal, cultural and social values possessed by the entrepreneur—shared by stakeholders belonging to a socio-economic context (Piore & Sabel, 1984; Putnam, 1993; Pyke, Becattini, & Sengenberger, 1990) characterized by a high spirit of cooperation and social integration—and spread in the company through the corporate culture—are the strong determinant of the commitment (Lamont, 2002).

As determinants of the *good-entrepreneurship*, the role of virtues in business administration can be interpreted in terms of virtuosity, paying attention on an ethical perspective of entrepreneurship, with respect to the purposes, the means and consequences of action. The presence of universal ethical values (intended as meta-values, such as honesty, loyalty, justice, respect for human life) to which every other value of the business should refer, represents the premise for "the entrepreneurial success" and is expressed by the "entrepreneurial formula" (Coda, 1988). In this sense entrepreneurial values are not merely conceived in the sense of arbitrary and personal values, but of "super-values" and the main factors of production (Sorci, 2007) as they allow individual objectives to match those of the company as well as the environment. These values are transferred to companies "with a soul" (Catturi, 2006) where economic objectives, and more importantly human objectives, live side by side successfully.

Such a centrality of the human element (anthropological perspective) is interpreted in terms of a person-centred approach (PCA) "seeking the consistent integration of goods, ethical principles, and virtues with human nature as the reference point" (Melé, 2009, p. 86). The PCA is in line with the primitive idea of understanding ethics as a guide to human excellence and considers human virtues as a key element of entrepreneurial and managerial behavior (Gregg & Stoner, 2008; Melé, 2002). The *ethos* of entrepreneurship are expressed by way of active aptitudes and refer to typically entrepreneurial values: spirit of initiative, creativity, leadership, charisma, tenacity, sense of belonging, enthusiasm, passion, desire, commitment, responsibility. The ethicality of the entrepreneurial role depends on his/her moral conscience, or rather on the presence of an ethically orientation transferred to the company (Novak, 1996; Röpke, 1960).

Empirical evidence on entrepreneurial values and entrepreneurial goals corroborates that business owners' values permeate business strategies and business success (Kotey & Meredith, 1997). Values guide decision-making and motivate behavior that is congruent with them (Schwartz, 2005; Schwartz et al., 2001; Bardi & Schwartz, 2003; Bardi et al., 2009; Gorgievski et al., 2011).

A recent study—carried out on a sample of small and medium-sized German enterprises (Gorgiesvki et al. 2011) investigated the relationships between owners' understanding of success and their personal values and intrinsic motivational aspects. Results show that business owners apply criteria to judge their success that are in line with their values. Self-transcendent values are related to whether people engage in pro-social behavior for the common good (universalism) or for the good of close others (benevolence) (Schwartz 2005; Schwartz, 2009), while self-enhancing values (i.e. the values of power and achievement) involve increasing and demonstrating self-interested behavior.[2] Moreover results highlighted the fact that among the "softer success criteria", such as having satisfied stakeholders and a good work-life balance, entrepreneurs were guided by self-transcendent value orientation (benevolence and universalism),[3] whereas business growth, profitability, and innovativeness were guided by self-enhancing value orientations (power and achievement). Self-transcendence values ranks as one of the most important values for most people and for most business owners (Schwartz & Bardi, 2001),[4] are positively related to pro-environmental behavior (De Miranda Coelho, Gouveia, & Milfont, 2006) and are at the basis of long term survival of family firms (Helmer & Olson, 1987).

Finally, in the realm of studies on entrepreneurship and sustainability, some recent contributions have underlined the importance of entrepreneurial authenticity and integrity. Authenticity is a complex concept and has its roots in enlightenment philosophy (i.e. the work of Rousseau, Kant and Herder) (Taylor, 1992). Authenticity as a career driver relates to the expression of integrity. It is about being sincere, honest and genuine (Trilling, 1972). Integrity is an important precondition for the smooth functioning of for profit organizations: it strengthens the confidence of stakeholders in the organization itself and their commitment reduces external rules and conflict situations, and increases cooperation with stakeholders. Despite the integrity is considered a quality management, its application remains vague. In this regard Kaptein and Wempe (2002) developed the principles of integrity management, synthesized in "the diamond of integrity management". This model, based on a survey of 150 cases of organizational behavior and resolving ethical dilemmas faced by managers and entrepreneurs of different nationalities, identifies six characteristics: three concerns of the manager as a person of integrity, and three as a subject capable of stimulating their employees to act with integrity. An inductive research carried out on entrepreneurial identity and on identity drivers of sustainable entrepreneurship in the UK reveals that the founders of sustainable entrepreneurship ventures emphasize the identity, which has been placed into two interrelated categories: 'personal career drivers' (related to individualistic or traditional entrepreneurs) and 'social change drivers' (related to social entrepreneur).

[2] Among Schwartz's value dimension there are: power, achievement, hedonism, stimulation, self-direction, universalism, benevolence, tradition, conformity, security and safety.

[3] Universalism includes: understanding, appreciation, tolerance, and protection for the welfare of all people and for nature. Benevolence includes: preservation and enhancement of the welfare of people with whom one is in frequent personal contact.

[4] The study finds support for the notion that although individuals differ concerning the importance they attach to different values, across cultures, the relative importance people attribute to certain values is much more similar than different. For instance, benevolence, a value that promotes cooperation within a group is ranked highest across cultures, whereas power, which emphasizes the individual over the group, is of little importance to most people in most cultures.

In the former, authenticity emerges as a pivotal identity condition leading to entrepreneurial activity (O'Neil & Ucbasaran, 2010). Departing from this conceptual framework, in the following section we will address our attention to transcendent values applied to entrepreneurial activity.

9.4 Transcendental Values and Cardinal Virtues in the Entrepreneurship and Business Context

Moral virtues (or natural virtues) refer to cardinal virtues: prudence, justice, fortitude and temperance. The cardinal virtues were first introduced by Plato and are mentioned in The Bible. They were adopted and diffused by Christian authors (St Thomas Aquinas, St Ambrose). Contemporary scholars have emphasized and developed some aspects of these four virtues in the business context. In the realm of business ethics, some studies have highlighted how transcedental values form the very foundation of the entrepreneur's being, as well as of other key actors and the company (Spaemann 1993; Ruisi, 2009).

According to Aristotle a sound ethical evaluation comes from a virtuous person or, in other terms, "a person habituated to desire to do what is good and noble".[5] According to the neo-Aristotelian vision of Solomon's (1994) entrepreneurial excellence is attained through virtuous behavior.

"Virtue is not window "dressing", and virtuous business is a long way from the kind of "grafted on" public relations exercise the consultants favor (. . .) It is rather to emphasize that a virtuous company is an honest citizen" (Scruton, 2008: p. 33).

According to Medieval philosophy, the fundamental characteristics of the human being (his transcendents) can be traced back to the cardinal virtues: unity, truth, goodness and beauty (*unum*, *verum*, *bonum-pulchrum*, and the *value*).

Unity applies to the internal and external cohesion of the entrepreneur (and of the company) to stakeholders as well as his being the bearer of knowledge and know-how. The *verum* refers to the intelligence and entrepreneurial maturity applied in the making of choices. The *bonum* applies to the ethical dimension of the company's actions and therefore the objectives of the corporate mission (taking into consideration all the stakeholders' interests). It refers to the utility which favours or does not overlook the interests of others by recognizing and appreciating the value of people, ideas and actions taken. It also implies attention to a balance between conditions in which company actions are carried out (models of work organization, corporate business atmosphere and governance, intra and extra-corporate relationships and leadership). Finally, the *value* refers to the individual's commitment to encouraging phenomena of entrepreneurship by increasing human potential (Ruisi, 2009).

---

[5] See Melé, 2009, *Evaluating the business actions:* p. 73–75.

These transcendental values lie at the basis of a renewed humanistic entrepreneurship. Bringing the virtue theme back to the business context and to the behavior of the entrepreneur is important in order to apply general moral virtues (*natural* virtues) to the context of the firm (entrepreneurial/firm virtues). These latter virtues allow a complete development of each economic agent, respectively or irrespectively of any stakeholder. In this way, these virtues allow the development of the firm and of the whole market. More precisely the so-called *cardinal* virtues are prudence, justice, fortitude and temperance.[6] There follows a brief description of each transcendental virtue and an example of how the virtues can be applied in a corporate context.

9.4.1 Practical wisdom (Prudence)

Aids practical rationality in identifying the right thing to do in each situation. Prudence supports the choice of the means suitable for the purpose attainment ultimately himself/herself realization. Both practical wisdom and operative virtues (justice, courage, moderation) are necessary to act rightly. Prudent behaviors inside a company can come from three main areas which entails first of all the entrepreneur and the managerial team (Ruisi, 2009):

1. Knowing the nature of the company, the general principles of its government, the dimensions of the business development and, above all, business vision, purpose and goals.
2. Having a clear hierarchy of ends-means business and their subordination, ultimately, to human progress and the common good (Zamagni, 1995, 2007).
3. Being aware of the entrepreneurial formula (Coda, 1988): the structure of the firm, the competitive and the social environment (the stakeholders and relationship with them). It also means being aware of: the characteristics of the human resources (professional profile of skills, motivations, aspirations, character and temperament, etc.); of corporate values and organizational climate and of the operational mechanisms actually implemented in the company.

9.4.2 Justice (Friendship)

Justice is a virtue that regulates the relationships with others; it is the "constant and perpetual wish to give to each his/her own right". It is possible to distinguish a *commutative justice*, a *distributive justice* and *legal* one. In a narrow sense it refers to the respecting of other's rights. It also leads to: distributing joint or shared

[6] Further virtues, able to facilitate the practice of the *cardinal ones*, are hope, humility, honesty, etc.

property with equity; contributing what is due to society in order to provide appropriate social conditions for the human development (social justice); improving the natural environment, the habitat of human beings, including future generations. In a broad sense justice refers to benevolence and care for the good of others and thus it is close to caritas, communion and friendship. It comprises all of the virtues related to human relations including: honesty, loyalty, gratitude, generosity and solidarity.

In an entrepreneurial context, one could consider: commutative justice for relations between the company and employees, between companies and various economic actors and between the company and stakeholders; distributive justice for what concerns the duties of the State toward the company and individuals; legal justice for the duties of the company (other than individuals) toward the State.

9.4.3 Courage (Fortitude)

This virtue (called fortitude in classical nomenclature) means persevering or pursuing what is good in spite of obstacles, allowing one to overcome fear and to strive to attain goals essential to a human way of life. Courage encourages people to reach valuable goals in an appropriate way.

9.4.4 Moderations (Temperance)

The virtue of temperance (in classical nomenclature) regulates the human inclination toward pleasure, and to avoid extremes (the unrestrained search for pleasure and lack of self-mastery). In a business context, it regulates the actions with moderation of satisfaction and pride for the present results or for what it will be reached.

All of these virtues require the determination of the "golden mean" of the operative moral virtues and have been considered the fundamental human virtues, acquired by repetitions of acts (Melé, 2009). The following brief description of corporate cases underlines how such virtues are applied in the making of entrepreneurial choices and corporate strategies.

9.5 Values and Virtues in Action in SMEs Italian Companies

9.5.1 Methodology

The empirical study was developed according to a qualitative approach and a case study methodology (Eisenhardt, 1989; Yin, 1994).

The inductive research aimed at understanding reality as to which ethical values and virtues the entrepreneurs possess which allow them to orient business action toward corporate social responsibility practices and how they translate them into strategies and practices.

The two companies (BoxMarche and Loccioni Group) have been selected among a sample of SMEs which has been analyzed in a previous more ample research on the diffusion of CSR and sustainability-oriented strategies in Italian SMEs (Del Baldo, 2012a, 2012b). Their excellence can be traced to three aspects typical of orientation toward social responsibility and sustainability: attention to the development of employees and collaborators and to different stakeholders; a strong relationship with the local community and a distinctive capacity for dialogue and communication. They belong to an Italian Region (the Marches) which is a typical example of the widespread diffusion of the entrepreneurial fabric based on family SMEs (Del Baldo & Demartini, 2012).

According to theoretical sampling, extreme cases enable easier observation of the phenomenon and facilitate pattern recognition (Eisenhardt & Graebner, 2007). The study of the case also follows the dynamics of the narrative case and the research case (Naumes & Naumes, 2006) since researchers are actively engaged with the entrepreneurs and oriented to spreading the best practices among other enterprises and stakeholders.

Semi-structured and open interviews, have been addressed to entrepreneurs and managers as well as to employees and some key-stakeholders (i.e. customers and suppliers, for a total of ten persons).

Interviews were carried out during the company visits, and took place on a monthly basis, lasting about 3 h each, during the years 2011 and 2012. A second source of data collection derives from the consultation of corporate websites and the analysis of corporate documentation: internal communications (newsletter, companies magazines), accountability tools (i.e. social balance, integrated balance) and corporate books and publications. Furthermore we were able to directly observe the entrepreneurs' behaviors, take part in seminars, workshops, and to different focus group aimed at raising awareness on corporate social responsibility and sustainability in schools, social groups, local institutions (entrepreneurial and civic associations, other companies, etc.). The Table 9.1 provides a brief picture of the two companies.

Table 9.1 Companies' profile

Loccioni Group	BoxMarche
Company Title: Gruppo Loccioni, Angeli di Rosora (AN—Marche—Italy)	*Company title:* BoxMarche Spa, Corinaldo (AN)
Year of constitution: 1968	*Year of constitution:* 1969
Economic Sector and corporate purpose: Electrical and electronics implants, automatic equipment and plants-design-robots; integrated technologies for environmental monitoring; measurement and quality control; biomedicine and medical equipments; courses and consultancy for technical, managerial education and for business development	*Economic Sector and corporate purpose*: Paper industry: design and production of packaging in food and houseware sectors
Employees and Total Sales: 350 employees; 60.000.000 €	*Employees and Total Sales*: 48 employees; 10.637.389 €
Ownership: open family-owned business	*Economic subject:* Ownership: open family-owned business
Instruments of implementing and communicating CSR and sustainability: List of company values, year 1969; Code of ethics, year 1996; Social report, year 1997; Intangibles impact, year 1997; Cause Related Marketing, year 1999	*Instruments of implementing and communicating CSR and sustainability:* Social report, year 2003; Global report, year 2006 ISO 9001, year 2001; OHSAS 18000-SA 8000, year 2003
Mission: "Wit curiosity and openness we integrate ideas, people and technologies to animate and give value to the business"	*Mission*: "to be an excellent company, based on solid principles, that works to enrich all interested parties: clients, suppliers, employees, partners, the territory and the outside community"

9.5.2 Case Analysis

Before analyzing the reflection of entrepreneurial virtues in the companies' day-to-day activity we would like to sum up the key characteristics which are common to both the enterprises.

The first is relative to the presence of a strong system of shared family and company values (Table 9.2). Values are: diligence, labor, equity, trust, honesty, simplicity, integrity, parsimony, sense of family, team spirit, enthusiasm, energy, responsibility. These values are common to the selected companies and are widespread in the region (the Marches) to which the firms belong since are the heritage of the Marchegian culture; thus are both not only entrepreneurial personal values, but also shared by internal and external local stakeholders.

The second relates to the orientation toward CSR and sustainability, which is strongly desired by the entrepreneurs, visible and integrated in the enterprise. The top-level entrepreneurial/management commitment and engagement represent "the first best practices".

Table 9.2 Milestone

Loccioni Group	BoxMarche
Imagination	Partnership
Energy (to realize one's dreams)	Centrality of the Firm: overcome individual interests for the success and the longevity of the firm; this is the only way to ensure a peaceful future for employees
Responsibility (for the air that we breathe, the land that we walk, the resources that we utilize, the trust that we obtain)	Organization: research best practices for the organization of labor; emphasize flexibility and professionalism of personnel.
Tradition & Innovation (learning from the past to give form to the future)	Respect for the Individual: valorize the dignity of employees, encourage personal growth through continual training, believe in the capacity of others and respect their work; manage conflicts
Attention to human resources: – 55 % of the collaborators high school graduates; 45 % college graduates; medium age 33 years – 7 % of its resources dedicated to educational development – Best Work Place Italia Award, from 2002 to 2007 for excellence in organizational environment and the satisfaction of collaborators (from Great Place to Work Institute, Italy) – Ernest & Young Prize, "Entrepreneur of the year", 2007, "Quality of Life" category – Recognition as "Olivettiano businessman of the year 2008"	Environment and Territory: become a reference point for all businesses in the region with respect to the environment by committing to sustainable development, conforming to laws and going beyond the standards, orienting, raising awareness and including clients, employees, suppliers, and seeking out new opportunities with respect to the environment, instilling a relationship of trust and transparency concerning the firm's activities among the local community and local government – Prize for the Social Responsibility of Businesses awarded to Box Marche for being "a solid reality that donates 15 % of its earnings in corporate giving, and pays close attention to the environment, research and development, and society" – Italian Balance Oscar 2007 for the category of Medium and Small Enterprises thanks to the 2006 Global Report, centered on the innovation of the "3Ps": Products, Processes and People – Confindustria Award for Excellence (2006), for being a "business champion for the valorization of the territory" – "Work Value" Prize (2007) assigned to Box Marche, one of the 10 best Marchegian firms, distinguished for their contribution to best practices in the quality of work
Attention to research: – 4 % of its resources invested in Research and Development – 12 patents and 7 projects of applied research – European Recognition for the research project/DG XII, European Union) "MEDEA" (on quality control in the domestic electronics sector)	Quality: Operate with excellence, choose among infinite possibilities the key of the process, exceeding the client's expectations 2003: Quality Award Italy for SME 2005: Winner, Sodalitas Social Award for the category "SMEs" 2005: Recognition of benevolence, City of Corinaldo

(continued)

Table 9.2 (continued)

Loccioni Group	BoxMarche
– 11 patented research projects. – Best Application Award, Automotive Forum 2008 – Marchegian of the Year (2008) for technological innovation	2006: Official Selection at the Second European MarketPlace on CSR 2006: Multi-stakeholder Panel (multi-stakeholder counterpart for the Italian CSR Forum) 2007: Winner, Oscar di Bilancio 2007 in the category of Small and Medium-sized firms (Milan, FERPI)
Attention to CSR and sustainability: – Sodalitas Social Award 2005 Finalist for the category "Internal Processes of CSR and network enterprise model"; "Metalmezzadro" project in the knowledge-based business. – Sodalitas Social Award 2008 Finalist, "Sustainability Projects" category. – "Business and Culture" Award 2003, project "Bluzone". – Sodalitas Social Award 2009, Finalist in "sustainable initiatives" for the Project LOV, The Land Of Values. – Leaf Community Project: Leaf Energy and Future (partner of the European Commission in the "Sustainable Energy Europe Campaign", accomplishments received by Legambiente	Constant improvement: practise and disseminate a culture of const ant improvement at all levels and in all contexts of the organization

Thirdly, purpose, vision and values are constantly reinforced through culture and processes and continuously communicated throughout the organization and beyond. Effective stakeholder engagement processes are present. The cohesion to stakeholders represents a source of mobilizing resources with far-reaching consequences, and above all the growth of intangible capital (social capital, relational capital and intellectual capital).

The fourth aspect makes mention of the decision-making process which is based on collaboration, sharing and transparency. A relational approach prevails and is centered on trust value. Values and mission are shared, explicated and communicated, thus ensuring consistency in decision-making and avoiding value-gaps.

The fifth aspect applies to the adoption of instruments of accountability (social balance, ethical code, integrated report). The social and environmental engagement is complex and structured and a number of projects directed to different stakeholders have been and implemented for years.

A further distinctive aspect is the companies' rootedness and their engagement to spreading well-being in the local community in which they are located. Both the firms belong to geographical areas historically characterized by a solid rural tradition, typical expression of the Marchegian culture which form the basis of the entrepreneurial culture and favor the assumption of social and civic responsibility (Del Baldo, 2012a, 2012b).

Lastly, both the firms are characterized by a high degree of openness to partnerships and affiliations to local, national and international networks aimed at cultivating the culture of responsibility and sustainability. They desire to testify to and understand best practices adhering to multiple occasions of exchange and comparison (workshops, forums, meetings, testimonies, etc.). Both the companies received a variety of awards at local, national and international level related to different aspects of excellence in their responsible and sustainable conduct (see Del Baldo, 2010a, 2012b).

Departing from this brief analysis, in the following we present the most relevant findings relative to entrepreneurial virtues as well as some extracts from interviews with the entrepreneurs.

9.5.3 Prudence

In the following section, we summarize some aspects of virtuosity (prudence) which have emerged from the analysis.

In the selected firms a clear vision exists as well as long-term goals and well-delineated short-term objectives. These exist on a formalized and non-formalized level numerous moments (forums, open days, internal meeting, multi-stakeholder forums) and tools (Intranet, direct relations, newsletters, company magazines, etc.) aimed at communicating the vision, purposes, strategies and objectives are present.

Mission and vision are based on shared values and goals. They are ethically founded and the accountability tools (ethical code, social balance, integrated report) make it possible to appreciate the ethicality of the business goals pursued and the resources employed (i.e. the Global report of BoxMarche includes the sustainability report and a specific section on intangible resources).

The different strategic business areas are adequately defined in terms of coherence between the various dimensions (i.e. business resources and structure/system/processes) and different instruments of analysis and communication (both formal and informal) addressed to the stakeholders are used to verify the adequacy of the strategies employed to guarantee the economic/financial, social and environmental equilibrium (i.e social balance, open days addressed to different categories of internal and external stakeholders, meetings and forum, etc.).

The government principles are respected, i.e. economization, solvency, precaution, etc. An adequate level of managerial competence is present and is continuously developed through internal and external training.

The concept of responsibility pervades the organizational culture. It develops from the cardinal figure of the entrepreneurs (and their families), is shared by the collaborators, and transmitted to every stakeholder who enters into a relationship with the companies through recommendations, constructive explanations and dialogue.

Agreements, of different nature (formal and informal) with competitive actors (suppliers, concurrent, customers, university, research centers, social enterprises, institutions, entrepreneurial, civic and non profit seeking organizations) exist.

Special attention is focused on the improvement of human resources, both in terms of training, adoption of incentive mechanisms and procedures aimed at spreading the knowledge (i.e. duties rotation, working teams, meetings, celebrative events), as well as in terms of attention to the bell being inside and outside the companies. We can mention the networks developed by the Loccioni Group: U-net (multidisciplinary network of universities and research centers for the development of scientific competence and applied research); Crossworlds (network of international groups that aim to stimulate the transfer of automotive technology toward other sectors); "Bluzone", an educational laboratory accredited since 2002 by the Marches Region that partners with 28 schools, 20 universities, and 5 master's programs (every year more than 1,000 students are hosted); Nexus (plural-sector network of local businesses), created in 1994 by Enrico Loccioni's idea to facilitate integration between SMEs in the Province of Ancona and to increase territorial growth, as well as the growth of the local companies, through sharing information and experiences. The initiatives promoted by Nexus are multifarious: monthly meetings, virtual board, training courses, collaborations with schools, scholarships, providing data for students' thesis, training, polytechnic visits, European projects. The staff is formed by 30 entrepreneurs/companies and more than 550 collaborators.

> *"Ours is a way of being an open enterprise from the very beginning, born to welcome interlocutors as carriers of value; formation, collaboration, team work are our practices"* (E. Loccioni, Founder of Loccioni Group).

> *"The enterprise has a soul and it has those intangible assets linked to the spirit and to the dignity of the person. The value of BoxMarche's products is measured by a profound harmony with all of our 'travel companions' who smile, suffer, and live within the company. Our best technology (people) comes home at night. With the passion that we put into this partnership, we will obtain significant results even in the global context, which doesn't mean only internationally, but also "in the family". A friendship that is transformed into a partnership. And this is beautiful"* (BoxMarche, letter from the Managing director, Global Report 2011).

> *"This is a living company, a place in which fantastic people live side by side and their passion not only gives them an income but contributes to building the cathedral, civilization and fostering the passion as a driving force behind life and work. And we really enjoy ourselves. Collaborating means cum vergere that is helping each other: when we deal with clients or people within the company who are highly satisfied. Success is the excellence obtained by people doing their jobs well"* (T. Dominici, Managing Director of BoxMarche).

> *"Values sustain actions. Without values one cannot go far. Values are the identity of the group: they provide a language, they give strength to our businesses and guide them as they adapt to the market. Our intangible values are imagination (to know how to create), energy*

(to achieve our dreams), responsibility (for the air we breathe, the land we walk on, the resources that we utilize, the trust that we gain). Values at the foundation of agrarian culture are "obstinacy" (literally a "ringworm"), desire, dedication to one's work, parsimony, the sense of one's limits, the of the family as the nucleus of solidarity, responsibility" (E. Loccioni, president of Loccioni Group, entrepreneur of the year 2007; Ernst & Young Award for Quality of life; recognition "Olivettiano businessman" of the year 2008).

9.5.4 Justice

The aspects which have been analyzed and considered appropriate to assess the presence of the virtue of justice in corporate conduct in the selected company are the following: develop working relationships marked by fairness; enhance the professionalism involved in the company implement honest conduct and transparent relationships with stakeholders outside the company; promote the local territorial development; comply with the law and avoiding any prosecution.

The attention of the companies over the virtue of justice can be summarized in the following aspects:

– Clarity of business roles and responsibility, transparent paths and systems of progression in career; attention focused on the generational handover. In the Loccioni Group the second generation had for years already been placed side by side with the founder. In BoxMarche values, objectives are shared among the family and the management and also the ownership is shared with subjects outside the family group.
– Better working conditions (in terms of salary, flexible working hours, shifts, leave, diversity management practices) compared to those provided by the law as well as the recognition of every kind of diversity; the presence of mechanisms (formal/informal) tended to favor the empowerment of all employees. In particular, the Loccioni Group has distinguished itself for its attention to pre, during and post-entry training. Specific training programs have been implemented (the so called blue zone, red and grey zone) aimed respectively at: young new employees and interns (numerous agreements have been made with Italian and foreign high schools and universities), young employees (already set on a path toward managerial responsibility and entrepreneurship; there have been numerous spin-offs developed over the years) and employees nearing the end of their career who have been given responsibility for specific projects and who are joined by younger employees. This collaboration enables the employees' respective skills to be improved and allows a smooth generational handover of the competences at each organizational level (manager and worker). For BoxMarche we can cite the projects: "the passion for improving activities for a responsible business model" (through which the company gained the Sodalitas Social Award in 2005); the Confindustria Award for Excellence, given to Boxmarche in 2006, for being a "business champion for the valorization of the territory"; in 2007, the Prize "Work Value" assigned by the Marches Region

Govern to the 10 best Marchegian firms, distinguished for their contribution to best practices in the quality of work; and the Italian Prize for the Social Responsibility of Businesses given to 24 domestic companies in 2005, for being "a solid reality that donates 15 % of its earnings in corporate giving, and pays close attention to the environment, research and development, and society."

- Presence of sessions of knowledge and competence sharing and systems of suggestions (box of ideas, circles of quality, brainstorming sessions, etc). For instance BoxMarche has recently introduced a new organizational model (customer-desk) aimed at enhancing the problem solving capability involving all employees who are daily invited, applying the "open-door principle" and the continuous improvement, to propose their suggestions and their experience to enhance their activity and the activity of the company.
- Adoption of numerous (product, social and environmental) certification systems and of different initiatives of stakeholders' dialogue and commitment as well as cultural, environmental and social, projects implemented at a local, regional, national and international level. We can mention the Loccioni Group project "LoVe—Land of Values": by collaborating with small local tourism agencies (i.e. agro-tourisms and farms), the Group offers its work-related visitors a unique and custom-designed experience. In the Loccioni companies' guides on small touristic partners and brochures on the most significant Marchegian localities, are offered. This "heritage experience" helps transmit to its partners those values and the ethical matrix, which stands at the base of its entrepreneurial culture. At the same time, it offers the local community, without any ulterior motives or desire for return (the Group bear all the costs of promotion), an opportunity that has important economic and occupational reflects on the local economy.
- Adoption of customer satisfaction mechanisms (addressed to external clients and employees) aimed at testing their effective behaviors[7]; adoption of a large number of initiatives aimed at improving the business atmosphere. Consequently, there is a low or zero level of conflict with personnel and other stakeholders.

Other indications of the degree of justice that have emerged are related to factors such as: gratitude, wanting to reciprocate the kindness of others; affability, forging more friendly, pleasant and decent relationships with others (employees, external partners, suppliers, customers, etc.); faithfulness in keeping promises to the people (professional commitments, union agreements, etc.).

> *"To celebrate 40 years of business activity, BoxMarche has chosen to share the occasion with "its people". We could have done without this celebration as times are troubled and the tendency is to cut costs. But, just as in a family, the superflous is given up, but*

[7] BoxMarche adopts the "philosophy of the smile," which celebrates the value of cordiality as a fundamental part of every human relation. Some instruments are: the Pleasure Graph, a sort of self-evaluation of by the department heads; research on staff satisfaction; incentive trips and company dinners for workers and for charity; scholarships for workers' children; inclusion in cultural and artistic events promoted in the territory.

relationships, important moments in life, friendships, exchange of views and the sharing values and principles, cannot be given up".(T. Dominici, Managing Director of BoxMarche, 2011).

"We had two *years of loss: the director did not receive a salary but we doubled investments in training and innovation* ". (T. Dominici, Managing Director of BoxMarche, 2012).

"Our 'People' are made up by the young of this company, strong in their preparation and their desire to learn and grow, in the awareness of working for a project, investing their soul and pride, as those master masons of the Age that 'didn't carve stones but built a cathedral ' (E. Loccioni, President of Loccioni Group).

"The LOV- project permits those who visit us the ability to share in a singular encounter of professionalism and conviviality. The visit to the Group must be a moment that involves, other than commercial intents, also moments of hospitality, which permits one to discover the values and the culture that originates in our world" (E. Loccioni, President of Loccioni Group).

9.5.5 Fortitude

Behaviors testifying to resilience are reflected in the company with respect to the ability to resisting and overcoming difficulties/problems (credit, solvency, intensification of competitive pressure, etc...) arisen in situations of cyclical business crisis and in the intense collaborations and transparency with customers, supplier, institutions, etc. Indicators of virtuosity (fortitude), are also relative to the presence of mechanisms able to support the employees motivational status based on monetary benefits (profit sharing) as well as non-financial ones (trips, tokens, scholarships, etc.), the presence of tools of communication, the high level of innovation (the Loccioni Group is an "incubator" which develops continuous innovation giving rise to spin off (intrapreneurship processes) and gemmation paths following the departure model.

Other aspects are related to certain virtues associated: magnanimity in taking tough measures to safeguard the survival and the development of the company; magnificence in carrying out projects of great impact benefit not only for shareholders but also for the wider community (for the common good); patience with oneself and others faced with many difficulties (first, managerial and competitive); perseverance, especially when struggling to get the expected results; hope and humility.

"This is the second year with a financial loss. But if we consider the added value which represents the corporate value, and not just the net revenue, we can see that there has been growth. The stakeholders should be able to look beyond "keyhole" and perceive the real growth of a company. A tree falling makes more noise than a forest growing; the of a company is not just expressed by the numbers that most people see. Despite the global crisis, we continue to aim for a collaboration of efforts and growth. Collaboration is essential for putting ideas and passions together. Growth is necessarily in terms of turnover, but in relationships, knowledge and values, which are intangible most of the

time and connected to the virtues that the people of Box Marche put into their work. Numbers do not emerge if there are no values". (T. Dominici, Managing Director of BoxMarche, 2012).

"Growth at all costs? Sometimes it is not necessary to grow. First we must allow people to grow, in terms of culture, passion, willingness, interests and quality of life. What tangible goods we may lose we gain with intangible goods: in the ability to problem solve, in the increased value of our products and services, in relationships with clients, in a positive working atmosphere, greater happiness, tidiness and order in the working environment, in the relationship with the territory and in culture". (T. Dominici, Managing Director of BoxMarche, 2012).

"In the brochure of this company there is talk of the "centrality of the person". It is not a cliché, because it corresponds to the reality: for example the centrality of the training (eight thousand per year, in a company which doesn't even have four hundred employees), the care of the working environment, the respect and cordiality of relations" (E. Loccioni, President of Loccioni Group).

9.5.6 Temperance

Moderating behaviors occurs in the companies undertaking operational decisions of investment; of growth starting from the actual availability of resources, skills and organizational competences (entrepreneurial, managerial and technical); decisions about participation in a strategic alliance starting from the effective sustainability in the long term.

To understand if the spirit of moderation is really embodied by the entrepreneur we considered the following aspects of the companies examined.

Companies carry out balanced investments and coherent dimensional growth paths based on qualitative development: innovation, staff training, social, environmental and not only economic performances. Entrepreneurs have always interpreted growth above all of people, the community of belonging and the context in which the three dimensions are inserted (triple approach and bottom line) and highlighted the need to re-examine the opportunity and the modality of execution of that growth.

The companies experience coherence between the economic flows and those of the family; both social systems (family and business) are nourished by values; the family is the holder of values and a source of strength. The entrepreneurs' lifestyle is not consumerism but based on frugality, sobriety and a sense of duty and sacrifice. The entrepreneurial and managerial team is able (since it desires to) to find the time for moments of reflection, shared with employees and other stakeholders, i.e. schools and universities (through conventions and workshops).

Other linked virtues whose presence is reflected in the narrative stories of the entrepreneurs are: meekness/gentleness and humility in relationship with stakeholders; clemency toward those who commit errors inside the company; modesty in relation to objectives and results achieved so far; continence in resisting temptations to exceed in the managerial process compared to the available resources, capabilities and competences. In the rare cases when errors have occurred or defaults the entrepreneurs have not fired or penalized employees, but they have assessed the reasons of such behaviors and offered them new chances to live up to the responsibilities of their roles and promoted their talent through ad hoc training courses.

> *"Our company is a team. We are inspired by positivity and enthusiasm: we have great projects for the future and for that reason we have to remain united. The secret is a simple one: we must be a team not when it comes to organizational procedures; but bearing in mind a person's soul, a sense of belonging, a belief in one's job, from the simplest to the most complex, as everyone contributes to the common good. This requires courage, determination, sensitivity, a passion for teamwork: individual talent and friendship must be involved to unite people, fortitude, a sense of sacrifice and a relish for challenge. We need soul, sensitivity and trust in others"* (S. Pierfederici's, letter from the Chairman of BoxMarche, Global Report 2011, p. 13).

> *"The company presented itself as a small industrial group, which would create other companies. The latin name of one company in our Group –Nexus -means link; it is a network of contacts among entrepreneurs. The networks with the university is called project U-net. The Bluzone project corresponds to this logic: accommodate students, from primary school to university, in orientation visit, business internships, one year educational projects for student groups. The aim is to identify potential resources to be included in the enterprise, but also to provide to a wider audience, an educational base for their future activities, maybe even as a spin-off, as has happened in some cases*" (E. Loccioni, President of Loccioni Group, 2012).

9.6 Concluding Reflections

There is a strong need for virtuous conduct in the business' world. The companies analyzed are example of virtuosity. In the two cases the business is conceived as a laboratory in which to form the minds and hearts of the subjects concerned. The companies are seen as good places in which to lead a good life and as a school of virtue because of the time spent there and the energies invested. It is not only a factory, but a place in which people discover themselves and meet others. They are knowledge-based companies but first and foremost relations-based. Their competitive success grows out of the commitment to values and to the human spirit and where a type of "art" lives, reconciling economic objectives and humane ones. In this sense they can be considered "companies with a soul" based on core principles: trust, vision, courage, community, creativity, patience, humanity integrity, diligence, enthusiasm and openness.

The typical characteristics of these "convivial" companies (Del Baldo, 2010a) arise from social and anthropological variables: the value of family, considered the first source of "energy" and of values extended to the company in a virtuous relationship; the strong ethical and moral foundation whose roots derive from Marchegian civilization and rural culture, and permeated by religious principles;

the membership of entrepreneurs and firms of small centers in the province characterized by strong social cohesion and a consequent sense of community; the strong desire and capacity to "attract" and "infect with enthusiasm": the art of managing relationships is expressed in the creation of both formal and informal partnerships, which move companies to promoting local, national and international networks.

The entrepreneurs are aware that through corporate practices they are building culture. Through relationships they promote the growth of being before having. They cultivate intelligence and the willingness of employees and stakeholders; they see managerial and entrepreneurial training as education capable of stimulating the creativity of people in educating themselves and producing a new culture as well as contributing to the formation of a sense of values, a hierarchy of values and a capacity to distinguish what is truly important.

The entrepreneurs feel "called" on to exercise virtues. Their virtues can be traced back to the repetition of good managerial practices: through the satisfaction of the expectations of various stakeholders, the entrepreneurs interviewed aim at long-term corporate stability. They are strongly convinced that only if managerial action arises from this heritage of virtue can the foundations of a harmonious corporate development take place.

They are concerned about their own and others' progress (personal happiness cannot be reached with the stakeholder's happiness) recognizing and appreciating the value of people and their ideas and actions. They can (and they want) to nourish the process of the empowerment of human capital and to promote knowledge. And they are aware that such knowledge in the workplace is a process beginning from the individual.

They are "men of trust and hope": trust and hope and anchored in the support of the collaborators, which depends on a relaxed atmosphere and a sense of esteem spread throughout the company, as well as in an appreciation of consumers, loyalty to suppliers, the trust of financial backers, the acceptance of the local community and fair play demonstrated by the competitors.

We can conclude by saying that such entrepreneurs and such companies are not so rare, but more frequently they are "unknown"; thus we think it's important to know and evaluate examples which are not "fantastic", but quite simply "ordinary" in the sense that they are really human and at the same time capable of expressing transcendental values orientations.

References

Argandoña, A. (2003). Fostering values in organizations. *Journal of Business Ethics, 45*, 15–28.

Argandoña, A. (2011). Beyond contracts: Love in firms. *Journal of Business Ethics, 99*(1), 77–85.

Bardi, A., & Schwartz, S. H. (2003). Values and behavior, strength and structure of relations. *Personality and Social Psychology Bulletin, 10*, 1207–1220.

Bardi, A., Lee, J. A., Hofmann-Towfigh, N., & Soutar, G. (2009). The structure of intra-individual value change. *Journal of Personality and Social Psychology, 97*, 913–929.

Batchelor, J. H., Gibson, S. G., Harris, M. L., & Simpson, L. R. (2011). Comparison of ethical behavior: Individual perceptions and attitudes toward entrepreneurs. *Journal of Leadership, Accountability and Ethics, 8*(5), 32–43.

Brown, M. T. (2005). *Corporate integrity. Rethinking organizational ethics and leadership* (p. 272). Cambridge: Cambridge University Press.

Bruni, L. (2009). *The economy of communion. Toward a multi-dimensional economic culture*. Hyde Park, NY: New City Press.

Bruni, L., & Uelmen, A. J. (2006). Religious values and corporate decision making: The economy of communion project. *Fordham Journal of Corporate & Financial Law, 11*, 645–680.

Bruni, L., & Zamagni, S. (2004). *Economia civile*. Bologna: Il Mulino.

Bucar, B., & Hisrich, R. D. (2001). Ethics of business managers vs. entrepreneurs. *Journal of Developmental Entrepreneurship, 6*, 59–82.

Carrol, A. B. (2000). Ethical challenges for business in the new millennium: Corporate responsibility and model of management morality. *Business Ethics Quarterly, 10*(1), 33–40.

Catturi, G. (2006). Potere aziendale e responsabilità socio-politica. In G. Rusconi & M. Dorigatti (Eds.), *Impresa e responsabilità sociale* (pp. 89–109). Milano: FrancoAngeli.

Coda, V. (1988). *L'orientamento Strategico dell'impresa*. Torino: Utet.

Cortright, S. A., & Naughton, M. J. (2002). *Rethinking the purpose of business. Interdisciplinary essays from the catholic social tradition*. Notre Dame, IN: University of Notre Dame Press.

De Miranda Coelho, J. A. P., Gouveia, V. V., & Milfont, T. L. (2006). Valores Humanos como Explicadores de Atitudes Ambientais e Intencao de Comportamento Pro-Ambiental (Human values as predictors of environmental attitudes and pro-environmental behavior). *Psicologia Em Estudo, 11*, 199–207.

Del Baldo, M. (2006, July). SMEs and corporate social responsibility. Some evidences from an empirical research. In *Proceedings on emerging issues in international accounting & business conference 2006* (Vol. 1, pp. 314–343). Padua: University of Padua.

Del Baldo, M. (2010a). CSR and sustainability: mission, governance and accountability in Italian Smes. The experience of BoxMarche, a "Convivial" and "Territorial" Enterprise: Toward a "Territorial Model of Sustainability". In M. G. Baldarelli (Ed.), *Civil economy, democracy, transparency and social and environmental accounting research role. Some reflections in theory and in practice* (pp. 289–345). Milano: MacGraw-Hill Italia.

Del Baldo, M. (2010b). Corporate social responsibility and corporate governance in Italian SMEs: Toward a 'Territorial' Model based on Small 'Champions' of CSR'. *International Journal of Sustainable Society, 2*(3), 215–247.

Del Baldo, M. (2012a). Corporate social responsibility and corporate governance in Italian Smes: The experience of some "spirited businesses". *Journal of Management and Governance, 16*(1), 1–36.

Del Baldo, M. (2012b). Family and territory values for a sustainable entrepreneurship. The experience of Loccioni Group and Varnelli Distillery in Italy. *Journal of Marketing Development and Competitiveness, 6*(3), 120–139.

Del Baldo, M., & Demartini, P. (2012). Bottom-up or top-down: Which is the best approach to improve CSR and sustainability in local contexts? Reflections from Italian Experiences. *Journal of Modern Accounting and Auditing, 8*(3), 381–400.

Driscoll, D. M., & Hoffman, W. M. (2000). *How to implement values-driven management* (p. 289). Walham, MA: Bentley College.

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review, 14*(4), 532–550.

Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from cases: Opportunities and challenges. *Academy of Management Journal, 50*(1), 25–32.

Elkington, J. (1994). Towards the sustainable corporation: Win-win-win business strategies for sustainable development. *California Management Review, 36*(2), 90–100.

European Commission (2006). Communication implementing the partnership for growth and jobs: Making Europe a pole of excellence on corporate social responsibility, Bruxelles, 2006, COM (2006) 136 final.

European Commission (EC). (2002). European SMEs and social and environmental responsibility. *7th observatory of European SMEs*, No. 4, Luxemburg: Enterprise Publications.

European Commission (EC). (2011, October). A renewed EU strategy 2011-14 for Corporate social responsibility. COM(2011) 681 final, Brussels.

European Union (EU). (2004, May). European multi-stakeholder forum on CSR: Report of the round table on fostering CSR among SMEs', final version, pp. 1–26.

Gallo, M., & Cappuyns, K. (2004). *Characteristics of successful family businesses* (WP-542). Navarra: IESE Business School, University of Navarra.

Garriga, E., & Melé, D. (2004). Corporate social responsibility theories: Mapping the territory. *Journal of Business Ethics, 53*(1), 51–71.

Global Report. (2011). *BoxMarche global report*. Osimo (AN): Flamini Aspio.

Gold, L. (2010). *New financial horizons. The emergence of an economy of communion*. Hyde Park, NY: New City Press.

Gorgievski, M. J., Ascalon, M. E., & Stephan, U. (2011). Small business owners' success criteria, a values approach to personal differences. *Journal of Small Business Management, 49*(2), 207–232.

Gowri, A. (2007). On corporate virtue. *Journal of Business Ethics, 70*, 391–400.

Gregg, S., & Stoner, J. R., Jr. (Eds.). (2008). *Rethinking business management. Examining the foundations of business education*. Princeton, NJ: The Witherspoon Institute.

Gui, B., & Sugden, R. (2005). *Economics and social interactions. Accounting for interpersonal relations*. Cambridge: Cambridge University Press.

Helmer, T., & Olson, S. F. (1987, March). *The minority entrepreneur: An assessment of the correlation between personal values and company strategy*. Southwest Academy of Management Sciences conference paper.

Hemingway, C. A., & Maclagan, P.-W. (2004). Managers' personal values as drivers of corporate social responsibility. *Journal of Business Ethics, 50*(1), 33–44.

Jenkins, H. (2004). A critique of conventional CSR theory: An SME perspective. *Journal of General Management, 29*(4), 37–57.

Jenkins, H. (2006). Small business champions for corporate social responsibility. *Journal of Business Ethics, 67*(3), 241–256.

John, P., II. (1991). *Centesimus annus*. Città del Vaticano: Libreria Editrice Vaticana.

Kaptein, M., & Wempe, G. (2002). *The balanced company: A theory of corporate integrity*. Oxford: Oxford University Press.

Ketola, T. (2008). A holistic corporate responsibility model: Integrating values, discourses and actions. *Journal of Business Ethics, 80*, 419–435.

Kotey, B., & Meredith, G. G. (1997). Relationships among owner/manager personal values, business strategies and business performance. *Journal of Small Business Management, 35*, 37–64.

Lamont, G. (2002). *The spirited business: Success stories of soul friendly companies*. London: Hoddes and Stoughton.

Longenecker, J. G. (1989). Ethics in small business. *Journal of Small Business Management, 27* (1), 27–31.

Longenecker, J. G., Moore, C. W., Petty, W., Palich, L. E., & McKinney, J. (2006). Ethical attitudes in small business and large corporations: Theory and empirical findings from a tracking study spanning three decades. *Journal of Small Business Management, 2*, 167–183.

Melé, D. (2002). *Not only stakeholder interests. The firm oriented toward the common good*. Notre Dame: Notre Dame University Press.

Melé, D. (2009). *Business ethics in action. Seeking human excellence in organizations*. Hampshire, GB: Palgrave Macmillan.

Molteni, M. (2009). Aziende a movente ideale. In L. Bruni & S. Zamagni (Eds.), *Dizionario di Economia Civile* (pp. 65–75). Roma: Città Nuova.
Morsing, M. (2006, October). *Drivers of corporate social responsibility in SMEs*. EABIS/CBS international conference, Copenhagen.
Naumes, W., & Naumes, M. J. (2006). *The art and craft of case writing* (2nd ed.). London: ME Sharpe.
Nielsen, A. E., & Thomsen, C. (2006, October). *CSR in small and medium sized enterprises (SME's): A holistic and strategic approach to the communication with the stakeholders*. EABIS/CBS international conference, Copenhagen.
Novak, M. (1996). *Business as a calling: Work and the examined life*. New York, NY: Simon and Schuster.
O'Neil, I., & Ucbasaran, D. (2010). *Individual identity and sustainable entrepreneurship: The role of authenticity*. Paper presented at the ISBE 2010 conference, London, pp. 1–18.
OECD. (2001). *Corporate social responsibility*. Paris: Partners for Progress.
Piore, M. J., & Sabel, C. F. (1984). The second industrial divide. New York: Basic Books; (trad. it.: Le due vie dello sviluppo industriale. Produzione di massa e produzione flessibile. Torino, Isedi-Petrini, 1987).
Pruzan, P. (2001). The question of organizational consciousness: Can organizations have values, virtues and visions? *Journal of Business Ethics, 29*, 271–284.
Putnam, R. D. (1993). *Making democracy work. Civic tradition in modern Italy*. Princeton, NJ: Princeton University Press.
Pyke, F., Becattini, G., & Sengenberger, W. (Eds.). (1990). *Industrial districts and inter-firm cooperation in Italy*. Geneva: International Institute for Labour Studies.
Revell, A., & Blackburn, R. (2007). The business case for sustainability? An examination of small firms in the UK's construction and restaurant sectors. *Business Strategy and the Environment, 16*, 404–420.
Röpke, W. (1960). *A human economy*. Chicago: Henry Regnery Company.
Ruisi, M. (2009). *Antropologia ed etica aziendale. Note sul tema di trascendentali e virtù imprenditoriali*. Milano: Giuffrè.
Ruisi, M. (2010, September). *Measure entrepreneurial virtues. Towards a new perspective for the indicators of corporate success*. Paper presented at the 23rd Eben Annual Conference Which Values for Which Organisations?, Trento.
Ruisi, M., Fasone, V., & Paternostro, S. (2009, April). *Respect and hope a binomial relationship supporting the creation of a true entrepreneurial model*. Paper presented at respect and economic democracy, fifth annual conference of the European SPES Forum, Catania.
Schwartz, S. H. (2005). Basic human values: Their content and structure across cultures. In A. Tamayo & J. Porto (Eds.), *Valores e Trabalho [Values and work]* (pp. 21–55). Brasilia: Editoa Vozes.
Schwartz, S. H. (2009). Basic values: How they motivate and inhibit prosocial behavior. In M. Mikulincer & P. Shaver (Eds.), *Herzliya symposium on personality and social psychology* (Vol. 1). Washington, DC: American Psychological Association Press.
Schwartz, S. H., & Bardi, A. (2001). Value hierarchies across cultures: Taking a similarities perspective. *Journal of Cross-Cultural Psychology, 32*, 268–290.
Schwartz, S. H., Melech, G., Lehmann, A., Burgess, S., Harris, M., & Owens, V. (2001). Extending the cross-cultural validity of the theory of basic human values with a different method of measurement. *Journal of Cross-Cultural Psychology, 32*, 519–542.
Scruton, R. (2008). Virtue and profit: A critique of managerial reasoning. In S. Gregg & J. R. Stoner Jr. (Eds.), *Rethinking business management* (pp. 21–37). Princeton, NJ: Witherspoon Institute.
Solomon, C. R. (1992). *Ethics and excellence: Cooperation and integrity in business*. New York, NY: Oxford University Press.
Solomon, C. R. (1994). *The new world of business. Ethics and Free Enterprise in the Global 1990s*. Lanham, MD: Rowmna & Littlefield Publishers.

Sorci C. (2007). *Lo sviluppo integrale dell'azienda*, in AA.VV., *Lo sviluppo integrale delle aziende*. Giuffrè, Milano.

Spaemann, R. (1993). *Concetti morali fondamentali*. Casale Monferrato (AL): Piemme (Or. ed., 1986, *Moralische Grundbegriffe*).

Spence, L. J. (1999). Does size matter? The state of the art in small business ethics. *Business Ethics: A European Review, 8*(3), 163–174.

Spence, L. J., & Lozano, J. F. (2000). Communicating about ethics with small firms: Experiences from the U.K. and Spain. *Journal of Business Ethics, 47*(1), 43–53.

Spence, L. J., & Rutherfoord, R. (2003). Small business and empirical perspectives in business ethics. *Journal of Business Ethics, 47*(1), 1–5.

Spence, L. J., & Schmidpeter, R. (2003). SMEs, social capital and the common good. *Journal of Business Ethics, 45*(1/2), 93–108.

Spence, L. J., Schmidpeter, R., & Habisch, A. (2003). Assessing social capital: Small and medium sized enterprises in Germany and the U.K. *Journal of Business Ethics, 47*(1), 17–29.

Taylor, C. (1992). *The ethics of authenticity*. Cambridge, MA: Harvard University Press.

Trilling, L. (1972). *Sincerity and authenticity*. London: Oxford University Press.

Vyakarnam, S., Bailey, A., Myers, A., & Burnett, D. (1997). Towards an understanding of ethical behaviour in small firms. *Journal of Business Ethics, 16*(15), 1625–1636.

Weaver, G. R., Treviño, L. K., & Cochran, P. L. (1999). Integrated and decoupled corporate social performance: Management commitments, external pressure, and corporate ethics practices. *Academy of Management Journal, 42*(5), 539–552.

Yin, R. K. (1994). *Case study research: Design and methods* (2nd ed.). Thousand Oaks, CA: Sage.

Zadek, S. (2006). Responsible competitiveness: Reshaping global markets through responsible business practices. *Corporate Governance, 6*(4), 334–348.

Zamagni, S. (Ed.). (1995). *The economics of altruism*. Hants: E. Elgar.

Zamagni, S. (2007). *L'economia del bene comune*. Roma: Città Nuova.

Chapter 10
Corporate Social Responsibility: A New Management Paradigm?

René Schmidpeter

Abstract CSR has developed from a purely selective, single-issue engagement (sponsoring and donations) and legal compliance measure to explicit responsibility management in the core business of companies, taking into account the three pillars of economy, social issues and ecology (CSR 2.0). The central point is no longer the question of how profits will be put to use, but rather how they are made in the first place. With the next step, the general question of companies' contribution towards social innovation comes into focus. This conscious strategic positioning in society (business in society) aims to increase both the social and the business added value at the same time (shared value). Businesses as "responsible corporate citizens" are therefore no longer seen as the problem, but rather provide solutions for the most pressing challenges of our time. This reorientation (in the sense of sustainable entrepreneurship = CSR 3.0) is the actual and fundamental contribution of business to a sustainable development of our society. It is an investment both in the competitive ability of our companies and in the future of the coming generations.

This article is based on Schmidpeter (2013) Unternehmerische Verantwortung - Corporate Social Responsibility als Paradigmenwechsel im Management?! In: WKO (Ed.) Wirtschaftspolitsche Blätter: Unternehmertum und Werte, 60 Jg., 01/2013. Manz, Austria.

R. Schmidpeter (✉)
Centre for Humane Market Economy, Salzburg, Austria
e-mail: rene.schmidpeter@gmx.at

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_10,

10.1 Introduction: The Role of Companies in Society

Today's social and ecological challenges, but in particular also the economic challenges (e.g. demography, resource scarcity, financial crisis), demonstrate that the role of companies in society is of fundamental importance to the way our market-based economic system functions. More than 200 years ago, in the wake of their own social crises such as famine, Adam Smith was able to point out that if entrepreneurs acted in their own interests, they often benefit society more than if they actually set out to achieve social goals. Consequently, social responsibility can only be securely rooted in a company if it is firmly integrated in the corporate strategy and connected to the company's interests, thereby anchoring it in the entire process of value creation, rather than regarded as "nice to have" but disconnected from the company's "actual" business activities - as often practised in form of a "chequebook mentality".

It is not only the fundamental question of the role of companies in society that has become more relevant; the international debate concerning corporate responsibility has also systematically intensified. International guidelines and principles (UN Global Compact, ILO, ISO 26000, OECD) for responsible corporate governance, from strategy to implementation, have already been created. And in Europe the topic of CSR (corporate social responsibility), especially since the EU's first definition of the term in 2001, has been developing continuously. In its most recent communication, published in 2011, the EU defines CSR as "the responsibility of enterprises for their impact on society (EU activities/communications on CSR). To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders".

Although assuming responsibility is a voluntary action, it is not arbitrary, the CSR forum of the German administration stresses (CSR forum of the German government 2012). The many discussions and experiences of the past few years show that a new paradigm is emerging: the necessity or rather opportunity of orienting the current business models and corporate processes not only towards the prevailing economic criteria, but also towards ecological and social criteria, by productively overcoming the prevalent view that society and the economy are opposites (e.g. through innovation, new forms of value creation and intelligent management systems).

It can no longer be denied that business processes have multiple effects (both positive and negative) on their social environment. Reflecting these causal relationships internally as well as externally and deliberately managing them is therefore part of every responsible entrepreneur's core task. This requires new approaches to management that expand on or further develop the prevailing attitude towards business - which was often restricted solely to monetary issues, and the management instruments that have previously been employed. New, constructive ways of seeing the benefit of corporate social responsibility for one's own business as well

Fig. 10.1 CSR: value added for business and society

as for the development of society help to overcome the old dualistic approach to ethics and economics.

This new orientation is based on the assumption that entrepreneurship can only then be adequately reconstructed if the individual component - “profit” (business case) - and the social function - “creation of added value for society” (social case) - of the company are taken into account in equal measure (see Fig. 10.1: CSR - added value for companies and society). The actions of successful entrepreneurs during the time of industrialisation can be cited as an example for this approach. Responsible entrepreneurs responded to the immense social and ecological challenges of their time e.g. by developing company pension schemes, profit sharing, training concepts as well as healthcare and social projects.

After being implemented in companies, these successful models were then adopted by the government, leading to the creation of public pension schemes, dual education systems and healthcare for all. Just as in the period of industrialisation, we are again today reliant on companies that actively shape the framework conditions of our country and support the policy makers in further developing the social market economy by integrating the idea of sustainability. Companies are like laboratories in which new ideas are developed, tested and optimised. It is often these experiences that make it possible to establish innovations and spread them throughout a sector and all of society. In the process, social, ecological and economic issues and concerns must systematically be integrated into the management systems until they form the central DNA of the company.

Fig. 10.2 Business as driver of Social Innovation

The opening question regarding the role of companies in society can therefore be answered as follows: entrepreneurial actions should create added value for both society and the company itself. It is a goal that more and more decision makers are endorsing.

The reorientation of business models and corporate processes that is necessary to solve the pressing social and environmental challenges can only be successfully implemented, say renowned management visionaries, if they are understood as part of a larger whole and if the prevalent idea of economy and society as opposites is productively overcome.[1] Seeing businesses as part of the solution and not of the problem is one of the great opportunities arising from the crisis, because we need responsible business practices in order to drive innovation processes in society forward (see Fig. 10.2: Business as driver of Social Innovation).

The question of corporate social responsibility (CSR) will become the central strategic issue for all companies.[2] In the past there have been many misunderstandings or flawed interpretations of CSR. The objective of the following sections is therefore to point out the cornerstones of innovative CSR management.

[1] Cf. Porter and Kramer (2011), Laszlo and Zhexembayeva (2011), Senge et al. (2008) as well as essays in Schneider and Schmidpeter (2012).

[2] Cf. the introduction by Schmidpeter (2012) as an overview of the various corporate areas and functions.

10.2 Cornerstones of Innovative Corporate Social Responsibility Management

10.2.1 Strategic Management: Innovation Instead of Just PR and Compliance

CSR should by no means be plain PR or greenwashing - something that certain critics of CSR accuse it of being. Rather, a modern understanding of CSR assumes that companies define themselves as being part of society and systematically identify existing or possible areas of conflict between their business and its environment and communicate these to their stakeholders (Idowu 2013). The goal of sustainable entrepreneurship is to resolve potential areas of conflict constructively or reduce them to a minimum through intelligent management approaches or product and process innovations. Put in a positive way, it is the responsibility of an enterprise use business practices and innovation management to create a win-win situation for everyone concerned and involved. In innovation management this is called the "sweet spot" (Fig. 10.3: CSR and Innovation management) (Grieshuber 2012).

10.3 From Defensive to Proactive CSR Management

The aim is to square the sustainability requirements (environmental and social issues and profitability) with the company's interests through the deliberate utilisation of core competencies, such as innovation processes, with the objective of gaining a competitive edge and/or a unique position in the market through new products and/or services as well as new business models. Profitability and sustainability are then no longer opposites but rather two sides of the same coin. Existing international standards, framework conditions of the social market economy, the principle of the honourable businessman and the concept of social innovation can be used as guidelines for entrepreneurial sustainability and the assumption of responsibility. In all of these concepts CSR will be seen as future-oriented innovation and value creation management and no longer merely as renunciation and self-restraint. It is therefore evident that CSR goes far beyond compliance with the law and has much more to do with entrepreneurship and innovation.

Many companies that have become aware of this new point of view are now faced with the challenge of turning a purely defensive "compliance-oriented form of responsibility" into an all-encompassing "proactive and opportunity-oriented view of CSR" (cf. Fig. 10.4: From Defensive CSR to Proactive CSR). In reality there are various CSR approaches, depending on the line of business, the size of the company and the maturity of the management. Often there are also different approaches and diverging interpretations of CSR within one and the same company.

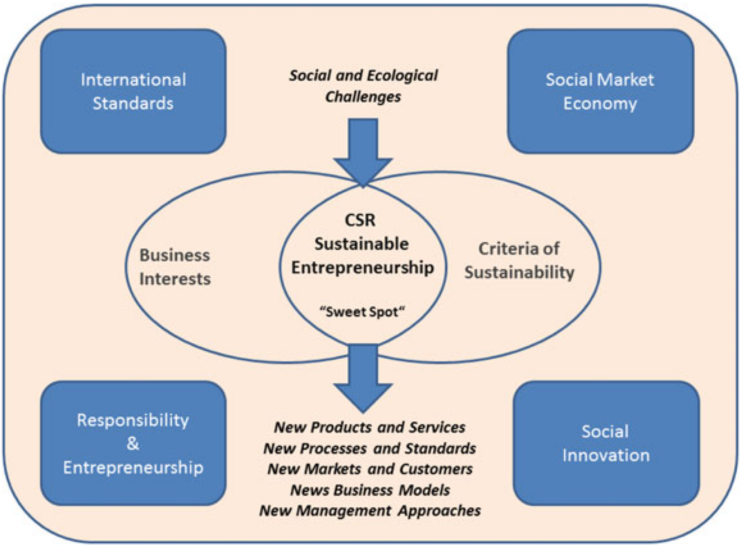


Fig. 10.3 CSR and innovation management

In order to integrate these various challenges and perspectives, companies increasingly tend to opt for an integrated sustainability management that systematically ingrains corporate responsibility in all management processes.

10.4 All-Encompassing Understanding of Social Responsibility

Responsible practices in this all-encompassing sense comprise: (1) compliance with laws, adherence to industry standards and international agreements (corporate governance & compliance), as well as (2) assumption of social, ecological and economic responsibility in the core business (sustainable management), and also (3) social engagement beyond the actual core business (corporate citizenship), which should however be connected with the particular entrepreneurial core competencies, resources, staff, etc., as well as (4) the creation of market conditions by companies themselves through trade agreements and/or responsible lobbying (cf. Fig. 10.5: CSR fields of activity). The question of corporate governance revolves mainly around compliance themes and responsible leadership. Social responsibility comprises mostly charitable activities, corporate volunteering and social, cultural or ecological engagement in the region. This type of engagement is deeply rooted in small and medium-sized companies in particular and therefore widespread. Responsible lobbying and industry standards aim at creating the necessary framework conditions.

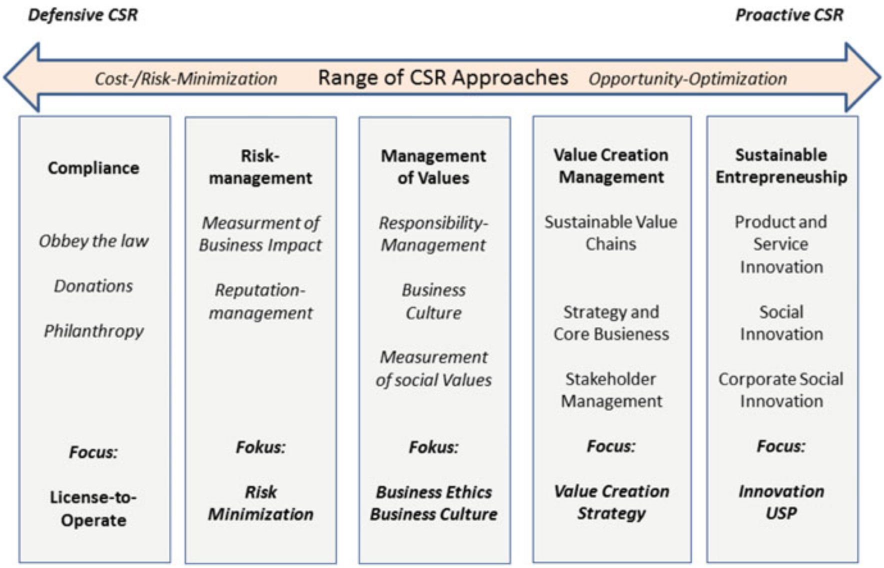


Fig. 10.4 From defensive CSR to proactive CSR

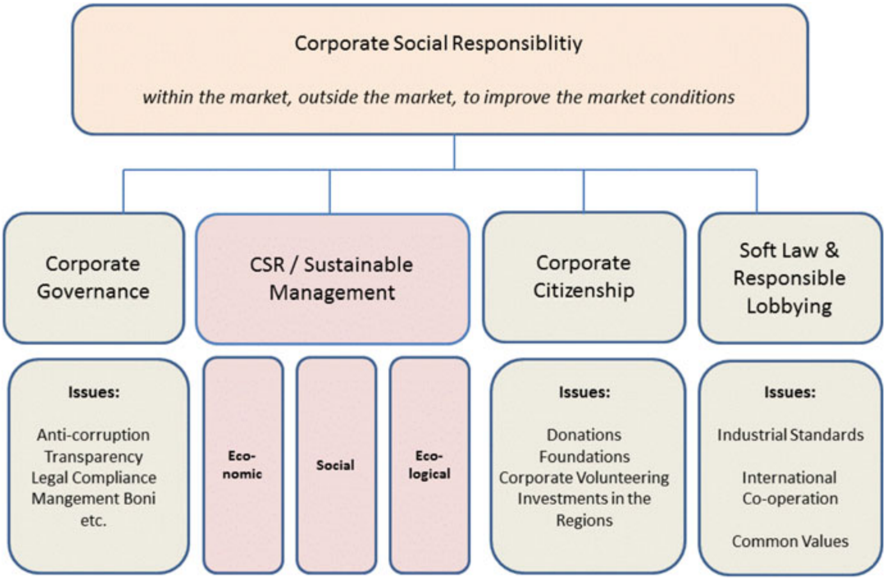


Fig. 10.5 CSR fields of activity

The core of CSR and sustainability management is however the sustainable formation of companies' own business models as well as the assumption of economic, social and ecological sustainability for their own actions (the so-called triple-bottom line). This acceptance of responsibility in the market is crucial for sustainability management in all companies: companies systematically examine the current ecological and social challenges as well as the interests of their stakeholders and integrate them into their business models. Integrated Management[3] which incorporates responsibility systematically into all management processes will therefore increasingly become the prerequisite of successful business practices.

10.5 Turning Implicit Action Into Explicit Strategy

Some enterprises, however, do not yet see the necessity of methodically tackling the topic of responsibility. Small and medium-sized businesses, in particular, often maintain that their strong connection with their employees and the area they are located means that their business practices are responsible by default. Although this may be true in many individual points, this approach is no substitute for an explicit CSR strategy that systematically seizes the opportunities offered by responsible economic activity and continuously develops them further. The following passage will therefore show the advantages of explicit CSR management compared to implicit responsibility: First, explicit CSR approaches allow for a stronger involvement of employees and a better incorporation of scientific findings in assuming responsibility. Not only are existing innovation potentials better utilised in this way, but the employees and managers can also better identify themselves with the assumption of responsibility. Second, if ownership of a company with an explicit CSR approach is transferred, it is easier for the successors to keep up the existing culture of responsibility, since a strategy of responsibility that has been discussed an developed explicitly with the successors can be passed on to the next generation with less friction. Third, an explicit strategy of responsibility can be useful in conveying a company's position to external partners (international customers, suppliers, etc.). Fourth, it is often imperative to advance a company's role in society, especially if it is in the process of developing dynamically. For example, if a business is growing, it is usually necessary for the founder's original vision of responsibility to "grow" too. Moreover, a professional approach to responsibility is increasingly expected of large-scale enterprises. This in turn affects the SMEs that supply the large businesses, as they are then also confronted with new requirements/criteria.

[3] Cf. in connection with this topic Integriertes Management: Lorentschitsch and Walker (2012).

Fig. 10.6 CSR development

10.6 Conclusion: CSR as a New Management Paradigm

The fact that general confidence in the economy is waning makes it all the more important for companies to openly show their attitude towards responsibility and communicate it to the relevant target groups. This is also entirely within the meaning of the original intention of the social market economy, which essentially builds on entrepreneurial activities always being in line with society's interests. Increasing transparency will make it vital for business practices to agree with this criterion in the future: to what extent are society's interests considered in the company's strategy and processes? Without an explicit CSR strategy, companies will lag behind with regard to the potential benefits of responsible business practices, i.e. the resulting opportunities are not taken advantage of to their full potential (Fig. 10.6).

It is for this reason that CSR has developed from a purely selective, single-issue engagement (sponsoring and donations) and legal compliance measure to explicit responsibility management in the core business of companies, taking into account the three pillars of economy, social issues and ecology (CSR 2.0).[4] The central point is no longer the question of how profits will be put to use, but rather how they are made in the first place. With the next step, the general question of companies' contribution towards social innovation comes into focus. This conscious strategic positioning in society (business in society) aims to increase both the social and the

[4] On the generation model and understanding of CSR cf. also the ideas of Peters (2009), Visser (2011) and Schneider (2012).

entrepreneurial added value at the same time (shared value). Businesses as "responsible corporate citizens" are therefore no longer seen as the problem, but rather provide solutions for the most pressing challenges of our time. This reorientation (in the sense of sustainable entrepreneurship = CSR 3.0) is the actual and fundamental contribution of business to a sustainable development of our society. It is an investment both in the competitive ability of our companies and in the future of the coming generations.

References

CSR forum of the German government. http://www.csr-in-deutschland.de

EU activities/communications on CSR. http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_de.html; Global Compact. http://www.unglobalcompact.org/

Grieshuber, E. (2012). CSR als Hebel für ganzheitliche innovation. In A. Schneider & R. Schmidpeter (Eds.), *Corporate social responsibility*. Heidelberg: Springer Gabler.

Idowu, S. O. (2013). *Encyclopedia of corporate social responsibility*. Berlin: Springer.

ISO 26000. http://www.iso.org/iso/home/standards/iso26000.htm

Laszlo, C., & Zhexembayeva, N. (2011). *Embedded sustainability*. Stanford, CA: Stanford University Press.

Lorentschitsch, B., & Walker, T. (2012). Vom integrierten zum integrative CSR-managementansatz. In A. Schneider & R. Schmidpeter (Eds.), *Corporate social responsibility*. Heidelberg: Springer Gabler.

Peters, A. (2009). *Wege aus der Krise. CSR als strategisches Rückzeug*. Gütersloh: Bertelsmann Stiftung.

Porter, M., & Kramer, M. (2011). Creating shared value. *Harvard Business Review*.

Schmidpeter, R. (2012). Unternehmerische Verantwortung—Hinführung und Überblick. In A. Schneider & R. Schmidpeter (Eds.), *Corporate social responsibility*. Heidelberg: Springer Gabler.

Schneider, A. (2012). Reifegradmodell CSR—Eine Begriffsklärung und -abgrenzung. In A. Schneider & R. Schmidpeter (Eds.), *Corporate social responsibility*. Heidelberg: Springer Gabler.

Schneider, A., & Schmidpeter, R. (Eds.). (2012). *Corporate social responsibility*. Heidelberg: Springer Gabler.

Senge, P. M., Smith, B., Kruschwitz, N., Laur, J., Schley, S. (2008). *The necessary revolution: How individuals and organizations are working together to create a sustainable world*. New York: Doubleday.

Visser, W. (2011). *The age of responsibility. CSR 2.0 and the new DNA of business*. Hoboken, NJ: Wiley.

Chapter 11
Corporate Social Responsibility Implementation in the EU and USA: The Trend and the Way Forward

Mia Mahmudur Rahim and Nakib Mohammad Nasrullah

Abstract The core principles of CSR are being integrated into the core policy objectives of different economies and global companies and are also moving beyond their individual business initiatives. This integration can be seen from individual states' perspectives; states are also accepting these issues in their socio-economic strategies and thus are establishing these issues within national economies. Given this background, this chapter explicates the trends in implementing CSR principles in the EU and USA. It demonstrates that companies in the developed countries use a mix of different strategies to incorporate CSR principles in their self-regulatory mechanisms. Strategies based on legal regulation are not foremost in this mix; rather, in these countries regulation-based strategy is meant to assist the non-legal drivers of CSR.

11.1 Introduction

The current practice of incorporation of CSR notions in regulation frameworks as the content and dimension of CSR continue to expand on the basis of varying socio-economic-political contexts. Increasingly, countries around the world are integrating CSR as a corporate regulation strategy into their policies and practices. From the absolute public policy view, the need to protect corporate image and legitimacy of business acts as a driving force for them to incorporate CSR notions in socio-economic policies and company related legal regulations.

In terms of increasing adoption and integration of the CSR agenda, developed countries are more advanced and further ahead of those of developing countries.

M.M. Rahim (✉)
School of Accountancy, QUT Business School, Queensland University of Technology, Brisbane, QLD, Australia
e-mail: mia.rahim@qut.edu.au

N.M. Nasrullah
Department of Law, University of Dhaka, Dhaka, Bangladesh

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_11,

One of the reasons for this is that CSR as a concept was launched in northern and western developed countries and carried out there with the support of international civil societies, transnational corporations, civil society organisations, trade unions and more sophisticated market situations. In addition, strong public institutions and the good governance in the state mechanism of developed countries have helped to shape CSR structure in a better way. Alongside the logistic availability, strong communication system and the conscious pro-CSR stakeholder activities, self-motivated attitudes of business organisations have contributed to the rise of the trend. In this context, developing countries therein are lagging behind to a considerable extent. These countries are adopting different strategies considering their socio-economic circumstances but getting a slower outcome. This chapter deals with this development. It presents the strategic posture of CSR implementation in the EU and USA with aim of identifying the trend in implementation of CSR notions in business through regulations.

This chapter proceeds as follows. In the second section, it shortly defines CSR. Third, it will assess the policies and frameworks for implementing CSR in the EU and the USA. Finally, it concludes that the implementation of CSR in the developed countries in general is based on a mixture of strategies and this mixture of strategies encourages various business stakeholders to reach an economically optimal level of investment in firm-specific human and physical capital.

11.2 Corporate Social Responsibility

The role of business in society is an ancient concern (Gray, Owen, & Carol, 1996; Warren, 2003). However, until now this concern has not been conclusively determined; business communities and international civil societies have not yet been able to reach to an overall agreement (Hopkins, 2004) when defining the responsibilities of companies to society (Pinkston & Carroll, 1996; Snider et al., 2003). Indeed, defining CSR is complex and contingent on situational factors. Moreover, there are an enormous number of varied definitions for CSR. One of the reasons behind the inconclusiveness of the definitions of CSR is rooted in its interchangeable and overlapping characteristics with other terminologies (Blowfield & Frynas, 2005; Matten & Moon, 2008; Parliamentary Joint Committee on Corporations and Financial Service, 2006). This may also lie in the fact that the contemporary CSR agenda essentially involves the concept of stakeholders and development as an integral issue of business operations. Another reason is related to the ever-changing and dynamic character of CSR and its expansion of practices aligned with the increased demands from society and from development issues (Snider et al., 2003). Despite the inconclusive definitions, different approaches and many dimensions of CSR, the principal notions of this paradigm are almost established. Although these notions are not conclusive, they are consistent and have converged on common characteristics and similar elements. These are related to the economic, social and environmental impacts of business operations and their responses to customers' expectations, employees, shareholders and stakeholders in the context of these impacts. CSR is no longer confined to corporate philanthropy; rather, it has been established that accepting social responsibilities has a positive effect on companies' financial performances. Thus, CSR has established the core principles for furthering appropriate strategies for incorporating its different notions into business practice.

Although there is no all agreed definition of CSR, the concept of CSR is consistent and converges on certain common characteristics and elements. More precisely, if CSR as defined above is examined from a practical and operational point of view, it converges on two points. CSR requires companies (a) to consider the social, environmental, and economic impacts of their operations and (b) to be responsive to the needs and expectations of their stakeholders (Tung, 2006). These two points are also embedded in the meaning of the three words (i.e., 'corporate', 'social', and 'responsibility') of the phrase 'corporate social responsibility (CSR)'. The word 'corporate' generally denotes business operations, 'social' covers all the stakeholders of business operations, and the word 'responsibility' generally refers to the relationship between business corporations and the societies within which they act together. It also encompasses the innate responsibilities on both sides of this relationship. Accordingly, CSR is an integral element of business strategy: it is the way that a company should follow to deliver its products or services to the market; it is a way of maintaining the legitimacy of corporate actions in wider society by bringing stakeholder concerns to the foreground; and a way to emphasise business concern for social needs and actions that go beyond philanthropy.

11.3 Regulating CSR in EU and the USA

Although CSR is well positioned in different countries by virtue of strong state crafts, the implementation of CSR notion in corporations appears to be less homogenous throughout. For example, in the UK, France and Denmark, CSR operates under liberal, regulatory and partnership-based model and in the USA, the mode of CSR implementation is traditional and self-regulatory. The following section will review the implementation of CSR in some EU countries and in the USA with the application of different lenses of measurement of development such as institutional development, the development of legislation or a regulatory framework, public sector polices and activities and company level performance.

11.3.1 CSR Implementation in EU

The promotion of CSR in the developed countries of Europe is characterised by regional and national level initiatives. The regional regulations and supports are a distinctive character of the growth of CSR as business phenomenon in the developed economies of Europe which is absent in the rest of the world. In context of regional initiatives, the EU Commission and the EU Parliament have played their respective roles through the adoption of a manifesto, a code of conduct, different resolutions, and organising summits. The most remarkable features of the national level attempts are the promotion of public–private partnerships and the adoption of CSR regulation (European Council, 2012). A brief overview of these initiatives is as follows.

11.3.1.1 Initiatives Undertaken by the European Commission

The European Commission (EC) holds the leading role for CSR development among European institutions. Its activities for CSR began with the publication of the Green Paper 'Promoting a European Framework for Corporate Social Responsibility' in 2001. With this publication, it addressed all the EU members and their social actors, business organizations to focus on the demand for and the implementation of CSR principles. Considering its major publications on CSR, its actions can be divided into four periods of time.

July 2001	July 2002	June 2004	March 2006
The Green Paper: Promoting a European Framework for Corporate Social Responsibility	The Communication Concerning Corporate Social Responsibility: A Business Contribution to Sustainable Development	The European Multi-stakeholder Forum on CSR: Final Results and Recommendations	Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on CSR

11.3.1.2 The EU Commission's 'Green Paper' on Promoting a European Framework for CSR 2001

The Green Paper published in 2000 is one of the most remarkable contributions of the European Council. It focuses on the European framework for CSR and is considered as an intergovernmental/regional CSR regulation applicable across the European countries. Its fundamental objective is to foster the role of the EU in developing a framework for the promotion of CSR and the creation of partnerships among stakeholders, where all actors have role to play. This paper reflects the Commission's view about the concept of CSR in the EU context. Therefore it sets out a clarification of the basic concept of CSR as an integral part of business; different dimensions of CSR such as internal dimensions (e.g., issues relating to employees, investing in human capital, health and safety, management of environmental impacts and natural resources); and external dimensions (e.g., issues relating to local communities, business partners, suppliers, consumers, human rights, and global environmental concerns). This Paper does not refer to new principles in respect of labour, human rights and other stakeholder relations issues and discourages the companies from developing individual codes for themselves. Instead, it encourages the use the international standards (such as UDHR, the ILO Tripartite Declarations for Multinationals, and the OECD Guidelines) so as to make it possible for companies to speak in one voice on all CSR issues (Lux, Thorsen, & Meisling, 2005).

By drafting such a paper the Commission's goal was to complement and add value to existing CSR activities by 'providing an overall European framework, aiming at quality and coherence of CSR practices, through developing broad principles, approaches and tools, and promoting best practice and innovative ideas' (Ibid; EC, 2001). The paper was intended to encourage companies to adopt a triple bottom-line business approach, whereby social, environmental and economic considerations are taken together into corporate account (Burkett, Criage, & Link, 2004). It was well received. More than 250 organisations, businesses and other number of institutions have already accepted and endorsed the 'Green Paper' and reached a consensus on CSR practice (Lux et al., 2005).

11.3.1.3 Manifesto of Enterprises Against Social Exclusion

This manifesto was launched jointly by the then president of the European Commission and the corporate sector in 1995. It was the first voluntary initiative where companies expressed their willingness to prevent and fight against social exclusion and enhance and display their commitment to social responsibility (Council of Bars and Law Societies of Europe, 2005). It is still used by a large number of enterprises, national business organisations and governments (Lux et al., 2005).

11.3.1.4 The EU Lisbon Summit of March 2000

This Summit was a ground breaking initiative on the part of European Governments where CSR was placed at the top of the EU political agenda (Ibid). In the Summit meeting, the EU leaders integrated CSR into the strategic goals of the EU in order to achieve the position of 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with better jobs and greater social cohesion' (Council of Bars and Law Societies of Europe, 2005). The EU governments for the first time made a special appeal to the companies to act from a 'corporate sense of social responsibility regarding best practices on lifelong learning, work organization, equal opportunities and social inclusion and sustainable development' (EC, 2007) and thus help in achieving the strategic goal of becoming the most competitive economy in the world by 2010.

11.3.1.5 Initiatives Taken by European Parliament

Apart from the European Commission initiatives already mentioned the European Parliament has also played an important role in promoting CSR practices among

European countries. The best illustration of this is the adoption of a code of conduct with reference to the activities of transnational corporations operating in developing countries. The code is titled 'European Code of Conduct Regarding the Activities of Transnational Corporations Operating in Developing Countries'. This code is intended as a regulating instrument for the treatment of European multinationals in the developing countries alongside other international codes of conduct. With the adoption of this code, the EU Parliament became the first institutional player to engage in the development of CSR.

The parliament first adopted the code in 1998 along with a report covering the activities of TNCs operative in the third world. It also called for taking one step further than the Commission through establishing a European framework for setting up a legal basis for companies' operation worldwide (Ibid). The main focus of the code was on human rights abuses in the developing world. In adopting such a code the European Parliament has been criticised for double standards as it looks to be avoidance from acknowledging human rights violations in developed economies (Ibid).

In addition to a code of conduct, the parliament adopted a resolution in 2002 for the promotion and effective implementation of CSR across the EU countries. The resolution firstly called for new legislation to require companies for triple bottom-line reporting annually on their social and environmental performance and also to establish a legal jurisdiction about European companies' abuses in developing countries (European Parliament, 2002). Secondly, it suggested undertaking steps for the effective implementation of CSR issues. They are as follows:

a. the creation of a multi-stakeholder forum to oversee the business and trade union policies, such as the European Multi-stakeholder Forum on CSR;
b. setting up a European social label to endorse products taking into account human and trade union rights;
c. emphasising the social and environmental impact of companies in the dialogue between employers and trade unions; and
d. mobilising the European Unions trade and development programmes to tackle and control abuses by companies in developing countries (Ibid).

The EU Parliament took another resolution in 2007 in order to set up a European Alliance for Corporate Social Responsibility in partnership with several business networks (European Parliament, 2007). In addition to the work of the EU Commission and Parliament, in February 2003 the Council of the EU passed a resolution with a call to all member states to promote CSR at the national level, to continue to promote dialogue with social partners, to promote the transparency of CSR practices, to exchange information and experience, and to integrate CSR into national policies and into their own management (Council of the Bars and Law Societies of the European Union, 2005).

11.3.1.6 Institutional Development: Public–Private Partnership at the National Level

As seen above, there are plenty of intergovernmental initiatives to promote CSR at the EU institutional level. Institutional development also has taken place at the nation level through initiatives of the respective governments, from multi-stakeholder groups or national NGOs. This institutional development in Europe is based on public–private partnership for the promotion of CSR. In this respect, the more advanced countries are Denmark, France, Germany, Norway, and the UK.

In 1994, the Danish Minister of Social Affairs initiated the 'Our Common Concern Campaign' with a view to putting CSR onto the agenda of Danish business (Lux et al., 2005). This campaign led to the establishment of the Copenhagen Centre and the development of a social index (Ibid). Its objective is to create labour markets by promoting voluntary partnership amongst business, government and civil society (Ibid). The France Study Centre for CSR was established in 2000 by business partners for the study and promoting corporate social responsibility and socially responsible investment in France and other countries (Ibid). This is in fact done by the Ministry of Social Affairs which plays the principal role in stimulating social dialogue in France in the matters of employment, vocational training, the combat against social exclusion, and health and pensions (Perrini, Pogutz, & Tencati, 2006). As part of the public sector initiative, it is notable that in Germany CSR policy is presently considered the responsibility of the Ministry of Economics and Labour. The Ministry is assigned to promote CSR, increase transparency, and define public support initiatives as it is thought that responsible action will act as an essential element of renewed development. In addition, in Germany there are some organisations actively working for the promotion of CSR in and outside the federal territory such as the Multi-stakeholder Round Table on Codes of Conduct, Deutsche Gesellschaft fur Technissche Zusammenarbeit (GTZ), and Bertelsmann Stiftung. In Norway, the Norwegian Global Kompact is a consultative body established by the government on human rights and Norway's economic involvement in foreign countries (Lux et al., 2003). Its participants include employers and employees' associations, NGOs and business enterprises. It seeks to promote increased dialogue, information sharing, and mutual understanding among the human rights community, the private sector, and Norwegian authorities in order to make a nexus between business and human rights (Ibid). In Sweden, the Swedish Partnership for Global Responsibility was initiated by a group of Swedish ministers in 2002 with the objective of promoting constructive cooperation between government, the business sector, and other sectors of society. As the partnership was launched, the Swedish Ministries in an open letter requested companies to endorse and publicly support the OECD Guidelines and the UN Global Compact. Through this partnership activity the government extends its best possible support to the businesses which are interested in global responsibility (Ibid).

In the UK the International Business Leaders Forum (IBLF), Business in the Community (BITC)-Business Impact, Ethical Trading Initiative (ETI) are the most prominent among the institutions working for the promotion of CSR practices at home and abroad as well as for the development of companies' social management standards. In this country, for the first time in the world, CSR as a business agenda gained official recognition as a public policy strategy when in 2002 the immediate past Prime Minister Tony Blair appointed a minister for CSR within the Ministry of Trade and Industry (Ibid). The main goal of this initiative was to provide a strategic focus and leadership on CSR among the UK government departments. The responsibilities attributed to this post include the dissemination of CSR knowledge, the promotion of consensus regarding British and international codes and practices, and the definition and dissemination of a framework for social and environmental reporting and labelling (Perrini et al., 2006).

Despite the formal understanding of CSR as a voluntary action, in the European countries, mandatory social and environmental reporting has began to increase recently. Some industrialised countries have already passed legislations on social and environmental reporting. For instance, Belgium, Germany, Great Britain and Sweden passed in the year 2001–2002 legislations requiring pension institutions to report or declare whether and how they integrate social and environmental issues into their investment decisions (Buhmann, 2006). In Belgium companies and the subsidiaries of foreign corporations operating there have been since 1996 under obligation to produce a report on their social performance over a three year period. It was in 2002 that the Social Label Law was enacted and came into effect as stimulating socially responsible production, offering companies the possibility of obtaining a label that certifies their products. The jurisdiction of the law did not include the organisation of the companies that comply with eight fundamental ILO conventions. In Denmark under the legislation (amended in July 1995) on mandatory public environmental reporting about 1,000 Danish companies have been under obligation to keep and publicise environmental accounts (Jorgensen & Holgaard, 2004). Denmark is the first country in the world to introduce law on mandatory public environmental reporting. In France the parliament in 2001 passed the New Economic Regulations Law requiring listed companies to disclose their impact on social and environmental issues in companies' annual reports and accounts (Perrini et al., 2006). The law on Public Pension Reserve Fund adopted in July 2001 requires the disclosure of social, environmental and ethical issues used for investment. Another initiative was made by the Law on Social Modernisation in 2002. This law is designed to encourage employers to look beyond academic excellence and recognise the skills, knowledge, and experience people develop by working in different contexts, including voluntary social works (Antal & Sobczak, 2007). In the Netherlands under a statutory scheme formed by an extension of the Environmental Management Act in April 1997 and Environmental Reporting Decree effective from 1999, certain categories of the industries (currently about 250) are required to produce two environmental reports, one to the public and another to the authorities (Hoffmann, 2003). In Norway, the 1999 Accounting Act requires all companies to include environmental information in their annual financial reports and simultaneously the Norwegian Environmental

Department has developed its own standard for environmental reporting (Di Pascale, 2007).

In the UK the Corporate Responsibility Bill was introduced in 2003 demanding all UK registered and other UK based companies to present and publish reports on environmental, social, economic and financial affairs (Lux et al., 2005). The UK's landmark Companies Act of 2006 has introduced specific reporting requirements on environmental and social issues (Di Pascale, 2007). For instance, Section 172 of this Act defines the fiduciary duties of corporate directors is such a way that the directors can get more chance to add social responsibility issues at the core strategies for companies; it describes this duty as follows:

> [A] director....must act....in good faith...to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to...the likely consequences of any decision in the long term; the interest of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

This Act is considered a comprehensive guideline with potential implications for a variety of CSR actors. It makes a crucial triumvirate of directors' duties, business risk management and corporate reporting more explicitly long term, relational, and stakeholder sensitive in their structure, content, and implementation (Horrigan, 2007). Although judicial observation of this legislative approach in this country is limited, it has simply been confirmed by the judiciary that CSR notions should be interpreted in accordance with existing common law rules, principles and legal provisions that require corporate directors give priority to the interests of stakeholders of companies. Following this Act, corporate regulation of this country allows corporate directors to indirectly serve some non-shareholder interests along with the interests of shareholders. For instance, Section 417 of this Act requires listed companies to recognize and report on stakeholder matters as part of providing comprehensive disclosures to investors. In the same fashion, the Occupational Pension Schemes (Investment) Regulation 1996 requires that the trustees of occupational pension funds disclose the social, environmental or ethical considerations they have made in the selection, retention and realisation of their investments. This has been further amplified with the legislative directions to trustees according to the Trustee Act 2000. This Act requires the trustees of investments to ensure that they have applied 'relevant ethical considerations as to the kinds of investments that are appropriate for the trust to make'.[1] For fulfilling these legal needs, corporate directors must prepare a board report, a business review of both financial and non-financial performance indicators; disclose information about the company's environmental impact, employees, social and community issues.

[1] For details see, Section 4(3)(a) of the Trustee Act 2000.

While the above mentioned states have adopted legislative or administrative frameworks mandating the disclosure of corporate ethical, social and environmental considerations, it is observed that regulatory tools are rather different from case to case. France and Belgium have introduced a comprehensive set of rules on these issues, while Norway, the UK, Germany, and Denmark have introduced a limited number of provisions. It is also observed that among the countries which have introduced a legal framework, the approach to regulation and the legal force of the concerned provisions are not same. Moreover, a double approach has been chosen in some countries including France, the UK, Belgium, Germany, Denmark, and Norway. This means that binding regulations co-exist with soft law mechanisms in most of the EU countries (Di Pascale, 2007). Table 11.1 below would further illustrate on the modes these countries are using on matters of CSR implementation.

The European countries public support for and regulatory approaches to CSR are more focused and influential. In the words of Matton and Moon, this is implicit pattern of CSR that refers to a country's formal and informal institution through which corporations' responsibility for society's interests are agreed and assigned to corporations (Matten and Moon, 2005). Incorporation of CSR notions in the regulations related with companies and social responsibility performance of companies of these countries have helped corporate directors to develop different self-regulatory strategies to target company resources in a more sophisticated manner and direct corporate management to hold public policy goals as central in corporate self-regulation (Yuval and Lobel, 2008). This development in corporate governance framework has begun the process of convergence in the tensions between corporate governances' engagement with shareholder and stakeholder interests (Virginia and Harper, 2010). These regulations offers philosophical insights as to why companies should not be treated solely as their shareholders' private property but rather as semi-public companies based on sophisticated transactions and relational contracts among investors, managers, employees and other stakeholders (Blair & Stout, 1999). The underlying precepts of these regulatory approach suggests that applying the contractarian approach to corporate law (which portrays the company as a voluntary 'nexus of contracts') (Eisenberg, 1998; Klausner, 2005) as well as the realistic approach (which paints the company as a separate legal personality akin to a human being) (Allen, 2001) should not result in giving superior property rights to shareholders over employees. Rather, they posit, workers who invest their labour as an input in the company should enjoy legal recognition of their residual interest in the company's assets (Allen, 1992; Greenfield, 1997).

11.4 CSR Implementation in the USA

The US is highly 'corporatised society' as a large number of corporations over the last century has emerged there with significant public and private ownership. The corporations dominate Americans' personal and business lives. As a result,

Table 11.1 Models of governments' actions for implementing CSR in the EU-15

Models	Characteristics	Countries
Partnership	Partnership as strategy shared between sectors for meeting socio-employment challenges	Denmark, Finland, the Netherlands, Sweden
Business in the Community	Soft intervention policies to encourage company involvement in governance challenges affecting the community (entrepreneurship and voluntary service)	Ireland, the United Kingdom
Sustainability and Citizenship	Updated version of the existing social agreement and emphasis on a strategy of sustain able development Regulatory	Germany, Austria, Belgium, Luxembourg, France
Agora	Creation of discussion groups for the different social actors to achieve public consensus on CSR	Italy, Spain, Greece, Portugal

Source: Albareda, Josep and Tamyko (2007)

collective business behaviour has always been the integral part of the nation's legacy, culture, structure and behaviour. Hence the American citizens expect their corporations to 'behave better, to act in the social interest and to be well, a good citizen' (Googins, 2002).

In fact, the growth of the present concept of CSR in the US was initially marked by regulation and driven by responsible business operations rather than by community investment. In the aftermath of the great industrial boom in the late 1960s and early 1970s four big regulatory agencies were established at the sponsorship of the US government. This contributed much to the base line structure of responsible business operations. The agencies are the Occupational Safety and Health Administration (OSHA), Equal Employment Opportunity Commission (EEOC), Consumer Product Safety Commission (CPSC), and the Environmental Protection Agency (EPA) (Gutierrez & Jones, 2005). These agencies made a continued effort to maintain standards for responsible corporate business practices that eventually turned into thresholds for CSR behaviour concerning the daily operations of the business. The more famous contributions of this process are the development of some industry-specific and sector–wise regulation such as in pollution control, working conditions and consumer protection.[2]

However the focus for CSR in the US is driven by the context in which minimal legislative control on business is preferable. As a result, corporations are required to apply their internal policy to police themselves and external communication as an evidence for the demonstration of their social responsibility. Companies rely on their preference for corporate self-governance rather than on legislation which is an

[2] For example, the regulations and legislations are the Community Reinvestment Act in Banking Sectors, for waste control Federal Water Pollution Control Act and the Clean Air Act Amendments of 1977, for the workplace the Occupational Safety and Health Act of 1970, the Equal Employment Opportunity Act of 1972, for consumer protection the Consumer Product Safety, for control over Corruption the Foreign Corrupt practices Act, and the Public Company Accounting Reform and Investor Protection Act.

ecological factor affecting the conception of CSR in the US (Gutierrez & Jones, 2005). The CSR agenda as an American phenomenon is traditionally based on self help and participation and the nature of entrepreneurship is thereupon based on maximising the freedom of participants in social activities.

In addition to the existence of legislative and numerous self-regulatory mechanisms, in 1996 the Clinton Administration after extensive consultations with business enterprises, labour leaders and members of non-governmental organisation community adopted a US Model Business Principles as a set of voluntary guidelines for companies. This document is built on the basis of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, and the OECD Guidelines for Multinational Enterprises.[3] Compared to the EU countries, the development of an institutional framework as a guideline for companies' CSR integration is seen poor in the US. The strong guidance provided by the European Union at the regional level may be deemed to be a basis of encouragement for the development of institutional frameworks to enhance CSR implementation. This situation is absent in the US. Nevertheless a few organisations formed and sponsored by multi-stakeholder groups are serving this purpose. The most notable are the Centre for Corporate Ethics (CCE), a division of the Institute for Global Ethics and the Fair Labour Association (FLA). Both organisations are active in implementing CSR in and around the US. The CCE is focused on serving the ethical culture needs of businesses in and outside the US. The functions of FLA addresses labour rights standards in the US and worldwide apparel industries.

Although the US is generally recognised as the birth place of CSR, it is not the public sector but the corporate sector which has provided the driving force, particularly the transnational enterprises. Plenty of variations are found in public sector activities between the states. Nevertheless, there are some federal activities (e.g., that fall into four categories of roles endorsing, facilitating, partnering or mandating) which complement the US business's global corporate responsibility efforts. These are, for example, (1) the Department of State's Award for Corporate Excellence through which the government endorses CSR by providing awards to companies; and (2) a Department of Commerce programme which facilitates CSR by providing training on corporate stewardship (US Government Accountability Office, 2005). Some organs of the government provide partnership with corporations on specific projects related to their core mission. These programs indirectly help endorse, facilitate, partner, or mandate the core principles of CSR in the USA business's global corporate responsibility efforts. Another important USA initiative to make corporate directors effectively work for developing social responsibility performance of companies is the advancing notion of social responsibility in large investments. The Dodd-Frank Wall Street Reform, the Sarbanes Oxley Act 2002 and Consumer Protection Act 2010 hold this initiative; they aim to 'promote the financial stability of the United States by improving accountability and

[3] For details, see United States Department of Commerce, US Model Business principles (1995) http://www.state.gov/www/global/human_rigths/business_principles. html 29 December 2012.

transparency in the financial system, to end 'too big to fail', to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes'.[4] Section 1502 of this Act emphasise on the corporate directors responsibility for the advancement of corporate social responsibility performance.

As indicated above, CSR tends to be initiated in American society by corporations and the continued effort of transnational corporations' promotes CSR on a wider scale. The US companies, both national and multinationals have a long established background in CSR since the end of the nineteenth century which later in the 1980s intensified as the 'war for talent' (Googins, 2002) with the emergence of the stakeholder model of CSR. Companies have extended a whole range of support and services for employees, their families and the wider society including childcare centres, assistance with elderly parents, company-owned schools and stores which is termed as 'welfare capitalism' (Ibid). The growing tendency has been intensified following the widespread move of privatisation of the public sectors which reduces the role of government and establishes the companies' strong leadership in the some critical areas such as the community, economic development, education and child care within the US (Ibid). Of particular importance amongst the drivers of corporate roles in these sectors, in these days, is US companies' increasing involvement in socially responsible investing (SRI). Socially responsible investing has evolved in recent years as a very dynamic and growing part of the US financial services industry. Social responsible investing in the US can be defined as the process of integrating personal values and social concerns into investment decision-making (Schueth, 2003). This is a very important tool for promoting corporate social responsibility. This investing activity reportedly finds its modern roots in the 1960s and has grown dramatically up to the present day.[5]

Legal regulation for corporate activities in this country hold CSR principles and thus expressly permit corporate directors and senior official to incorporate stakeholder preference along with the interests of shareholders. The majority of states of this country reformed their corporate laws and adopted constituency concerns, which allow directors to consider the impact of corporate decisions on a broad range of stakeholders, not just on shareholders, and permit decisions in the best

[4] Preamble of Dodd-Frank Wall Street Reform and Consumer Protection Act 2010. This Act is available at http://www.cftc.gov/ucm/groups/public/@swaps/documents/file/hr4173_enrolledbill.pdf 28 December 2012.

[5] The amount of investment increased largely in 1980s to African Black people as millions of people, churches, universities, cities and states underscored this investment strategy to press the white government of South Africa to abstain from racist system of apartheid. SRI investment was involved in the wake of Bhopal, Chernobyl and Exxon Valdez incidents and presently in combating global warming and ozone depletion. By and large, environmental issues have come to the forefront of the companies' agendas involved in socially responsible investing.

interests of the corporation even if they are not justified on the basis of shareholders‘ economic interests (McDonnell, 2004).[6] Laws of the most of the states of this country uniformly authorize corporate directors to make charitable contributions even without showing any reason that the contribution will improve company profitability. Accordingly, in most of the states of this country, courts usually do not second-guess directors' 'business judgment' that is based on concerns about employees, communities, and other non-shareholder constituencies, as long as they have clearly breached the core conditions of their fiduciary duty (Smith, 1998).

In sum, CSR in the US has been largely an outside-in model, focused on contributing to the community, and addressing environmental and supply chain issues outside the US. The idea of employees as key stakeholders, has received a great deal of rhetorical support, which has not been well integrated into the CSR model, either conceptually or in practice. The move towards this enlightened approach in this country's corporate regulation has contributed to the inclusion of new governance (NG) notions in the regulatory strategies for incorporating CSR principles into companies' internal regulation (Rahim, 2013). The core of this strategy is the convergence of business self-interest and the interest of society to ensure that companies perform their social responsibilities. Based on the communitarian percept of 'new governance', this approach is trying to legitimize the far-sighted strategies in corporate regulation for raising social responsibility performance of companies; it drives corporate regulation to support corporate directors' and senior managers' initiatives by considering the interests of non-shareholder constituents as long as these initiatives foster corporate profits. Compared to CSR related regulations in the EU countries, CSR related regulations in the US are internally driven based on self-driven policies, programmes and strategies of the corporations as termed by Matton and Moon 'explicit pattern of CSR regulation' (Matten & Moon, 2008).

11.5 Conclusion

The uniqueness of the CSR movement in the European developed countries is their being advantaged with regional support and regulation. The EU Commission's 'Green Paper' and the EU Parliament's 'Code of Conduct' are ground-breaking initiatives which have brought about a phenomenal change in the conceptual development of CSR and provided a framework for the promotion and implementation of CSR at regional level. Another remarkable effort to promote CSR in the EU countries is the growth of strong public private-partnership and the

[6] See also, Indiana Code, No. 23-1-35-1 (2010). These statutes were adopted in response to the hostile takeover wave of the 1980s and early 1990s. In practice, courts have relied on them only rarely since the business judgment rule and other anti-takeover statutes already protect directors who reject takeover bids out of concern for other stakeholders.

development of regulatory approaches at the national level. In the US, self-regulatory approaches are more emphasised and legislative control is minimal as the government seeks to maximise companies' freedom of participation in social activities.

The common features of CSR implementation in the EU and the USA are institutionalisation, development of CSR related regulations, public sector interventions and co-ordinations, development of companies' self-regulatory mechanisms and self-interest driven policies and programmes, increase of multi-stakeholder initiatives, and the growth of strong civil society associations and strong consumer consciousness (Van Marrewijk, 2003). This chapter demonstrates that strong economies use a mix of different strategies to incorporate CSR principles in the self-regulatory mechanisms of companies. Strategies based on legal regulation are not foremost in this mix; rather, in these economies regulation-based strategy is meant to assist the non-legal drivers of CSR. This mixture of strategies encourages various business stakeholders to reach an economically optimal level of investment in firm-specific human and physical capital.

References

Albareda, L., Lozano, J. M., & Ysa, T. (2007). Public policies on corporate social responsibility: The role of governments in Europe. *Journal of Business Ethics, 74*(4), 391–407.

Allen, W. (1992). Our schizophrenic conception of the business corporation. *Cardozo Law Review, 14*, 261–281.

Allen, D. S. (2001). The first amendment and the doctrine of corporate personhood. *Journalism, 2* (3), 255.

Antal, A. B. & Sobczak, A. (2007). Corporate social responsibility in France: A mix of national traditions and international influences. *Business and Society, 46*(1) 9–15.

Blair, M., & Stout, L. (1999). A team production theory of corporate law. *Vanderbilt Law Review, 85*(2), 247.

Blowfield, M., & Frynas, J. G. (2005). Setting new agendas: Critical perspectives on corporate social responsibility in the developing world. *International Affairs, 81*(3), 499–501.

Buhmann, K. (2006). Corporate social responsibility: What role for law? Some aspects of law and CSR. *Corporate Governance, 6*(2), 180–189.

Burkett, B., Criage, J., & Link, M. (2004). *Corporate Social responsibility and codes of conduct: The Privatisation of International Law*. A paper presented at Canadian Council on International Law Conference, 15 October 2004. October 6, 2008, from http://www.lexpert.ca/labour/files/CSR%20Final%20Paper-CCILPdf

Council of Bars and Law Societies of Europe. (2005). *Corporate social responsibility and the role of the legal profession: A guide for European lawyers advising on corporate social responsibility issues* (Update No. 1, April 2005) December 26, 2012. http://www.ccbe.org

Di Pascale, A. (2007). *The EU voluntary approach to corporate social responsibility in comparison with regulatory initiatives across the world*. Fondazinione Eni Enririco Mattei. December 27, 2012, from http://www.feem.it/Feem/Pub?Publications/CSRPapers/default.htm

Eisenberg, M. A. (1998). The conception that the corporation is a Nexus of contracts, and the dual nature of the firm. *Journal of Corporation Law, 24*(819), 825–826.

European Commission. (2001). *Green paper: Promoting a European framework for corporate social responsibility*. December 26, 2012, from http://www.europa.eu.int

European Council. (2012). *Conclusions*. Article 39. December 26, 2012, from http://www.europa.eu.int/comm/off/index_en.htm

European Parliament. (2002). *Resolution on the commission green paper on promoting a European framework for corporate social responsibility*. September 15, 2012, from http://www.europarl.europa.eu/

European Parliament resolution of 13 March 2007 on corporate social responsibility: A new partnership (2006/2133(INI)). December 27, 2012, from http://www.europarl.europa.eu/sides/getDocdo?Type=TA&Reference=p6-TA-2007-0062&language=EN

Googins, B. (2002). The journey towards corporate citizenship in the United States: Leader or laggard? *Journal of Corporate Citizenship, 5*(4), 85–92.

Gray, R., Adams, C., & Owen, D. (1996). *Accounting and accountability: Changes and challenges in corporate social and environmental reporting*. Upper Saddle River, NJ: Prentice Hall International.

Greenfield, K. (1997). The place of workers in corporate law. *Boston College Law Review, 39*, 283.

Gutierrez, R. & Jones, A. (2005). Effects of corporate social responsibility in Latin American communities: A comparison of experiences. *Social Science Research Network*. December 28, 2012, from http://papers.ssrn.com/

Hoffmann, E. (2003). *Environmental reporting and sustainable reporting in Europe: An overview of mandatory reporting schemes in the Netherlands and France*. Intern at IGES Kansai Research Centre. December 27, 2012, from http://www.iges.or.jp/en/phase2/be/pdf/report7pdf

Hopkins, M. (2004). *Corporate social responsibility: An issue paper* (Working Paper No. 27). World Commission on Social Dimension of Globalisation: Policy Integration Department

Horrigan, B. (2007). 21st Century corporate social responsibility trends—An emerging corporate body of law and regulation on corporate responsibility, governance and sustainability. *Macquarie University Journal of Business Law, 4*(1), 85–104.

Jorgensen, T. H. & Holgaard, J. E. (2004). *Environmental reporting: Experience from Denmark* (Working Paper No. 6). Aalborg University: Department of Development and Planning. December 27, 2012, from http://www.plan.aau.dk/tms/publikationer/workingpaper62004.pdf

Klausner, M. (2005). The contractarian theory of corporate law: A generation later. *Journal of Corporation Law, 31*, 779,782–784.

Lux, J., Thorsen, S. S., & Meisling, A. (2005). European initiatives. In R. Mullerat (Ed.), *Corporate social responsibility: The corporate governance of the 21st century* (p. 283). The Netherlands: Kluwer Law International.

Matten, D., & Moon, J. (2005). 'Implicit' and 'explicit' CSR: A conceptual framework for understanding CSR in Europe. In A. Habish, J. Jonker, M. Wegner, & R. Schmidpeter (Eds.), *Corporate social responsibility across Europe* (pp. 335–357). Heidelberg: Springer.

Matten, D., & Moon, J. (2008). "Implicit" and "Explicit" CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review, 33*(2), 404–505.

McDonnell, B. H. (2004). Corporate constituency statutes and employee governance. *William Mitchell Law Review, 30*, 1227–1232.

Parliamentary Joint Committee on Corporations and Financial Services. (2006). Corporate responsibility: Managing risk and creating value, 4.

Perrini, F., Pogutz, S., & Tencati, A. (2006). *Developing corporate social responsibility: A European perspective* (1st ed., pp. 34–35). Edward Elgar Publishing.

Pinkston, T., & Carroll, A. B. (1996). A retrospective examination of CSR orientations: Have they changed? *Journal of Business Ethics, 15*(2), 199–207.

Rahim, M. M. (2013). New governance and CSR. In S. O. Idowu (Ed.), *Encyclopaedia of corporate social responsibility*. Heidelberg: Springer.

Schueth, S. (2003). Socially responsible investing in the united states. *Journal of Business Ethics, 43*(3), 189–194.

Smith, G. (1998). The shareholder primacy norm. *Journal of Corporate Law, 23*, 277–285.

Snider, J., et al. (2003). Corporate social responsibility in the 21st century: A view from the world's most successful firms. *Journal of Business Ethics, 48*(2), 175.

Tung, C. (2006). The legal implications of CSR: Changing landscape of liability. November 20, 2010, from http://www.csr-asia.com/CGconference2006/ChrisTung.pdf

United States Department of Commerce. (1995). US model business principles. December 29, 2012, from http://www.state.gov/www/global/human_rigths/business_principles.html

United States Government Accountability Office. (2005). Report to Congressional requesters, numerous federal activities complement U.S. Business's global corporate social responsibility efforts. December 28, 2012, from http://www.gao.gov/fraudnet/fraudnet.htm

Van Marrewijk, M. (2003). Concept and definitions of CSR and corporate sustainability: Between agency and communion. *Journal of Business Ethics, 44*(2–3), 95–105.

Virginia, E., & Harper, H. (2010). Enlightened shareholder value: Corporate governance beyond the shareholder-stakeholder divide. *The Journal of Corporation Law, 36*, 59–112.

Warren, R. C. (2003). The evolution of business legitimacy. *European Business Review, 15*(3), 153–154.

Yuval, F., & Lobel, O. (2008). Decentralized enforcement in organizations: An experimental approach. *Regulation & Governance, 2*(2), 165–192.

Chapter 12
Corporate Social Responsibility: An Indian Perspective

Monica Singhania, Navendu Sharma, and J. Yagnesh Rohit

Abstract In the era of frequent corporate frauds and failures, the emphasis on corporate social responsibility has increased multifold. There has been a massive expansion in the concept of corporate citizenship and the proposition that corporations should take into account the interests of all stakeholders. In this back drop, the definition of corporate social responsibility and the objective of its functions are debated by Corporations, Governments, NGOs and academicians. In a way, it becomes very important to know the international provisions in terms of its implementation, legal issues, ethical perspectives, criticism to mandatory corporate social responsibility and best practices. We aim to present a comprehensive analysis of corporate social responsibility practices and issues arising from the Indian domain, tempered with an international perspective. We seek to analyze the various implications of the wide ranging definitions of the term 'CSR' and determine what it takes to become a 'socially responsible' company. We begin with the objectives of corporate social responsibility, followed by the different perspectives on corporate social responsibility activities, in addition to the various models of CSR. We further discuss the drivers of such practices in India's business environment, with special emphasis on its sustainability and responsibility arguments. We analyse the Indian practices within a developing economy framework based on past corporate sector experiences of Indian companies with corporate social responsibility, highlighting the role of labor issues, sustainability and environmental issues. We examine the evolution of corporate social responsibility activities in India, and broadly divide the history in this regard into four phases based on the prevalent thoughts and activities undertaken. Finally, we deliberate on the future scenario for CSR in India and its key drivers based on case studies of corporate social responsibility activities undertaken by Indian companies.

M. Singhania (✉)
Faculty of Management Studies (FMS), University of Delhi, Delhi, India
e-mail: Monica@fms.edu

N. Sharma • J.Y. Rohit
BITS Pilani, Hyderabad Campus, Hyderabad, Andhra Pradesh, India

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_12,

12.1 Introduction

The world of business has always been viewed as constructive mechanisms for human development and its furtherance. The ability of businesses to develop human potential has been construed by many intellectuals as the force that guides man's development in the new era. The mechanism of business, corporation, free market and thereby the economy have been considered as some of the major institutions of the twenty-first century. Life would not be the same if there were no companies and industrial houses. They have been instrumental in creating employment, wealth, products and services which benefit the owners, workers, customers and many others. Yet the pressure on these businesses to act towards the 'community' is huge.

The 'community' here involves employees, stakeholders, environment, governments and society. Voices around the globe are questioning the motive of the corporations and their actions like never before, especially because of the scams and scandals involving corrupt companies and executives. Names like Enron, Refco and Satyam instantly come to everyone's mind. As a response, companies around the globe have realized the need to be responsible towards society, environment, employees and all other stakeholders.

Many constituents of society feel that companies do not act responsibly towards them due to various reasons. One of the main reasons for this is the materialistic attitude exhibited by various corporate houses and their primary goal of maximizing profits. Also, increasing competition both domestically and across foreign locations makes them inconsiderate towards their other responsibilities. Furthermore, the operations that may earn revenue for a company may not be beneficial to the overall environment that it belongs to. The negative externalities hence arising are one of the major points of contention between the green groups and corporations.

A company that employs people is morally obligated to take care of their safety, health and general welfare. It should safeguard its employees from the harmful effects of its activities, like manufacturing, refining, production, processing and other similar endeavors. But these are, more often than not, neglected due to the significant costs involved. There, hence, exists an antagonistic relationship between a company and its employees, who feel exploited by the company.

The rise of lobbying has also caused tensions between corporates and society. The common man feels that corporations, with their money power, try to influence the policy-makers, resulting in adoption of policies that are sometimes detrimental to the greater good of the society. The utilization of these backdoor channels further contributes to the perception that the corporate houses function in a manner contrary to the welfare of the society.

There is a growing need for corporate management to apply societal moral standards to conscientious business practices. Keeping this in view, corporations engage in "triple bottom line" thinking, which suggests that the success of a business is dependent on economic profitability, environmental sustainability and social performance (Hart & Milstein, 2003). In this way, companies are giving greater visibility to CSR rankings, integrating emerging global standards of expected responsible conduct into their management systems and introducing accountability initiatives into their production processes and global supply chains (Waddock et al., 2002). Currently, numerous MNCs produce a separate CSR report annually and most of them have senior executives who are responsible for CSR endeavors. Thus, the increasing importance given to CSR activities by companies encourages us to study it in detail and also discuss it in the Indian context.

12.2 Theoretical Framework

12.2.1 Definition of CSR

The notion of Corporate Social Responsibility (CSR) holds different connotations, depending on the organization that it is being applied to. Some corporate houses place more emphasis on certain aspects than others such as environment, education, human rights and other such initiatives. The definition of this concept is also geographically dependent, with the needs of one society differing from one another.

At its most basic level, CSR can be defined as a set of activities that are aimed at achieving overall social welfare, through concordant business practices and contributions of corporate resources through self-regulation and voluntary initiatives.

Internal to the business, it can be defined as the way in which the companies manage their corporate activities so as to accomplish overall development of the society through economic, environmental and social issues (Pohle & Hittner, 2008). CSR is the commitment made by businesses to work ethically and contribute to all-round development, while they are involved in improving the status of the employees, their families and of the society at large. Hence, CSR is a voluntary activity, not imposed by regulations or rule of law. It is a manifestation of the business' endeavor to contribute to the well-being of the society or the community in which operates. It includes all its stakeholders who have a say in its functioning and results. CSR can be a link to sustainable development if businesses can integrate economic, social and environmental aspects into their day-to-day operations. This could be achieved only if companies view CSR as a way to manage business and not as an extra burden on the business.

12.2.2 Objectives of CSR

As highlighted by the definition, the objectives of CSR are to assimilate the welfare of all the stakeholders of the business and to carry on the business' activities for their overall well-being. These stakeholders include shareholders who have invested their resources for the development and operations of the business. The profit motive of the business should be incorporated into the CSR initiatives, thereby providing a holistic approach to the concept. One should not view CSR activities as philanthropic, which implies a voluntary financial constraint on the company. The fact that it should be for the overall well-being of the community means that the welfare of the company lies within this welfare as well. Overall objective of CSR should in this way, be to inculcate innovation, human capital, developing competitiveness, creating a holistic atmosphere and to provide an overall sustainable business model. On the whole, there should be value creation which should drive the strategic processes of companies.

12.2.3 Perspectives of CSR

CSR in the corporate world has been viewed in many ways some of which have been discussed above. The rudimentary view of viewing CSR is that companies can use their discretion and can say what, when and how to conduct CSR. However, this should not be the case. Ideally, companies should observe the ailments of the community in their field of operations and think of suitable measures that can be taken to address the situation. This involves meticulous planning and research, thereby providing the best solution to the problems plaguing the community at large. In fact, CSR need not be compensating for any wrong doing of the company. Instead, they are voluntary initiatives undertaken by the company.

Another perspective of CSR is that it is a humanitarian activity that helps the needy people. It is more important for the CSR programs to be well-defined and aimed at the welfare of the company too, thereby creating value to the company in the process. In addition, financial resources are necessary, but not sufficient (KPMG-Assocham White Paper, 2008). Though they form an integral part of the solution architecture for social problems, financial resources are not enough. In fact treating it as a financial burden will lead to an inefficient utilization of resources as it would be better for everyone if the company identifies with the problems faced by the society and acts with empathy.

Some companies also undertake CSR activities by treating them as a brand-building exercise and a public relations operation. This narrow approach will certainly not bring about complete sustainable benefits, making these activities financial constraints for the company. Consequently, companies that are involved in CSR should integrate sustainable values in corporate strategy so as to achieve sustainable development. Corporate social responsibility therefore can be viewed as a way to conceptualize sustainable development and create greater value to society and environment. Though there are various reasons and prisms through which CSR functions can be viewed, one has to take a holistic view of the idea and initiate suitable action.

12.2.4 Models of CSR

CSR can be understood on the basis of frameworks which are broad-based in idea. It brings the state into the picture. The state has got the powers to mandate the corporations to involve in CSR activities.

First we have the ethical model, as propounded by Mahatma Gandhi, where the companies themselves have an ethical responsibility to give back to the society. This can be done either through the strengths of the organization or through any other partnership. Industrialization in India experienced a major setback because of the liberalization, privatization and globalization (LPG) policies adopted by the Indian government in 1991. Within the next two decades, many corporate houses have ingrained CSR concepts in their organizational functioning. This is because of the profound impact of Mahatma Gandhi's thoughts on inclusive capitalism.

Another model is the statist model, whereby the state takes care of CSR activities either through public enterprises or by legal statutes. This was the policy adopted by Jawaharlal Nehru, who followed the socialist model of development. According to this model, the state owned enterprises adopt CSR activities, coupled with legal requirements for other private-owned companies.

The third model is the liberal model, where the corporations will be the sole determinant of their CSR policy. This model assumes that the organizations are in the best position to decide about their role in attaining social development.

Then we have the stakeholder model, where the corporations respond to the needs of various stakeholders, like the consumers, employees, communities and the government. As globalization became prevalent, the concept of stakeholder engagement gained widespread acceptance and appeal as the companies affected a number of entities, rather than just the shareholders and consumers.

12.2.5 Drivers of CSR

Knowing the definition and some of the aspects of CSR functions, let us now see what drives the CSR activities in corporations (Haigh & Jones, 2006). These driving reasons are diverse in nature (Morris, 2010). However, it is solely dependent on the organization to come out with its own CSR agenda by which it can accentuate its position in the market through sustainable mechanisms. Let us see some of the drivers behind CSR programs all over the world.

Enhancing organizational reputation was once the prime motivator for CSR. It is relatively easy to contribute money to a cause or place it in a corporate foundation without a mandate for how the funds are to be spent or what outcomes are expected. With growing recognition of looming human and environmental crises, there is a groundswell of public and private sector organizations striving to make measurable contributions to sustainability issues.

Stakeholder expectations: In developed countries, consumers have started to place ethics, social benefit and environmental safety as criteria based on which they evaluate corporations, favoring those which practice them. To live up to their expectations and to win over the loyalty of the customers, companies have started to engage in CSR activities. It has been increasingly observed that consumers make purchases based on a careful examination of various companies in the area of CSR. Increased awareness and huge popular appeal have made responsible consumerism a major factor in today's market. In fact, there is an entirely new segment of products which are produced in accordance with these principles. Either new products that are green, low waste generating and ethically produced come to the fore in the markets, or existing products and new product lines are introduced. Financially, investors also look for sustainable companies which are eco-conscious, employee-friendly and community-oriented. As their market size increases, companies need to keep a close watch on their sustainability score, in order to attract major sources of financing. Companies are informally subjected to social scrutiny and to eliminate the reputational risk arising out of these events, companies prepare CSR reports to showcase their CSR functions. These reporting standards force the companies to act in such a manner so as to engage in meaningful CSR activities. Apart from these external phenomena, there are many internal stimuli that act as drivers for CSR activities. For example, shareholders who are conscious about the company's CSR activities will try to force upon the management to do something along these lines. The same could also be applicable to the management, as the management can force the company in a direction that would satisfy their morals and ethics, keeping in mind the society and the environment. Employees of the company may engage in activism leading to promote employee friendly, socially conscious and ethically considerate activities. This phenomenon is especially significant in developed countries.

Engaging in socially responsible activities will also boost the morale of the employees as they take pride in the operations and activities of their company.

Lack of Accountability: The financial crisis has deeply eroded the confidence of the common man towards certain industries. Additionally, the number and magnitude of corporate scandals over the years has significantly undermined corporate ethics leading to demands for greater disclosure norms and accountability. Employees are now more and more interested in the affairs of their respective companies and customers are interested in knowing everything possible about a company before buying its products or using its services. Companies engage in CSR activities to regain the confidence of the public. In order to influence the people's perception about the company, firms have started using CSR as a public relations exercise, whereby a favorable image of being socially responsible, can be maintained.

Supply Chain Factors: Companies that cannot produce goods ethically or that cannot produce green products can still procure suitable raw materials in ways that do not inflict any harm to the society. This is a way for companies to showcase their commitment to the cause. Also, utilizing a sustainable supply-chain model is a cheaper method as the company can save costs on logistics, storage and man power.

Competitive Advantage: As more and more companies compete against each other, CSR can act as a differentiating factor to distinguish one from the other. Green companies are much more favored than other companies by consumers, investors and policy makers alike. So to earn more revenues, companies implement CSR strategies.

Technological factors: Technology has tremendously improved in the world especially with respect to the energy savings, low cost energy, renewable energy, recycling, reuse and waste management. All these have contributed to a reduction in the cost of technology. Hence companies find it affordable, and at the same time profitable, to engage in such socially responsible activities. The fact that sustainability and renewable energy is too costly to implement has become anachronistic and the proponents of green energy have argued for the financial benefits of alternative energy to go green.

Environmental concerns: Environmental impact caused by industrialization is not only a cause of concern for green proponents but also for everyone in the world. With ozone depletion, rising temperatures, changing weather patterns, frequent cyclones and pollution, it is everyone's duty to act and work towards attaining sustainable development. Businesses also need to adapt to the growing depletion of fossil fuels and deal with their over-dependence on conventional sources of energy. If companies do not adapt now, then they may have to face the challenges sooner or later. In an impending situation, it is better for the companies to immediately implement green systems and processes rather than to adjust in the future. Furthermore, some companies are hesitant to adopt CSR activities due to cost constraints. Such companies, that consider CSR as a financial constraint, can innovate to achieve sustainable growth. Waste reduction, recycling, reuse, repackaging, are some of the methods that a company can utilize to minimize losses on raw materials and maximize their profit potential. Green energy and energy saving techniques can reduce the energy consumed by the corporation and also help in reducing its carbon footprint.

Government and regulatory aspects: Though there are no legal statutes for implementing CSR activities, sustainability activities around the globe are encouraged widely both by governments as well as regulators. Industry associations also encourage companies to testify as to their CSR activities in various formats of reporting. Companies are required to meet stringent criteria to obtain environmental clearances and more conditions are added to make sure that businesses are engaging in eco-friendly activities. Governments are also motivated by international treaties which make them obligatory to follow global standards on sustainability. Moreover, corporations engage in CSR activities as they perceive that Governments alone cannot solve all the social problems that are plaguing the society. It has to be complimented by the private sector, which has better resources in terms of human capital and technology. This makes it imperative for them to act and add value to the society in a way that is suitable for them.

Non-Governmental organizations: Non-Governmental Organizations (NGOs) are advocacy groups for a particular cause, often backed by serious research and development agenda. They raise public awareness about the issues that they feel need to be immediately addressed. Along these lines, NGOs promote CSR activities by acting as pressure groups. They influence business decision by acting as advocacy groups to mould public opinion and generate positive or negative sentiments. Furthermore, NGOs often have the competence in the areas of social development, sustainability, low cost products and waste management. Businesses can make use of their expertise in these areas and hence implement their own CSR agenda.

12.3 Literature Review

Various researchers have tried to analyze whether CSR can bring innovation, competitive advantage and be a source of value creation for a company. Gallego-Alvarez et al. (2011) analyzed the bi-directional relationship between CSR practices and innovation according to resource based theory using the model proposed by Burke and Logsdon (1996) to understand value creation by CSR projects. They found the effect of sustainable practices undertaken by companies listed on Dow Jones Sustainability Index, as far as innovative efforts are concerned, is statistically less significant. They also found that investment in R&D takes 3 years to show its value added in CSR practices and that the relationship between innovation and CSR practices is not the same in all sectors.

Russo and Fouts (1997) tested the resource based theory of CSR empirically on firm level data regarding accounting and environmental profitability and found that companies with higher environmental performance also have higher financial performance. McWilliams et al. (2002) suggested that CSR practices supported by political strategies can be used to create sustainable competitive advantage.

Guadamillas-Gomez and Donate-Manzanares (2011) concluded that integration of CSR and ethical principles into a company's strategy and its implementation in a coherent manner can contribute to attainment of economic efficiency, confidence and cultural identification. The innovative companies that can do so will be the most competitive companies in near future.

Many studies have been undertaken to analyze the reporting trends /practices with regard to CSR. Studies like Idowu and Towler (2004) in UK, Vuontisjarv (2006) in Finland and Paul et al. (2006) in Mexico show that CSR reporting in European countries is very low but it is becoming popular. This is mainly due to the presence of regulatory bodies like the European Union, which issue directives requiring all member countries to create legislations with explicit reports on employee and environmental matters. Also, stock exchanges persuade listed companies to provide information on their CSR activities, like the Paris Stock Exchange in France and Johannesburg Stock Exchange in South Africa.

Studies undertaken by Fombrun and Shanley (1990), Godfrey (2005) and Houston (2003) have found a positive relation between corporate reputation and corporate values.

A favorable reputation has also been identified as enhancing consumer perceptions of product quality (Grewal, Krishnan, Baker, & Borin, 1998) raising employees' morale, increasing productivity, improving recruitment and retention (Turban & Cable, 2003) and allowing easier access to capital (Beatty & Ritter, 1986).

Thompson and Zakaria (2004) found the main themes in CSR reporting to be human resources, products and consumers, community involvement and environment. Similar observations were also made by Mirfazli (2008).

Gao (2011) studied the CSR reporting practices of 81 listed companies in domestic security markets of China (Shanghai Security Exchange and Shenzhen Security Exchange) using content analysis of annual reports. He concluded that only 5.06 % of listed companies publish their CSR reports in China and 4.42 % of them issued a separate CSR report. Also two distinct practices are adopted in CSR reporting: separate report and a section in annual report with no specific preference for one over the other. The reports can be named such as CSR report (31 %), sustainability report (37 %), social report (10 %), social and environmental report (10 %), environmental report (7 %) and HSE report (3 %), as observed by Perrini (2006).

Looking at the significance of CSR activities in building a brand image and the reputation of companies, many studies have been undertaken to analyze how companies can integrate CSR activities into their knowledge management strategy, technological innovation and human development.

12.4 CSR in India

In India, the philosophy of CSR has been discussed since the Vedic times. Though the term may be new, the philosophy is not. It was called by different names—Dharma, Niti and such other names. Chanakya, in his seminal work *Arthashastra,* stressed on the need for ethical behavior and role of dharma in life. The concept of helping the poor and the needy is mentioned in almost all of the ancient literature in India, upholding modern day philanthropy. Furthermore, the Sanskrit saying "*Atithi Devo Bhav*" means "the one, who comes to you for being served, should be taken to be as God". This is considered to be the highest form of responsibility, be it to customers or to other individuals of the society. This famous saying depicts that social responsibility has its roots in ancient Indian history.

The philosophy of generosity and philanthropy has been adopted by many industrialists, and morals and ethics are now firmly entrenched in the corporate boardrooms of India. This is evident from the fact that numerous educational institutions in India were started by industrialists and corporate houses. Additionally, many of the biggest charity and philanthropic donations seen in India highlight the sense of CSR prevalent in their minds. This stands testament to the understanding of our ethos by various companies and is an appreciation of our cultural heritage and background.

India's founding father, Mahatma Gandhi, brought back CSR values to the forefront by describing businesses as 'large trusts of wealth of the people'. He envisioned capitalist wealth to bring about industrialization, and also help in the upliftment of the life of the common man. This was the same philosophy which guided the socialism that was later followed by Pandit Nehru. He setup a mammoth public sector for serving the larger social interests. The liberalization reforms of the 1990s brought the fledgling Indian industry slowly but prominently to the forefront among the global majors. Now, the industry associations, like ASSOCHAM, FICCI, CII, NASSCOM etc., have come up with their own CSR policies and guidelines to help companies in implementation of CSR activities.

Furthermore, waking up to the need of having more objective disclosures of CSR activities, the Ministry of Corporate Affairs, Government of India, came up with guidelines for voluntary reporting of CSR activities. This was done with the intention of adding value to the operations and contributes towards sustainability of business (Corporate Social Responsibility Guidelines, 2009). The guidelines require companies to allocate specific amount in their budgets for CSR activities and motivate employees for voluntary efforts for social development.

12.4.1 Stages of CSR in India

To analyze historic CSR activities, the Indian corporate history can be divided into four time phases. These four phases can be utilized to depict the evolution of CSR activities in India over time.

Phase 1 (Ancient times–1880): This referred to the pre-industrialization period. Culture, religion, tradition and family values had a huge impact on CSR activities. Efforts during this period were hence driven by selflessness, religious motives, political objectives and caste factors.

Phase 2 (1880–1960): This was the period of the independent struggle during which patriotic feelings were at their highest, and industrialists, caught up in the nationalistic fervor, contributed heavily to welfare. Mahatma Gandhi's influence too was highly instrumental in ensuring huge contributions towards the socio-economic development of the nation.

Phase 3 (1960–1980): This phase was characterized by the phrase 'mixed economy'. The private sector took a backseat during this period, while the public sector was the engine of development. Public sector undertakings rose to prominence, with their main aim being suitable distribution of resources. However, the concept of CSR was not so popular during this period.

Phase 4 (1980-present): This has been the period of relative *laissez-faire*. It was during this period that the policies of liberalization, privatization and globalization were adopted by the Indian Government, which led to a phenomenal growth in the economy. This made companies more enthusiastic to contribute constructively to CSR activities. Moreover, companies started to adopt CSR as an essential part of their business strategies. Western influence and access to information to consumers also impacted the rise of CSR during this period.

12.4.2 Legal Background of CSR

The *Companies Act, 2011* was passed by the Indian Parliament in December, 2011, replacing the earlier Companies Act, 1956. This Act makes special mention of the mandatory CSR activities that ought to be undertaken by companies. With the passing of this law, India became the first country in the world to make corporate social responsibility a compulsion through a statutory provision.

According to this Act, companies falling in a certain category must allocate at least 2 % of their average profits over the previous 3 years to corporate social responsibility initiatives. These initiatives can include eradicating extreme hunger and poverty, promotion of education, promoting gender equality and empowering women, ensuring environmental sustainability, social business projects among others.

Furthermore, this Act also offers directives to companies to disclose their financial statements which should contain the details of the policies developed and implemented by the company on corporate social responsibility initiatives taken during the year [Clause 136 (6) (o))].

These revolutionary provisions of the Companies Act, 2011 were unique and had not been previously proposed in either the Companies Act, 1956 or any other legislation in the past, nor were such steps taken by any other nation.

It is worth mentioning that Denmark also passed a law on CSR in 2008. The Danish parliament adopted a bill, making it mandatory for the largest Danish companies, investors and state owned companies to include information on corporate social responsibility (CSR) in their annual financial reports. However, there were no provisions for mandatory CSR initiatives.

Furthermore, a new initiative was undertaken by the Government of India 'The Corporate Responsibility for Environmental Protection' (CREP). This initiative acts as a guideline for 17 polluting industrial sectors by providing a set of non-mandatory norms. However, despite its existence, there is no real pressure for its adoption or internalization.

Furthermore, there are numerous international CSR standards and guidelines that have been defined. These include the OECD Guidelines for Multinational Enterprises, UN Global Compact, The Universal Declaration of Human Rights and ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy.

12.4.3 Arguments Against Mandatory CSR Activities

CSR as a mandatory standard is widely viewed as a policy measure to involve companies to support CSR functions. However, mandatory CSR is intrinsically contradictory. CSR is fundamentally an inspirational exercise, and it is very difficult to legalize aspirations. Laws only set minimum standards they do not create any impetus for positive action. Additionally, there is no enforcement mechanism or penalties for non-compliance in the Companies Act, 2011. In a country like India, where laws are poorly enforced, this law is ambiguous and unenforceable. Also, mandatory clauses do not allow the corporations to make use of their core competencies for CSR. They simply prescribe profit percentage to be allocated to CSR. This will not help to create sustainable companies which will integrate CSR in their corporate strategy.

In addition, a mandatory expenditure is similar to a tax. This proposed law essentially imposes an additional 2 % tax on companies covered by the bill. This increase in government regulation and taxation is bound to make India a less attractive destination for foreign investors and large national companies. This law would hence slow down India's growth rate.

Furthermore, this will also create a sense of compliance rather than a concept, idea or a strategy to be followed for furthering the business and social initiatives.

12.4.4 Cases of CSR in India

CSR, as previously discussed, is now an integral part of the management strategy of Indian companies, further compounded by the Companies Act, 2011. Corporations across the nation are fully aware of their responsibility and duty towards society. There has been no exception to this fact that companies across various industries and different sectors are putting their best foot forward and contributing constructively in bringing about sustainable development. Some prominent examples have been highlighted.

Bharat Sanchar Nigam Limited (BSNL), the premier service provider in telephone and other communication services has committed to provide connectivity to rural parts of India which is a national mission to enable inclusive growth (Article 13 Group, 2007). It plans to provide broadband to 20,000 villages that are already connected through optical fiber. It has plans to provide broadband to all Gram Panchayats (village headquarters), secondary and higher secondary schools and public health care centers. It is also offering lower rental and extra free calls to rural areas as compared to urban customers.

Another telecom major, Bharti Airtel, founded the Bharti foundation in 2000 with the vision, 'to help underprivileged children and young people of our country realize their potential' . As a part of this initiative, they started the Bharti Computer centers which have imparted computer training to more than 1.5 lakh children in remote villages in five states. They also have a Bharti Library program, which is aimed to improve the reading habit of children. Along with the mid-day meal scheme, Bharti has supported the Akshaya Patra program in providing meals to 43,000 children per day in 292 government schools. In the coming years, the foundation has plans to start a large number of primary schools in rural areas across the country.

Infosys, the IT services provider founded the Infosys foundation, the philanthropic arm of Infosys technologies Ltd. in 1996. Its main objective was to fulfill its social responsibility towards the society by encouraging the underprivileged people by imparting them training in vocations, computer and other business skills (Lakhlani, 2011). It has trained destitute women in employment opportunities and improves their livelihood. Some other activities that the foundation is involved in are relief work after natural disasters, and donation of aid equipment to physically handicapped section of the society.

Indian Oil Corporation Limited (IOCL), one of the major Oil and Gas Company in India has been the founder member of United Nations Global Compact (UNGC). The UNGC is an international initiative that brings companies together with UN agencies, labor and civil societies to support environmental and social causes. IOCL has a CSR framework and has based its corporate strategy around it. Its activities towards the environment include development of clean fuel with low sulphur, pollution control program, construction of ecological parks etc. It has won the TERI corporate environmental award which shows its commitment towards maintaining an eco-friendly nature of activities. IOCL refineries have achieved ISO 14001 certification for environmental management system.

Narayana Hrudayalaya (India Knowledge@Wharton, 2011), a low-cost hospital founded by Dr. Devi Shetty in Bangalore, is known for providing affordable treatment to heart ailments. The hospital is in the forefront in process innovation in medical services and has considerably reduced the cost functions, thereby able to reduce the treatment & other charges. Some of the process changes they have made include, lump sum imports rather than ad-hoc buys in the market, longer & efficient use of machines and achieving cost advantage, partnering with vendors for costly medical equipment whereby custom-made deals are made to suit the cash flows and providing fixed salary for doctors rather than case-based fee. These things coupled with the large number of patients to the hospital helped Narayana Hrudayalaya to provide free, cheap and quality medical services to the poor who otherwise cannot afford it. Similar to this example in cardio treatment, Aravind hospitals do the same in ophthalmic care to the patients. Both have proved to be good examples for CSR strategy being at the center-stage of corporate strategy and innovation.

A prominent example in the Automobile industry is Bajaj Auto. It has established a trust, the' Jankidevi Bajaj Gram Vikas Sanstha' (JBGVS) in 1987. It aims at development in villages, especially around its factories in Pune and Aurangabad. The trust helps the people in these villages by providing sustainable livelihood, rural health, hygiene, education and adult literacy. They also provide micro-credit for starting small businesses which improve the quality of life standard of the people.

Hindustan Unilever Limited (HUL), the leading FMCG major in India, launched '*Project Shakti*' in 2001. The purpose of this program was to create employment generating opportunities for underprivileged rural women, by providing a small-scale enterprise community and to improve rural living standards through health and hygiene awareness. The project became a tremendous success and later expanded to 15 states, covering around 80,000 villages. The company also launched

'*Project i-shakti*' kiosks, an IT-based rural information services for rural needs like agriculture, education, health and hygiene. Training programs are held to improve the business skills of rural women and the total count of entrepreneurs benefitted through this program has reached more than 40,000.

We observe that many of the CSR activities in India place special emphasis on the people of the rural areas. It shows that the corporate houses in India have realized the potential of rural India, and the burgeoning need to uplift them. This need is further highlighted by the fact that more than two-thirds of the population depends on agriculture and allied activities for a living. Mahatma Gandhi had rightly said that 'the heart of India lies in its villages, if one has to develop India then, its villages have to develop. If villages perish then India too will perish'.

Another industry association, Federation of Indian Chambers of Commerce and Industry (FICCI) have strongly supported CSR causes and they have established FICCI-Socio-Economic Development Fund whereby they encourage CSR by training, assistance, consulting and other ways by which they can expand CSR activities in the corporate sphere. They undertake projects of various areas like healthcare, education, employability, gender equality, diversity, environment and family welfare.

The National Association of Software and Service Companies (NASSCOM) which is the trade organization of the IT and ITeS companies in India, is involved in socio-economic development of the underprivileged and underserved by application of Information and Communication technology. It facilitates these activities by research, advocacy, advisory and programs. They employ their expertise and human capital in their field of work and exploit them to effect a change in the society.

12.4.5 Indicator of CSR in India

As previously discussed, the concept of Corporate Social Responsibility has gained prominence over the past few decades. The turn of the new twenty-first century saw companies make attempts to become more accountable to society as a whole. This can be observed through the analysis of various CSR indicators. One of these indicators is the publishing of CSR reports.

The importance of CSR reports cannot be underestimated. They seek to improve communications and foster better relations between the corporate sector and the society as a whole. A CSR report, at its most general form, deals with a company's relations with its various stakeholders. They arose due to the growing need for all the stakeholders to know about the CSR activities undertaken by the company, so that they can make the appropriate decision; be it investors investing in the company, or consumers buying its products and so on. It brings transparency in the functioning of the company and acts as an added pressure for companies to participate in socially responsible activities.

Table 12.1 Number of companies publishing CSR reports

Year	India	Asia	World
2001	1	26	123
2002	4	27	140
2003	1	2	175
2004	5	33	294
2005	3	40	386
2006	5	52	527
2007	8	98	725
2008	20	184	1,084
2009	20	254	1,227

Hence, it would be interesting to analyze the number of companies that publish CSR reports and how this number has changed over time. The results for the same over the period 2001–2009 for India, Asia and the world are indicated in Table 12.1 below.

The above table depicts that during this time period, despite numerous recorded examples of CSR activities, the practice of publishing of formal CSR reports by Indian companies never picked up steam till 2008. Any corporate offers a new product or service based on a consumer demand. Similarly, if there was a public demand for the same, then Indian companies would have bowed down to public sentiment and would have published CSR reports. So, the low number of companies that published CSR reports till 2007 is a reflection of the lack of public awareness at the time period under consideration. The subsequent rise in public awareness and the number of these companies can be attributed to the rise of social media and television. Consequently, the Indian Government took a proactive step to engage companies in CSR activities through radical legislations, like the Companies Act, 2011. This Act also made it mandatory for certain companies to publish their CSR reports.

We can also compare the number of companies that published CSR reports in India vis-à-vis that of Asia and the world. It can be observed that there has been a steady increase in the number of such companies in Asia and also around the globe. This gives an indication to the level of general awareness among the management of these companies regarding their responsibilities and also among the various members of society.

12.5 Future of CSR in India

As seen earlier, Indian corporates have adapted to CSR and its allied activities (like reporting, conceptualization, strategy, etc.) faster than its western counterparts. In the future, where India is poised to become a superpower, corporations will have a major role to play as they will add to the economic prowess of India. At the same time, the focus should be on inclusive growth. Skewed growth will instead push the nation towards instability. Prosperity that urban areas enjoy should be distributed to the lower strata of the society as well. Under these circumstances, when the nation is at the cusp of being a superpower, socio-economic problems should be dealt with comprehensively by the government and the private sector working in tandem.

The phrase 'policy paralysis' has been used quite frequently as an adjective for the present Government of India. Under these conditions, CSR will have a big role to play to fill this gap, with regard to social welfare, that the government has failed to address. Corporations can lean back on their core competency rather than to re-invent new things to give back to the society. They can hence achieve economies of scale and provide better services. By incorporating CSR principles into their business strategy, companies can sustain their businesses in these tumultuous situations.

The slender equilibrium of a peaceful economic environment can be easily rattled by numerous factors in a nation as diverse as India. In these settings, CSR can be a useful tool and a strategy through which the management can engage with the people, understand their concerns, share their problems and help provide a solution to the same. The inherent ethical business practice that is present among Indian businessmen should be the cornerstone in our quest towards sustainable economic growth. Businesses should understand these ideas and articulate them in a fashion that will get incorporated into the CSR strategy of the company itself

Effective implementation of CSR initiatives can provide inclusive growth path that can catapult the state towards sustainable development.

Furthermore, the Companies Act, 2011 has created a turbulent atmosphere with the rise in tensions between the Indian Government and the industries. It is the point of view of the industries that CSR activities should be carried out on a voluntary basis, rather than making them mandatory. At the same time, industry associations also suggest self-regulations which will guide the companies to perform CSR in their own way.

The biggest challenge that would be faced by companies would be the rise of the informed customer. The increase in awareness among the common man about the problems plaguing the society and the efforts taken by the producers to tackle them would contribute to the choice of the brand of a particular good. Additionally, the ascendancy of the empathetic employee is another challenge companies are expected to face. Employees would wish to work for a company that has strong CSR values and activities.

Another challenge faced by companies involved in CSR initiatives is the lack of community participation. The efforts made to generate awareness about the CSR activities have not been effective. As a result, there exists little knowledge regarding CSR initiatives of companies, which further results in an indifference towards contributing and participation in these initiatives.

Additionally, there is a lack of transparency in various agencies and institutions that accept contributions from companies. There is no disclosure regarding the utilization of funds, among other items. This lack of transparency leads to a trust deficit between the companies and the agencies that spearhead social initiatives.

Non-availability of clear guidelines towards CSR is another major problem faced by companies. There are no clear statutory guidelines to provide a definitive direction to CSR initiatives of companies.

Another major problem is that only medium and large corporate houses are involved in CSR activities. Also, these activities are confined to specific geographic areas. It is essential that awareness about CSR initiatives is spread among Small and Medium Enterprises, to ensure an equal involvement from them. Furthermore, there is a lack of co-operation among various companies in their CSR activities. Collaboration by companies will not only widen the impact of the CSR initiatives, but also increase the efficiency.

In conclusion, it is important that the various problems are tackled in a manner that satisfies all parties so that the ultimate winner is the common man.

References

Article 13 Group. (2007). *CSR in India—Perspectives for business*, pp. 8–12.

Beatty, R. P., & Ritter, J. R. (1986). Investment banking, reputation, and the under pricing of initial public offerings. *Journal of Financial Economics, 15*(1–2), 213–232.

Burke, L., & Logsdon, J. M. (1996). How corporate social responsibility pays off. *Long Range Planning, 29*(4), 495–502.

Corporate Social Responsibility Guidelines. (2009). Ministry of Corporate Affairs, Government of India. Retrieved from http://www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf

Fombrun, C. J., & Shanley, M. (1990). What's in a name: Reputation building and corporate strategy. *Academy of Management Journal, 33*(2), 213–232.

Gallego-Alvarez, I., Prado-Lorenzo, J. M., & Garcıa-Sanchez, I.-M. (2011). Corporate social responsibility and innovation: A resource-based theory. *Management Decision, 49*(10), 1709–1727.

Gao, Y. (2011). CSR in an emerging country: A content analysis of CSR reports of listed companies. *Baltic Journal of Management, 6*, 263–291. Retrieved from http://www.emeraldinsight.com/journals.htm?articleid=1923923&show=abstract

Godfrey, P. (2005). The relationship between community investments and shareholder wealth. *Academy of Management Review, 30*(4), 777–798.

Grewal, D., Krishnan, R., Baker, J., & Borin, N. (1998). The effect of store name, brand name and price discounts on consumer evaluations and purchase intentions. *Journal of Retailing, 74*(3), 331–352.

Guadamillas-Gomez, F., & Donate-Manzanares, M. J. (2011). Ethics and corporate social responsibility integrated into knowledge management and innovation technology: A case study. *Journal of Management Development, 30*(6), 569–581.

Haigh, M., & Jones, M. (2006). The drivers of corporate social responsibility: A critical review. *Business Review, Cambridge, 5*(2), 245–251.

Hart, S. L., & Milstein, M. B. (2003). Creating sustainable value. *Academy of Management Executive, 17*(2), 56–67.

Houston, M. (2003). Alliance partner reputation as a signal to the market: Evidence from bank loan alliances. *Corporate Reputation Review, 5*(4), 330–342.

Idowu, S. O., & Towler, B. A. (2004). A comparative study of the contents of corporate social responsibility reports of UK companies. *Management of Environmental Quality, 15*(4), 420–437.

India Knowledge@Wharton. (2010). *Narayana Hrudayalaya: A model for accessible, affordable healthcare*?

KPMG-Assocham White Paper. (2008). *Corporate social responsibility- towards a sustainable future*, pp. 6–8.

Lakhlani, C. (2011). Corporate social responsibility in India. *International Referred Research Journal, 3*(25), 69–70.

McWilliams, A., Van Fleet, D. D., & Cory, K. D. (2002). Raising rivals' costs through political strategy: An extension of the resource-based theory. *Journal of Management Studies, 39*(5), 707–723.

Mirfazli, E. (2008). Corporate social responsibility (CSR) information disclosure by annual reports of public companies listed at Indonesia stock exchange. *International Journal of Islamic and Middle Eastern Finance and Management, 1*(4), 275–284.

Morris, N. C. (2010). 45 forces driving corporate social responsibility. *Provictus Consulting.*

Paul, K., Cobas, E., Ceron, R., Frithiof, M., Maass, A., Navarro, I., et al. (2006). Corporate social reporting in Mexico. *The Journal of Corporate Citizenship, 22*, 67–80.

Perrini, F. (2006). The Practitioner's perspective on non-financial reporting. *California Management Review, 48*(2), 73–103.

Pohle, G., & Hittner, J. (2008). *Attaining sustainable growth through corporate social responsibility* (pp. 67–87). New York: IBM Institute for Business Values.

Russo, M. V., & Fouts, P. A. (1997). A resource-based perceptive on corporate environmental performance and profitability. *Academy of Management Journal, 40*(3), 534–559.

Thompson, P., & Zakaria, Z. (2004). Corporate social responsibility reporting in Malaysia: Progress and prospects. *Journal of Corporate Citizenship, 13*, 125–136.

Turban, D. B., & Cable, D. M. (2003). Firm reputation and applicant pool characteristics. *Journal of Organisational Behaviour, 24*(6), 733–751.

Vuontisjarv, T. (2006). Corporate social reporting in the European context and human resource disclosures: An analysis of Finnish companies. *Journal of Business Ethics, 69*, 331–354.

Waddock, S., Bodwell, C., & Graves, S. B. (2002). Responsibility: The new business imperative. *Academy of Management Executive, 16*(2), 132–148.

Part IV
CSR in Higher Education Institutions Around the World

Chapter 13
Corporate Social Responsibility in Business Education: A Review of Current Status of American Business Schools Curriculum

John O. Okpara, Nicholas Koumbiadis, and Samuel O. Idowu

Abstract This paper investigated the extent to which CSR was incorporated into MBA courses in business schools in the United States. MBA students are the managers and leaders of the future and their knowledge and skills will influence the extent to which business CSR and sustainability will be achieved. This paper makes an exploratory analysis of MBA curriculum at the top 50 business schools in the United States. Our findings show that a high percentage of business schools in the US includes CSR-related subjects on their curriculum. CSR content is taught as either specific CSR subjects (stand-alone CSR subjects) or as part of various subjects on the academic curriculum (embedded CSR subjects). While at first sight our findings may seem promising, a more detailed analysis shows that few MBA curricula include stand-alone CSR subjects and that although many MBA programs have embedded CSR subjects, the content of CSR at most MBA schools is by no means fully developed.

J.O. Okpara (✉)
Department of Management and Marketing, College of Business, Bloomsburg University of Pennsylvania, Sutliff Hall, Room 358, 400 East Second Street, Bloomsburg, PA 17815, USA
e-mail: jokpara@bloomu.edu

N. Koumbiadis
Department of Accounting, Finance, and Economics, Robert B. Willumstad School of Business, Adelphi University, New York, NY, USA
e-mail: nkoumbiadis@adelphi.edu

S.O. Idowu
Faculty of Business & Law, London Metropolitan University, Calcutta House, Old Castle Street, London, E1 7NT, UK
e-mail: s.idowu@londonmet.ac.uk

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_13,

13.1 Introduction

Studies on corporate social responsibility (CSR) have concluded that businesses should become more sustainable (Aras & Crowther, 2009; Dunphy, Griffiths, & Benn, 2007; Shrivastava, 2008; Stead & Stead, 2004; Stubbs & Cocklin, 2007). In addition, international organizations such as the United Nations (UN) have called upon corporations to become more socially responsible. For example, in 2001, Kofi Annan, the former UN Secretary General, argued that the biggest challenge of the new century was to make everyone on the planet aware that sustainable development was a reality, and not an abstract concept (United Nations, 2001). By this he meant that the quality of life of present and future generations needed to be improved by reconciling economic growth, social development and environmental protection. Following this pronouncement, in December 2002, the United Nations General Assembly declared a Decade of Education for Sustainable Development, the aim of which was to promote education as a basis for a more sustainable human society and to integrate sustainable development into educational systems at all levels. It designated the United Nations Educational Scientific and Cultural Organization (UNESCO) as the lead agency to promote the Decade.

Education is the key to sustainable development, so it should be reviewed at all levels and there should be a clear focus on the development of sustainability-related knowledge, skills, perspectives and values for the benefit of current and future societies (UNESCO, 2005). In management education, universities have a vital role: to equip the next generation of business leaders with the skills they need to cope with an era of globalization, and create economic growth and a sustainable future for people and the planet (Ethical Corporation, 2006). Business educators are responsible not only for providing students with opportunities to build business skills, but also to help them to understand the powerful effects that business decisions and actions can have on society and the potential collateral damage they can cause. In this regard, teaching ethics and social responsibility is a critical step towards helping business students understand this balance (Kolodinsky, Madden, Zisk, & Henkel, 2009).

Furthermore, graduates need to be made aware of the importance of honesty and integrity. Business schools need to ensure that students are equipped with the ethical integrity to meet challenges of the real world of business. Incorporation of course units that address business ethics and corporate social responsibility are obvious attempts to counteract any negative influences on graduate skills (Jackson, 2009). Business schools at all levels must encourage students to develop skills in business ethics and CSR.

This paper takes as its starting point the view that CSR and sustainability encompass economic, social and environmental dimensions, and is one of the most important and urgent issues facing businesses and society today (Dunphy et al., 2007). Building upon previous research we argue that there is a need for managers to increase their understanding of CSR sustainability and the strategies that can be developed to make their organizations more sustainable. In this study we examined the extent to which MBA courses offered by American business schools explicitly stated that CSR and sustainability was addressed in their MBA curricula. This paper reports the results of our investigation and aims to stimulate discussion about how business CSR and sustainability are being addressed within business education and whether it is currently meeting internationally identified standards.

The purpose of this paper is to examine the extent to which CSR is taught in the business schools of American universities. More specifically, it provides an overview of teaching in of CSR in business administration and management courses in American universities. It analyzes not only information from the curricula of American university business schools but also the content of individual subjects. Similar to Matten and Moon (2004), we assumed that CSR would mostly be understood as an umbrella term for a broad set of synonyms and overlapping concepts reflecting both business and society relations and "business ethics." In this regard, De Bakker, Groenewegen and Hond (2005) suggest that progress in the literature on the social responsibilities of business is obscured or even hampered by the continuing introduction of new constructs. Over time, a number of concepts have been added to a continuing debate that builds on notions of the social responsibilities of business, firms, and their managers. Mohan (2003) views CSR as an empirical concept that refers to one or a few of the many incarnations of the business–society relationship. The meaning of the concept varies in time and place. Furthermore, it is a concept that relates to, but sometimes also competes with, other concepts such as business ethics, sustainable development, corporate philanthropy or corporate citizenship (De Bakker et al., 2005).

The paper is structured as follows. In the first section, we review previous studies in the area of CSR in Management Education. We then describe the methodology used in our study of the courses offered by American business schools, and go on to analyze and discuss the results. Finally, we present our conclusions and their implications for universities, the limitations of the study and future lines of research.

13.2 Review of Previous Studies

CSR has been a topic of debate in both business and education for the past four and half decades. The debate on the role of business ethics and business education is by no means new. It started in the 1970s in the United States, but has recently acquired renewed strength (Melé, 2008). Over the years, ethics education in business schools has evolved and has gradually incorporated new topics and domains such as CSR and sustainability (Christensen, Peirce, Hartman, Hoffman, & Carrier, 2007). Our review of existing studies has enabled us to better understand the various terms used to refer to CSR issues. Ethical and social responsibility are terms that have been in common use for some time now, while, according to Rands and Starik (2009), sustainability is a fairly recent phenomenon in management education.

The teaching of ethics/CSR has been examined from different perspectives. Some papers have provided a descriptive review of CSR courses, their historical development and format. Others have provided a prescriptive account of the pedagogical issues of teaching ethics and made recommendations for teachers. And yet others have made analytical judgments about whether courses in ethics are, in fact, effective at modifying values and attitudes in students (McDonald, 2004). The present paper focuses on the review of the descriptive literature. Particular attention has been paid to the overall status of CSR in business schools. The most comprehensive description of the situation in Europe was made by Mahoney (1990) in a comparative study on the teaching of business ethics in the United States, the United Kingdom and Europe. More recently, Matten and Moon (2004) focused on CSR and provided a description of CSR teaching in Europe by surveying a wide range of business education institutions in different countries. They analyzed the extent of CSR education, the different ways in which it is defined and the levels at which it is taught. Their research provides an account of the efforts that are being made to "mainstream" CSR teaching and of the teaching methods deployed.

Other studies have also examined the topic of ethics and CSR education in MBA programs (Benn & Dunphy, 2009; Christensen et al., 2007; Cornelius, Wallace, & Tassabehji, 2007; Navarro, 2008). Similarly, Benn and Bubna-Litic (2004) and Tilbury, Crawley, and Berry (2005) examined the extent to which Australian MBA programs dealt with sustainability issues. They concluded that Australian MBA programs offered graduates little preparation for dealing with the multidisciplinary challenges of introducing sustainability or corporate sustainability issues in their workplace. Building on these previous studies, Benn and Dunphy (2009) reported on an exploratory project using an action research approach to integrate sustainability into core subjects in the MBA curriculum at a university in Australia. They also identified some key facilitators and impediments to successful integration of sustainability in the MBA core. Christensen et al. (2007) analyzed how the top 50 business schools (as rated by the Financial Times in its 2006 global MBA rankings) addressed ethics, corporate social responsibility and sustainability as separate and distinct topics in their MBA curricula. Their findings revealed that a majority of schools (84.1 %) required one or more of these topics to be covered in their MBA curriculum and that one-third of schools required all three topics to be covered. They also identified a trend toward the inclusion of sustainability-related courses. Subsequently, Navarro (2008) analyzed the top 50 US business schools and how many of them exhibited the major features of the ideal MBA curriculum: multidisciplinary integration, experiential learning, soft-skill development, information technology and global perspective, ethics and corporate responsibility. The results of his research suggested that three of the six major features of the ideal MBA curriculum—soft-skill, corporate social responsibility and a global perspective—continued to get less emphasis than traditional functional silo courses such as accounting, finance and marketing. Concretely, his research showed that less than half of the top schools required a stand-alone course on corporate ethics and CSR.

The articles in the special issues mentioned above provide a wide range of approaches to CSR and sustainability education in management (classroom experiences, theoretical, pedagogical perspectives, etc.), which will help advance the design, adoption and success of CSR and sustainability in management education. The study by Wu, Huang, Kuo, and Wu (2010) provides a rounded picture of the present state of management education for sustainability, by making an exploratory empirical content analysis of the world's major business schools. Their findings revealed that European schools favored an elective-oriented approach and placed more emphasis on the graduate level, whereas American schools favored a more compulsory-oriented approach at the undergraduate level. They also found differences in the overall level of sustainability-related curriculum, the specific content, and the teaching methods between global regions, national development stages and university rankings.

13.3 Research Questions

Research question 1: How is the CSR course integrated into an MBA program?
Research question 2: What is the level of development of CSR content?
Research question 3: What are the key success factors (KSFs) behind the integration of CSR courses in MBA programs?
Research question 4: What are the key barriers to integrating CSR courses in MBA programs?

13.3.1 Research Method

Our research is focused on top-rated MBA programs in in the United States. In order to place boundaries on the potential research population, we considered the list from the US News & World Report ratings of business schools published annually and are publicly available on the website of US News & World Report. Our sample was composed of the top 50 business schools listed there, and our data were collected through the websites of the schools selected.

We considered that an exploratory and descriptive web-content analysis would be an appropriate strategy for this study because it has been used by other researchers, such as Seto-Pamies, Domingo-Vernis, and Rabassa-Figueras (2011). Although surveys have played a significant role in the overall methodology of previous studies (the majority being distributed to the deans of business schools), we decided that a web-based content analysis would be the most appropriate method for our study. Wu et al. (2010) suggest that web-based content analyses may be indispensable to mitigate the weakness of survey research on the one hand, and the resource constraints of interviews on the other, since the selection process is nondiscriminatory, and the information is publicly available. This methodology has also been applied in recent studies (Cornelius et al., 2007; Navarro, 2008; Seto-Pamies et al., 2011; Wu et al., 2010).

The information disclosed on websites is open to the public and also updated on a regular basis. As a formal source of information, school websites have become a commonly used tool for interaction and communication between business schools and their relative stakeholders. However, it must first be acknowledged that the statistical results of all web-based studies are influenced by data availability, update frequency, and language of use (Wu, 2007). However, we have made a significant attempt to minimize these inherent limitations by performing our analysis on the basis of the whole population.

To achieve our purpose, we analyzed the curricula of the MBA courses at the top 50 business school in America as well as the different teaching programs of the individual subjects offered. The universities were identified using the US News & World Report 2012 website and the data was collected in January and February of 2013. In order to assess the degree of CSR content exhibited by each business school, we made a content analysis of the official websites and linked internal documents. We accessed each business school's website to determine the list of required and optional courses as well as other aspects of the curriculum pertinent to the analysis. The analysis included a comprehensive review of the subject titles and their course outline.

13.4 Analysis and Results

After analyzing the 50 universities that offer CSR courses, we found 33 universities, 66 %, which include the term "social responsibility" or "business ethics" in their MBA subject titles. Furthermore, of the 50 responding schools, only 18 universities, 36 %, require MBA students to take CSR courses as stand-alone courses; 35 % of the universities' CRS courses are embedded throughout their curriculum. As can be seen in Table 13.1, we found that 18 or 36 % of business schools have CSR as either core or compulsory course requirement for their MBA program. We found that 32 or 64 % of the institutions offer CSR courses as optional or free elective. We found that stand-alone CSR subjects are typically offered in the students' final academic years regardless of whether they are core/compulsory or optional. Figure 13.1 shows a breakdown of the extent to which CSR courses are integrated into the MBA program. A detailed analysis of our findings is presented in Table 13.1 and Fig. 13.1 below.

13.4.1 Required CSR Courses

Our findings suggest that, when it comes to making CSR mandatory, 36 % of the schools require students to take CSR as part of their program. This finding is

Table 13.1 A breakdown of how CSR courses are taught in MBA programs

Extent of curriculum	Number	Percent (%)
Stand-alone CSR course	15	30
Embedded CSR course	35	70
Required CSR as a core course	18	36
Elective/optional CSR course	32	64

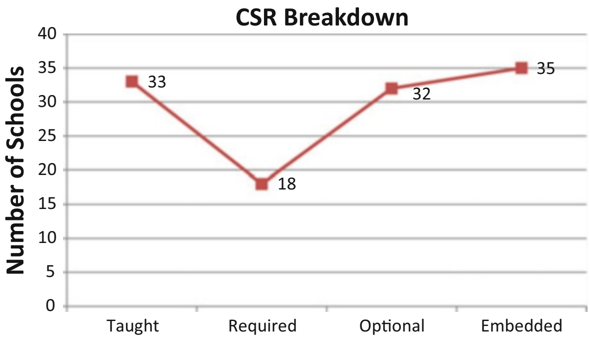


Fig. 13.1 A breakdown of how CSR courses are taught in MBA programs

interesting in that it indicates that very few top schools do not offer CSR as a required course in their curriculum. Figure 13.2 shows a breakdown of the responses. Of the 50 responding schools, only 18 reported that their institutions require MBA students to study CSR as a required course, representing 36 % of the respondents.

13.4.2 Embedded CSR Courses

Our results show that of the 50 business schools surveyed, a total of 35 or 70 % offered embedded CSR courses (see Fig. 13.3) indicating that CSR is included with other topics. The most frequently cited combinations were CSR and ethics taught together in a required course (55 %); sustainability and CSR taught together in a required course (63 %); and CSR and leadership (42 %) taught together in a required course.

13.4.3 Stand-Alone CSR Courses

Stand-alone CSR courses were typically found to be offered during the students' final academic years. Forty-eight percent of the respondents indicated that CSR courses are taught as stand-alone courses. We found that that 52 % of stand-alone CSR courses were taught in the first year of their MBA programs. Therefore, students start to receive training in this area from the beginning of their degrees.

Fig. 13.2 CSR offered as required courses

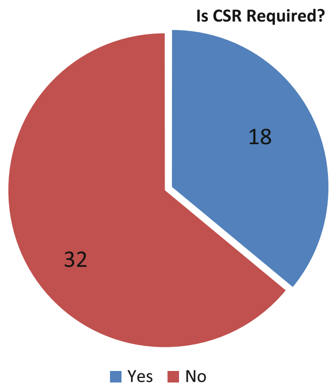
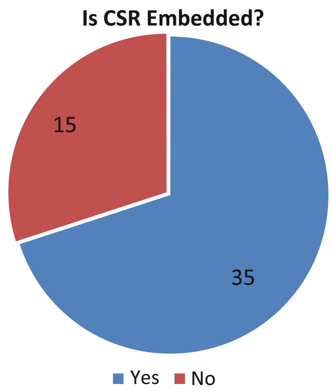


Fig. 13.3 CSR offered as embedded courses



Stand-alone CSR courses are also reported to be embedded throughout the program and are mainly taught under ethics and sustainability. In addition, CSR is covered in other MBA core course contents such as strategic management, entrepreneurship, leadership, marketing, supply chain, and international business. This suggests that the MBA curriculum plays the biggest role in teaching CSR. Stand-alone courses tend to cover areas of CSR more thoroughly than courses taught using the embedded method.

13.4.4 Option/Elective Courses

Respondents were asked to indicate the extent to which CSR courses are offered as an option or elective. The majority of schools, 32, or 64 %, indicated that their institution offers CSR courses as an option or an elective. An item analysis of a question was asked to determine the extent to which students' select CSR courses as an option given other elective courses in their program. The results of that analysis

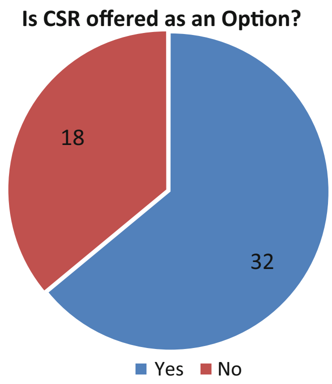


Fig. 13.4 CSR offered as an option or elective

showed that an overwhelming majority of the respondents, 89 %, stated that the majority of the students in their program elected to take CSR courses as an elective or an optional course. This suggests that MBA students are interested in knowing more about CSR. When CSR is embedded in an MBA program, it is often taught as one section or sections in the course. Based on this finding, one may say that CSR is still relatively underdeveloped, as mandatory courses in the MBA degree curriculum go (Fig. 13.4).

13.4.5 Development of CSR Content

We found that the content of stand-alone CSR deals with CSR, but in embedded CSR, CSR can appear in the course outline in different ways: as a section of a topic, as different sections of different topics or as a specific topic. We analyze the extent to which CSR content is developed in embedded CSR courses. We use two perspectives: the first considers how CSR content appears in the outline of the course, whereas the second considers the relative weight of this content in terms of academic credits. In both approaches, we consider the distinction between core/compulsory subjects and optional subjects. The first approach reveals that 90 % of the total core/compulsory CSR devotes an entire semester to teach CSR topics (see Table 13.2). In addition, a total of 80 % of optional CSR dedicate an entire topic to CSR. CSR content in embedded CSR courses is less developed in the optional subjects than in the core/compulsory programs (see Table 13.3). In our second approach, we estimated the credits assigned to subjects containing CSR content in order to analyze the depth in which these subjects cover CSR. This estimation will give us a more detailed idea of the relative importance of the CSR content because it not only shows the extent to which CSR is covered by a subject, it also shows the relative weight of CSR within the entire subject program (given that not all subjects contain the same number of topics). To make this estimation, we assumed that all subject topics have the same weight in the subject and calculated the percentage of

Table 13.2 Level of development of CSR content in core/compulsory

N = 50		
Topic	Number	Percent
Part of a topic	4	8
One topic	5	10
More than one topic	10	20
All CSR topics	31	62

Table 13.3 Level of development of CSR content in optional/elective

N = 50		
Topic	Number	Percent
Part of a topic	5	10
One topic	8	16
More than one topic	15	30
All CSR topics	22	44

credits that correspond to CSR content. Again, we consider the distinction between core/compulsory subjects and optional subjects. Our analysis revealed that CSR courses are assigned equal credits whether offered as stand-alone or embedded courses in the program.

13.4.6 Success Factors in Developing CSR Courses

Table 13.4 shows the key success factors (KSFs) in the integration of CSR content into MBA programs.

Table 13.4 suggests that CSR education is mainly driven by student demand, faculty interest, stakeholders demand, research funding, AACSB accreditation, collaboration with companies, and new research inputs. Our respondents ranked stakeholder input, corporate recruitment, collaboration with other schools, individual/company sponsorship, and government education policy as least important.

13.4.7 Barriers Behind Integrating CSR Courses into MBA Curricula

Table 13.5 shows that faculty interest and student demand not only drive the mainstreaming of CSR education, but the lack thereof may also inhibit it. While Table 13.5 suggests that, in general, lack of student demand seems to be a far more important barrier, respondents believed that the lack of national education policies may present a barrier to the mainstreaming of CSR education.

Table 13.4 Key success factors behind integrating CSR content into MBA programs

Items	Mean	SD	Range
Student demand	4.58	0.70	4–5
Faculty interest	4.56	0.75	4–5
Stakeholders demand	4.55	0.77	4–5
Research funding	4.54	0.78	3–4
Accreditation (AACSB)	4.53	0.80	3–4
Collaboration with companies	4.24	0.84	4–5
New research outputs	4.10	0.87	4–5
Stakeholder input	3.77	0.85	3–4
Corporate recruitment	3.78	0.82	3–4
Collaboration with other schools	3.70	0.77	3–4
Individual/company sponsorship	3.62	0.79	3–4
Government education policy	3.44	0.81	3–4

Table 13.5 Key barriers to integrating CSR content into MBA curricula

Items	Mean	SD	Range
Lack of faculty interest	3.66	0.82	3–4.0
Lack of research funding	3.63	0.84	3–4.0
Lack of collaboration with companies	3.42	0.86	3–4.0
Lack of individual/company sponsorship	3.39	0.88	3–3.5
Lack of student demand	3.30	0.99	3–3.5
Lack of corporate recruitment	3.28	0.97	3–3.5
Lack of collaboration with stakeholders	3.22	0.95	3–3.5
Lack of dedicated teaching and research	3.21	0.93	3–3.5
Lack of teaching materials	3.19	0.91	2–3.5
Lack of new research outputs	3.16	0.90	2–3.5
Lack of national education policy	3.10	1.10	2–3.2
Lack of collaboration with other schools	3.08	1.08	2.3.2
Lack of stakeholder input	3.05	1.11	2–3.2
Accreditation	2.70	1.13	2–3.0

13.5 Conclusions and Implications

The purpose of this paper is to provide an initial description of the educational status of CSR in the context of the United States, analyze whether students receive CSR training in their MBA programs, and, if so, determine how CSR courses are integrated into the MBA programs. To achieve our aim, we analyzed the curricula and MBA programs of the top 50 business schools in America that offer a master's degree in business administration. One of the main findings of the research is that the majority of the top business school in the United States (more than half) include CSR issues in their curriculum, either as specific CSR courses (stand-alone CSR courses) or as part of other subjects (embedded CSR courses).

While at first sight these findings may seem promising, they do not mean that the CSR education offered by universities is sufficient to meet the present demands of society. A more detailed analysis of the data shows us that only 20 % of universities include stand-alone CSR subjects in their curriculum. This suggests that CSR is still not considered a basic skill for MBA degrees in universities in the United States. Our findings show that in most top business school MBA programs, CSR content is taught embedded in other courses. We did notice that a good percentage of CSR topics are compulsory, to ensure that all students have at least some elementary knowledge of CSR information. However, an additional analysis of the embedded courses, which takes into account how CSR content is portrayed in the course outline and its relative weight in terms of academic credits suggests that the level of development of CSR is relatively low. In more specific terms, CSR content has a relative weight of less than 5 % when taught as an embedded subject within courses containing other material. Our findings show that CSR education in the MBA courses offered by the top business schools in America is still relatively underdeveloped. Overall, findings of our research are comparable to those of previous studies (Seto-Pamies et al., 2011; Barkhuysen & Rossouw, 2000; Cowton & Cummins, 2003; Macfralane & Ottewill, 2004; McKenna, 1995) conducted in other countries on the extent to which CSR is taught in business schools.

Although there are encouraging signs that CSR is being included in business education, there is still a long way to go before all management students can be said to have received a thorough education on CSR issues. Our research also provides some insights into how CSR issues are covered in MBA programs. According to Audebrand (2010), CSR has become a key issue for organizations and has therefore evolved from being a marginal concern in management theory, research, and education to occupying a central position, and students need to be presented these topics from a strategic perspective. With regard to embedded CSR courses, these seem to contain CSR content that is distributed among a wider range of business fields such as marketing, human resources, strategic management, international management, and international business, whereas stand-alone courses in CSR seem to be more discipline-specific. However, as Audebrand (2010) indicates, the ultimate goal is to comprehensively ground CSR in strategic management education. Determining how CSR issues and values can be made an integral part of strategic decision-making is one of the most important challenges in business education (Seto-Pamies et al., 2011; Stead & Stead, 2004).

Because business schools and universities interface with a large number of future leaders and occupy a strategic position which they can use to contribute to the development of skills and values related to sustainability and social progress (Seto-Pamies et al., 2011), they must accept their responsibility and make attempts to increase the weight of ethics and CSR information in their curricula (Sims & Sims, 1991). As Melé (2008) suggested, the crisis in business ethics not only signifies a change for companies, but also an opportunity to improve education in the field of management. In order to adapt university education to a more sustainable human society, the curriculum will have to be rethought so that it equips professionals with the appropriate CSR skills (Melé, 2008).

Our research is a starting point for further discussion on how CSR issues should be integrated into MBA curricula. Presently, there is an ongoing debate over whether CSR should be incorporated as specific subjects (stand-alone CSR courses), or integrated into a variety of subjects as cross-sectional topics (embedded CSR courses), or whether both strategies should be adopted simultaneously (Christensen et al., 2007). As Hartman and Werhane (2009) point out, there is no universal agreement on how best to prepare our students. On the one hand, the stand-alone CSR course option would allow more time and opportunity to develop the relationships between CSR and other MBA subjects. The benefit of this approach is that CSR would have its own, clearly defined identity within the discipline of management. The major drawback, however, is that it requires time, resources, and cooperation by faculty and administrators throughout the discipline, the school, and the university (Rusinko, 2010). In addition, CSR would run the risk of being seen as a separate issue, disconnected from larger business concerns.

On the other hand, with the embedded CSR course option, management educators would have to challenge students' worldviews and encourage them to explicitly analyze their assumptions about business, the environment, and society (Audebrand, 2010; Ghoshal, 2005; Stubbs & Cocklin, 2008). The advantage of this option is that CSR is integrated across numerous disciplines within business, or across the entire business curriculum, and impacts on a larger number of students. Nevertheless, its major disadvantage is that it requires a school-wide commitment with respect to time, resources, and support (Rusinko, 2010). Even so, embedded

CSR courses need to take into account the level of development of CSR content (for example, through its relative weight in terms of academic credits). Overall, it appears that many universities are seeking new ways of integrating CSR and new methodologies into business schools (stand-alone/embedded subjects, concentrations, majors, specializations, co-curricular options, etc.), but this is a relatively new multifaceted and ongoing process (Seto-Pamies et al., 2011).

Our research should prompt further discussion on how and why American top business schools have developed current CSR content and the conditions that are suitable for the successful implementation of CSR content in higher education. Our research offers a starting point for further discussion and debate about incorporating CSR material into business education. There are, however, challenges that need to be resolved when doing so. It is important to provide an exciting influence for curriculum review and renewal, as well as a fertile area for both empirical and conceptual research. Our hope is that this study will encourage other American universities to take more initiative in increasing CSR in their curricula and will lead to an opportunity to improve education in the field of management. Our study provided a useful reference for faculty and university administrators in other countries with circumstances similar to those in the United States and further studies may include samples from different countries, faculty, students, deans, provosts, boards of trustees, and other stakeholders in order to increase the generalizability of this research.

References

Aras, G., & Crowther, D. (2009). *The durable corporation, Farnham*. England: Gower.

Audebrand, L. K. (2010). Sustainability in strategic management education: The quest for new root metaphors. *Academy of Management Learning and Education, 9*(3), 413–428.

Barkhuysen, B., & Rossouw, G. (2000). Business ethics as an academic field: Its current status. *Business Ethics: A European Review, 9*(4), 229–235.

Benn, S., & Bubna-Litic, D. (2004). Is the MBA sustainable? degrees of change. In C. Galea (Ed.), *Teaching business sustainability* (pp. 82–94). Sheffield, UK: Greenleaf.

Benn, S., & Dunphy, D. (2009). Action research as an approach to integrating sustainability into MBA programs: An exploratory study. *Journal of Management Education, 33*(3), 276–295.

Cowton, C. J., & Cummins, J. (2003). Teaching business ethics in UK higher education: Progress and prospects. *Teaching Business Ethics, 7*(1), 37–54.

Christensen, L. J., Peirce, E., Hartman, L. P., Hoffman, W. H., & Carrier, J. (2007). *Ethics, CSR and sustainability education in the Financial Times top 50 global business schools: Baseline data and future research directions*.

Cornelius, N., Wallace, J., & Tassabehji, R. (2007). An analysis of corporate social responsibility, corporate identity and ethics teaching in business schools. *Journal of Business Ethics, 76*, 117–135.

De Bakker, F. G. A., Groenewegen, P., & Hond, F. D. (2005). A bibliometric analysis of 30 years of research and theory on corporate social responsibility and corporate social performance. *Business and Society, 44*(3), 283–317.

Dunphy, D., Griffiths, A., & Benn, S. (2007). *Organizational change for corporate sustainability* (2nd ed.). London: Routledge.

Ethical Corporation. (2006). *Corporate responsibility and education*. Retrieved January 15, 2013, from http://www.ethicalcorp.com

Ghoshal, S. (2005). Bad management theories are destroying good management practices. *Academy of Management Learning and Education, 4*(1), 75–91.

Hartman, L. P., & Werhane, P. H. (2009). A modular approach to business ethics integration: At the intersection of the stand-alone and the integrated approaches. *Journal of Business Ethics, 90*, 295–300.

Jackson, D. (2009). Undergraduate management education: Its place, purpose and efforts to bridge the skills gap. *Journal of Management and Organization, 15*(2), 206–223.

Kolodinsky, R. W., Madden, T. M., Zisk, D. S., & Henkel, E. T. (2009). Attitudes about corporate social responsibility: Business student predictors. *Journal of Business Ethics, 91*, 167–181.

Macfarlane, B., & Ottewill, R. (2004). Business ethics in the curriculum: Assessing the evidence from U.K. subject review. *Journal of Business Ethics, 54*(4), 339–347.

Mahoney, J. (1990). *Teaching business ethics in the UK, Europe and the USA: A comparative study*. London: Athlone.

Matten, D., & Moon, J. (2004). Corporate social responsibility education in Europe. *Journal of Business Ethics, 54*(4), 323–337.

McDonald, G. M. (2004). A case example: Integrating ethics into the academic business curriculum. *Journal of Business Ethics, 54*, 371–384.

McKenna, R. J. (1995). Business ethics education: Should we? Can we? *Journal of Australian and New Zealand Academy of Management, 1*(2), 44–63.

Melé, D. (2008). Integrating ethics into management. *Journal of Business Ethics, 78*(3), 291–297.

Mohan, A. (2003). *Strategies for the management of complex practices in complex organizations: A study of the transnational management of corporate responsibility* (Unpublished doctoral dissertation). University of Warwick, Warwick, UK.

Navarro, P. (2008). The MBA core curricula of top ranked US business schools: A study in failure? *Academy of Management Learning and Education, 7*(1), 108–123.

Rusinko, C. A. (2010). Integrating sustainability in management and business education: A matrix approach. *Academy of Management Learning and Education, 9*(3), 507–519.

Seto-Pamies, D., Domingo-Vernis, M., & Rabassa-Figueras, N. (2011). Corporate social responsibility in management education: Current status in Spanish universities. *Journal of Management and Organization, 17*(5), 604–620.

Shrivastava, P. (2008). Sustainable organizational technology. *International Journal of Sustainable Strategic Management, 1*(1), 98–111.

Sims, R. R., & Sims, S. J. (1991). Increasing applied business ethics courses in business school curricula. *Journal of Business Ethics, 10*(3), 211–219.

Stead, W. E., & Stead, J. G. (2004). *Sustainable strategic management*. New York: M.E. Sharp, Armonk.

Stubbs, W., & Cocklin, C. (2007). Teaching sustainability to business students: Shifting mindsets. *International Journal of Sustainability in Higher Education, 9*(3), 206–221.

Stubbs, W., & Cocklin, C. (2008). Conceptualizing a "sustainability business model". *Organization & Environment, 21*(2), 103–127.

Tilbury, D., Crawley, C., & Berry, F. (2005). *Education about and for sustainability in Australian business schools*. Report prepared by the Australian Research Institute in Education for Sustainability (ARIES) Macquarie University and Arup sustainability for the Australian Government Department of the Environment and Heritage. Retrieved January 26, 2011, from http://www.aries.mq.edu.au/ publications_2005.htm

United Nations. (2001). *Secretary General calls for break in political stalemate over environmental issues*. United Nations Press Release (SC/ SM/7739; March 15).

United Nations Educational Scientific and Cultural Organization (UNESCO). (2005). *United Nations decade of education for sustainable development. 2005–2014*. Retrieved January 10, 2013, from http://unesdoc.unesco.org/ images/0014/001416/141629e.pdf

Wu, Y. J. (2007). Contemporary logistics education: An international perspective. *International Journal of Physical Distribution and Logistics Management, 37*, 504–528.

Wu, Y. J., Huang, S., Kuo, L., & Wu, W. (2010). Management education for sustainability: A web-based content analysis. *Academy of Management Learning and Education, 9*(3), 520–531.

Chapter 14
Corporate Social Responsibility in Higher Education Institutions in the Development of Communities and Society in Nigeria

Olanrewaju Samson Ibidunni

Abstract The study investigated the roles being played by higher education institutions in the development of the communities and the society at large in Nigeria. Some selected Federal, States and Private Universities that have drawn so much benefit from the environment were studied. Literature revealed that higher institutions in Nigeria are endemic with corrupt practices, tribal and ethnic sentiments and individual academic pursuits of goals rather than empowering the society with their research findings, teaching and community services. Some variables used included land acquisition, labour work-force, and annual financial votes from government purse. Model and theories related to corporate social responsibility were employed. Findings revealed that the development ascribed to the communities and society is hardly traced to the research findings of the institutions, and only few people are aware of the relevance of the institutions in terms of social development contributions. It was concluded that community services, research findings and teaching of the higher institutions should impart positively on the environment, people and the society. It was recommended that the annual financial votes being given to institutions should be judiciously used to ensure that the researches undertaken fit into what the society desires. Also the academics are offered grants and encouragement to pursue research findings that are desired by the society. Moreover, governments and all operators of University education are encouraged to link up with the communities and societies, identifying their needs and wants and ensuring delivery of the services positively.

O.S. Ibidunni (✉)
Department of Business, College of Development Studies, Covenant University, Ota, Ogun State, Nigeria
e-mail: samsonibidunning@yahoo.com

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_14,

14.1 Introduction

Education is the bedrock of the economic, political and social development of any nation; Nigeria inclusive (Saraki, 2012). 1948 marked the establishment of the first Ivory Tower in Nigeria, University of Ibadan, then named University College. It was not until 1955 and 1962 that the next four federal Universities were established to supplement University of Ibadan. They are University of Lagos, Akoka-Yaba, Lagos, Obafemi Awolowo University, Ile-Ife in the South West, University of Nigeria, Nsukka in the East, and Ahmadu-Bello University, Zaria, in the Northwest. From late 1970s to date however marks the emergence of State Universities; as well as privately owned Universities in the year 2000 A.D. The mission for the establishment of the higher education institutions all over the world is categorized into three as follows: research, teaching, and community service. Today, according to National Universities Commission (2012), Nigeria has a total of 37 federal and 37 State Universities. Considering the huge financial investment in the institutions by the federal and State governments, the essence of the institutions' research, teaching, and community services is only being slightly felt within the communities where most of these institutions are located and the society at large. Unfortunately, neither the people nor the society is aware of the derivable benefits from the outputs of the institutions' research, teaching, and community services. The decadence and ineptitude of these institutions in providing solutions to the challenges of the economic, political, technological and environmental growth and development of Nigeria accounted for the emergence of private Universities; of which the first came on board in the year 2000 A.D. As at today, there are 50 private Universities in Nigeria, majority of which belong to renowned religious organizations that are believed to have what it takes to uphold academic commitment, integrity and sanctity of societal values anticipated by the country and the people. This chapter, therefore, will be addressing the following points:

- The synopsis of roles expected of the higher education institutions to the society in Nigeria
- The economic and social programmes that have been introduced to elevate and advance the communities and society
- Model and theories of corporate social responsibility to substantiate the study
- Current CSR Contributions of Some Existing Companies in Nigeria
- The social initiatives that are yet to be undertaken to further develop the society
- Conclusions and recommendations to the stakeholders

14.2 Roles Expected of the Higher Education Institutions to the Society in Nigeria

Nigeria, as a developing country with numerous communities, is still bedeviled with poverty, hunger and disease (Saraki, 2012). Survival of an average Nigerian family of six members lies mostly on the man who himself belongs to the low sector of the social class. Okomba (2011) identified six social stratifications in Nigeria in which majority citizenry are in the last two lower classes as follows:

An upper or capitalist class consisting of the rich and powerful,
An upper middle class consisting of highly educated and wealthy professionals.
A middle class consisting of college educated individuals employed in white collar industries,
A lower middle class,
A working class constituted by clerical and blue collar workers whose work is highly reutilised and
A lower class divided between the working poor and the unemployed under class.

Equal educational opportunity is a mirage to the citizenry, while healthy environment is largely unavailable to the majority of the people (UN, 2006 in Wayne, 2012). With the establishment of a new higher education institution at a location therefore, the perception of the people in the community is that development to build upon has come. From then onwards, so much is expected of the institution in terms of corporate social responsibility to the community and the society. The institution is expected to program its three key functions of research, teaching, and community service to impact on the community and the society. Bilson (2010), Nourafchan (2011), and Joule (2012) asserted that companies behaving in a socially responsible manner deal with other business parties who do the same. With growing public awareness and demand for socially responsible businesses, it is little wonder that companies of today take corporate social responsibility into account when planning future socially responsible business operations. Friedman (2006) argued that the corporate social responsibility of business does not need to be at the expense of profit, but philanthropy is surely at the heart of socialism. Where the sum of the efforts of workers contributes to the largest percentage of a company's success or failure, socialism as a guiding principle requires care for the people and for the environment in which we all live. Private universities and other tertiary education institutions are a recent phenomenon.

With different faculties and departments, laboratories, human development workshops and conference centers in the institution, undertaken research studies and their findings are expected to directly address the challenges of the environment like pollution, urbanization, deforestation, desertification, overpopulation, hazardous waste dumps, climate change, and so on (Adegoroye, 1991; Omofonmwan & Osa-Edoh, 2008). Hassan (2011) expressed that environmental challenges range from desertification and wind erosion in the north, gully erosion and severe floods across the country have become a yearly occurrence that Nigerians are forced to deal with at various seasons of the year. Hassan claimed that in 2010, the country recorded one of the most severe cases of floods across many states in the northern parts of Nigeria, leading to mass losses of farmland and arable land; as well as food shortages. In the southern parts of the country however, a major environmental issue to contend with was increasing degradation of the environment due to huge and ever expanding gully erosion that has continued to threaten lives and properties. He described as a tip of the iceberg his claims so far because the Nigeria Meteorological Agency (NIMET) predicted that Nigerians should 'gird their loins' for more environmental disasters this year; 2012 as the rainy season approaches, bringing in its wake serious havoc in the forms of heavy rainfall that may be accompanied by heavy wind, floods and destruction of homes, especially the destruction of rooftops as a result of heavy winds.

A former Nigerian Minister of Environment, Housing and Urban Development, Architect Halimat Alao in 2003 wrapped it up by enjoining all strata of Nigerians to note that the Nigerian environment has been a huge challenge for the people and the government to manage. She claimed that the implication of poor management of the environment threatens the very existence of the people in many ways. In this dimension, diverse research findings from higher education institutions on different sectors of the country will go a long way in proffering solutions to numerous challenges of the environment. For instance, Ajah (2012) reported Magnus Kpakol, former Senior Special Adviser (SSA) to the former President Olusegun Obasanjo, on Poverty Alleviation that 74 million Nigerians are poor. The figure, which was so as at December 2008, dropped by one million from 75 million in 2007. He claimed that the population of the nation's poor people was 80 million in 1999, i.e., when Nigeria returned to democracy. Kpakol also declared that the poverty rate was higher in the northern part of the country. The declaration was at a summit with the paper titled, "NAPEP programmes as Enabler for Rapid Economic Development in the South-South Region", presented at the South-South Economic Summit in Calabar, the Cross River State Capital. His analysis showed the following percentages of the poor in all the six geopolitical zones of the country.

North West	72.2 % of its population
North East	71.2 % of its population
North Central	67 % of its population
South East	26.7 % of its population
South-South	35.1 % of its population
South West	43.1 % of its population

Corruption, a bi-product of poverty, is a big vice in Nigeria's society. Since the first republic to date, there has not been a big challenge to the nation society as corruption. Ameh (2012) revealed that Transparency International rated Nigeria 35th most corrupt country in the world. According to him, a report released at 6 a.m. Wednesday, by Transparency International, Nigeria scored 27 out of a maximum 100 marks to clinch the 139th position out of the 176 countries surveyed for the report. Nigeria shared that position with Azerbaijan, Kenya, Nepal and Pakistan.

Countries such as Togo, Mali, Niger and Benin fared better than Nigeria. It was argued that though there has been a slight improvement from the 2011 ranking when Nigeria placed 143rd in the 2011 ranking, making it the 37th most corrupt country in the world; despite the fact that 182 countries, that is six more than 2012 year's, were ranked in 2011. Transparency International explained in the report that 2012 year's index ranks 176 countries/territories by their perceived levels of public sector corruption, the index drew on 13 surveys covering expert assessments and surveys of businesspeople. The Corruption Perceptions Index is the leading indicator of public sector corruption, offering a yearly snapshot of the relative degree of the corruption problem by ranking countries from all over the globe. Nigeria's performance rankings, 2008–2012 are as shown underneath.

CPI	Score	2008	2.7
CPI	Score	2009	2.5
CPI	Score	2010	2.4
CPI	Score	2011	2.4
CPI	Score	2012	2.7

The aftermath of corruption is the inability of Nigeria and the Federal government to attract foreign development investment into the country.

14.3 Foreign Direct Investment; Net Inflows (% of GDP) in Nigeria

The Foreign direct investment; net inflows (% of GDP) in Nigeria was last reported at 3.6 in 2011, according to a World Bank report published in 2012. Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 % or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors, and is divided by GDP. Figure 14.1 below includes a historical data chart, news and forecasts for foreign direct investment; net inflows (% of GDP) in Nigeria.

In relations to other West African countries, Table 14.1 below shows FDI net inflows for 2008 through to 2011.

It is clear from the above FDI table that (1) there has been a decline in the rate at which FDI has been flowing into Nigeria since 2010; and (2) relative to some West African countries like Cape Verde, The Gambia, Ghana, Liberia and Mauritania, Nigeria has had lower net inflow FDI.

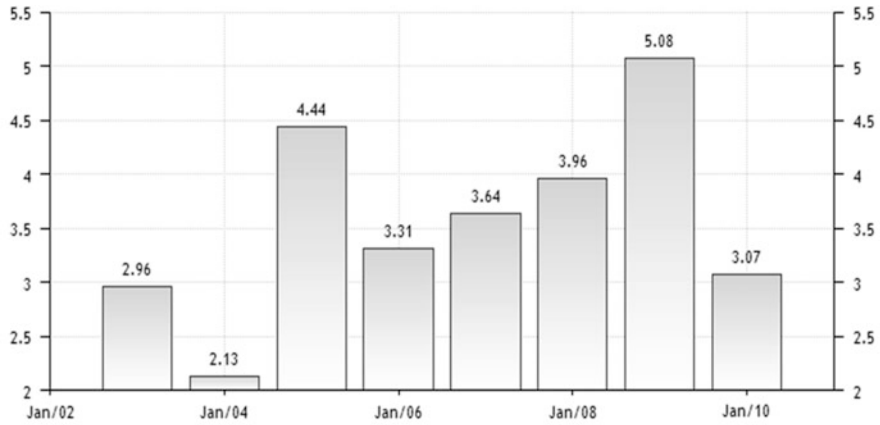


Fig. 14.1 Foreign direct investment as a % of GDP in Nigeria. *Source*: http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS

Table 14.1 Focreign direct investment, net inflows (% of GDP) for ECOWAS Countries, 2008–2011

Country name	2008	2009	2010	2011
Benin	0.7	−0.3	0.8	1.6
Burkina Faso	0.4	0.7	0.4	0.1
Cape Verde	13.5	7.9	7.0	5.5
Cote d'Ivoire	2.0	1.7	1.6	1.4
Gambia, The	8.1	4.4	3.9	4.0
Ghana	9.5	9.1	7.9	8.2
Guinea	0.3	2.2	0.0	17.6
Guinea-Bissau	0.8	−0.2	0.2	2.0
Liberia	33.3	11.1	35.0	84.9
Mali	1.1	1.1	0.3	1.6
Mauritania	9.6	−0.1	3.5	1.1
Niger	5.3	12.0	17.4	16.8
Nigeria	4.0	5.1	2.6	3.6
Senegal	3.4	2.6	2.1	2.0
Sierra Leone	2.2	4.6	9.4	24.0
Togo	1.6	1.5	3.9	1.5

Source: http://www.tradingeconomics.com/nigeria/foreign-direct-investment-net-inflows-percent-of-gdp-wb-data.html

14.4 Effects of the Economic and Social Programmes So Far Introduced in Nigeria

Nigeria being an agricultural country, majority of the five Federal Universities contributed to the society through their respective centers for Rural Development and Co-operatives which were established between 1968 and 1990. Most of the centers were upgraded to research institute status later. As service centers contributing to solving problems of rural agriculture and co-operatives, they conduct and support research to improve living standards of rural people, offer courses and training to improve farming practice, credit administration, irrigation and management of rural co-operative through workshops and conferences. Thus, the centers try to train trainers and pace-setters who will eventually serve as social engineers and catalysts at the local and grassroots levels in order to make self-sufficiency in food and fiber needs of the country an achievable objective. The objectives of the projects helped the Institutions to make appreciable impacts on members of the public.

14.4.1 *Obafemi Awolowo University (University of Ile-Ife), Ile-Ife, Osun State*

In 1969, Obafemi Awolowo University, Ile-Ife, selected nine villages for their accessibility to the University. These villages are situated in the rain forest belt of southern Nigeria. Majority of the population was dependent wholly or partly on the land for their livelihood. Cocoa is still the major cash crop in the area. With highly suitable soils and rainfall, it has been scheduled as one of the major cocoa redevelopment areas. The villages are also individually characterized by varying proportion of adult males who are full time farmers, part-time farmers, artisans and traders. The Department of Agricultural Extension and Rural Sociology, in cooperation with other Departments in the Faculty of Agriculture, play an important role in helping to improve agricultural production in the then Ife Division and thus raising the level of living of rural habitants. The following are some of the objectives of the project, which have helped the department/University to make appreciable impact on members of the public:

- Developing a model for approaching rural development in the selected villages that could be applied later and on wider scale.
- Field-testing and demonstrating innovations.
- Serving as a research center for testing and applying methods of community development and extension.
- Assisting the inhabitants of the area to improve their level of living. In 1982, the Isoya Integrated Rural Development Project was replicated at another Ecological zone.
- The following villages were selected in the zone:
- Aro, Ojo, Ikotun and Ile Aro with the headquarters at Awo in Egbedore Local Government area of Osun State. Some of the action programmes at this new location are:
- Arable crops and
- Livestock programme (West African Dwarf Goat Management Programme). (Obafemi Awolowo University, 2012)

In both locations, the department has successfully introduced innovation, which is widely adopted by farmers in the outreach programme. This project has been evaluated to assess the total number of innovations released and the number adopted, and to determine the rate of adoption.

14.4.2 University of Nigeria, Nsukka, Enugu State

University of Nigeria, Nsukka, Enugu State on her part has contributed to the wellbeing of the country through an initiative called Life-Skills Initiative for Youth Empowerment and Development (LIFYEAD). It is a Non-Governmental Organization (NGO) introduced in the University of Nigeria, Nsukka on July, 2008. However, the operation did not start immediately until July, 2009. The headquarters is located in Abia State while the branch operation is in the University campus at Nsukka,. Its membership is drawn from all the six geo- political zones of the Federal Republic of Nigeria headed by a Regional Coordinator. LIFYEAD believes in Human Rights irrespective of ethic, origin, birth, state, colour, gender, language, and beliefs. The initiative is poised to provide life-skills training experiences to youths of all categories so that they can acquire relevant knowledge and skills necessary for self-development, productivity, creativity and dependency. Some of their activities include Leadership Skills, Advocacy, Youths Empowerment, HIV/AIDS Counseling and Testing, Advanced Skill Acquisition, Information and Communication Technology (ICT) Awareness Sensitization, Career Counseling, Community Development Issues and Studies, Poverty Reduction, Eradication of Drug Abuses and Usage, Decorations (Interior and Exterior), Gender Issues, Health Care Treatment, Diabetic/Hypertension Testing and Counseling, Business Management, and Financial Management. Some of the projects achievements to date are:

- Training of Undergraduate Students for 2-Day ICT Sensitization.
- Training of Secondary Schools Students in Skill Acquisition to becomes self-reliant, developed, creative and productive at Hill-view Unique Secondary Schools Nsukka.
- Training of Post Primary Schools students on ICT awareness especially during the long vacations.
- Training of students in movie acting, auditions, dancing and singing in partnership with Young Stars Institute. This industry is contributing significantly to Nigeria's gross domestic product (GDP).
- Free Distribution of materials to the physically challenged people within and outside the University community. Promoting and the first to mark International Youth Day (IYD) in Nsukka Metropolis which was made to different corporate bodies, local and national organizations, Military and Paramilitary bodies etc.
- Being among the short-listed 50 Non Governmental Organizations in South East Geopolitical Zone of the Federal Republic of Nigeria by the European Union to

partake on their Capacity Building Workshop Project which lasted for 2 weeks on the eradication of poverty, good governance, peace and security, respond to proposal writing, financial management, monitoring and evaluation and management issues. (University of Nsukka, 2012)

14.4.3 Umaru Musa Yar'Adua University, Dutsinma Road, Katsina, Kaduna State

As a State University, Umaru Musa Yar'Adua University renders the following services to its community

- The University renders health care services through the establishment of a clinic. Services are rendered to the students, staff of the university and their families, other supporting staff of security and facility management units and other incidental persons e.g. labourers at project sites within the University, accident victims around the University.
- The Directorate of Consultancy Service was established in November, 2008. It serves as an avenue for generating additional income to the University. The Directorate organizes workshops, Conferences and training program geared towards Capacity Building and Human Resources Development.
- A conference of principals of Secondary Schools with 395 participants was organized by the Directorate in November 2009 for Katsina State Ministry of Education and, in March 2010, the Directorate conducted a 4-day training on "Information and Computer Training and Teaching" for the state inspectors and Teachers of Secondary Schools with 282 participants attending.
- The Directorate also offers extension services for sensitization, adoption and use of scientific discoveries and technological inventions by the University's Research Centers in particular and, the academic staff in general (Umaru Musa Yar'Adua University, 2012)

14.4.4 Covenant University, Located at km. 10 Idiroko Road, Canaanland, Ota, Ogun State, Nigeria

Covenant University, Ota, is an offspring of Living Faith Church; and was established on the 21st October, 2002. Her contributions to Ota and Sango Communities and the Society include the following:

- Rendering services which range from environmental sanitation, beautification, construction of amusement parks, and entrepreneurial skills acquisition to the communities.

- Inculcating the spirit of leadership and responsibility-citizenship in its students and villagers around through the platforms of teaching and community service.
- Inculcating into the students a disciplined intellectual quest for knowledge that would facilitate the process of growth and development of the Nigerian society.
- The University has an academic programme called the Total Man Concept (TMC). It runs through 100–400 levels. TMC has three components, the spiritual man, the intellectual man and the physical man. The character formation is considered a spiritual issue that is instilled by self-discipline. The intellectual man is developed through academic programmes that are innovative, creative and functional, while the physical component of the total man involves the provision of avenues for sound physical development, stimulating the cultivation of lifestyles that are conducive to healthy living (Covenant, 2007–2009).
- For the graduates, the University conducts at the end of the academic programme, Towards Total Graduate programme (TTG) which is expected to be resourceful, intellectually reinforced, enterprisingly self-dependent, futuristically visionary and responsibility-sensitive to the changes demanded for the leadership role ahead of the graduates in the nation.
- Students are trained to be expert thinkers in their fields, able to use their theoretical and empirical knowledge of societal events and of social phenomena in providing solutions to the myriad social problems in Nigeria.
- Producing graduates who shall be entrepreneurially self-dependent to develop and offer academic and professional programmes which emphasize developmental and productive skills. In order words, the University is poised to raise new generation of leaders for the country and the world.
- With the approval and monitoring of National Universities Commission (NUC), the University sponsors junior academics for post-graduate (Master's and Doctoral) studies. In few years, graduate assistants who succeed become Assistant Lecturers, therefore establishes succession plan ahead to replace the older academics (Covenant University, 2011)

However, the gap among the Federal, States and Private Universities in terms of teaching resources, financial support and facilities could be summarily addressed in Table 14.2 below:

Figure 14.2 below is a model of the challenges of Nigerian higher education institutions of learning in terms of being socially responsible to their communities and the society. The primary assignments of the institutions, which are research, teaching and community service, are weighed with the variables like purpose, impact and the benefits accruable to the society since 1948 to date.

Table 14.2 Gaps among federal, states and private universities in Nigeria

University ownership	Teaching resources	Financial support	Facilities
Federal	Mostly by federal government	Mostly by federal government	Mostly by federal government, or by business organizations
States	Mostly by state governments	Mostly by state governments	Mostly by state governments, or by business organizations
Private	By individual or corporate proprietors	By individual or corporate proprietors	By individual or corporate proprietors, or by business organizations

Source: Designed by the Author, 2013

Mission	**Purpos**	**Impact**	**Benefits**
Research	i. Discovering better ways of doing things. ii. Generating and discovering new ideas that are beneficial to business and human development in the community. iii. Researching and utilizing the resources that are available in the ambivalent community raw materials. iv. Adding value of minimal experience of the faculty.	Collaboration and cooperation with the industries within the community in the areas of research efforts.	i. In the Natural and Applied Sciences, new products, e.g drugs, food, beverages, etc are developed. ii. Innovative ideas are shared with available Institutions for the purpose of improving services provided e.g Banking and other financial services. iii. Provisions of Consulting services. iv. The Science of learning is further explored e. g Multi-media and Communication
Teaching	i. Adding knowledge, ii. Developing skills, iii. Capacity Building, iv. Training and development for the educational institutions	More literates and informal citizens are produced for business and human development in the community and society.	i. Better informed students. ii. More qualified graduates are produced for the labour market. iii. Educating the community about the importance of the environment, e.g. on Cleanliness, Green revolution concept, Waste to Wealth, etc
Community Service	Develop the Community and Society, and make them aware of the Resources and facilities available for business and human development.	Business start-up, growth and expansion in both the immediate and catchment areas.	i. Raises the standard of living and quality of life of the community people. ii. Helps to build and grow infant industries. iii. Propagates health awareness among the people and the environment. iv. Outreach business solution and resource centers provided to the community e.g Cyber café, Library, etc. v. Facilitates economic and social infrastructures e.g Educational Institutions, transportation, road construction, and other social welfare. vi. Employment generation.

Fig. 14.2 Challenges of higher education institutions of learning in meeting the CSR. *Source*: Developed by the Author. Adapted from Bernard J. Luskin (2010) Where Should Big Corporations be Spending Their CSR Resources? *Touro University Worldwide*, http://www.touro.edu, *CSR framework - value1.jpg*

14.5 Some Corporate Social Responsibility Theories

According to Garriga and Mele (2004) Corporate Social Responsibility employs four basic theories that are classified as instrumental, political, integrative and ethical theories. It is asserted that (1) Instrumental theories see the corporation as only an instrument for wealth creation, and its social activities are only a means to achieve economic results; (2) political theories; concern themselves with the power of corporation in society and make use of this power in the political arena; (3) integrative theories ensure that corporation focuses on the satisfaction of social demands; and (4) ethical theories teach on ethical responsibilities of a corporation to the society.

14.5.1 Instrumental Theories

Garriga and Mele (2004) propounded a group of theories that corporate social responsibility (CSR) sees as only a strategic tool to achieve economic objectives and, ultimately, wealth creation. It was revealed that the only responsibility business has towards the society is the maximization of profits to the shareholders of business organizations within the legal framework and the ethical custom of the country where they are operating. Instrumental theories have enjoyed a wide acceptance in business as they are accepted to have progressively dominated the managerial conception of responsibility (Windsor, 2001). It is claimed that profits maximization as well as taking into account the interests of the firm's stakeholders maximizes the shareholder value (Mitchell, Agle, & Wood, 1997; Ogden & Watson, 1999). The theories also allow an adequate level of investment in philanthropy and social activities for the sake of profits (McWilliams & Siegel, 2001). Three main groups of instrumental theories are identified, depending on the economic objective proposed. In the first group, the objective is the maximization of shareholder value, measured by the share price. Frequently, this leads to a short-term profits orientation. The second group of theories focuses on the strategic goal of achieving competitive advantages, which would produce long-term profits. In both cases, CSR is only a question of enlightened self-interest (Keim, 1978) since CSRs are a mere instrument for profits. The third is related to cause-related marketing and is very close to the second. The socio-economic objectives of these groups of instrumental theories are completely separate from the economic objectives; as currently, this approach usually takes the shareholder value maximization as the supreme reference for corporate decision-making.

14.5.2 Political Theories

A group of CSR theories and approaches focus on interactions and connections between business and society and on the power and position of business and its inherent responsibility. They include both political considerations and political analysis in the CSR debate. Although there are a variety of approaches, two major theories can be distinguished: Corporate Constitutionalism and Corporate Citizenship.

14.5.3 Corporate Constitutionalism

Davis (1960) introduced business power as a new element in the debate of corporate social responsibility. He held that business is a social institution and it must use power responsibly. Additionally, Davis noted that the causes that generate the social power of the firm are both internal and external of the firm as their locus is unstable and constantly shifting from the economic to the social forum and from there to the political forum and vice versa. Davis attacked the assumption of the classical economic theory of perfect competition that precludes the involvement of the firm in society besides the creation of wealth.

14.5.4 Corporate Citizenship

The concept of corporate citizenship is increasingly clear that business needs to take into account the community where it is operating. Matten, Crane, and Chapple (2003) have distinguished three views of corporate citizenship: (1) a limited view, (2) a view equivalent to CSR and (3) an extended view of corporate citizenship, which is held by them. In the limited view corporate citizenship is used in a sense quite close to corporate philanthropy, social investment or certain responsibilities assumed towards the local community. In the extended view of corporate citizenship, Matten et al. (2003), corporations enter the arena of citizenship at the point of government failure in the protection of citizenship.

14.5.5 Integrative Social Contract Theory

Donaldson (1982) considered the business and society relationship from the social contract tradition. He assumed that social contract exists between business and society. This social contract implies some indirect obligations of business towards the society. By extension, Donaldson and Dunfee (1994, 1999) proposed an

"Integrative Social Contract Theory" (ISCT) in order to take into account the socio-cultural context and also to integrate empirical and normative aspects of management. It was agreed that social responsibilities come from consent. These scholars assumed two levels of consent. Firstly, a theoretical macro social contract appealing to all rational contractors, and secondly, a real micro social contract by members of numerous localized communities. This theory offers a process in which the contracts among industries, departments and economic systems can be legitimate. In this process, the participants will agree upon the ground rules defining the foundation of economics that will be acceptable to them. The macro social contract provides rules for any social contracting. These rules are called the "hyper-norms"; that ought to take precedence over other contracts. These hyper-norms are so fundamental and basic that they are discernible in a convergence of religious, political and philosophical thought (Donaldson & Dunfee, 2000). The micro social contracts show explicit or implicit agreements that are binding within an identified community, like industry, companies or economic systems. These micro social contracts, which generate 'authentic norms', are based on the attitudes and behaviors of the members of the norm-generating community and, in order to be legitimate, have to be in agreement with the hyper-norms.

14.5.6 Integrative Theories

This group of theories looks at how business integrates social demands, arguing that business depends on society for its existence, continuity and growth. Social demands are generally considered to be the way in which society interacts with business and gives it a certain legitimacy and prestige. As a consequence, corporate management should take into account social demands, and integrate them in such a way that the business operates in accordance with social values. So, the content of business responsibility is limited to the space and time of each situation depending on the values of society at that moment, and comes through the company's functional roles (Preston & Post, 1975). In other words, there is no specific action that management is responsible for performing throughout time and in each industry. Basically, the theories of this group are focused on the detection and scanning of, and response to, the social demands that achieve social legitimacy, greater social acceptance and prestige.

14.5.7 Ethical Theories

These theories focus on the ethical requirements that cement the relationship between business and society. They are based on principles that express the right thing to do or the necessity to achieve a good society. Freeman (1984) expressed stakeholders as those groups who have a stake in or claim on the firm. They include suppliers, customers, employees, stockholders, and the local community. He gave two main approaches as Normative stakeholder theory and Normative Ethical Theories.

14.5.8 Normative Stakeholder Theory

Donaldson and Preston (1995), on their own, held that the stakeholder theory has a normative core based on two major ideas (1) stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity, and (2) the interests of all stakeholders are of intrinsic value, that is, each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as the shareowners. Following this theory, a socially responsible firm requires simultaneous attention to the legitimate interests of all appropriate stakeholders and has to balance such a multiplicity of interests and not only the interests of the firm's stockholders.

14.5.9 Normative Ethical Theories

Freeman (1994), amongst other scholars, discussed how corporations have to be governed and how managers ought to act, hence a normative core of ethical principles named normative ethical theories were propounded. Freeman and Evan (1990) introduced Rawlsian principles. Bowie (1998) proposed a combination of Kantian and Rawlsian grounds. Freeman (1994) proposed the doctrine of fair contracts and Phillips (1997, 2003) suggested introducing the fairness principle based on six of Rawls' characteristics of the principle of fair play as following: mutual benefit, justice, cooperation, sacrifice, free-rider possibility and voluntary acceptance of the benefits of cooperative schemes. Lately, Freeman and Philips (2002) have presented six principles for the guidance of stakeholder theory by combining Libertarian concepts and the Fairness principle. Some scholars (Burton & Dunn, 1996; Wicks, Gilbert, & Freeman, 1994) proposed instead using a "feminist ethics" approach.

14.6 Current CSR Contributions of Existing Companies in Nigeria

14.6.1 MTN Nigeria

As declared by Akunnakwe (2010), MTN Nigeria Communications Limited provides telecommunication services. MTN Foundation was incorporated in July 2004 to offer a platform for MTN to drive its Corporate Social responsibility initiatives in Nigeria. Through its efforts, the MTN Foundation has made huge impact and has become a model for good corporate citizenship, endorsed by a wide variety of stakeholders, government, regulators, tax authorities, and the beneficiaries of its numerous projects. MTN Foundation portfolio covers: Economic Empowerment, Education, Health, and Working against Poverty. Some of the activities of the foundation include: MTNF Rural Telephone Project and the International Finance Corporation (IFC) projects. They are projects designed to empower rural entrepreneurs through the provision of equipment to start their own telephone businesses. This is facilitated through micro-finance loans. The project helps to alleviate poverty and create wealth in those rural communities. Since inception to date, over 4,500 beneficiaries have been empowered.

14.6.1.1 Health Portfolio Projects

These include MTN Foundation Partners against Malaria and AIDS in the community. There is also Children-at-risk-empowerment scheme which was designed to provide integrated care and support (i.e. educational, nutritional and psychosocial support) for orphans and vulnerable children (OVC) in Nigeria.

14.6.2 United Bank of Africa

Mordi, Opeyemi, Tonbara, and Ojo (2012) opined that United Bank of Africa (UBA) has a number of focus areas for its CSR agenda and constantly tries to focus on the basic needs of society, reaching as many people as possible through its CSR initiatives. The objective is to target all parts of the country with its CSR activities but UBA is presently using Lagos as a test area for its projects and initiatives. Regarding the internal CSR work, the focus of the foundation is at present to gain commitment and understanding for the CSR initiatives. Some of the UBA CSR initiatives are presented as follows:

Micro credits—UBA has initiated micro credits to its customers. The Nigerian government has also introduced a micro credit finance programme but interest rates are still as high as 36 %. The objective for UBA is therefore to give the opportunity for people to take a loan without interest or at least with very low interest rates.

Scholarships—UBA also runs a scholarship programme. The objective is for 108 pupils to be examined each year through scholarships. UBA finds it important that the pupils don't feel like "second hand" students because of the scholarships. Therefore UBA has also introduced a grant that is being offered to the schools in combination with the scholarship that makes the scholarship beneficial not only for the students but also for the schools.

Environment—UBA also works intensively on waste management and environmental issues. For example, a project has been run with the purpose of installing refuse collection centers as well as offering training for people to become refuse collectors. The vision is to create an environmental movement where all companies, large and small, contribute with something in the work of improving the environment.

14.6.3 Chevron Nigeria

According to Chairman of the Board and Chief Executive Officer of Chevron, (Watson, 2011) "energy is essential to human progress—it creates jobs, fuels innovation and powers virtually every element of the global economy. Providing that energy safely, reliably and economically is a great responsibility that we take seriously. He expressed his delight that 2010 was the safest year in our company's history, giving them one of the best records for safety in the industry. Corporate responsibility at Chevron begins with safe operations, but it doesn't end there. They recognize that business success is deeply linked to society's progress. The investments in communities—developed in partnership with those communities—also are investments in the long-term success of the company. This approach delivers mutual benefit and shared progress. In 2010, as much as $197 million was invested in different communities, more than twice the amount invested in 2006."

Watson further revealed that the company made community investments in the three areas that are believed to be the foundation of working societies the world over—health, education and economic development. Investments in health focus on training, testing and treatment for such diseases as HIV/AIDS, tuberculosis and malaria, which are critical economic and public health challenges in some of the largest operating areas.

Business and community partnerships that emphasize economic progress can help set countries on a better course. One such investment was the Niger Delta Partnership Initiative, launched in 2010—an innovative, multi-partner effort to promote economic development, conflict resolution and capacity building. The initial commitment was $50 million.

The investments in education strengthen communities. As part of California Partnership initiative, for example, the company teamed up with leading educational nonprofits to create opportunities in critical STEM subjects—science, technology, engineering and math—for underserved students. In 2010, the company reached more than 245,000 students and 3,900 teachers in California. Through multi-stakeholder collaboration, such as the Voluntary Principles on Security and Human Rights, the company was promoting respect for global human rights. To emphasize the importance of the Company's commitment, in 2010 the company developed plans and provided resources to implement the company's global Human Rights Policy.

14.6.4 Shell Nigeria

Asada (2010) disclosed that Shell in 1997, made a commitment to adopt and apply a new model of business principles whose perspectives cover social responsibility to the society, shareholders, employees, customers and business. Essentially Shell made a new commitment to: observe the laws of the countries in which they operate, to support fundamental human rights in line with the legitimate role of business and to give proper regard to health, safety and environment, consistent with sustainable development. Shell has since been involved in community assistance projects and held shareholders assistance workshops attended by representatives from Non-Governmental Organization (NGO), Government Regulatory Agencies, Industry & Specialists, Academics and Community Representatives.

In Nigeria, various initiatives are currently in the offing in accordance with the new growing interest of corporate organizations in the use of corporate social responsibility. A case that comes vividly to mind is the recent commissioning of the construction and transformation of the hitherto dilapidated Ajose Adeogun Street in Victoria Island Lagos into a modern freeway. The project estimated at N322 million Naira was completed within a time frame of 10 months. It was carried out under the banks corporate social philanthropy programme. The street hosts the Corporate Headquarters of the bank.

A similar initiative is reportedly being carried out by Brewery Nig. PLC in the construction of water treatment plant for certain communities in Lagos. This is apart from various kinds of Bursary and scholarship schemes run by Shell, Chevron, Brewery and a host of other corporate bodies to ensure their relevance to the host communities.

14.6.5 Total Nigeria

Building partnerships for sustainable development is part of the Total Nigeria corporate philosophy. Over the years, Total, has seen itself as part of the people and environment in which it operates by identifying positively with their aspirations economically, socially and culturally. It is committed to adding to the solid base that have been built in Nigeria.

Today, Total Upstream's reputation as a responsible and reputable technical organization well- integrated in the community has been soundly established. With effective communication and commitment to long-lasting development projects, it has been able to build up the harmonious relations that characterize its association with host communities.

14.6.5.1 Ensuring the Basics

The company provides basic social infrastructure—water supply, electricity, health services, roads, jetties, community halls and markets—which are perceived as basic necessity, not luxury. In selecting the projects based on consensus with the people through consultative committees, the company ensures that they are tangible, durable and economically beneficial to the communities.

14.6.5.2 Supporting Education at Every Level

The company's policy of reaching out to maintain good relations has led it to initiate scholarship schemes at all levels of education, as well as providing educational infrastructure, computer equipment, and donations to endowment funds in universities and colleges. The company's direct involvement with relevant departments in such institutions stands it in good stead for later recruiting of local talents. Currently, a programme called Development of the Potentials of Proven Talents is being run in partnership with the French Embassy, to identify young talents in Nigeria and expose these future professionals to modern laboratories, methods and techniques in French Universities, up to Ph.D level. Recently the company established an Institute of Petroleum Studies (IPS) at the University of Port Harcourt in conjunction with the French Petroleum Institute (IFP) in Paris. The objective is to provide high level training for Nigerians in Petroleum Engineering and Management related studies.

14.6.5.3 Change for the Better

Total has also influenced positive change in the host communities through a deliberate policy which guarantees the award of contracts to skilled and qualified contractors and the employment of indigenes. To this end, all contracts for community projects are reserved exclusively for qualified community contractors. To enhance local content, the company assists the community contractors with up to 50 % advance payment. Similarly, when vacancies exist in the company, deliberate efforts are made to advertise such vacant positions within the communities. The company's current community development strategies are aimed at economic empowerment of the people and creating conditions that would enable them achieve sustainable development.

14.6.5.4 Recognition of Total Company's Contributions to Nigeria

Total in Nigeria has received awards and commendation from various recognized bodies. In 1995 and 2003, the Rivers State Council of the Nigerian Union of Journalists, honoured the company for its notable contributions to the growth and development of the journalism profession as well as for its dynamic policy on community development. In 1996, the Rivers State Government recognized the company for its pace-setting record in sports development in the state while in 2000, the Petroleum Training Institute (PTI), Effurun near Warri, honoured the company for its remarkable investments in education. Professional associations such as the NMGS, NSE, SPE and NAPE have also consistently honoured the company for its pursuit of excellence in various endeavours.

14.6.5.5 Further Support for the Employees

Staff development assistance is being carried out at departmental, divisional and company levels, complemented by infrastructure facilities when necessary. The company is currently looking into the establishment of a primary and a post-primary school in collaboration with Staff Co-operative and Pension Fund. Sponsorship of spouses to development programmes is also being envisaged.

14.7 Some Corporate Initiatives Required by Nigerian Higher Education Institutions to Be More Socially Responsibility

Despite the contributions of the above business multinational organizations to the growth and development of communities and societies in Nigeria, essentially, for the Nigerian Universities and other higher education Institutions of learning to be socially responsible, the followings are some considerations to be put in place:

14.7.1 Relevance of Curriculum to National Needs

Nigeria's academic curriculum is obsolescent and thereby largely reflects an illiterate population. Olupohunda (2012) notes "according to the Country Comparison Index by Literacy Level in 2012, Nigeria ranked a dismal 161 place out of 184 countries with 66 % literacy rate. This makes Nigeria one of the most illiterate countries!" 2012 literacy index was an improvement over a National Literacy Survey (2010) which was conducted by the National Bureau of Statistics in Nigeria estimating the adult literacy rate as 56.9 %, with huge variations between states

(Lagos 92.0 % and Borno only 14.5 %), regions (urban 74.6 % and rural 48.7 %,) and sex (male 65.1 % and female 48.6 %). More importantly, statistics from the Federal Ministry of Education indicate that only 500,000 of the 40 million adult illiterates are enrolled in adult learning classes. There are also 3.5 million nomadic school-aged children with only 450,000 of them accessing any form of schooling. Nigeria is further saddled with the largest number of out-of-school-children estimated at over seven million (10 % of the global total).

United Nations. (2006) organized a round table conference of 'Action Plan' on level of literacy in Nigeria towards 2015; when it is believed that level of literacy in Nigeria will not be less than 90 % of the population. Table 14.3 below shows the distribution of population (age 6 and above) by literacy states, status and sex:

Most programmes' curricula of the institutions need to be fine-tuned to meet with the current needs of the society; as most Universities, Federal or States are still operating as old a curriculum of two to three decades in the twenty-first century. The results are inadequacy, inconsistency and unfitting of the results today. Academic Curriculum must be re-oriented towards higher order thinking and reasoning in order for the outputs to affect the society positively.

The quality and quantity of citizens graduating from Nigerian Universities in the last two decades are of grave concern. Today, Universities have become places for sale of knowledge, students and other learners are crippled by incessant strikes, cultism and other vices inhibiting flow of learning which the stakeholders are yet to find solutions to. Social interactions with other institutions are almost impossible. Once admitted, students are confined to the same University despite the many challenges that may call for transfer to; or interaction with other Universities and even learning from other scholars who may be better.

Nigeria, like other nations, needs Universities to train the management workforce that would propel the nation's development engine. Americans realized this need very early and invested heavily in university education, hence today, American Universities dominate the world rankings of top Universities. This has translated to the rapid development of the American society.

14.7.2 Establishment of Entrepreneurship Development Centers

The federal government, in collaboration with the National Universities Commission (NUC), needs to enforce the given 2007/2008 directive that all Nigerian Universities must establish entrepreneurship development centers. This is a bold step in the right direction. In fact, a draft entrepreneurship curriculum has been designed for full implementation as part of University programmes. Also, Centers for Entrepreneurship Development and Knowledge Transfer are to be established through clear directive from the NUC. A Venture Capital fund can be put in place to support the programmes and activities of the centers. The centers are to train all

Table 14.3 Distribution of population (age 6 and above) by literacy states, status and sex

		Population			Literacy rate			
S/N	State	Male	Female	Total	Male	Female	Total	Percentage
1.	Abia	1,430,298	1,451,082	**2,881,380**	1,075,280	1,013,986	2,089,266	72.5
2.	Abuja	733,172	673,067	**1,406,239**	479,460	384,626	864,086	61.4
3.	Adamawa	1,607,270	1,571,680	**3,178,950**	734,105	553,051	1,287,156	40.5
4.	Akwa Ibom	1,983,202	1,918,849	**3,902,051**	1,426,385	1,331,413	2,757,798	70.7
5.	Anambra	2,117,984	2,059,844	**4,177,828**	1,603,569	1,532,523	3,136,092	75.1
6.	Bauchi	2,369,266	2,283,800	**4,653,066**	913,500	672,414	1,585,914	34.1
7.	Bayelsa	874,083	830,432	**1,704,515**	566,164	491,181	1,057,345	62.0
8.	Benue	2,114,043	2,109,598	**4,223,641**	1,084,138	818,653	1,902,791	45.1
9.	Borno	2,163,358	2,007,746	**4,171,104**	392,721	210,771	603,492	14.5
10.	Cross River	1,471,967	1,421,021	**2,892,988**	953,240	849,366	1,802,606	62.3
11.	Delta	2,069,309	2,043,136	**4,112,445**	1,419,177	1,284,626	2,703,903	65.7
12.	Ebonyi	1,064,156	1,112,791	**2,176,947**	607,913	545,088	1,153,001	53.0
13.	Edo	1,633,946	1,599,420	**3,233,366**	763,011	719,046	1,482,057	45.8
14.	Ekiti	1,215,487	1,183,470	**2,398,957**	914,656	877,622	1,792,278	74.7
15.	Enugu	1,596,042	1,671,795	**3,267,837**	1,095,655	1,076,831	2,172,486	66.5
16.	Gombe	1,244,228	1,120,812	**2,365,040**	538,463	390,853	929,316	39.3
17.	Imo	1,976,471	1,951,092	**3,927,563**	1,075,280	1,013,986	2,089,266	53.2
18.	Jigawa	2,198,076	2,162,926	**4,361,002**	566,164	491,181	1,057,345	24.2
19.	Kaduna	3,090,438	3,023,065	**6,113,503**	914,656	877,622	1,792,278	29.3
20.	Kano	4,947,952	4,453,336	**9,401,288**	2,701,175	1,899,636	4,600,811	48.9
21.	Katsina	2,948,279	2,853,305	**5,801,584**	740,034	517,630	1,257,664	21.7
22.	Kebbi	1,631,629	1,624,912	**3,256,541**	506,633	316,203	822,836	25.3
23.	Kogi	1,672,903	1,641,140	**3,314,043**	596,641	513,803	1,110,444	33.5
24.	Kwara	1,193,783	1,171,570	**2,365,353**	627,636	539,436	1,167,072	49.3
25.	Lagos	4,719,125	4,394,480	**9,113,605**	4,341,595	4,042,922	8,384,517	92.0
26.	Nasarawa	943,801	925,576	**1,869,377**	441,859	340,875	782,734	41.9

27.	Niger	2,004,350	1,950,422	**3,954,772**	763,011	719,046	1,482,057	37.5
28.	Ogun	1,864,907	1,886,233	**3,751,140**	1,218,209	1,138,043	2,356,252	62.8
29.	Ondo	1,745,057	1,715,820	**3,460,877**	1,192,117	1,101,163	2,293,280	66.3
30.	Osun	1,734,149	1,682,810	**3,416,959**	137,563	135,242	272,805	80.0
31.	Oyo	2,802,432	2,778,462	**5,580,894**	1,819,804	1,691,955	3,511,759	62.9
32.	Plateau	1,598,998	1,607,533	**3,206,531**	810,148	683,329	1,493,477	46.6
33.	Rivers	2,673,026	2,525,690	**5,198,716**	1,978,446	1,804,143	3,782,589	72.8
34.	Sokoto	1,863,713	1,838,963	**3,702,676**	660,204	453,582	1,113,786	30.1
35.	Taraba	1,171,931	1,122,869	**2,294,800**	348,781	185,815	534,596	23.3
36.	Yobe	1,205,034	1,116,305	**2,321,339**	380,274	237,400	617,674	26.6
37.	Zamfara	1,641,623	1,637,250	3,278,873	596,641	513,803	1,110,444	33.9
		71,315,488	**69,122,302**	**140,437,790**	**38,094,541**	**32,976,373**	**71,071,014**	**50.6**

Source (NMEC, 2011) High level International Round Table on Literacy "Reaching the 2015 Literacy Target: Delivering on the promise" Action Plan, UNESCO, Paris, 6–7 September 2012 categories of labor, particularly the lower and middle categories, in Water production and pet blowing, Printing and publishing, Metal work and fabrication, Pastries/Restaurants management, Bakery, Fish farming, Tie and dye, Grass-cutter and snail rearing, Soap and cosmetics, Beads and wire jewelry crafting, Fashion designing, Events designing and decorating, Beauty enhancement and health, Public speaking Bags and leather work, Feature and films documentary production, Hair dressing, Web-site designing, etc. that are needed to develop the nation's economy. Villages and work-shops whereby practical orientations can be undertaken on these professions should be established.

14.7.3 Establishment of Small and Medium Scale Enterprises and Resources Centers

Nigerian universities would do well to establish Small and Medium Enterprises (SMEs) that can be generating funds for the institutions and engage categories of workers around the communities. Also, SME resource centers such as well equipped libraries, technology centers, cybercafé and other facilities where entrepreneurship networking can be coordinated are essentials to positively impact on the environment and the people for sustainable growth and development. The wealth of Entrepreneurship Development Centers culminating into the establishment of small and medium scale enterprises by the trained Nigerians will improve majority lives and lots. The country is blessed with the population of diverse dialects, languages, religions and races; and they are prepared to contribute to the growth of their communities and society if they are given the privilege.

Blench (2003) postulated that Nigeria is the third most ethnically and linguistically diverse country in the world, after New Guinea and Indonesia. According to them, Nigeria has at least 500 languages, although the exact number remains unknown since new languages are regularly being recorded for the first time, while others are disappearing. Dialect, in particular, is a somewhat pejorative term suggesting it is merely a local variant of a central language. In linguistic terms, however, dialect is merely a regional, social or occupational variant of another speech-form, with no presupposition as to its importance or otherwise. But languages in Nigeria are distinct from one another and imply cultural and ethnic variation on a massive scale (Table 14.3). Ethnodemographic patterns in Nigeria (Blench, 2003).

14.7.4 Category Locations

Regions with single dominant Language	Regions of high diversity
SW (Yorubaland), NE (Kanuri-speaking), North (Hausa), South- Central (Igbo), SE (Ibibio)	Northern Cross River, SW of Niger-Benue Confluence, Jos Plateau, Muri mountains

Nigeria has a hierarchy of official languages; English is the national language, and is used for government business all over the Federation. A number of important regional languages, such as Hausa and Yoruba, are widely used in specific areas, and third hierarchies of languages are those officially designated for further redevelopment, some 22 at last count. Beyond this, the number of languages adopted for media broadcast and orthography development is significantly larger. Despite this, Nigeria has no language policy that is encapsulated in a single body of law. Instead any policy must be extracted. Although the Government will strive to eliminate illiteracy, it does not clarify in which language the child should be made literate. No specific provision deals with minority languages, and to date no consistent policy in this area has even been outlined. The consequence has been that English has become the *de facto* language of communication, the language of broadcast media, schooling and increasingly the language of urban residents who have lost their maternal tongue, often as a consequence of marriages between individuals from different ethnic groups.

14.7.5 Distant Learning Programmes

More Federal Universities need to join the University of Lagos to introduce Distant Learning Programmes to the teaming working population within their regions; in order to acquire higher knowledge, improve on their educational standards, and standard of living. With proper planning and implementation strategies, old State Universities could also organize the programme. The Open University System should be conventionalized; whereby workers are aware of how, where and when are the programs being run.

14.7.6 Internships, Industrial Visits and Excursions

Much of the learning in our Institutions is theoretical. Visits and excursions could be organized by departmental associations to familiarize the students and the lecturers with what the society is aspiring at. Lecturers could be sent for some months of internship to see issues practically in related industries. Students, on the other hand, could be mandated by their program to be on months of internship in order to familiarize them with the current practices and programmes.

14.7.7 Infrastructure Towards Globalization

Necessary steps should be taken to enhance the international contents of programmes and courses offered. Universities should develop structures that promote excellence to meet with global standard. The era of producing graduates for local relevance alone has become obsolete. Mystification of education has made more young people to desire university education, and the Nigerian University System should now concentrate on how to cope with these increasing demands. The academic calendar for all Nigerian Universities needed to be harmonized to meet with their counterparts in foreign Universities; starting from September of a year; and ending in June, the second year. July to August, as a period, is observed for long vacation. This enables lecturers and scholars travel for global interaction even on academic platform.

14.7.8 Information and Communication Technology Revolution

More than before, all programmes, departments, faculties, lectures and units in all Nigerian higher education institutions should be technologically driven to meet with the challenges of the twenty-first century and beyond. The era of manual dispensation of ideas and issues is past.

14.7.9 Mechanized Form of Agriculture

Nigeria's economy is basically agricultural in its primitive sense, which is not in tune with the global challenge. As at today, agriculture engages 65 % of the population across social classes (Awoyemi & Adekanye, 2005). Suffice to say that contrary to how it was in the first republic in the 1960s, Nigerian education institutions offering agricultural programmes need to advance better and more mechanized forms to impact on the population in the communities and society.

14.8 Conclusion and Recommendations

Federal and State governments should develop policy frameworks on technical education whereby people who acquire final technical education certificates can pursue a career, rise to considerable position both in the civil service or private sector, and feel fulfilled and comfortable.

Research Acquisition Centers whereby research findings could be found to purchase by business organizations, government agencies and interested individuals should be established in the 36 states of the Federation; including Abuja, the Federal Capital territory.

The role and position of mass media in disseminating pertinent and useful information to the communities and society should be based on research endeavour output. Users of research findings in the society should be adequately informed; motivated to patronize and used to develop their lots.

Inadequate funding and clear direction of most of the institutions need to be addressed. Universities are left to engage mainly in routine activities. There are master plans alright and periodic development plans are constructed, but neither is implemented. A number of Federal and State Universities have remained on their temporary sites for decades because the government has failed to back up its initial promise with adequate funding. The government's failure to respect its agreements with the Academic Staff Union of Universities to fund research and improve on the teaching techniques has frequently led to strikes and University closures. Inadequate funding, poor planning, and the erosion of values have produced a culture of underachievement that will take decades to change. Particularly affected by these factors are the Universities' internal administration and the trio of research/consultancies; teaching/learning; and community service.

The nation building or cultural transmission function must also be set alongside consideration of the role or mission of universities and other higher education institutions in creating democratic multi-ethnic societies.

Re-appraisal of the effects of the research, teaching and community services of the higher education institutions in Nigeria in order to improve the performance of the System to the communities and society. Ajayi and Ekundayo (2009) argued that a reform in university programme is highly necessary and long overdue to meet up with the challenges of the twenty-first century.

The curriculum also needs be reformed in content and in methodology to give room for the spirit of inquiry, discovery and experimentation.

Last but not the least from what have been seen of the private Universities, higher education institutions generally and in Nigeria in particular, should exhibit in conduct and transmit in teaching and information the ethical and moral values to be imbibed by the citizenry. This will go a long way in promoting the culture of integrity, patriotism and responsibility among the people; hence the communities and Nigeria will be better for it.

References

Adegoroye, A. (1991, April 1). The challenges of environmental enforcement in Africa: The Nigerian experience. In: *3rd International Conference on Environmental Enforcement*, *44*. Retrieved from http://www.inece.org/3rdvol1/pdf/adegoro.pdf

Ajah, M. (2012, April 29). Levels of poverty in Nigeria. *247UREPORTS*.

Ajayi, I. A., & Ekundayo, H. T. (2009, June 13*) Towards effective management of university education in Nigeria*, Vol. 17. Department of education foundation and management, Faculty of Education, University of Ado-Ekiti, Ado-Ekiti, Ekiti State, Nigeria.

Akunnakwe, K. C. (2010, August 2). *MTN NIGERIA'S CSR*. Retrieved from http://csrwestafrica.com/2010/08/02/mtn-nigerias-csr/

Ameh, M. (2012, December 5). *Corruption perception index; Nigeria 35th most corrupt country*. Retrieved from http://www.elombah.com/index.php/special-reports/13586-2012-corruption-perception-index-nigeria-35th-most-corrupt-country
Asada, D. (2010). *Corporate social responsibility of companies and sustainable development in Nigeria: Recent trends and lessons from other African countries*, Faculty of Law, University of Jos, *3–9*, http://dspace.unijos.edu.ng/bitstream/10485/1449/1/Corporate%20Social%20Responsibility%20of%20Companies.pdf
Awoyemi, T. T., & Adekanye, T. O. (2005). Gender analysis of economic efficiency in cassava based farm holdings in South Western Nigeria. *Journal of Rural Economics and Development, 14*(2), 65–80.
Bilson, J. (2010, March 20). *Effects of bad corporate social responsibility, 1*. http://suite101.com/article/effects-of-bad-corporate-social-responsibility
Blench, R. (2003, November). *The Dimensions of ethnicity, language and culture in Nigeria*. The ethnicity dimension: paper submitted to DFID, Nigeria. E-mail R.Blench@odi.org.uk. http://www.rogerblench.info/RBOP.htmhttp://www.rogerblench.info/Development/Nigeria/Economic%20development/Ethnicity
Bowie, N. (1998). A Kantian theory of capitalism, *Business Ethics Quarterly, Ruffin Series, Special Issue, 1*, 37–60.
Burton, B. K., & Dunn, C. P. (1996). Feminist ethics as moral grounding for stakeholder theory. *Business Ethics Quarterly, 6*(2), 133–147.
Covenant University. (2007). Students' handbook, 2007–2009, Ota, *Corporate and Public Affairs Department, 32–48.*
Covenant University. (2011). *Providing innovative solutions to societal problems*. http://www.covenantuniversity.edu.ng/community impact, 1.
Davis, K. (1960). Can business afford to ignore corporate social responsibilities? *California Management Review, 2*, 70–76.
Donaldson, T. (1982). *Corporations and morality*. Englewood Cliff, NJ: Prentice-Hall.
Donaldson, T., & Dunfee, T. W. (1994). Towards a unified conception of business ethics: Integrative social contracts theory. *Academy of Management Review, 19*, 252–284.
Donaldson, T., & Dunfee, T. W. (1999). *Ties that bind: A social contracts approach to business ethics*. Boston: Harvard Business School Press.
Donaldson, T., & Dunfee, T. W. (2000). Precise for ties that bind. *Business and Society, 105* (Winter), 436–444.
Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review, 20*(1), 65–91.
Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.
Freeman, R. E. (1994). The politics of stakeholder theory: Some future directions. *Business Ethics Quarterly, 4*(4), 409–429.
Freeman, R. E., & Evan, W. M. (1990). Corporate governance: A stakeholder interpretation. *Journal of Behavioral Economics, 19*(4), 337–359.
Freeman, R. E., & Philips, R. A. (2002). Stakeholder theory: A Libertarian defence. *Business Ethics Quarterly, 12*(3), 331–349.
Friedman, M. (2006). The social responsibility of business. *New York Times*. Retrieved from http://cache:lR_504sdLXYJ:makower.typepad.com/joel_makower/2006/11/milton_friedman.html+Joul+Articles+on+Corporate+Social+Responsibility&cd=1&hl=en&ct=clnk&gl=ng, p. 5.
Garriga, E., & Mele, D. (2004). Corporate social responsibility theories: Mapping the territory, *Journal of Business Ethics, 53*, 51–71. Retrieved from http://www.cs.unitn.it/~andreaus/bs1112/garriga_mel%C3%A9.pdf. Cited on 05/07/2012.
Hassan, A. T. (2011, August 4). Nigeria's growing environmental challenges. *Daily Trust, 1–2*. Retrieved from http://www.ng.total.com/03_total_nigeria_commitments/0304_corporate_social.htm
Joule, E. (2012). Corporate social responsibility. *Bloomberg Business Week, Bloomberg.com,* 1.

Keim, G. D. (1978). Corporate social responsibility: An assessment of the enlightened self-interest model. *Academy of Management Review, 3*(1), 32–40.

Luskin, B. J. (2010). Where should big corporations be spending their CSR resources? *Touro University Worldwide*. Retrieved from http://www.touro.edu, CSR framework - value1.jpg

Matten, D., Crane, A., & Chapple, W. (2003). Behind de mask: Revealing the true face of corporate citizenship. *Journal of Business Ethics, 45*(1–2), 109–120.

McWilliams, A., & Siegel, D. (2001). Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review, 26*(1), 117–127.

Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review, 22*(4), 853–886.

Mordi, C., Opeyemi, I. S., Tonbara, M., & Ojo, S. (2012). *Corporate social responsibility and the legal regulation in Nigeria* (Vol. LXIV, No. 1, pp. 1–8). Retrieved from http://www.upg-bulletin-se.ro/archive/2012-1/1.%20Mordi_Opeyemi_Tonbara_Ojo.pdf

National Literacy Survey. (2010). *Literacy population survey in Nigeria*. National Bureau of Statistics.

National Universities Commission. (2012). *NUC web directory*. http://www.nuc.edu.ng/pages/nuiversities.asp, 1–8.

NMEC. (2011). *High level international round table on literacy "reaching the 2015 literacy target: Delivering on the promise"* Action Plan.

Nourafchan, N. (2011). *Apartheid, profits, and corporate social responsibility: A case study of multinational corporations in Saudi Arabia*. Yale Law School, Spring, nicolo.nourafchan@yale.edu.

Obafemi Awolowo University. (2012). *Vision and mission*. Retrieved from http://www.wikipedia.com, http://www.OAU.COM, 1–2.

Ogden, S., & Watson, R. (1999). Corporate performance and stakeholder management: Balancing shareholder and customer interests in the U.K. Privatized Water Industry. *Academy of Management Journal, 42*(5), 526–538.

Okomba, O. (2011). *Identifying Social stratification in Nigeria*. Retrieved from http://www.nigerianobservernews.com/07032011/features/features6.html

Olupohunda, B. (2012, September 24). The burden of illiteracy in Nigeria. *The Punch Newspaper' Opinion*, 37.

Omofonmwan, S. I, & Osa-Edoh, G. I. (2008). The challenges of environmental problems in Nigeria, *Geography and Planning and 2 Educational Foundation, Ambrose Ali University, Ekpoma, Nigeria, 1–8*. e-mail: profomofonmwan@yahoo.com.

Phillips, R. A. (1997). Stakeholder theory and a principle of fairness. *Business Ethics Quarterly, 7* (1), 51–66.

Phillips, R. A. (2003). Stakeholder legitimacy. *Business Ethics Quarterly, 13*(1), 25–41.

Preston, L. E., & Post, J. E. (1975). *Private management and public policy. The Principle of Public Responsibility*. Englewood Cliffs, NJ: Prentice Hall.

Saraki, B. (2012, March 9). Quality education, bedrock of socio-economic development. *The Punch Newspaper, 17*.

Umaru Musa Yar'Adua University. (2012). *Quality teaching and research and innovative learning delivery*. Retrieved from http://www.umyu.edu.ng/, 1.

United Nations. (2006). *Millennium development goals report 2006* (United Nations Reports 3). Brussels: Author.

University of Nsukka. (2012). *Life skills initiative for youth empowerment and development*. Retrieved from http://www.unn.com/LIFYEAD, http://www.Wikipedia.com, 1–4.

Watson, J. S. (2011). *A message from CEO*. http://www.chevron.com/globalissues/corporateresponsibility/2010/possibilitiesinangola/

Wayne, V. (2012). *Corporate social responsibility in developing countries* (Chapter 21, p. 473). Retrieved from http://www.waynevisser.com/wp-ontent/uploads/2012/04/chapter_wvisser_csr_dev_countries.pdf

Wicks, A. C., Gilbert, D. R., Jr., & Freeman, R. E. (1994). A feminist reinterpretation of the stakeholder concept. *Business Ethics Quarterly, 4*(4), 475–497.

Windsor, D. (2001). The future of corporate social responsibility. *International Journal of Organizational Analysis, 9*(3), 225–256.

World Bank Report. (2012). *Foreign direct investment; net inflows (% of GDP) in Nigeria*. Retrieved from http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS

Chapter 15
Management and Policy Process in Adult Education: Leadership Implications to Corporate Social Responsibility in Higher Institutions

Williams Emeka Obiozor and Vivian Ngozi Nwogbo

Abstract The purpose of this chapter is to highlight the essence of management and policy process in adult education, and identification of the challenges and prospects for the Nigerian society, including government and non-governmental participation in education beyond the twenty-first century. Globally speaking, the management and policy process of adult education target the identification of felt needs and their applications for future development of the sector in any nation. There is a pressure on the stakeholders, including corporations to support education alongside the government provisions. This includes the demand by adult education advocates for effective policy and information on adult education programmes which are needed to contribute effectively to national productivity and leadership development in all sectors of the economy. This chapter highlighted the CSR challenges facing the educational leadership of Nigeria and made suggestions on ways government, NGOs and corporations could work together to support education beyond the twenty-first century.

Policy Research Document Major Applied Research Project undertaken at the Ponce Campus of the Inter American University. Inter American University of Puerto Rico.

W.E. Obiozor (✉)
Department of Adult Education, Faculty of Education, Nnamidi Azikwe University, Awka, Anambra, Nigeria

Nnamidi Azikwe University, Awka, Anambra, Nigeria
e-mail: obiozor66@yahoo.com

V.N. Nwogbo
Nnamidi Azikwe University, Awka, Anambra, Nigeria

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_15,

15.1 Introduction

As the world grapples with the challenges of illiteracy, ignorance, disease, civil conflicts and poverty; stakeholders in various developed and developing nations continue to work tirelessly in their effort to translate the United Nation's Millennium Development Goals (MDGs) and Education for All (EFA) into action, with a view to achieving stable lifelong learning among the citizenry and changing their environment to become better and progressive. It is in this regard that effective management and policy process in the context of adult education becomes imperative with inputs from the governmental and non-governmental agencies, corporations and other stakeholders. This is because of the significance of adult education both as a consequence of active citizenship and condition for full participation in the corporate society. It is a powerful concept for fostering ecologically sustainable development, for promoting democracy, justice, gender equity and scientific, social and economic development; and for building a world in which violent conflict is replaced by dialogue and culture of peace based justice (CONFINTEA V Hamburg Declaration on Adult Literacy, 1997).

The major thrust of management and policy advocacy in adult education in Nigeria, as far as the authors are concerned, is on the essence of establishing a universal and effective national policy (the planning, implementation, monitoring, evaluating, execution) on adult and non-formal education programmes geared towards effective leadership development and community empowerment to reduce illiteracy and alleviate poverty; whereby adults would participate in the national transformation of Nigeria in the twenty-first century. Ogunu (2000) in Okemakinde, Okemakinde and Gbenro (2006), describes such management aspect as a social process, which is designed to ensure the cooperation, participation, intervention and involvement of given or predetermined objectives. Thus, management implies planning, organizing, directing, reporting, staffing, coordinating and budgeting to facilitate a given programme or project goals. These characterize the activities of modern organizations and even the educational institutions where policy objectives must be well spelt out before other management functions are carried out. Such topical issues are given serious consideration in educational activities for national development.

In the case of adult and non-formal education, policy objectives are meant to guide the management functions for achieving the goals of adult and non-formal education programmes but they seem to be lacking in the Nigeria educational policy (for instance)—the accepted guidelines for implementation in order to achieve peace and community development (Akubuilo, 2009). The management and policy process of adult education incorporates the entire body of the organizational educational process—for instance, the content, level and method of developing adult abilities, knowledge and skills. This is where corporate organizations are expected to play some roles to ensure massive literacy and training across the nation. It is imperative to note that adult education includes mass education, community development, vocational training, the learning of reading, writing and arithmetic, both informal activities, formal and non-formal education aimed at training the adult for his duties as a citizen of his state or society (Obetta, Ukwuaba & Okenwa 2010).

In recognition of adult education in Nigeria, the Federal Government emphasized the establishment of a National Commission for Mass Literacy, Adult and Non-Formal Education in the Section 6 of the National Policy on Education (NPE) to encourage all forms of functional education given to youths and adults outside the formal school system, such as functional literacy, remedial and vocational education (NPE, 2004: p. 24). State agencies of similar nature were also established to complement, monitor, regulate and evaluate local programmes in the states. The Federal Ministry of Education in Nigeria is responsible for the determination of National Policy on Mass Literacy, Adult and Non-Formal Education. Since the revised National Policy on Education in 2004, successive governments in Nigeria are yet to produce a national policy document on adult education which would address the needs, environmental and skill acquisition requirements of the populace who did not had an opportunity for formal schooling to improve their lives.

15.2 The Issues

15.2.1 Understanding Adult Education

Over the years, adult education has been used as a tool for improving the lot of people through capacity building (Kwapong, n.d.) but the question is; how many corporations have been responsible in supporting the government on adult education to build a stable and better society for all? Ani (2003) describes adult education as all educational activities carried out by those who are adults which will help them to adjust better on personal, social and economic needs and fulfillment of obligations. It covers all kinds of educational provision for adults; it is the modification of cognitive, affective or psychomotor behaviour of any individual who is physiologically mature, socially and economically responsible. An adult's desire to participate in an educational programme often is the result of a changing personal, social, or vocational situation. This individual orientation, according to Kwapong, has resulted in the creation of a continually changing, dynamic field able to respond to the varied needs of society; including the adults desire to update his or her skills, obtain knowledge and information in the rapidly changing technical fields so as to remain effective and productive. This is what adult education is all about, because the adults engage in different non-formal education programmes to learn something new and update their knowledge and skills to meet felt needs.

The management of adult education programmes in different nations recognizes the fact that there is a need to prepare teachers of adult learners to facilitate effective and efficient teaching-learning process. Many nations make efforts (with little or no support from corporations) to improve policies aimed at standard quality of adult education not only at the institutional levels, but also in the community it serves; thereby the establishment and management of adult and non-formal education centers on curriculum that targets lifelong skills. Curriculum refers to all the learning experiences the students will go through in the process of obtaining the knowledge, the competencies, and the skills necessary in the teaching of adult students.

Several factors have influenced this process and decision making on what programme is suitable for the adult. These factors include (a) the lack of qualified adult education teachers or facilitators at the adult learning centers, (b) the increasing number of adult learners in adult education centers offered by the various state Departments of Adult and Non-Formal Education, (c) the prioritizing of adult education in communities by the Agency for Mass Literacy, Adult and Non-Formal Education of Nigeria and their desire for the collaborative institutions, like universities, to develop teacher education programmes in the field, (d) the increasing numbers of adult learners entering the Adult Education Centers who have passed through the basic adult literacy or adult basic education (ABE) programmes offered by the public schools system, and (e) the commitment the Agency for Mass Literacy, Adult and Non-Formal Education of Nigeria has of improving adult education in the community it serves.

Furthermore, understanding adult education creates better opportunity to the understanding of her management and functional process in the society. Encarta Reference Library (2005) described adult education as: *All forms of schooling and learning programs in which adults participate*. It is further explained in the Encarta Reference Library that unlike other types of education, adult education is defined by the student population rather than by the content or complexity of a learning programme. Adult education, could therefore, mean any teaching- learning activity organized for adults irrespective of mode of delivery, content or level. It includes both formal and non-formal educational programmes like university credit programmes, literacy training, community development, on-the-job training, and continuing professional education. Programmes vary in organizations from casual incidental learning to formal college credit courses. Institutions offering education to adults include colleges, libraries, museums, social services, government agencies, businesses, non-governmental organizations, churches, etc., (Kwapong, n.d.).

According to the Metadata Report (2005) from an *Educational Survey*, adult education refers to the provision of instructed learning events for adult who usually act or have acted in working life after earlier terminated or interrupted education within the regular education system. It is characteristic that adult education is arranged and organized specifically with the adult in mind; thus, specifically acknowledging the concept of andragogy as propagated by Malcolm Knowles in 1970. The Knowles' andragogical concept presents five underlying assumptions about the nature of the adult learner. These are (a) the learner is increasingly self-directed in his or her learning, (b) the learner's experience is a rich source for learning, (c) the learner's readiness to learn, stems from his or her life tasks or problems, (d) learning itself focuses on tasks or is problem centered, and (e) the learner's motivation is derived from internal incentives or curiosity.

Any management policy on educational curriculum must prepare adult education teachers to take into consideration these assumptions which clearly establish the unique qualities of the adult learner.

In the light of the above, the United Nation's Educational Scientific and Cultural Organization (UNESCO, 2003) advanced an internationally acceptable view of adult education, as the entire body of organizational educational process, whatever the content, level and method, whether they prolong or replace initial education in schools, colleges and universities, as well as in apprenticeship, whereby persons regarded as adults by the society to which they belong, develop their abilities, enrich their knowledge, improve their technical or professional qualifications or turn them in a new direction or behaviour in the twofold perspectives of full personal development (Obetta et al. 2010).

From the above discussions on the issues, definitions and meanings of adult education, it becomes imperative that for the stakeholders in adult education to manage the varied adult and non-formal education programmes geared towards the development and betterment of the life of the adults in his or her community, they must put in place effective policies and management processes which would facilitate the achievement of the goals of the adult.

15.2.2 Adult and Non-Formal Education Programmes

Adult education aims at improving the situation of people by increasing their skills, knowledge and awareness. Adult education therefore becomes crucial to enhance the women's capabilities to be able to organize themselves, to improve their skills for generating income, to increase their own self-reliance, to assert their independent right to make decisions or choices and to be able to control resources which will assist them in challenging and eliminating their subordination (Kwapong, n.d.).

The various adult and non-formal education programmes are expected to be backed and supported by an effective national management policy to empower the adults to realize their full potentials and development. Examples of such adult and non-formal education programmes are as follows:

1. Adult Basic Education(ABE)

   Adult basic education programmes are planned, managed and implemented in rural and urban settings targeted at the illiterate adult population. Such adult learners are engaged in reading, writing, arithmetic and socialization. Advocates and managers of adult education view ABE programmes as another means of meeting the EFA goals and means of poverty alleviation in the society. According to Ani (2003) adult basic education programmes help to eradicate illiteracy which contributes so much adult skills to better their own lives and community development, thereby, alleviating poverty. It will help in changing the people's attitudes, acquire new skills in technology and provide the groundwork of change especially through adult literacy education. Adult basic education will help the adult to participate actively in planning and executing its community development programme because the adult can support the desire for change only when they are educated (Ani, 2003).

15.2.3 Agencies Involved in Adult Education

The *National Directorate of Employment* (NDE) was established in 1989, for the purpose of creating employment opportunities in the form of self-reliance towards poverty reduction. This is a strategy or institutional framework to meet the challenges of rising unemployment and underemployment. Meeting the needs of the people of Nigeria; another employment advisory mission was undertaken in 1986 which produced a report entitled “Combating Unemployment in Nigeria”.

1. National Land Development Authority (NALDA).
2. National Primary Healthcare(NPH).
3. Agricultural Development Programme (ADP).
4. The National Poverty Eradication Programme (NAPEP).
5. The Youth Empowerment Scheme (YES).
6. Capacity Credit Programme (CCP).
7. Oil and Mineral Producing Areas Development Committee (OMPADEC).

15.3 Policies and Practices

15.3.1 The Concept of Management and Policy

Every school has a management process which facilitates the educational plan—the policies of the school, its programs and activities as well as educational services to be carried out (Babalola & Ayeni, 2009). Therefore, the managers of the various educational institutions like the academic and administrative staff should be committed to the formulation of policies and decision making that would create a stable management of the institution to meet the desired goals. Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims. Managerial functions include, planning, organizing, staffing, leading, and controlling (Weihrich & Koontz, 2005). Thus, managers are required to work towards achieving internal and external successes of the institution or agency they are employed in—this is because it has a corporate responsibility to deliver or render the needed services that would propel the organization to greater heights and attain success. These managers are expected to work in line with the management and operational policies of the institution. External elements that affect operations of managers in educational and non-educational sectors include political, economic, technological, social and ethical factors. These elements are essential for the training of individuals for nation building. Thus, Babalola and Ayeni (2009) opined that the educational industry deals with transformation of human resources into human capital, hence, it is known to be an important factor in the political and economic development of every nation.

In an educational setting, individuals involved in academic activities of the institution—teachers, tutors, instructors, lecturers and professors form part of the management team in different ways. They play management and leadership roles in the classroom, providing instructional functions via the teaching-learning transaction which makes it possible for the smooth administration of academic schedules and the realization of academic programmes of the institution. Such vision is part of the policies and practices which the institutional management are expected to provide for the achievement of the institution's mission. As managers, Babalola and Ayeni (2009) stressed that they work as maintainers of the institution or organization, tending to rely on systems and controls.

Management, within the framework of educational policy targets action on the categories of the formulated or existing educational policies with the expectation to have appointed managers' supervise its implementation. Every outlined activity or academic and non–academic programmes, ranging from the pedagogic policies, curricular policies, resource policies, and distributive policies requires careful planning, implementation, monitoring and evaluation. The implication of management policy and practice in adult education, therefore, focuses on utilizing the institutional way of managing adults (based on the adult wealth of knowledge and experiences), facilities or material resources in an institution to ensure probity and accountability in the system. Through the personnel administration which is concerned with the development and application of policies governing: manpower planning, recruitment, selection, placement, termination, education and training, career development, term of employment, methods of remuneration, working conditions and employment services (Babalola & Ayeni, 2009).

15.3.2 Need for a National Policy on Adult Education

Fabunmi (2005) defines educational policy as a framework within which education is administered in a given place and within a specific period. According to Alimba (2009), since government policy changes as government itself, it means that changes in the policies of government can lead to changes in the educational system. The Federal Government of Nigeria acknowledges the importance of educational services to the adult population, and has made such provision for disadvantaged citizens who could not afford formal school activities to have an opportunity to attend adult basic education classes. Migrant farmers and fishermen called nomads equally are to benefit from such national policy. Therefore, adult and non-formal education occupied a pride of place in the National Policy of Education (2004), which describes adult and non-formal education as all forms of functional education given to youths and adults outside the formal school system. Sponsors and providers include Ministries, Donor Agencies, NGOs, CBOs, Faith-based, Development Associations (DAs), and Market Women and Universities (Babalola & Ayeni, 2009).

15.4 Challenges and Opportunities

15.4.1 The Inter-Connectedness

Globalization has affected all facets of societal institutions and organizations, including the educational sector—its management and productivity. Alao & Adelabu (2006) observed that globalization has implication for widespread systematic change and innovations in all aspects of education, (including adult education) from curriculum to teacher preparation, institutional structures, school calendar and teacher certification. Another factor that can induce change in the educational sector is government policy. All these have management process attached to it for its successful planning and implementation. There will always be a need to manage the education of adults in our communities, introducing techniques and facilities that would enhance innovation, change in development.

The felt needs of the adults must be taken into consideration as policy makers and stakeholders plan and manage adult education programmes. The challenges facing the management process of adult education programmes must be examined and instructional content boosted to meet global standards as facilitators and instructors target improvement of the adult life. The managers of adult education and related educational programmes must ensure that adult learners will perceive the content within their own global view. Therefore, instructors must elaborate on their intended context, including history, purpose, methods, and intended results.

15.5 Corporate Social Responsibility (CSR) Challenges to Educational Leaders in Nigeria: The Implications

The present *Corporate Social Responsibility* issues for educational leaders in Nigeria are quite challenging not to talk about getting beyond the twenty-first century. The authors are very much concerned with deceptive state of education in the nation in this twenty-first century where the Nigerian leadership in the local, state and federal levels find it quite complex and difficult in turning corporate social responsibility into tangible supports toward education, from the socioeconomic perspective and corporate managerial perspective. It is true that access has granted to corporate establishments and individuals to own private higher institutions, it has not solved the problems in the higher education system. Thus, several pressing issues in Nigerian higher education system are yet to be addressed by the educational leaders, with minimal attention from the corporate sector—whether in the field of adult and non-formal education, science and technology, medicine, agriculture, curriculum, structures and facilities including instructional resources and learning materials, education management and policy in Nigeria's tertiary and higher institutions, etc.

Furthermore, some of these issues include the incorporation of CSR and Ethics in higher education curriculum, graduate unemployment, limited access to technology, infrastructure issues (inadequate classrooms, desks and chairs, staff offices and seminar halls), lack of textbooks, water shortage epileptic electricity, corruption among lecturers, sexual harassment of female students, student cultism, etc. One wonders how educational leaders in Nigeria are addressing these confronting issues and problems nationwide. The same challenges in higher education in Nigeria affect corporations, NGOs, and the government(s) but it is difficult to understand corporation and government roles to remedy the problems and poverty situations in the higher institutions. Corporations and government agencies can do more than philanthropy for creating educated generations who would lead the nation beyond the twenty-first century.

Furthermore, Rong (2010) argued that educational institutions must be connected with corporations and governments to achieve success. They are essential for human progress, societal development, and the creation of a healthy economic environment. This key status has earned education an international recognition as a driver of long-term wellbeing of developing countries. Therefore, it is natural that the business community, especially multi-national companies, should play a part in optimizing the education conditions and lifting poor countries out of illiteracy and an undereducated population.

Higher education leaders should ensure that funds allocated to their institutions are utilized judiciously to actualize the purpose they were established. They should be innovative and creative in luring the multi-national companies to build and support research centers on their campuses. Corporate establishments are not doing much to support education in Nigeria, hence, the call for concerted efforts to encourage corporate participation in higher education, especially for these corporations to work with higher institutions to promote adult education programmes to increase the nation's literacy and human skill levels. There should be more institution of endowment funds and scholarships, commissioning of research centers, laboratories, technology equipment/tools, sponsorship of research projects, fellowships and continued research in all fields to create opportunities for multidisciplinary programmes and projects in Nigerian institutions of higher learning.

15.6 Conclusion

Many conclusions can be drawn from this chapter discussion especially on the need for effective management policy process for adult and non-formal education programmes so that both adult learners and facilitators could enjoy quality standard of trainings at the adult education centers across Nigeria. The administration and management of adult education has its problems and challenges but many prospects where a suitable policy is put in place, an academic preparation planned to target the reasons why they attend the adult classes, qualified facilitators or teachers using andragogical methods and techniques to help the adults learn, as well as the need for an adult teacher education curriculum to provide teachers with knowledge and skills in adult education.

The andragogical concept developed by Knowles suggests that adults have their own phases of growth and resulting developmental tasks, readiness to learn, and teachable moments. Thus, teacher knowledge of the physical, psychological, and psychosocial development of the adult is of extreme importance for effective adult education to take place. Knowles' andragogy takes into consideration the many changes adults experience in these three areas.

Therefore, the practice and management of adult education in Nigeria should be covered with strong government policy that would enhance the attainment of functional literacy and vocational skills, if the nation wants to reach a reasonable level as advocated by the United Nation's (UN) Education For All (EFA) and the Millennium Development Goals (MDGs) by 2015. Corporations can come into such ventures. Thus, teacher training and periodic professional development, provision of resources, availability of facilities and structures for the teaching-learning transaction and the application of the principles and techniques of adult education by instructors would assist adult education management across Nigeria.

As a proved fact, information technology provides tremendous opportunities for adult literacy and knowledge to be accessible and affordable. Anticipating a major transfer in how teaching and learning are implemented, information technology companies are making efforts to bring the changes that help poor countries fight against illiteracy and poverty. Solutions are explored upon multinational companies, NGOs as well as policy-makers to address education problems in developing countries through the means of corporate social responsibility, aiming to maximize its contributions to education (Rong, 2010). Nigeria looks forward to the next century with hope of having high quality graduates, producers, managers and technology-savvy leaders in all sectors of the economy; all with the support of corporations and governmental agencies.

References

Akubuilo, D. U. (2009). Globalization and imperative for reform in Nigerian education. *Journal of Educational Management and Policy, 2*(1), 11–24.

Alao, K., & Adelabu, M. (2006, July). *Planning, programming and strategizing for changes and innovations in the educational systems of developing countries*. Paper presented at the 3rd Vittachi International Conference on Rethinking Educational Change, Ifrane, Morocco.

Alimba, C. M. (2009). Managing change in education. In J. B. Babalola & A. O. Ayeni (Eds.), *Educational management: Theories and tasks*. Lagos: Macmillan.

Ani, R. O. (2003). *Approach to the study of adult education*. Onitsha: Ekumax Company.

Babalola, J. B., & Ayeni, A. O. (2009). *Educational management: Theories and tasks*. Lagos: Macmillan.

CONFINTEA V Hamburg Declaration on Adult Literacy. (1997). Retrieved October 2, 2012, from http://www.unesco.org/education/uie/confintea/declaeng.htm

Encarta Reference Library. (2005). *"Adult education". Microsoft corporation*. Retrieved from http://www.microsoft.com/uk/encarta/adulteducation

Fabunmi, M. (2005). *Perspectives in educational planning. Department of educational management lecture notes*. Ibadan, Nigeria: University of Ibadan.

Kwapong, O. T. F. (n.d.). *Using adult education for empowerment of rural women*. Retrieved October 2, 2012, from http://www.iiz-vv.de/index.php?article_id=233&clang=1

Metadata Report. (2005). *An education survey document*. Retrieved June 12, 2012, from http://www.statistikeentralen.com

NPE. (2004). *National policy on education*. Federal Republic of Nigeria Document. Abuja

Obetta, K. C., Ukwuaba, L. C., & Okenwa, G. N. (2010). The role of adult education in the reduction of poverty in Enugu State. *Journal of Adult Education Studies, 4*(1), 149–160.

Ogunu, M. (2000). *Introduction to educational management*. Benin City: Mabogun.

Okemakinde, S. O., Okemakinde, T., & Gbenro, A. I. (2006). Strategies for effective organization and management of universal basic education (UBE) towards revitalizing education in the 21st century. *Adult Education in Nigeria: NNCAE, 12*, 249–262.

Rong, GAO. (2010). *Education and corporate social responsibility*. Paris: Social Business/Enterprise & Poverty Certificate Project.

UNESCO. (2003). *Advanced and international acceptable definition*. Document Vol. xxxv. http://www.unesco.org/education/efa/archives.shtml

Weihrich, H., & Koontz, H. (2005). *Management: A global perspective*. Retrieved October 2, 2012, from http://pdfreedownload.com/pdf/chapter-1-introduction-to-management-43525287.html

Chapter 16
Ethics in American Universities: A Review of Ethics Teaching in Business Schools Accounting Programs

Nicholas Koumbiadis and John O. Okpara

Abstract Corporate scandals in the late 1990s and early this century have led to a decline in the public's trust of the accounting profession. Since that time, the government, corporations, and universities have attempted to rebuild that trust through a number of methods, such as passing laws requiring better regulation and more disclosure as well as requiring improved ethics education for future accountants. It is this latter issue that is the focus of this paper. This latter issue has also led to the belief that some type of integration of ethical education among accounting students is needed. This paper examines prior studies relevant to this topic. This paper is relevant as it adds to the little literature and would guide future researchers in developing empirical studies on this important topic.

16.1 Introduction

Unethical behaviors among some public accountants prompted a revision in post-secondary education for accounting majors (Earley & Kelly, 2004). The downfall of some large companies also led to more demands on ethical conduct in the accounting profession (Puxty, Sikka & Willmott, 1994). Ethical decision making, compliance with the Sarbanes-Oxley (SOX) Act of 2002, and an increase in professional responsibility within the field of professional accountancy were among the demands encountered by graduating accounting students as well as the business schools they attended (Malone, 2006). Koestenbaum, Keys and Weirich

N. Koumbiadis (✉)
Department of Accounting, Finance, and Economics, Robert B. Willumstad School of Business, Adelphi University, New York, NY, USA
e-mail: nkoumbiadis@adelphi.edu

J.O. Okpara
Department of Management and Marketing, College of Business, Bloomsburg University of Pennsylvania, Pennsylvania, PA, USA
e-mail: jokpara@bloomu.edu

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2_16,

(2005) suggested that a reason why today's accountants may have succumbed to unethical practices was that the business schools "often teach that money always comes before ethics" (p. 13).

Research conducted by several business schools revealed that the labor market for newly graduated accounting students who sought to become CPAs put more demands on the profession due to the unethical acts performed by some public corporations (Allen & Woodland, 2006; Harrington & Moussalli, 2005). Koestenbaum et al. (2005, p. 13) reported that lack of confidence in financial reporting by accountants had been a contributing factor in slowing U.S. capital markets. As a result of the unethical acts performed by some public corporations, the latest government involvement for the economy included new rulings that led to the passing of the Sarbanes-Oxley Act of 2002, which addressed the current unethical behaviors by some corporate leaders and independent accountants. One of the goals of SOX was to restore public confidence in CPAs (Cunningham, 2006; Koestenbaum et al., 2005). The Act allowed the Securities and Exchange Commission (SEC) to require that publicly traded corporations comply with stringent rules on financial reporting, including the issuing of financial statements. It also enhanced white collar crime penalties and included several other provisions that placed stringent conditions on publicly traded corporations. The first title of the SOX Act established the Public Company Accounting Oversight Board (PCAOB).

The PCAOB's task was to guard the public against unethical behavior of any public accountants that may result in misrepresentation of financial information of publicly traded companies (Coates, 2007; Whitley, 2006). The falsification of financial statements from several accounting firms such as Enron created a lack of public, investor, and economic confidence in CPAs (Rau & Weber, 2004). Consequently, the main purpose of SOX in establishing the PCAOB was to restore public confidence in and improve the ethical perceptions of CPAs (Carmichael, 2004).

Accountants have always played an essential role in ensuring that reported financial information remains free from any material misstatements that may change a stakeholder's decision. If an individual has misled the public by falsifying financial records, thereby departing from generally accepted accounting principles (GAAP) and making an unethical decision, the results can be devastating, potentially causing the fall of companies, the employees, and the economy (Guynn, 2005). Unethical behaviors of some corporate officers and accountants have created situations in which financial statements needed for important decisions lacked objective reporting. Because initially the individual unethical employees did not bear the brunt of the blame for the misperceptions, but rather the companies themselves were held ethically and legally responsible, the ultimate effect of the unethical behavior greatly impacted both the companies and in turn the economy (Guynn, 2005).

Referring to how easily the economy and players within it can be affected by unethical behaviors, Guynn (2005, p. 387) provided details that shareholders lost approximately $66 billion in market capitalization in the case of Enron and $177 billion in the case of WorldCom. Throughout 2000, the International Accounting

Standard Board (IASB) revisited the global accounting standards as a result of the demise of some publicly traded companies in the United States. The crumpling of some U.S. corporations cost billions in losses and increased risk in the market for many stakeholders (Kaplan, McElroy, Ravenscroft & Shrader, 2007; Tweedie & Seidenstein, 2005). Stakeholders are interested in the views of accounting graduates because they will be future leaders in accounting firms. An inquiry into the ethical perceptions of accounting graduates supported the notion that more education could increase ethical awareness and thereby avert future scandals (Myers, 2003).

16.2 Issues

Publicly traded companies regularly release financial statements, which the public depend upon to be both reliable and relevant information. To ensure the reliability and relevance of the statements, companies frequently employ CPAs to validate the companies' financial information (McFarland, 2005). Without reliable financial information, or even perceived reliable information, users cannot rely on financial statements for making good economic decisions, potentially resulting in widespread economic ramifications (Molyneaux, 2004). During the late 1990s, some corporate executives and their accountants, from companies such as Enron and Andersen, published some misleading financial accounts (Titard, 2004; Esmond-Kiger, 2004).

The discovery of Enron's accounting fraud affected not only the company itself, which declared bankruptcy soon after, but also, called into question the trustworthiness of other companies. That led to the dissolution of companies such as Arthur Andersen, which "forever altered the public's view of the CPA" (Lindberg & Beck, 2004, p. 36), and the public lost faith in the field of accounting as a whole (Rauterkus & Song, 2005). The U.S. government responded to these events by creating the SOX Act, which set new, stricter standards for all U.S. public companies and accounting firms (Brown, Stocks & Wilder, 2007; Earley & Kelly, 2004; Gene, 2005; McCuaig, 2006; Zabihollah, 2004). To improve the ethical perceptions of new accounting students and prevent such ethical violations, a new curriculum there may be the need to revise the accounting instruction to include an emphasis on ethics education.

This paper would be relevant to both scholars and practitioners because it reports on the ethical values of future accountants who will be in positions to lead the way in the area of financial information. Leadership within the accounting profession may be influenced by the changes to the profession instated by Congress and the AICPA to avert future scandals like those that proved detrimental to both the economy and society (Chang & Yen, 2007). Additionally, an inquiry into the ethical perceptions of accounting graduates may be able to show that ethical awareness can be increased with education, and more importantly, it may avert future scandals (Myers, 2003). As accounting graduates become future leaders in the preparation and presentation of financial information, examining the graduates' perceptions of ethics in light of the recent changes to the accounting curriculum and the profession will inform efforts to improve tomorrow's ethical leadership.

16.3 Theoretical Framework

This exploratory study made use of ethical models, viewpoints, subjects of significance, and disagreements related to the study of ethical and unethical behaviors. According to Alan and Jack (2008), pressure from clients to trim down accounting firms' prices yielded a lower quality of work performed by accountants. Moreover, accounting firms' expenditures were on the rise since the passing of the Sarbanes-Oxley Act of 2002 because the Act's strict regulations meant companies had to hire more people and spend a larger amount of time than they previously had in order to meet those stringent requirements. Other challenges faced by today's CPA's include "an increase in liability risk, standards overload, a lack of growth in the demand for services, and keeping pace with the explosion in technological advances" (Jenkins & Wolf, 2008, p. 46). In this section we reviewed ethical theories relevant to the paper.

16.3.1 Ethical Theory

Aristotle's (384–322 BC) view was that a virtuous life was the most flourishing. In effect, the best human life was one of excellent human activity (Minnameier, 2005). Virtue has always referred to that human excellence which can be realized in distinctively human activity. Virtues were something acquired mainly by habituation. Thus, one became virtuous by doing virtuous acts. Thomas (2008) felt that virtue was a matter of choice, that it was concerned with passion and action. Deontological theorists considered the actions of an individual either good or bad based on universal rules and principles (Leenders & Brugman, 2005). An expression of the theory of deontology originated from the belief: Do unto to others as you would have them do unto you. Deontologists judged the appropriateness of actions of human beings as well as their moral reasoning apart from the consequence of their actions (Kubasek, Brennan & Browne, 2003). "Deontological ethics systems held that moral right takes precedence over the good and can be evaluated by considerations independent of or in addition to consequences" (Kubasek et al., 2003, p. 209).

16.3.2 Kohlberg's Theory

Kohlberg's (1969) theory on cognitive moral development (CMD) has provided a theoretical foundation for the study of ethics in most modern research. The theory proposed that an individual goes through three hierarchical stages of moral development to resolve an ethical predicament. These were organized into a range of levels—preconventional, conventional, and postconventional or principled—which were then expanded into six stages. The six stages were subsets of the preconventional through postconventional rankings that contained problem-solving strategies and a developmental sequence of moral reasoning. The CMD theory's fundamental principle was that people progressed through a series of stages in their moral reasoning (Kohlberg, 1976; Rest, 1973, 1979). The theory helped explain how individuals were able to make basic ethical choices in the world depending on their environment, which was made up of a person's culture, faith, and schooling. Kohlberg established that ethical reasoning developed near the beginning of people's lives and expanded progressively as they matured into adulthood based on their ability to reason. Teaching constituted intervention and aroused ethical reasoning as one progressed through a sequence of stages, depicted by Kohlberg's theory (1969).

16.4 Views of Ethical Behavior

As a result of some corporate debacles, the public has cried out for holding business leaders accountable to a high ethical and moral standard. Coursework on ethics has developed into a requirement in many post-secondary institutions for all accounting majors (Earley & Kelly, 2004). As a consequence of this requirement, one study found that accounting students who were enrolled in an ethics course showed a greater understanding of the repercussions of making unethical decisions, and they demonstrated better moral reasoning and an increase in ethical behavior (Dellaportas, 2006; Malone, 2006; Marnburg, 2003). Schermerhorn, Hunt and Osborn (2003) argued that ethical behavior and training play an integral part in a thriving society. The study of moral reasoning has several perspectives such as:

1) The *utilitarian view* delivered the greatest good to the greatest number of people, implying that the needs of many outweigh the needs of the few.
2) The *individualism view* considered ethical behavior to be best for an individual's long-term self-interests.
3) The *moral-rights view* respected the fundamental rights of all cultures.
4) The *justice view* suggested that all people should be treated fairly and impartially (p. 13).

16.5 Accounting Ethics Curriculum

Accounting graduates entering into the workplace should be cognizant of ethical dilemmas they may encounter with customers, assistants, opponents, and vendors. Examples include illegal kickbacks, falsifying documents, gifts, price fixing, and embezzlement. Due to the debacles of some top corporations involvement in items above, Congress passed the Sarbanes Oxley Act of 2002, which requires adding extra time for the teaching of ethics to accounting students (Dellaportas, 2006; Malone, 2006; Marnburg, 2003).

The teaching of ethics to accounting students is still open to debate. Bampton and Maclagan (2005) were pessimistic, stating that "ethics is not a credible academic subject in a business school context; teaching ethics cannot change the values which people have acquired earlier in life, because learning about ethical theory will not ensure moral conduct" (p. 290). According to Bampton and Maclagan, ethics were learned in childhood long before one enters into the classroom. Nevertheless, the authors proposed that "the inclusion of ethics in the accounting curriculum will help practitioners cope with actual ethical dilemmas they may face" (p. 291).

Kunsch, Theys and Brans (2007), however, argued that the goal of incorporating ethical training in classrooms was to enhance one's awareness of ethical reasoning in general, which may correct students' future decision making. Clikeman (2003) argued on the importance of educators adding class discussions on ethics to stimulate accounting students' ethical reasoning abilities. Clikeman's (2003) research found that accounting education does influence students' professional attitudes, suggesting that corporate financial scandals may be curtailed in the future by teaching ethical dilemmas to graduating accounting students. Additional findings were that "undergraduate accounting education is successful at instilling in students a sense of responsibility for truthful financial reporting" (p. 80).

16.6 Literature

The literature review described the range of the AICPA's activities using subtopics to discuss ethical perceptions of accounting graduates from post-secondary institutions, which prompted an investigation into the mandated AICPA curriculum change. The literature review either supported or repudiated the ethical perceptions of these different groups of graduates.

16.6.1 Historical Perspectives

Since the discovery of unethical events occurring within companies like Enron and Arthur Andersen, public accountants have been held to higher standards of integrity (Cagle, Glasgo & Holmes, 2008; Wakefield, 2008). The AICPA requires that accounting graduates were of a good moral character and adhered to a life of honesty and integrity (Deans & Nicholson, 2008; Mohammad & Baker 2007). To ensure that accounting graduates were prepared for the ethical challenges in the profession, the AICPA mandated an extra 30 credits including ethics studies to be added to their curriculum. Empirical research supports the idea that educational instruction in ethics may increase ethical awareness for accounting students (Chang & Yen, 2007; Dellaportas, 2006; Hurtt & Thomas, 2008; Swanson, 2005). In light of the several ethical lapses of some key public figures over the past decade, this issue of ethical awareness is of vast importance. Ethical lapses may be averted in the future with the inclusion of educational instruction in ethics, through case studies, moral dilemmas, and practice simulations on issues such as the illegal spying at the Watergate Hotel during the 1970s; insider trading in the 1980s, and the savings and loans debacle; the impeachment process in the 1990s of President Bill Clinton over the Lewinski affair, and finally the fraud and subsequent failure of Arthur Anderson, Enron, Global Crossing, WorldCom, and HIH (Longenecker, Moore, Petty, Palich & McKinney, 2006).

Ethics is a difficult to define and much debated subject. Can 30 additional credits within the accounting curriculum influence the ethical perceptions of accounting students? Longenecker et al. (2006) argued persuasively that "ethical perceptions and behavior are rooted in differences between individuals, variations in their organizational settings, and the interplay between the two" (p. 170). Ruth and Sun (2008) felt that research in ethics may be a bit mystifying and does not ensure that people understand ethical behaviors. As suggested by Lewis, "defining ethics is like nailing Jell-O to the wall" (1985, p. 337).

Aristotle's ethical views were not so much on principles but rather on virtue and a good moral character. Hartman (2008) noted that Aristotle believed that "correct views about ethics are compatible with common sense and in the end, finding a truly good character is rare because rationality is rare" (p. 314). Conversely, Socrates taught his students that traditional morality was derived from one's own belief system, rather than any one correct way of establishing what is ethically right or wrong. Socrates likewise determined that patterns of moral reasoning exist in one's environment and that these patterns lay the foundation for certain virtues. Socrates felt that the improvement of the human soul relied on humans behaving ethically (Hartman, 2008).

16.6.2 Cognitive Moral Reasoning

Most scholarly research in ethics has recognized Kohlberg's (1969) theory on Cognitive Moral Development (CMD). CMD is explained by moral reasoning abilities, which are based on ethical behavior as defined through Kohlberg's six stages. Kohlberg extended Piaget's (1932) work on children's moral development. Kohlberg was intrigued as to how individuals morally thought and reasoned, as opposed to the moral implications of an individual's actions. Kohlberg's theory of CMD with its stages of moral progression has been used extensively throughout the years by many ethics researchers to explore and understand how individuals morally reason (Jones, Massey & Thorne, 2003). Jones, Massey, and Thorne, showed that a "relationship between a variety of individual characteristics and ethical development" was important to understanding moral development (2003, p. 92).

Kohlberg's (1969) theory of CMD was examined in a "series of stages that begin in adolescence and extend through adulthood, under the headings of preconventional, conventional, and postconventional" (p. 39). Each of these was divided into two stages. Kohlberg argued that individuals were able to and capable of making ethical decisions based upon their surroundings. Kohlberg's work presented the case that an individual's ethical behavior is brought about through moral reasoning, which may develop as an individual goes through a series of growth stages from adolescence to adulthood.

Kohlberg's CMD model comprised three levels, with two stages for each level. Rest (1986) noted that Kohlberg's six stages were viewed as forming a sequence in which attainment of an advanced stage depended on the attainment of each of the preceding stages (p. 226). Victor and Cullen's ethical climates suggested "that individuals' moral reasoning skills (judgment on how moral dilemmas ought to be resolved) evolve over time, reflecting three distinct categories of moral judgment processes, which [Kohlberg] termed preconventional, conventional, and postconventional" (p. 185–186).

Kohlberg (1969) explained that many individuals do not progress past stage four of the moral development process, theorizing that many people do not advance through the three levels of cognitive moral development. Individuals who progressed through the third level used their moral reasoning that was based on principles and values, even when it is not popular or compatible with universal law (Trevino, 1986). Kohlberg's theory was important to this research, because graduating accounting students advanced through the stages in the accounting curriculum from the time they were freshmen to when they graduated as seniors (Clikeman, 2003; Earley & Kelly, 2004; Jones et al., 2003).

16.6.3 Opposing Views

Trevino (1986) suggested that Kohlberg's research excessively emphasized cognition and ignored actual behavior (i.e., if the individual acts in an amoral manner), and developed an alternative to Kohlberg's CMD model. Trevino's (1986) model proposed that cognition and action are related because people have a drive for consistency between their thoughts and actions (1986, p. 609). This model appeared to be more practical than Kohlberg's model, because Trevino's model concentrated on an individual's personal dealings and ethical dilemmas, which were affected by moral reasoning and ethical behavior.

Gilligan (2004) criticized and challenged Kohlberg's CMD theory for not allowing the use of real moral dilemmas. Gilligan noted that Kohlberg's theory focused "on hypothetical rather than real dilemmas sharpened by awareness of the disparity between the assumptions governing research methods and the realities of people's lives" (Gilligan, 2004, p. 132). Gilligan also argued that Kohlberg's theory had limitations on the question of fairness and relationships and that Kohlberg excluded women from his research. Gilligan stated, "my question was not how well can women do when measured by standards derived from studying men, but rather, what had been lost by leaving out women?" (Gilligan, 2004, p. 132).

16.7 Conclusion

While not all experts seemed to agree, the majority of the literature indicated that intervention in education with additional accounting courses may, in fact, be effective in promoting ethical development in business school students (Dellaportas, 2006; Hurtt & Thomas, 2008; Swanson, 2005). The question remains, however, as to how much additional coursework was required to influence the perceptions and moral reasoning of graduating accounting students. Dellaportas (2006) argued that graduating accounting students may reason more ethically after taking a course dedicated to accounting ethics as opposed to no such course at all. It remained to be seen whether implementing additional instruction in ethics to the accounting curriculum has a significant influence on graduating accounting students' ethical perceptions.

References

Alan, R., & Jack, S. (2008). Client-CPA-Attorney privilege and information technology risk. *The CPA Journal, 78*(11), 66.

Allen, A., & Woodland, A. M. (2006). The 150-hour requirement and the number of CPA exam candidates, pass rates, and the number passing. *Issues in Accounting Education, 21*(3), 173–193.

Bampton, R., & Maclagan, P. (2005). Why teach ethics to accounting students? A response to the skeptics. *Business Ethics: A European Review, 14*(3), 290–300.

Brown, P. A., Stocks, M. H., & Wilder, W. M. (2007). Ethical exemplification and the AICPA Code of Professional Conduct: An empirical investigation of auditor and public perceptions. *Journal of Business Ethics, 71*(1), 39.

Cagle, J., Glasgo, P., & Holmes, V. (2008). Using ethics vignettes in introductory finance classes: Impact on ethical perceptions of undergraduate business students. *Journal of Education for Business, 84*(2), 76–83.

Carmichael, D. R. (2004). The PCAOB and the social responsibility of the independent auditor. *Accounting Horizons, 18*, 127–133.

Chang, C., & Yen, S. H. (2007). The effects of moral development and adverse selection conditions on managers' project continuance decisions: A study in the Pacific-Rim Region. *Journal of Business Ethics, 76*(3), 347–360.

Clikeman, P. M. (2003). Educating for the public trust. *CPA Journal, 73*(8), 80.

Coates, J. C. I. V. (2007). The goals and promise of the Sarbanes-Oxley Act. *Journal of Economic Perspectives, 21*(1), 91–116.

Cunningham, C. (2006). The Enron trial and its link to Sarbanes-Oxley. *Financial Executive, 22* (2), 6–6.

Deans, D., & Nicholson, W. (2008). Trust-owned life insurance: The CPA's role. *Journal of Accountancy, 205*(4), 52–55.

Dellaportas, S. (2006). Making a difference with a discrete course on accounting ethics. *Journal of Business Ethics, 65*(4), 391–404.

Earley, C. E., & Kelly, P. T. (2004). A note on ethics educational interventions in an undergraduate auditing course: Is there an "Enron effect"? *Issues in Accounting Education, 19*(1), 53–71.

Esmond-Kiger, C. (2004). Making ethics a pervasive component of accounting education. *Management Accounting Quarterly, 5*(4), 42–52.

Gene, S. (2005). Reversing the decreasing trend of students majoring in accounting. *Managerial Auditing Journal, 20*(8/9), 936.

Gilligan, C. (2004). Recovering psyche. *Annual of Psychoanalysis, 32*, 131–147.

Guynn, J. (2005). Ethical challenges in a market economy. *Vital Speeches of the Day*, *71*(13), 386–390. Retrieved February 3, 2008, from ABI/INFORM Global database. (Document ID: 843222751).

Harrington, C., & Moussalli, S. (2005). The accounting profession: Looking ahead. *Journal of Accountancy, 200*(4), 43–72.

Hartman, E. M. (2008). Socratic questions and Aristotelian answers: A virtue-based approach to business ethics. *Journal of Business Ethics, 78*, 313–328.

Hurtt, R., & Thomas, C. (2008, February). Implementing a required ethics class for students in accounting: The Texas experience. *Issues in Accounting Education*, *23*(1), 31–51. Retrieved December 5, 2008, from Business Source Complete database.

Jenkins, C., & Wolf, S. (2008). As the move to IFRS Accelerates, liability looms for unprepared U.S. CPAs. *The CPA Journal, 78*(11), 48.

Jones, J., Massey, D. W., & Thorne, L. (2003). Auditors' ethical reasoning: Insights from past research and implications for the future. *Journal of Accounting Literature, 22*, 45–103.

Kaplan, S., McElroy, J., Ravenscroft, S., & Shrader, C. (2007). Moral judgment and causal attributions: Consequences of engaging in earnings management. *Journal of Business Ethics, 74*(2), 149–164.

Koestenbaum, P., Keys, P. J., & Weirich, T. R. (2005). Integrating Sarbanes-Oxley, leadership, and ethics. *The CPA Journal, 75*(4), 13–15. Retrieved December 26, 2007, from ABI/INFORM Global database.

Kohlberg, L. (1969). *Stages in the development of moral thought and action*. New York, NY: Holt, Rinehart & Winston.

Kohlberg, L. (1976). Moral stages and moralization: The cognitive development approach. In T. Lickona (Ed.), *Moral development and behavior* (pp. 31–55). New York, NY: Holt Rinehart & Winston.

Kubasek, B., Brennan, B., & Browne, M. (2003). *The legal environment of business*. Upper Saddle River, NJ: Prentice-Hall.

Kunsch, P. L., Theys, M., & Brans, J. P. (2007). The importance of systems thinking in ethical and sustainable decision-making. *Central European Journal of Operations Research, 15*(3), 253–269.

Leenders, I., & Brugman, D. (2005). Moral/non-moral domain shift in young adolescents in relation to delinquent behavior. *British Journal of Developmental Psychology, 23*(1), 65–79.

Lewis, P. V. (1985). Defining business ethics: Like nailing Jell-O to a wall. *Journal of Business Ethics, 4*, 377–383.
Lindberg, D., & Beck, F. (2004). Before and after Enron: CPAs' views on auditor independence. *CPA Journal, 74*(11), 36.
Longenecker, J. G., Moore, C. W., Petty, W. J., Palich, L. E., & McKinney, J. A. (2006). Ethical attitudes in small businesses and large corporations: Theory and empirical findings from a tracking study spanning three decades. *Journal of Small Business Management, 44*(2), 167–183.
Malone, F. L. (2006). The ethical attitudes of accounting students. *Journal of the American Academy of Business, 8*(1), 142–146.
Marnburg, E. (2003). Educational impacts on academic business practitioner's moral reasoning and behavior: Effects of short courses in ethics or philosophy. *Business Ethics: A European Review, 12*(4), 403–413.
McCuaig, B. (2006). A case for responsible reporting. *The Internal Auditor, 63*(2), 59–62.
McFarland, K. (2005). How to play safe on document retention. *International Financial Law Review, 24*(7), 1–7.
Minnameier, G. (2005). Developmental progress in ancient Greek ethics. *European Journal of Developmental Psychology, 2*(1), 71–99.
Mohammad, J. A., & Baker, C. R. (2007). The relationship between moral reasoning and plagiarism in accounting courses: A replication study. *Issues in Accounting Education, 22* (1), 45.
Molyneaux, D. (2004). After Andersen: An experience of integrating ethics into undergraduate accountancy education. *Journal of Business Ethics, 54*(4), 385.
Myers, R. (2003). Ensuring ethical effectiveness. *Journal of Accountancy, 195*(2), 28.
Piaget, J. (1932). *The moral development of a child*. New York, NY: Free.
Puxty, A., Sikka, P., & Willmott, H. (1994). Reforming the circle: Education, ethics and accountancy practices. *Accounting Education, 3*(1), 77.
Rau, S. E., & Weber, J. (2004). The impact of the Enron mega-event on auditors' moral reasoning. *Journal of Accounting and Finance Research, 12*(6), 106–119.
Rauterkus, S. Y., & Song, K. R. (2005). Auditor's reputation and equity offerings: The case of Arthur Andersen. *Financial Management, 34*(4), 121.
Rest, J. (1973). The hierarchical nature of moral judgment. *Journal of Personality, 41*, 86–109.
Rest, J. (1979). *Development in judging moral issues*. Minneapolis, MN: University of Minnesota Press.
Rest, J. (1986). *Moral development: Advances in research and theory*. New York, NY: Praeger.
Ruth, A., & Sun, W. (2008). Institutional impact on work-related values in Chinese organizations. *Journal of Business Ethics, 83*(2), 297.
Schermerhorn, J. R., Hunt, J. G., & Osborn, R. N. (2003). *Core concepts of organizational behavior*. Danvers, MA: Wiley.
Swanson, D. (2005, August). Business ethics education at bay: Addressing a crisis of legitimacy. *Issues in Accounting Education, 20*(3), 247–253.
Thomas, B. (2008). Orientation and choice. *Anglican Theological Review, 90*(3), 557.
Titard, P. L., Braun, R. L., & Meyer, M. J. (2004). Accounting education: Response to corporate scandals. *Journal of Accountancy, 198*(5), 59–65.
Trevino, L. K. (1986). Ethical decision making in organizations: A person-situation interactionist model. *Academy of Management Review, 11*, 607–617.
Tweedie, D., & Seidenstein, T. R. (2005). Setting a global standard: The case for accounting convergence. *Northwestern Journal of International Law & Business, 25*(3), 589–608.
Wakefield, R. L. (2008). Accounting and Machiavellianism. *Behavioral Research in Accounting, 20*(1), 115–129.
Whitley, J. (2006). SEC and PCAOB to host May roundtable. *Internal Auditor, 63*(2), 21.
Zabihollah, R. (2004). Restoring public trust in the accounting profession by developing anti-fraud education, programs and auditing. *Managerial Auditing Journal, 19*(1), 134–148.

Index

J.O. Okpara and S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-40975-2,