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The Anatomy of CSR

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Chapter objectives

The purpose of this chapter is to provide a short overview of the life and times of corporate social responsibility (CSR) and to discuss some of the models that have been used to make sense of this complex phenomenon. In order to have the CSR concept at least partly cleared up, the chapter tries to answer the question: What are we talking about today when we talk about CSR? Special attention will be given to the stakeholder framework that has become the dominant perspective when analysing CSR. Moreover, the chapter will reflect on some of the common features and taken-for-granted assumptions in the mainstream CSR literature.

Introduction

'The early years of CSR'

CSR has become a popular buzzword in annual reports, mission statements and policy papers. However, even though CSR (and related concepts) is often considered as a fad, it is a fad that has been on the corporate agenda for decades. For instance,

the majority of large US companies had CSR activities and CSR officers in the 1970s (Eilbirt & Parket, 1973; Våland & Heide, 2005). Likewise, in the mid-1980s, three out of four US Fortune 500 companies had a code of ethics (Ciulla, 1991). Evidence from the early 1990s also indicates that executives perceived environmental issues as important issues (Judge & Douglas, 1998). CSR is very much a fad that will not fade away. Moreover, depending on perspective, the origins of CSR and business ethics can be traced way back to the Greek philosophers, the Bible, and the Middle Ages (Cannon, 1994; Blowfield & Frynas, 2005; Ciulla, 1991).

In the wake of the Industrial Revolution, however, the issue of CSR was brought into the realm of economy (cf. Cannon, 1994). The Industrial Revolution and the increasing size, power and wealth of private corporations soon challenged the traditional (feudal, tribe, clan, family based) systems of authority and responsibility (ibid.). Before and during the early phases of industrialisation, the boundaries between *individual* and *corporate* social responsibility was blurred because the companies were often founded, owned, and managed by the same person. When one man (as it usually was) personified the company instead of representing it, the *noblesse oblige* – the obligation of the privileged to be generous – of the individual was inseparable from that of the company.

Early examples of responsibility had the character of philanthropy (Waddock, 2008, p. 88). For instance, Andrew Carnegie funded more than 2,500 libraries as a way to create public benefits from corporate wealth (Buchholtz & Carroll, 2012). Another farsighted capitalist was Sir Titus Salt who built the industrial community, Saltaire, UK complete with school, church, hospital, water reservoir etc. (Smith, 2003). Other examples of farsighted industrialists were George Cadbury, Robert Owen, and William Lever (Smith, 2003; Cannon, 1994). Wealthy philanthropists, not least in the US, also played an important role in the development of several well-esteemed business schools and universities (Cannon, 1994). Admittedly, however, not all capitalists were motivated solely by altruistic motives. For instance, it has been argued that philanthropy by nineteenth-century tycoons was a response to anti-business movements (Buchholtz & Carroll, 2012). Moreover, some philanthropists only got interested in charity *after* they had become obscenely rich in less than responsible ways (Cannon, 1994).

The structure and management of companies also changed gradually. In the twentieth century, a new cadre of professional managers emerged, which resulted in a separation of ownership and control. Today, companies are often not dominated by individual tycoons. Instead, the management of companies is delegated to a new group of professional leaders whereas the ownership is divided between a diverse group of more or less passive and anonymous stockholders (cf. Cannon, 1994; Post et al., 2002). The new business structure implies that societal expectations of the private sector have been redirected to the more abstract and artificial category 'the company'. Combined with the growing political, economic and social importance of large companies during the twentieth century, it is understandable that CSR has evolved and

crept slowly up the public agenda (Carroll, 1999; Frederick et al., 1992; Kolk et al., 1999; Mintzberg, 1984). Despite its historical precedents, the concept of CSR is often seen as a post-World War II phenomenon with Howard R. Bowen's (1953) book *Social Responsibilities of the Businessman* as one of the contributions that marked the beginning of the contemporary CSR discussions (Carroll & Shabana, 2010). Since then, various scholars have seen CSR as a central current of their time.

Current global drivers of CSR

CSR does not exist in a vacuum. On the contrary, the CSR debate is shaped by trends and fashions as well as more fundamental changes of the political, social, and economic spheres of life. The *raison d'être* of contemporary CSR is therefore very much a product of the general developments in society. However, it is worth noticing that changes in society are not a unidirectional affair. Talks of trends and the society in which they are found are generalisations that downplay variation, complexity and contradictory evidence. They are abstractions that offer the value of a panorama at the expense of detail. Recognising the shortcomings of generalisations, this book will highlight three interrelated phenomena that have propelled the interest in CSR: the globalisation of the economy and the growing societal expectations/pressures from stakeholders.

Globalisation of the economy

Globalisation can in general be said to represent the processes and consequences from the stretching of human activities across regions and continents.¹ In a globalised world, the distant becomes close and time and space are no longer constraints for social interaction. People from Denmark can have video conferences with American colleagues. Buy clothes from Italian designers online. Listen to Asian Internet radio. And if they experience problems with any of the abovementioned activities, they can always contact a helpdesk in India. Powered by a physical (e.g. electronic communication), normative (e.g. trade liberalisation), and symbolic (e.g. the English language) infrastructure, globalisation increases the interconnectedness between people, economies and cultures (Held & McGrew, 2002). This interconnectedness also implies that local events can have global consequences (and vice versa); a phenomenon which is perhaps best captured in the popular term 'global village' (Giddens, 2002a). Globalisation is both technological, cultural, social and environmental (Held & McGrew, 2002, p. 6; Giddens, 2002b). However, the CSR literature is primarily concerned with the consequences of economic globalisation.

Globalisation is a two-edged sword. On the one hand, globalisation can stimulate economic, social, and environmental growth through industry development, job

creation, technology transfer etc. Moreover, globalisation makes the world a more transparent and connected place where companies will find it more difficult to hide questionable business activities in the backyards of the world. However, globalisation can make it difficult for governmental institutions to effectively exert regulatory influence, because multinational corporations (MNCs) are able to exploit national differences in social and environmental legislation (cf. Jenkins, 2001; McEwan, 2001; Christmann & Taylor, 2001; Neergaard & Pedersen, 2003). The apparent governance gap has led to calls for companies to self-regulate themselves (e.g. by formulating codes of conduct and adopting social and environmental management systems, labelling schemes and reporting standards) (Smith 2003; Matten & Crane, 2005; Hillman & Keim, 2001; O'Rourke, 2003; Blowfield & Frynas, 2005).²

The question is of course whether it is reasonable to expect companies to fill the gap left by the declining nation-states. It is unlikely that CSR alone can be the solution to problems caused by lack of CSR. At the more fundamental level, it may be argued that CSR is in itself the product of, as well as a response to, the negative impacts from globalisation. According to the Swedish historian, Peter Englund, it is paradoxical that it was only when humans were able to control nature that they began to question the control (Englund, 1993). In the wake of industrialisation, we have learned to see nature as something original, romantic, pure and moral. Unfortunately, the love of nature, a product of industrialisation, is now threatened by industrialisation because the exploitation of natural resources destroys the unspoiled 'nature of nature'. Likewise, today's discussions of the drawbacks of globalisation are in itself a manifestation of globalisation. Globalisation makes us care about child labour in Asia, human rights abuses in Africa, deforesting in South America, and pollution in Eastern Europe. Moreover, globalisation brings these issues within the realm of control. However, today's global challenges may be rooted in the very same phenomenon that raised our consciousness of them: globalisation.

Growing societal pressures/expectations

Much CSR literature is based on the assumption that companies' adoption of CSR is inspired by increasing societal pressure of various stakeholder groups (Quazi, 2003; Joyner & Payne, 2002; Smith, 2003).³ In consequence, companies have to adopt CSR in order to be responsive to new social and environmental demands that are communicated through a hyperactive media (Harrison & Freeman, 1999; Welford, 2000; Ciulla, 1991). Otherwise they will be faced with governmental interventions, investor flight, consumer sanctions, negative media and grassroots activism – all of which can have a negative impact on image, reputation and profit. However, CSR may also offer opportunities for companies that are successful in meeting stakeholder expectations and claims, e.g. enhanced reputation, reduced costs, prevention of government regulation etc.⁴

Societal pressures have most likely been fuelled by corporate scandals in the last decades. Examples include for instance BP (Deepwater Horizon oil spill), Exxon (Exxon Valdez oil spill), Mattel (toys including lead), McDonald's (obesity), Monsanto (genetically modified crops), Enron (poor corporate governance), and Union Carbide (Bhopal pollution). However, stories in the 1990s of sweatshops in Asia (Nike) and the Brent Spar (Shell) are probably the two incidents that have had the most important impact on the contemporary CSR literature. The two cases have almost reached a mythological status and are frequently used to illustrate the power of public opinion (Pedersen, 2006). Whether the scandals concern pollution, fraud, corruption, or violation of labour rights, the negative stories of irresponsible business behaviour has undoubtedly contributed to the perceived societal pressure and need for business ethics and CSR (AMA, 2006).

CASE STUDY 1.1

Just how does Nike do it?

Say 'Just do it' and people automatically think Nike. As one of the biggest and most important brands in the world, and a market leader when it comes to athletic shoes and apparel, everyone knows and has an opinion about Nike. But being among the big and the famous brings with it responsibility as well as exposure to criticism. To Nike this suddenly became very obvious in 1996 when *Life* magazine published a story on child labour in Pakistan. The article showed a picture of a young boy stitching leather pieces on the floor, surrounded by scraps of fabric and a couple of footballs with the Nike swoosh. In the article it said that the children received as little as 60 US cents to make one ball which would take most of one full day.

Immediately Nike was on the hook, with the article and the photo becoming the topic of the nation, leading to protests outside the factory to stop the child labour practices. Nike had previously been accused of bad working conditions in its overseas subcontractor factories, for example with a case about sub-subsistence wages and slave-like conditions in Indonesian factories in the early 1990s,⁵ but this was the first time Nike had felt a public relations impact of that size, and with it the reputational pressures to change and deal with its global responsibility.⁶ In 1997, for example, it was revealed that workers in one of the contract factories in

(Continued)

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Vietnam were being exposed to toxic fumes 177 times the Vietnamese legal limit.⁷ For years, criticism from civil society organisations and other parties continued to put Nike on the spot in the debate about child labour and sweatshop production, for example through boycotts of Nike products, sit-ins and demonstrations in front of Nike-town stores, distribution of flyers, campaigns etc.⁸

Nike's first response to the exposure was an attitude of denial. The company had started to produce sports equipment, including soccer balls, in the mid-1990s, and there were few places where hand stitching of balls was done in the world. Sialkot in Pakistan is one of the most important industrial clusters for this kind of production, and so Nike had begun to source footballs from contractors in the city in 1995. They thought they had tied up with responsible companies, but soon learned that part of the work was subcontracted further out into the local villages where the balls would be stitched by home workers, including children. Nike claimed they did not know about this and to show some action, they decided to only work with one supplier, Saga Sports, from then on. This company could allegedly guarantee certain basic conditions for its workers, and most importantly they would not hire anyone under the age of 18. In late 2006, however, Nike stopped working with this supplier as it had become clear that the work was still outsourced to home workers, meaning bad – or at least no control of – working conditions and potentially child labour. They engaged with a new supplier which showed commitment to ensuring proper conditions, through the use of full-time employees only and prohibiting the use of piecework rates per ball.⁹

Later on, Nike acknowledged that their initial response to the accusations both in the Sialkot situation and to other supplier-related cases like the one in Vietnam denying the claims was not optimal.¹⁰ In an interview that same year, Nike director Tom McKean stated that their initial attitude had been that the company did not own the factories and therefore had no control of what went on.¹¹ Today however, Nike has developed an elaborate programme to deal with their supplier factories across the world. Being big and famous, Nike has learned the hard way that they need to deal with labour issues rather than just operating with a crisis mentality.¹² On Nike's website it is possible to download the Code of Conduct which the company follows in auditing contracted factories on labour

issues. The code states the company's position in relation to human rights, such as the protection from forced labour (including child labour), abuse and discrimination, freedom to free association etc.¹³ Apart from having only their own auditors, they also allow for inspections from independent inspector organisations, for example the Fair Labor Association (FLA).¹⁴

Follow-up questions

- Do you think Nike has a bigger responsibility than other companies because of its size and position as market leader?
- How far down the supply chain does Nike's responsibility go?
- What do you think of the different responses and actions Nike has shown to meet the challenges of production in developing countries over the years?
- How can Nike and similar companies best avoid these kinds of cases?
- What does Nike do today (what change did it provoke in the company)?
- Do you think a company like Nike will be able to change or impact the conditions in the communities and countries where they produce?

Links and sources

- Nike: www.nike.com or www.nikebiz.com/responsibility (where you can download their Code of Conduct, some of the tools they use for auditing compliance in supplier factories, and even a list of the factories where they produce).
- Clean clothes campaign: www.cleanclothes.org
- Oxfam Australia's focus on Nike and workers' rights: www.oxfam.org.au/explore/workers-rights/nike

Case study by Hanne Stald Poulsen

The sources of societal pressures are manifold and depend on a wide range of firm-, industry- and country-specific factors. It is not necessarily so that an agricultural SME in Guatemala is experiencing the same societal pressures as an American fast-food multinational corporation (MNC). However, below is listed a number of generic stakeholder groups which are increasingly said to set CSR requirements for companies.

One source of societal pressure is business partners. According to an IBM study, around half (52 per cent) of the surveyed business leaders indicate that they are required by business partners to adopt waste management standards (IBM, 2008). Likewise, another survey concluded that 60 per cent of Danish SMEs are met with CSR requirements from buyers (Baden et al., 2009). By formulating CSR standards in the supply chain (and subsequently enforcing them), especially large, powerful MNCs can promote positive social and environmental changes in an industry.

Pressures may also be exerted by consumers. Over the years, there has been a lot of talk about the 'ethical', 'green', or 'political' consumer, who cares about the social and environmental conditions under which products and services are produced (Zadek et al., 2001). A number of surveys indicate that people express a high level of social and environmental awareness and/or are willing to pay a price premium for ethical products and services (Pedersen & Neergaard, 2006; Adams & Zutshi, 2004; Judge & Douglas, 1998). For instance, in Europe, 96 per cent of the population believes that protecting the environment is important.¹⁵ Admittedly, however, even though it is reported that up to 70 per cent of consumers would not do business with an irresponsible company – regardless of the price – it is nonetheless difficult to find empirical evidence of such market reactions (cf. Joyner & Payne, 2002). In general the market share of products that make ethical claims are much smaller than the percentage of consumers that claim to be ethical consumers (Smith, 2003; Vogel, 2005b).¹⁶

Another group pressuring companies to address CSR is non-governmental organisations (NGOs) (Zadek et al., 2001). For instance, Adams & Zutshi (2004, p. 32) argue that: 'Consumers boycotts and action by NGOs such as Amnesty International and Greenpeace have played an important role in changing the corporate agenda'. NGOs have on several occasions been successful in changing corporate practices. For instance, the Free Burma Coalition was able to force a number of companies to close down their Burmese operations (Spar & La Mure, 2003). More recently, pressure from Greenpeace has forced a number of leading fashion brands to commit to reducing the use of toxic chemicals in the manufacturing process (www.greenpeace.org). NGOs may play an important role in fighting the governance gaps created by growing globalisation.

National governments have also been active in promoting CSR – both as campaigners, endorsers, partners, regulators, facilitators etc. (Albareda et al., 2007; Steurer, 2010; Lozano et al., 2008; Fox et al., 2002; Peters & Röß, 2010). A study by the American Management Association concluded that laws and regulations are the most important external driver for business ethics (AMA, 2006). For instance, government pension funds are setting CSR requirements. Moreover, governments have formulated national strategies for CSR that are intended to foster social and environmental performance among businesses. Likewise, governments engage in public-private partnerships that bring about social and environmental improvements. In addition, the public sector also

launch a number of CSR awareness-raising campaigns and introduce tools, and guidelines that are expected to help not least SMEs in addressing CSR. Finally, governments also set mandatory requirements for CSR, e.g. when it comes to reporting.

Business schools and universities educating tomorrow's managers can also be considered as a source of societal pressure – as well as a source of the problem when it comes to corporate irresponsibility. Management education has long been criticised for essentially failing to provide managers with the necessary skills to create long-term value for both business and society (Pedersen et al., 2011). Current calls for revisions of the management education systems are stimulated by the financial and economic crises, and previous corporate scandals (Enron and Worldcom) have also influenced the debate (Podolny, 2009; Frederick, 2008). An attempt to promote integration of CSR into the curriculum at business schools and universities is shown in the Principles for Responsible Management Education (PRME) initiative (www.unprme.org).

Current company drivers for CSR

Why do companies adopt CSR? One thing is the global trends and fashions that shape the CSR debate. Another thing is the concrete motivation of companies that consider investments in social and environmental activities. Evidence indicates that there are multiple drivers for CSR in companies. Some companies adopt CSR to improve their relationship with stakeholders (customers, regulatory authorities, local communities, NGOs etc.), others think of it as a mean to improve operational efficiency and reduce costs, and still others are motivated by the market potentials from having a socially responsible image (Pedersen, 2007). Concern for corporate values, image, reputation, and brand is often reported as a key reason for adopting CSR (ibid.). However, more idealistic motives driven by personal views and beliefs are also common (Hemingway & Maclagan, 2004; EBST, 2002; Bansal & Roth, 2000; Judge & Douglas, 1998; Baden et al., 2009).¹⁷

In general, it is relevant to distinguish between three groups of motives for CSR: instrumental, institutional, and emotional (Neergaard, 2006) (see Figure 1.1). Instrumental motives mean that CSR is driven by business-related objectives (reduced risk, cost-savings etc.). Institutional drivers means that companies are adopting CSR either because they are pressured to do so, because they want to imitate other successful organisations, or because it is just considered as normal business practice (see e.g. DiMaggio & Powell, 1983). Finally, emotional motives imply that companies become involved in CSR activities because it is seen as the morally right thing to do. In the following section, special attention is given to the instrumental motives which have become increasingly prominent in CSR thinking in the last decades.

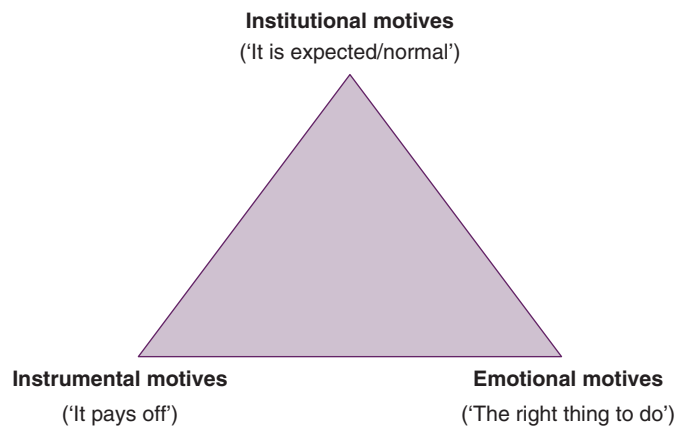


Figure 1.1 Company motives for CSR

Source: Based on Neergaard (2006, p. 25).

The definitional bankruptcy of CSR

CSR is a slippery phrase and the concept has often been accused of vagueness, ambiguity, and lack of clarity. The impossibility of reaching a common understanding of CSR is further cemented by the multitude of more or less overlapping concepts that deal with the business and society relationship, including corporate citizenship, corporate sustainability, triple bottom line, business ethics, corporate philanthropy, corporate accountability, social issues management, corporate social responsiveness, corporate social integration, corporate social opportunity, shared value, socially responsible investment, and company stakeholder responsibility (Garriga & Melé, 2004; EBST, 2002; Blowfield & Frynas, 2005; Våland & Heide, 2005; Lozano et al., 2008; Porter & Kramer, 2006, 2011; Grayson & Hodges, 2004; Freeman & Velamuri, 2006).

The book will not delve into the polemics that have been going on for decades regarding a proper definition of CSR. Instead, the book will take the point of departure in Marcel van Marrewijk (2003) who broadly defines CSR as: 'company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders'. It is outside the scope of this book to discuss whether or how this definition is in accordance with, or in opposition to, other authors' use of CSR and related terms. The important thing is that a contemporary definition of CSR acknowledges that: (1) CSR is *multidimensional*. CSR is not only about social welfare (cf. Andriof & McIntosh, 2001). Even though the meaning and content changes continuously, most researchers today consider CSR as a concept that covers both social and environmental issues; (2) CSR is *voluntary*

(Marrewijk & Werre 2003; Neergaard & Pedersen, 2003; Blowfield & Frynas, 2005). CSR may very well be a response to societal pressures,¹⁸ but they are still voluntary in the sense that they are not limited to compliance with laws and regulations. Admittedly, in recent years the principle of voluntariness has been challenged; for instance the new EU definition of CSR does not mention this issue (EC, 2011); (3) CSR is about *stakeholders*. CSR addresses the interrelationship between business and society – an interrelationship that requires researchers and practitioners to look at the groups and individuals who have a ‘stake’ in the company. In the following section, a brief introduction to stakeholder theory is provided.

The stakeholder approach to CSR

The theoretical foundation of CSR is as diverse as the concept itself. CSR has always been characterised by a great deal of eclecticism and attracted scholars from a wide range of academic disciplines. Alvar O. Elbing noted already in 1970 that social responsibility has been approached philosophically, theologically, psychologically, sociologically, economically, and aesthetically (Elbing, 1970). Nothing much has changed since then. On the contrary, the resurgence of CSR in the early 1990s has probably contributed to the theoretical diversity of the field (see e.g. Garriga & Melé, 2004). CSR has been analysed using the theoretical lenses of new institutionalism, resource-based view, sensemaking theory, discourse analysis etc. However, even though CSR is characterised by a great deal of theoretical eclecticism, some theoretical models are more popular than others. A substantial amount of the contemporary CSR literature explicitly or implicitly adopts a stakeholder approach which has become one of the dominant theoretical perspectives of CSR (Avram & Kühne, 2008; Branco & Rodrigues, 2007; Carroll, 1991).

What is stakeholder theory about? Ultimately, the theory considers business to be about the relationships between the groups and individuals that have a ‘stake’ in the business activities (Parmar et al., 2010). Stakeholder theory acknowledges that companies have relationships with a wide range of stakeholders. Employees, suppliers, customers, media, local communities, NGOs etc. all affect and in turn are affected by the company’s operations. CSR and stakeholder advocates also argue that the companies’ responsibilities to society stretch beyond shareholders (cf. Rowley & Berman, 2000; Ohmae, 1991). From a stakeholder perspective, business is about adding value to all stakeholders and creating a good deal for everyone (Freeman & Velamuri, 2006; Freeman & Gilbert, 1992). Moreover, stakeholder theory means listening to and engaging with stakeholders. Stakeholder management and CSR is a relational affair, and these relations are not only limited to the ‘happy smiling faces’, i.e. stakeholders whose views are *in sync* with those of management. Stakeholder theory also means engaging with critical stakeholders who may be the source of new ideas and opportunities (Freeman, 2009).

Stakeholder theory is often defined in opposition to the shareholder view in general and Milton Friedman in particular (cf. Margolis & Walsh, 2003). However, stakeholder theory does not ignore shareholders. On the contrary, it is assumed that the shareholders will also be well off by adopting a stakeholder approach: In the long run, at least. Much stakeholder and CSR literature is based on the same assumption that company concerns for stakeholders' economic, social, and environmental demands are the best way to generate long-term value for both business and society (Avram & Kühne, 2008). It is short-term shareholder-orientation that is often the focus of criticism from advocates of CSR and stakeholder thinking.¹⁹ Moreover, the stakeholder perspective is against a myopic focus on the interests of a single stakeholder group. Stakeholder management is not only about maximising value for shareholders (Phillips et al., 2003).

One of the central tenets of much stakeholder theory is the critique of the so-called separation thesis, that is, the idea that it is possible to separate the economic from the social, business from ethics, and the company from its stakeholders (Freeman & Velamuri, 2006; Wicks et al., 1994; Freeman, 1994; Freeman et al., 2004). This is seen as a significant shortcoming of the shareholder view which is said to separate economic and social issues. Interestingly, however, the CSR literature is also the target of the stakeholder critique of the separation thesis. Although stakeholder thinking is widely adopted in the CSR literature, stakeholder thinkers are not always enthusiastic about the idea of CSR, partly because CSR is said to reproduce the separation thinking (Parmar et al., 2010).

Popular CSR activities today

The social and environmental issues included in the CSR concept have changed gradually over time (Carroll, 1979). In the 1950s, discussions on CSR focused mainly on basic labour rights, whereas environmental issues gradually became an increasingly important issue as the negative impacts of the production became harder and harder to ignore (Pedersen & Neergaard, 2004). In the last decades, CSR and related concepts have been extended even further to include issues like human rights, social inclusion, gender issues etc. (Andriof & McIntosh, 2001). Therefore, what was considered responsible 50 years ago is not necessarily responsible today (and vice versa) (Campbell, 2007).

Compared with early phases of the phenomenon, CSR today is about much more than philanthropy. Not to say that philanthropy is dead. Philanthropy quadrupled from the 1950s to 2000 (Margolis & Walsh, 2003), and we still see remarkable examples of 'Philanthrocapitalism' (Bishop & Green, 2008). However, what we are seeing today is that the scope of CSR has broadened. CSR activities now cover a broad range of issues, e.g. environmental management, responsible supply chain management, diversity management, social and environmental disclosure, community investments, and traditional

philanthropic giving. Of course, some CSR activities are more popular than others. A few examples of studies on CSR practices are provided below:

- A study of HR professionals in seven countries concluded that 'traditional' donations and collection of money for local charities and disasters were typically the most common CSR practices (SHRM, 2007).
- A study among Danish SMEs indicated that companies often address employee and environmental issues, whereas less dealt with CSR issues in relation to customers and suppliers (TNS Gallup, 2005).
- The American Management Association (AMA) concluded that employee health and safety, accountability for ethics, and community engagement were among the most common CSR activities (AMA, 2007).

In general, it may be fair to say that companies often start off by fixing internal/local CSR issues and then move to broader/global CSR issues later on. For instance, the findings from an SME study indicate that companies tend to engage in supply chain CSR only when they have addressed the internal aspects of CSR (e.g. employee issues and environmental impacts) (Pedersen, 2009). However, it is not possible to give general prescriptions about the best adoption and sequence of CSR activities. The use of CSR depends on a number of firm-specific, industry-specific, and country-specific factors which make it difficult to conclude that one type of CSR activity should take precedence over others.

CSR: some critiques

Over the years, the concept of CSR has been met with a great deal of scepticism. CSR was for a long time seen as something suspicious that you did not expect profit-oriented managers to be interested in let alone do anything about. Some even argued that CSR could undermine the capitalist system, democracy, and the free society (Litz, 1996; Mintzberg, 1983; Moir, 2001; Levitt, 1958). For instance, in a famous article from the *New York Times Magazine*, Milton Friedman considers companies' attempts to fight, for instance, discrimination and pollution, as nothing but socialism (Friedman, 1970). This type of criticism can be found even today, where e.g. Bergkamp (2002) makes parallels between CSR and communism.

Whereas some critics argue that CSR is 'too much' in the sense that CSR may eventually destroy society as we know it, there are also critics who are of the opinion that CSR may be 'too little', meaning that CSR fails to address the global social and environmental problems that the concept is intended to solve (Blowfield & Frynas, 2005). As an example, Visser (2010) argues that the current incremental approach to CSR is an insufficient answer to today's sustainability crises. There is instead a need for a new and radical CSR

approach that enables societies to turn the whole ship around by redefining the purpose of business (ibid.). Moreover, it has been argued that the fundamental values of the capitalist enterprise (e.g. the right to make profit, free trade, freedom of capital, the determination of prices by the market, etc.) are unquestioned, unchallenged, and non-negotiable in the majority of the CSR literature (Blowfield, 2005).

The gap between lofty CSR rhetoric and actual business practices has also led to accusations of greenwashing, public relations exercises, corporate spin, lip service, bluewashing, and window-dressing (Banerjee, 2001; Owen et al., 2001; Hemingway & Maclagan, 2004; Marsden, 2006; Waddock, 2008, p. 91; Steurer, 2010; Mamic, 2005; Conley & Williams, 2005; Utting, 2000).²⁰ Greenwashing is when the corporate rhetoric is more impressive than the corporate practices when it comes to CSR (Baden et al., 2009). For instance, a Danish survey concluded that there is a discrepancy between the companies' evaluation of their own CSR work and their actual commitment to CSR in practice; something which may indicate an element of 'organizational hypocrisy' (Deloitte, 2011; Brunsson, 2002). In the most extreme cases, companies use more resources on the communication of their social activities than on the social activities themselves (Morsing, 2003; Smith, 2003).

'How' to do CSR?

Even though CSR remains widely debated, the concept in general has become much less controversial; not only in academia but also among companies, consultants, governmental bodies, NGOs, and community-based organisations. It has been said that the sustainability/CSR debate has moved from philosophical quarrels about *why* companies should engage in environmental and social activities, to the more practical discussions of *how* the company can do it in an optimal way (Bhattacharya & Sen, 2004; Roberts, 2003). Evidence indicates that answering the 'how' question is highly relevant. CSR still often has the character of being cosmetic add-on activities that are integrated in neither strategy nor operations (Porter & Kramer, 2006; Nidumolu et al., 2009; Lacy & Salazar 2006).

The CSR rhetoric–practice gap often found in business may therefore be about more than greenwashing. It can also be a result of difficulties in implementing CSR. This observation is not new. It has long been acknowledged in the CSR literature that it is difficult to stimulate social and environmental changes in organisations (Sethi & Votaw, 1969; Grayson & Hodges, 2004). However, attempts have been made to sketch out how CSR should be implemented. For instance, Werre (2003) distinguishes between four phases of CSR: awareness-raising of top management, development of CSR vision and values, organisational changes, and the anchoring of the new behaviour.

What are the factors that determine whether the implementation of CSR will be a success or not? CSR represents a wide range of issues and the relative success of the

various social and environmental investments varies significantly and is determined by a wide range of individual, organisational, and inter-organisational factors. For instance, disagreement among managers, the company's financial situation, and the nature of the company's operations may all have a significant impact on how CSR is manifested in practice. Figure 1.2 provides a list of some of the generic features that are likely to determine the fate of CSR in companies: consciousness, capacity, commitment and consensus.²¹ The success factors are not only internal to the company. In accordance with the stakeholder perspective, they must also be seen in relation to the external stakeholders, e.g. suppliers, customers, community groups and public authorities.

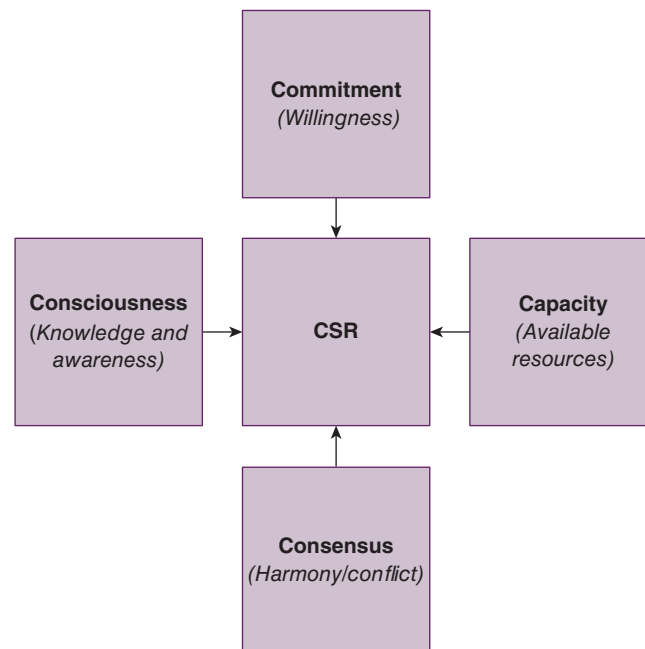


Figure 1.2 Four factors affecting the operationalisation of CSR

Source: Pedersen & Huniche [2006, p. 101].

- **Consciousness.** Consciousness is about CSR awareness among the members of the organisation and the external stakeholders. In general, CSR is unlikely to be put on the corporate agenda if managers, employees, suppliers or customers are unaware of societal impacts of their activities and the business-related potentials of CSR.

- **Capacity.** Capacity refers to the physical, organisational and human resources that enable the company to achieve its economic, social and environmental objectives (Marino, 1996). It is reasonable to believe that it will be easier for companies with sufficient resources to engage in CSR activities as compared with companies that face serious resource constraints (Waddock & Graves, 1997). Companies with excess resources have the capacity to make CSR investments, analyse societal demands, and grow specialised skills and competencies in developing good relationships with the stakeholders.
- **Commitment.** Commitment concerns the willingness to give priority and allocate resources to a certain issue. For instance, management commitment is often considered to be a precondition for the successful implementation of CSR and other initiatives (Poksinska et al., 2003; Freeman, 1984; Harrison & Freeman, 1999; Waddock et al., 2002; Weaver et al., 1999; Sethi, 2003; Jenkins, 2006; Mamic, 2005; Greening & Gray, 1994; Philips & Caldwell, 2005).²² However, the active commitment of employees and business partners is also important in generating social and environmental changes. For instance, Roberts (2003) argues that support across the organisation and from the other supply chain network members is an important success factor for ethical sourcing initiatives.
- **Consensus.** A high level of consensus, i.e. the degree to which the organisation members and external stakeholders agree on CSR, must be considered a precondition for a successful implementation of social and environmental initiatives (cf. AMA, 2000). Conflicts are less likely to occur if the stakeholders affecting and affected by the CSR activities share the same interest, beliefs, and values (Pedersen & Andersen, 2006).

Communication and dialogue within the organisation and in the relationships with external stakeholders cuts across the four dimensions and is key in ensuring consciousness, capacity, commitment, as well as consensus. Stakeholder engagement is a crucial element in the CSR work – whether we are talking about developing CSR strategies or reporting CSP (Smith, 2003; Owen et al., 2001). CSR is a relational affair that necessitates interaction with the groups and individuals who affect and/or are affected by the activities. However, the voluntary nature of CSR implies that some companies are able to decide which stakeholders are inside/outside, important/unimportant, included/excluded, and relevant/irrelevant (Pedersen, 2006). In consequence, there is a risk that companies will have a bias toward dialogue with stakeholders who share their own values and viewpoints whereas different, critical, and potentially important voices are ignored.

Strategic CSR and the soul of the firm

Increasingly, it has been said that the normative justifications for CSR have been replaced with business case thinking where CSR should make sense for both business

and society (Bhattacharyya et al., 2008; Carroll & Shabana, 2010). CSR is seen as a potential source of growth, innovation and competitive advantages (Porter & Kramer, 2006; Nidumolu et al., 2009; Branco & Rodrigues, 2007). Under labels such as 'Who Cares Wins', 'Green and Competitive', and 'Doing Well by Doing Good', CSR is said to offer a win-win situation for both companies and society. Companies will prosper from CSR because the stakeholders will reward responsible and sanction irresponsible business practices, and society will benefit from CSR because it will improve the social and environmental standards beyond the level of national regulation. For instance, when a biscuit company increases sales by developing more healthy products it is something that may potentially benefit both business and society (BITC/DCCR, 2011). The same can be said about a car manufacturer that uses climate change as an opportunity to design and sell hybrid cars (Bekefi & Epstein, 2008). The win-win literature is often described as strategic CSR or shared value (Porter & Kramer, 2006, 2011).

Reported business benefits from CSR include improved stakeholder relationships, development of new products and markets, increased operational efficiency, and employee recruitment/retainment (Morrow & Rondinelli, 2002; Zutshi & Sohal, 2004; Biondi et al., 2000; Dentchev, 2004; Deloitte, 2011; Misani, 2010). In general, enhanced image and reputation are often reported as one of the most important benefits from implementing CSR (cf. Strachan et al., 2003, p. 59; Poksinska et al., 2003; SHRM, 2007, p. 21; Haanaes et al., 2011; Buchholtz & Carroll, 2012; BITC/DCCR, 2011).

CASE STUDY 1.2

Grundfos LIFELINK – A Case of Shared Value?

Grundfos is a world leader when it comes to manufacturing of circulator pumps.²³ The company is also really good at coming up with new solutions and unique business models with global and local sustainability in mind, and as part of Grundfos New Business A/S, we find Grundfos LIFELINK. LIFELINK is what could be called a BOP market solution, as the product and the business model around it has been developed with consumers in developing countries in mind, and at the same time, it has sustainability and local development at its core.

Basically told, Grundfos LIFELINK installs water systems in Kenyan villages, and helps villagers to take out the right loans to pay for them, in this way ensuring safe and affordable drinking water for the villagers. Here is how it works. A community of typically 300–500 people borrow money from a local bank to invest in the construction of a well

(Continued)

(Continued)

and a pump. Water is pumped from the ground into a storage tank and from there into a pump station. The system is run by electricity gained from a solar panel installed on top of the storage tank. The bank loan is then gradually paid back with the purchase of water that each community member makes. The community members transfer money to pay for the water through a mobile phone system which communicates back to the pump station, and a personal plastic ID coin held by each user. Grundfos collaborates with the mobile banking service M-pesa to run this system. LIFELINK furthermore uses Internet monitoring to ensure a fast and efficient service and maintenance of the pumping system.²⁴ The whole concept is based on a Grundfos SQFlex submersible pump system and supplementary products, adapted to the needs and water source characteristics of the specific village by Grundfos LIFELINK engineers.

Partnership is an important part of the project. In order to gain an understanding of the ways and culture in the villages and to be able to implement all aspects of the project, Grundfos LIFELINK has partnered with different local organisations, among them local organisations that service the water systems, and local aid organisations that have helped to locate buyers for the system.²⁵ In 2009 the company made an agreement with Kenya Red Cross that it would install 100 LIFELINK systems over a five-year period. Grundfos LIFELINK also partners with the Danish Red Cross through the Water 2 Life programme. The Red Cross educates in hygiene and water safety in the communities, and Grundfos employees donate money to the project on a voluntary basis.²⁶ Another partner is Safaricom, a subsidiary of Vodafone in Africa. It has developed and own the mobile banking system (GSM), M-pesa, which is used to transfer the payment from the users through their mobile phones as credits at the pumping station, and to further ensure that the loan is paid off.

However, the project is still in its infancy, and although LIFELINK has been piloting the system in Kenya since 2008, there is still only little evidence of how it will really work in practice in the long term. At Grundfos LIFELINK they look optimistically towards the future. The system and business model has achieved international recognition as an example of social innovation. According to the company, in total some 12,000 people now have access to clean drinking water through a

LIFELINK system²⁷ and by 2015, LIFELINK plans to be present on the continents of Africa, Asia and Central and South America. By that time and level the activities of the group will have touched the lives of more than 1.5 million people.²⁸

Follow-up questions

- Is this a case of philanthropy or a case of shared value? Why/why not?
- What challenges do you see with the project? Do you think this is a sustainable solution – why/why not?

Links and sources

- Grundfos: www.grundfos.com
- Grundfos Sustainability: www.grundfos.com/about-us/sustainability-responsibility.html
- Grundfos LIFELINK: www.grundfoslifelink.com
- Video about LIFELINK: www.grundfoslifelink.com/int/06_video.html
- Idekompasset, video on LIFELINK as an example of Corporate Social Innovation <http://idekompasset.dk/da/hvordangoerandre/grundfos> (accessed 28 November 2011)
- *Global Compact International Yearbook 2009*. Grundfos LIFELINK: When Water becomes Sustainable Business, by Carsten Kvistgaard: http://www.grundfoslifelink.com/pdf/lifelink_un_global_compact_yearbook_2009.pdf (accessed 28 November 2011)

Case study by Hanne Stald Poulsen

However, the increasing instrumentalisation of CSR may have limitations both empirically and philosophically. For instance, the empirical support for the idea of strategic CSR is often based on anecdotal evidence of successful case studies. At the general level, however, the relationship between corporate social performance (CSP) and corporate financial performance (CFP) remains debated, inconclusive, complex, and unclear, which makes it problematic to make oversimplified statements about the bottom line of CSR (Dentchev, 2004; Vogel, 2005a; Griffin & Mahon, 1997; Burke & Logsdon, 1996; Lee, 2008). CSR advocates are still to convince the critics with a narrow bottom line focus that CSR is a good idea. On the positive side, however, there is little evidence that there is a negative relationship between CSP and CFP (Post et al., 2002; Margolis & Walsh, 2001; Margolis & Walsh,

2003). It also makes it difficult for the critics to claim that CSR automatically damages profitability.

Strategic CSR does not always reflect actual business thinking and behaviour either. A lot of companies engage in CSR activities because they think it is the right thing to do. A survey made for the American Management Association concluded that moral motives ('the right thing to do') were the second most important reason for running a company in an ethical manner (AMA, 2006). Therefore, the reasons for being an ethical company are both rooted in instrumental and moral-based concerns (AMA, 2006). Likewise, a survey among Danish SMEs concluded that ethical and moral concerns were the most frequently reported reason for CSR activities (TNS Gallup, 2005). Lastly, Graafland & van de Ven (2006) conclude based on a Dutch survey that companies which see CSR as a moral duty demonstrate higher levels of CSR involvement. Plenty of managers see CSR engagement as motivated by a moral duty rather than bottom-line thinking.

It is also a bit uncertain what happens when CSR does not pay off or has little or no strategic benefits. After all, strategic CSR offers a win-win scenario where social and environmental investments create value for both business and society. However, it is far from certain that all CSR activities have a positive bottom line. Sometimes, it makes sense to talk about shared value, as value (and cost) may actually be divided. What is good for society is not necessarily good for business (and vice versa). The numerous examples of pollution, child labour, violations of labour rights etc. indicate that there are sometimes costs associated with CSR which inspire less than responsible managers to lower social and environmental standards. Moreover, sometimes the relationship is somehow unclear and open for debate. When researchers have struggled for decades to identify the link between CSP and CFP (see above), it is reasonable to expect managers to find it hard to identify areas where good CSR is good business. In these situations, dedication to CSR will ultimately be a matter of fate rather than strategic reasoning.

It has also been debated whether instrumental – and essentially shareholder-oriented – CSR is the best way to conduct business. According to Vogel (2005b) it is a relatively new phenomenon that CSR activities are considered as sound investments and not obligations to society. Even though it is almost demanded by etiquette to criticise Milton Friedman in the CSR literature, proponents of strategic CSR seem to adopt the view that profit maximisation is the overriding corporate goal (*ibid.*, p. 27). However, the one-sided focus on the economic costs and benefits may re-enforce a short-term oriented and shareholder myopic view of business which may actually undermine long-term success and profitability. This is related to what John Kay (2004) refers to as the 'paradox of obliquity'. Managers who cling to the belief that the consequences of all actions have to be calculated and show a positive net present value in order to be justifiable, are incapable of understanding and adapting to the changing needs and expectations of the stakeholders.

At the more fundamental level, strategic CSR thinking may undermine the normative foundation of CSR by emphasising solely on the instrumental benefits of CSR.

Maybe companies do not deserve to be in business if they do not act in accordance with societal norms, rules and values (cf. Post et al., 2002). Inherent in CSR is perhaps the idea that companies have certain responsibilities – whether it pays off or not. This view is perhaps best illustrated with the classical CSR pyramid (see Figure 1.3) which illustrates how companies have economic, legal, ethical, as well as philanthropic responsibilities to society. In the words of Duska (2000), a strategic approach to business ethics suffers from the bottom line fixation that it tries to overcome.

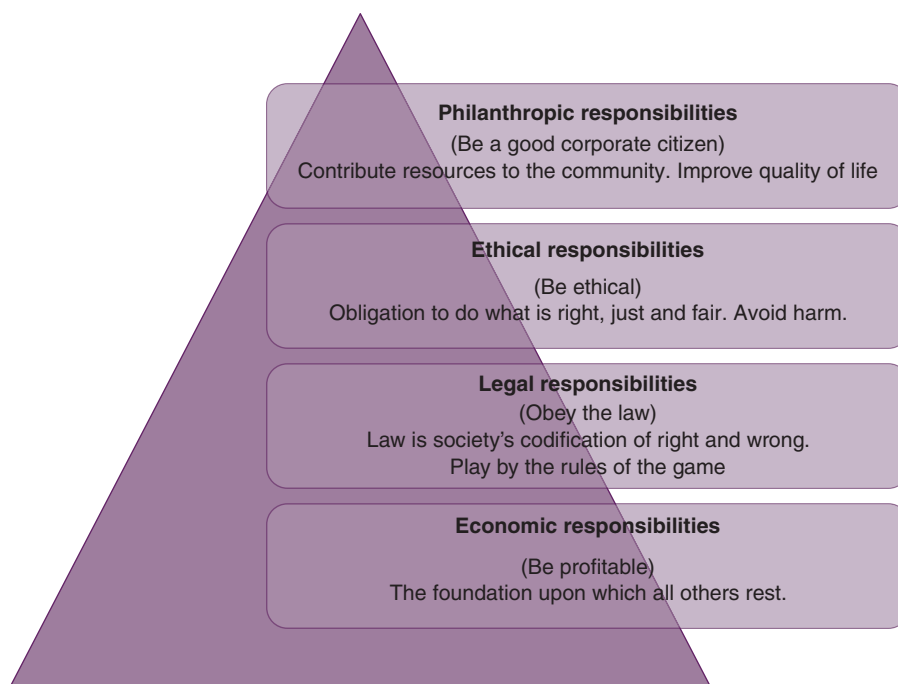


Figure 1.3 The pyramid of corporate social responsibility

Source: Carroll (1991, p. 42)

Summary: Key components of contemporary CSR

What is CSR and why do people talk about it? The chapter tried to answer these and other questions by presenting the CSR construct and discussing why it has become a mainstream business phenomenon intended to tackle the social and environmental challenges in the twenty-first century.

The chapter began with an outline of the CSR history and some of the key events that have shaped the development. Even though CSR is often considered as a fad, it is a fad that has been on the corporate agenda for decades, if not centuries (Ciulla, 1991). However, in the wake of the Industrial Revolution and the increasing political, economic, and social importance of private organisations, CSR was brought into the realm of the economy (Carroll, 1999; Frederick et al., 1992; Kolk et al., 1999; Mintzberg, 1984; Cannon, 1994).

Today, globalisation and growing societal pressures are two interrelated phenomena that have accentuated the need for CSR and been a wake-up call for companies which have been oblivious to the interests of their stakeholders. Globalisation means that the relationship between the state and the market is changing and societal pressure means that companies increasingly need to take into account the voices of NGOs, media, community groups and other stakeholders.

The chapter addressed the definitional shortcomings of the concept of CSR which has often been characterised as 'fluffy'. Generally speaking, CSR has become a common denominator for everything we expect companies to do for society. Not that we agree on what we expect. As noted by Smith (2003, p. 53): 'while there is substantial agreement that CSR is concerned with the societal obligations of business, there is much less certainty about the nature and scope of these obligations'.

Stakeholder theory has in many ways become an inseparable companion of CSR. A central tenet underlying both streams of literature seems to be the erosion of boundaries that increases the number of legitimate stakeholders. Business is increasingly seen as embedded in society and the company as a network of relationships between stakeholders (cf. Shephard et al., 1997; McVea & Freeman, 2005).²⁹ In order to be responsible (and profitable in the long run), companies will have to meet the expectations of shareholders and other stakeholders (customers, communities, suppliers etc.).

CSR has received attention from both responsible and irresponsible companies. With regard to the latter, the chapter described how a number of companies promoting themselves as socially and environmentally responsible have been accused of greenwashing, lip service, and window-dressing, which simply means that CSR remains at the level of rhetoric and empty mission statements. In particular, companies with a strong CSR profile have attracted criticism when the rhetorical aspirations of their social and environmental policies have overreached actual accomplishments.

However, even companies with good intentions often find it difficult to operationalise CSR. The chapter described the main steps in CSR implementation and described factors that are likely to shape the operationalisation of CSR: consciousness, capacity, commitment and consensus. The categorisation is probably far from being complete but may help explain why some CSR initiatives are carried out smoothly whereas others are dashed in implementation.

CSR is increasingly presented as a driver for innovation and competitive advantage. The chapter presented some of the internal and external benefits from being socially and environmentally responsible. However, the chapter also discussed other rationales

for CSR and discussed the consequences of the instrumental perspective on CSR. The instrumental orientation of the strategic CSR literature is useful in highlighting the value-creating potentials of focusing on social and environmental issues. However, strategic CSR may also undermine the intrinsic motivation for CSR, reduce the concept to 'business as usual', and make it difficult to address the tough questions, where the financial benefits are less obvious.

In summary, CSR is here to stay. As long as phenomena like industrial pollution and poor working conditions do not belong to the past it makes little sense to argue that CSR has outlived its usefulness. Even in rich, stable and highly regulated countries companies occasionally fail to act in the interests of the stakeholders, and there is no reason to believe that this will change in the future (Sarre et al., 2001).

Discussion questions

- Do you think that CSR could have been used to address historical examples of corporate irresponsibility, e.g. slavery? Why/why not?
- How do you separate moral and business case motivations for doing CSR?
- Is CSR able to solve the negative social and environmental impacts from globalisation? What do you think are the preconditions for creating large-scale, systemic improvements?
- How do you alleviate the risks of 'backfiring' CSR, i.e. that investments in CSR increase rather than decrease criticism from stakeholders?
- What do you see as the main advantages and disadvantages of a shareholder and stakeholder view respectively?
- What criteria should be used to select stakeholders that you would like to engage with?

Further reading

On CSR and the history of the concept

Cannon, T. (1994). *Corporate Responsibility*, Pearson Education, Harlow, UK.

Carroll, A. B. (1999). 'Corporate Social Responsibility – Evolution of a Definitional Construct', *Business and Society*, Vol. 38, No. 3, pp. 268–295.

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*, Vol. 12, No. 1, pp. 85–105.

Windsor, D. (2001). 'The Future of Corporate Social Responsibility', *The International Journal of Organizational Analysis*, Vol. 9, No. 3, pp. 225–256.

On theories of CSR

Garriga, E. & Melé, D. (2004). 'Corporate Social Responsibility Theories: Mapping the Territory', *Journal of Business Ethics*, Vol. 53, No. 1/2, pp. 51–71.

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*, Vol. 10, No. 1, pp. 53–73.

On stakeholder theory

Parmar, B. L., Freeman, R. E., Harrison, J. S., Wicks, A. C., Purnell, L. & De Colle, S. (2010). 'Stakeholder Theory: The State of the Art', *The Academy of Management Annals*, Vol. 4, No. 1, pp. 403–445.

Phillips, R., Freeman, R. E. & Wicks, A. C. (2003). 'What Stakeholder Theory Is Not', *Business Ethics Quarterly*, Vol. 13, No. 4, pp. 479–502.

Other resources

Learn more about the concept of Shared Value by watching the interview with Michael E. Porter: <http://hbr.org/2011/01/the-big-idea-creating-shared-value>

Learn more about stakeholder theory by watching the interview with R. E. Freeman: <http://youtu.be/Ih5IBe1cnQw>

Notes

- 1 For instance, Held et al. (2002, p. 68) define globalisation as: 'a process (or set of processes) which embodies a transformation in the spatial organisation of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental and interregional flows and networks of activity, interaction, and the exercise of power'.
- 2 Self-regulation can be defined as the company's voluntary adoption of environmental and social standards that exceeds the requirements of government regulation (Kollman & Prakash, 2001; Christmann & Taylor, 2001; Moberg, 2004). The idea behind self-regulation is to encourage firms to voluntarily adopt policies that go beyond the requirements of the law and promote continuous improvement in the firms' social and environmental performance (Neergaard & Pedersen, 2003).
- 3 The idea of societal pressure is not an entirely new phenomenon. On the contrary, Henry Eilbirt & I. Robert Parket argued already in 1973 that companies were increasingly under attack from governments, unions, consumer groups, and community defenders (Eilbirt & Parket, 1973, p. 5). Likewise, Sethi & Votaw (1969) stated that rapid societal changes put companies under pressure; Davis (1976) claimed that fast growing societal expectations increased the need for CSR, and Brenner & Molander (1977) found that increased societal pressure was seen as the most important force for higher ethical standards in business. Such

statements makes one wonder if the societal pressure argument is a fact of life or a standard explanation that is used to give momentum to CSR.

- 4 We will return to the discussion of company benefits in the next chapter.
- 5 Locke et al. 2007, p. 8 and Locke 2003, p. 50.
- 6 Rancy: *Why Organisations Change? Nike Case*, 4 August 2009 and Locke 2003, p. 52.
- 7 Global Exchange, May 2001: 'Still Waiting For Nike To Do It' and Locke 2003, p. 53.
- 8 Various examples of organisations and opinion groups against Nike can be found on the Internet. One example is Team Sweat (www.teamsweat.org). Others that have done campaigns include Oxfam, Global Exchange and Clean Clothes Campaign, and also anti-globalisation activists such as Naomi Klein who has criticised Nike heavily in her book *No Logo*.
- 9 Livestrong.com blog: The History of Nike Soccer Balls.
- 10 Common Dreams.org, by Steve Boggan: 'We Blew It' – Nike Admits to Mistakes Over Child Labor.
- 11 Allbusiness.com: 'Nike, Adidas Officials Discuss Sweatshop Issues', 3 December 2001.
- 12 Bloomberg Business Week: 'Nike's New Game Plan for Sweatshops', 20 September 2004.
- 13 Nikebiz.com: 'Nike Shares Progress on its Sustainability Journey – Letter from Hannah Jones', 16 February 2011.
- 14 Bloomberg Business Week: 'Nike's New Game Plan for Sweatshops', 20 September 2004.
- 15 European Commission, Directorate General Environment/Eurobarometer 295 (2008), *Attitudes of European Citizens towards the Environment*, March 2008.
- 16 A number of factors influence the saying–doing gap when it comes to ethical consumption. For instance, Bhattacharya & Sen (2004, p. 18) argue that: '[t]here is a positive link between CSR and purchase behaviour only when a variety of contingent conditions are satisfied: when the consumer supports the issue central to the company's CSR efforts, when there is a high company to issue/cause fit, when the product itself is of high quality, and when the consumer is not asked to pay a premium for social responsibility'.
- 17 Distinguishing between the motives behind CSR can be difficult. 'The difficulty of differentiating moral responsibility from calculated responsiveness (i.e. reputational strategy) lies buried deeply in the literature' (Windsor, 2001, p. 227). On the one hand, references to altruistic motives for CSR can be a cover for a more instrumental, business logic (AMA, 2007, p. 7). On the other hand, even the business case for CSR includes an element of faith, because it is difficult for at least SMEs to demonstrate a correlation between CSR and profits (Fitjar, 2011). According to psychological egoism all actions are an expression of self-interest, even though it may appear that we do things out of altruistic motives (Hemingway & Maclagan, 2004, p. 36). From a methodological perspective, identifying the motives underlying concrete CSR initiatives are also problematic, because it is difficult to verify that respondents actually 'mean what they say'. Moreover, there is a risk that the motives have been adapted gradually, and that stated motives do not reflect the original rationales for adopting CSR. Lastly, multiple motives may guide CSR action in companies rather than a single, dominant rationale.
- 18 As noted by Steurer (2010, p. 53) 'CSR efforts emerged neither because of legal requirements nor were they completely voluntary, but rather because of increasing stakeholder demands and pressures'.
- 19 For instance, Visser (2010, p. 35) argues that: 'shareholder-driven capitalism is rampant, and its obsession with short-term financial measures of progress is contradictory in almost every way to the long-term, stakeholder approach needed for high-impact CSR'.

- 20 The criticism is by no means new. In the 1960s, critics also talked about the 'Gospel of Social Responsibility', i.e. CSR as a PR exercise not backed up by action (E.F. Cheit, in Mintzberg, 1984, p. 102).
- 21 Other authors have also tried to classify the success factors of stakeholder engagement and CSR in more general terms. For instance, WEF (2005, p. 6) presents seven success factors of effective partnerships, Kapstein & van Tulder (2003, p. 211) list ten preconditions for an effective stakeholder dialogue, and Austin (2000, p. 173) introduces 'the seven C's of strategic alliances'.
- 22 According to Visser (2010, p. 34): 'Ask any CSR manager what their greatest frustration is and they will tell you it is lack of top management commitment'.
- 23 www.grundfos.com/about-us/introduction-to-grundfos/facts-about-grundfos.html (accessed 5 November 2011).
- 24 Idekompasset, video: <http://idekompasset.dk/da/hvordangoerandre/grundfos> (accessed 5 November 2011).
- 25 <http://ideascompass.dk/en/howothersdoit/grundfos> (accessed 5 November 2011).
- 26 www.grundfos.com/about-us/sustainability-responsibility/water2life/a-partnership-between-experts.html (accessed 5 November 2011).
- 27 www.grundfos.com/about-us/sustainability-responsibility/Cases/lifelink-when-water-becomessustainablebusiness.html# (accessed 5 November 2011).
- 28 www.grundfoslifelink.com/int/01_who_we_are_our_aspiration.html (accessed 5 November 2011).
- 29 The stakeholder concept has even been blended with political visions of a new and more inclusive economy. For instance, Anthony Giddens (2000, p. 151) refers to stakeholder capitalism as an attempt to 'smooth the rough edges' of the global market system. Moreover, in the presentation of Labour's philosophy of government for the twenty-first century the former British Prime Minister Tony Blair used the term 'stakeholder economy' to describe a society where everyone is included and works together for generating benefits for each other (Slinger, 1999; Phillips et al., 2003; Buchholtz & Carroll, 2009). Although with a different focus, the latter is very much in line with stakeholder theory which considers the company – and capitalism more generally – as a system of cooperation where people work together to create value for each other (Freeman & Velamuri, 2006; Freeman et al., 2004; McVea & Freeman, 2005).

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