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Innovative corporate social responsibility

An introduction

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By and large, corporations of the 21st century have come to realise that their obligations to societies in terms of corporate social responsibility are fourfold: namely, economic, ethical, altruistic and strategic (Levitt 1958; Carroll 1979; Lantos 2001). Meeting these four responsibilities is crucial to their survival in their various markets and industries; it also requires them to rewrite their previously less socially responsible business models in order to accommodate meeting these obligations. All indications continue to suggest that it is those organisations that are perceived to be socially responsible by stakeholders in modern markets that will survive and prosper (Tilt 1997; Katsoulakos and Katsoulacos 2007). Corporate entities of this era have equally realised that, by being innovative in all ramifications including their CSR activities and initiatives, they will certainly add value not only to the so-called bottom line, but also to the positive contributions they make to society and the natural environment and how they are perceived by their key stakeholders; in other words, how they are rated in terms of the now generally accepted triple-

bottom-line (economic, social and environment) league table. In addition, they are more likely to avoid taking unnecessary reputational risks which could result in serious financial and non-financial consequences.

These entities are equally aware that several of their many stakeholder groups—for example, governments, NGOs and the media to name but three—are watching them and are ready to hold them to account for the social consequences of their operational activities (Porter and Kramer 2006), and to judge them in terms of their environmental performance (Idowu 2009). Besides, there are several organisations with sustainability indices which institutional investors and some private investors now consider before making their investment decisions: for instance, the Dow Jones Sustainability Index and FTSE4Good Index. Modern environmental movements are suggesting that a considerable number of today's social and environmental problems are traceable to some of the previous strategies followed by corporations. These strategies have been criticised for failing to weave into them socially responsible initiatives and actions which would have either removed or at least ameliorated the adverse impact of these organisations' actions. These adverse impacts have been manifested in terms of the ecological, social and economic problems which have recently been exacerbated around the world. A few of these are depicted in the form of environmental pollution and degradation, global warming and climate change, human rights abuses, irresponsible employment practices in so-called sweatshops, unequal opportunities in workplaces in some parts of the world, depletion of natural resources, the food crisis and of course the current global financial meltdown. These are perhaps problems that would have been considered to be far too remote to be laid at the door of corporations some 50 or so years ago.

Corporate social responsibility as a field that is concerned with what some advocates of CSR have referred to as the 3Ps (People, Planet and Profit), which perhaps is another approach of expressing the triple-bottom-line model mentioned above. If this is so, then it is reasonable to assume that corporate entities of all shapes and forms should consider issues that relate to the 3Ps as important to them for various reasons. *People* are the lifeblood of a corporate entity; without people, corporate entities will not exist. The *planet* also is the abode of people and corporate entities. If the planet is made uninhabitable because of corporate actions, then enterprises and people will similarly be wiped off the face of the Earth. And finally *profit* is a necessary condition as it enables companies to expand their activities and hopefully behave responsibly.

Before the issue of CSR became topical around the world, it was the interest of the shareholders/owners (the providers of capital) that was wrongly perceived as being of paramount importance by corporate managers who were and are still their appointed agents (Jensen and Meckling 1976). This was before the era of

stakeholder theory which was popularised in the 1980s (see for example Freeman 1984; Donaldson and Preston 1995). Initially, eminent scholars such as Levitt (1958) and Friedman (1962, 1970) had posited that organisations owe no responsibility to the larger publics but only to their owners—the shareholders—and that their responsibility has only one element, which is to make as much profit as possible while conforming to the basic rules of society. Anything other than that, Friedman (1970) concludes, is *pure socialism* which is not what *capitalism* is all about. Friedman (1962, 1970) argues that what CSR requires corporate entities to do is actually the responsibility of governments; these corporations like other citizens pay their taxes and should therefore expect governments to expend the revenues they receive from taxes in the provision of social benefits for all taxpayers. But Clarkson (1995) notes that organisations do not operate for the sole benefit of one stakeholder group; there are two classes of stakeholders. The first class he refers to as **primary stakeholders**: shareholders, employees, customers, suppliers, governments and communities. He argues that members of this class are so important in the life of a business entity that the firm would cease to exist without their continuing support. The second class he refers to as **secondary stakeholders**: they influence or are influenced by the entity's activities but are not engaged directly in transactions with it and are therefore not so important for its survival but could still be a source of unwanted bad publicity. A few corporations which were criticised for encouraging sweatshop practices in some South-East Asian countries discovered this to their cost a few years ago. It would therefore be futile for the entity in question to ignore the interests of all but one of its stakeholders as advocated by Levitt (1958) and Friedman (1962, 1970).

Halal (2000) suggests that three models of governance have been practised at different times by corporate managers over the last 100 years or so. The first model he refers to as the **profit-centred model** (PCM), which was practised between 1900 and 1950. This model erroneously assumed that profit was the only objective of the firm. It failed abysmally because it ignored the fact that corporate entities have several stakeholders whose interests and expectations must be considered in order to function effectively. The model was then replaced with a more socially responsible model which Halal (2000) describes as the **social responsibility model** (SRM), which was practised between 1950 and 1980. This period falls during the hot debate on the desirability of CSR by corporate entities following Howard Bowen's (1953) book on *Social Responsibilities of the Businessman*, which hypothesised that business owes a responsibility to society and should pursue strategies that are desirable in meeting societal objectives and values. The SRM was an attempt to rectify some of the mistakes inherent in the PCM. It soon became apparent that, even though the SRM was a marked advance on the PCM, it still fell short of the expectations of society; there were still some missing links between what society desires and what

the model offered. Halal (2000) notes that it was inevitable that the **corporate community model** (CCM), which is a more socially responsible and progressive model, was going to replace the SRM from the 1980s to the present period. Society and business appear to have an understanding of what business must do in order to make our world a better place. The story has not ended there; there is still room to explore how the art of innovation could be used to elicit how the field of CSR could be practised worldwide; hence the need for a book on *Innovative Corporate Social Responsibility*.

This book provides an insight into how scholars in 12 different countries around the world perceive innovative and strategic actions of corporate entities as they continue to drive forward developments on corporate social responsibility. Society now demands that we should all behave responsibly by demonstrating that those issues that are at the core of CSR are equally important to us in the same way as those traditional issues which earlier scholars had identified as falling within the domain of CSR. Academics in this discipline have an opportunity to drive innovation by formulating concepts that can have immediate practical application.

This book is divided into three parts. Part I, 'CSR and competitive advantage', encompasses six chapters, with each addressing the strategic dimensions of CSR. This section provides a combination of theoretical contributions and case studies exploring the relationship between CSR and competitiveness, not only for large companies but also for small and medium-sized enterprises.

Jeremy Galbreath and Kim Benjamin, in 'An action-based approach for linking CSR with strategy: framework and cases', argue that modern firms must face the reality that CSR is a new battleground the importance of which for competitive advantage cannot be ignored. It is also a focal issue for corporate strategy, they note. The chapter provides a theoretical framework for linking CSR with strategy as well as three mini case studies to illustrate the implementation of the framework.

David Williamson, Gary Lynch-Wood and Rilka Dragneva-Lewers, in 'Exploring the regulatory preconditions for business advantage in CSR', focus on the regulatory dimension and how it can provide competitive advantage. They argue that CSR is intrinsically linked to regulation basically because the field requires a corporate entity to extend its moral duties to its stakeholders beyond what the law requires. The association between CSR and regulation goes deeper than a simplistic interrelationship because, they claim, innovative CSR is a form of regulatory compliance which the market reacts to and consequently affects bottom-line results. Nation states also need to provide an environment for innovative CSR to flourish through regulatory pressures, they note.

Nicola Misani, in 'Convergent and divergent corporate social responsibility', argues that two types of CSR, namely convergent and divergent, co-exist. For CSR to offer competitive advantage, firms should concentrate their efforts on divergent CSR. However, according to Misani, many firms maintain a focus on non-differentiating practices—in other words, convergent CSR—and thereby fail to fulfil the potential of CSR as a source of competitive advantage. In this chapter Misani explores the reasons why such a large number of firms choose convergent CSR instead of divergent CSR.

Denise Baden, in 'CSR: an opportunity for SMEs', examines the opportunities of CSR for small and medium-sized enterprises (SMEs). The chapter explores the effects of inculcating CSR strategies by firms in the buying decisions of their customers—individuals, multinational corporations (MNCs) and public sector organisations—and their implications for SMEs.

Malcolm F. Arnold, in 'Competitive advantage from corporate responsibility programmes', examines how four CSR programmes of large multinational organisations have helped to increase their market competitiveness while 'doing good' for their stakeholders. Arnold applies the Porter–Kramer (2006) model to identify what competitive advantages are offered by their CSR programmes.

Barbara Del Bosco, in 'A strategic approach to CSR: the case of Beghelli', discusses the case of an Italian company that has adopted a strategic approach to embedding CSR principles into its activities. Focusing on how CSR could be used to derive competitive advantage in the market, the chapter explores the role played by the firm's resources. It also uses the five strategic dimensions of CSR projects in Burke and Logsdon 1996 as its frame of reference to explore these issues.

Part II, 'CSR and value creation', examines the ways in which CSR can create value for a firm, its stakeholders and society. It comprises six chapters proposing frameworks, cases and an empirical study. Each of the chapters has a different focus and perspective: some examine value creation for the firm as a whole while others focus on specific issues or stakeholders. This section of the book highlights the potential of CSR to create value but it also underlines some of the difficulties in understanding where and how it can do so.

Karen Maas and Frank Boons, in 'CSR as a strategic activity: value creation, redistribution and integration', explore how CSR can provide value for a firm, society and ecosystems. According to the authors, there are three ways CSR can add value: namely, through value creation, value integration and value distribution. The authors propose a framework for assessing the strategic potential of CSR (illustrated by examples) and examine the consequences for measuring the impact of CSR activities.

Alejandro Alvarado-Herrera *et al.*, in 'Does corporate social responsibility really add value for consumers?', study the relationship between CSR, perceived value

and satisfaction by consumers. The authors note that companies would be encouraged to strategise on CSR if they perceive it as a source of value. The study is based on a theoretical model to empirically test the impact of non-economic aspects on value, cognitive satisfaction and affective satisfaction.

Francisco Guzmán and Karen L. Becker-Olsen, in 'Strategic corporate social responsibility: a brand-building tool', argue that integrating CSR into a company's core value proposition is a powerful tool for building brands. The authors explore the core business versus broader goals perspective in light of a strategic CSR framework, and explain when and how it makes sense for a brand to adopt each of these perspectives according to the level of development of CSR in a determined market. They also provide a CSR life-cycle model for strategic CSR decision-making and multiple international examples of CSR programmes.

Jyoti Navare, in 'Corporate social responsibility: risk managing for value creation in the housing sector in the UK', looks at a not-for-profit sector, more specifically housing associations (HAs) in the UK. HAs are facing a series of roadblocks in their attempts to provide affordable sheltered housing. The author argues that having to manage a wide stakeholder group in the sector has made the risk management activity much more difficult. The chapter uses a case study approach to create a risk scorecard in order to determine the correlation between risk and value outputs.

Katinka C. van Cranenburgh, Daniel Arenas and Laura Albareda, in 'Healthcare provision of a multinational company operating in emerging markets: ethical motivations, benefits of healthcare investment and the impact on socially responsible investors', analyse Heineken's healthcare programmes in sub-Saharan Africa. The chapter provides insights into the benefits of healthcare investment for the company and its employees and more especially investigates the impact of such programmes on the firm's valuation by the investment community.

Karla Duarte and Maeve Houlihan, in 'A rose by any other name? The case of HIV/AIDS interventions among South African SMEs', examine the practice of CSR among eight South African SMEs with regard to their participation in the fight against the spread of HIV/AIDS in the workplace. The chapter notes that these SMEs use either ad hoc initiatives or well-structured programmes to reduce the spread of the deadly disease in the workplace. It notes that South African SMEs are CSR-active even though the term 'CSR' may not necessarily be used by them. The authors also highlight how crucial contextualisation is when implementing, managing and researching the field of CSR.

Part III, 'CSR and innovation', focuses on the innovative aspect of CSR. This section consists of six chapters, which consider several aspects of the relationship between CSR and innovation, including the barriers to innovative CSR. In these chapters, the reader will be able to investigate innovative CSR in very different contexts in terms of geography, sector and company size.

Céline Louche, Samuel O. Idowu and Walter Leal Filho, in 'Innovation in corporate social responsibility: how innovative is it? An exploratory study of 129 global innovative CSR solutions', analyse 129 CSR solutions implemented by companies around the world. Through an evaluation framework designed by the authors, this chapter makes an attempt to capture and understand the innovative dimensions, the sustainability aspects addressed and the degree of innovation of each of the CSR solutions.

Steven P. MacGregor, Joan Fontrodona and Jose Hernandez, in 'Towards a sustainable innovation model for small enterprises', examine the link between CSR and innovation in European SMEs. They note that, even though the uptake of CSR activities was good, it was often informal and consequently failed to produce real value. The study also notes that the most successful companies in different industries are often the largest adopters of the concept of CSR.

Lutz Preuss, in 'Barriers to innovative CSR: the impacts of organisational learning, organisational structure and the social embeddedness of the firm', discusses what barriers companies are likely to experience on their journey towards innovative forms of CSR. The author develops an integrated framework on innovation using the innovative literature.

Magnus Frostenson, in 'How consultants contribute to CSR innovation: combining competences and modifying standards', notes that consultants as intermediaries involved in the field of CSR have played an important role in promoting innovative practices in the field. The chapter examines how consultants have translated their knowledge of CSR into useful services which their clients buy in. The chapter argues that consultants in various disciplines—for example, accounting and auditing, IT and PR—have been able to innovate in order to offer useful products to clients. The chapter notes that consultants create CSR instruments alongside the existing business models to help their clients.

Scott Davis, in 'Strategic CSR in the Japanese context: from business risk to market creation', argues that an increasing number of Japanese corporations are joining the CSR bandwagon but a considerable number of the resulting CSR initiatives are designed to legitimise their strategic objectives using some traditional management theories of the role of business in society. This has led some proponents of CSR principles by corporate entities to suggest that they implement value-creation CSR. The author notes in a Japanese study that the majority of the current CSR initiatives used by these corporations are risk-reduction initiatives instead of value-creation ones.

Ciaran O'Faircheallaigh, in 'CSR, the mining industry and indigenous peoples in Australia and Canada: from cost and risk minimisation to value creation and sustainable development', notes that those companies that operate in the mining industry face unimaginable levels of competition and are simultaneously exposed to enormous levels of risk. It is therefore necessary for them to use CSR to reduce

the risk levels at the lowest possible cost, one would imagine. Unfortunately, notes this author, operators in this industry are in a no-win situation as their attempts at cost reduction exercises often expose them to even greater levels of risk. Several scholars have argued that there are various opportunities to be derived from embarking on CSR activities. To realise the opportunities of CSR for these mining companies, a more positive approach to CSR is required. The chapter argues that operators in the industry are required to embed a more strategic approach to CSR. The chapter examines the benefits of innovation in CSR by mining companies among the indigenous peoples of Australia and Canada.

It is hoped that our readers will find the articles in this book relevant to their needs. We would like to thank all our readers spread across the globe for their continued support.

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