“The term is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in an ethical sense; to still others the meaning transmitted is that of ‘responsible for’ in a causal mode; many simply equate it with ‘charitable contributions’; some take it to mean socially ‘conscious’ or ‘aware’; many of those who embrace it most fervently see it as mere synonym for ‘legitimacy’, in the context of ‘belonging’ or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behavior on businessmen than on citizens at large.”

Dow Votaw (1973: 11) on corporate social responsibility

2 Corporate social responsibility (CSR)

As a field of academic inquiry, CSR is – as Crane et al. (2008a: 568; see also McWilliams, Siegel, & Wright, 2006b; Windsor, 2006) conclude – “still in an embryonic stage. The study of CSR has been hampered by a lack of consensus on the definition of the phenomenon, unifying theory, measures and unsophisticated empirical methods. Globalization has also added to the complexity of CSR issues.”

Difficulties of defining the social responsibility of business are partly due to the concept’s divergent origins and rationalizations. In the following chapter, I will elaborate on core conceptual elements as well as on the state of the field of contemporary CSR research. Drawing on Matten and Moon’s (2008) distinction between explicit and implicit CSR they primarily address “the question why forms of business responsibility for society both differ among countries and change within them” (Matten & Moon, 2008: 404).

12 In short, they primarily address “the question why forms of business responsibility for society both differ among countries and change within them” (Matten & Moon, 2008: 404).

2.1 What is CSR?

CSR presents itself as an opalescent phenomenon: It takes many different forms and is expressed in numerous ways, varying across wider cultural contexts as well as between individual organizations. A multiplicity of actors cultivating and influencing the field results in diverse imagery associated with the notion of CSR (Hiß,
With the practical implications and relevance of redesigning the business-society interface evident, the idea of CSR has attracted scholars from various disciplines and has been studied from different perspectives. Yet the corpus of literature still does not provide a consistent definition of CSR, neither in a descriptive nor in a normative sense (Crane et al., 2008b). Content-related vagueness, ambiguity, and weak alignment with the theoretical foundations of management science have also led to difficulties in empirical research from a management and organization perspective.

Generally speaking, CSR is the vaguely defined term for the broad concept of business conduct that aligns with social expectations of integrity, transparency, fairness, and generally accepted social values (Thompson, 2008). However, while various “concepts, constructs, and theories of CSR […] are competing with many other concepts, constructs, and theories of CSR […], we might at least suggest that at the core of these debates is the subject of the social obligations and impacts of corporations in society” (Crane et al., 2008b: 6; see also Matten & Moon, 2008, among others). CSR is used to consider and/or evaluate “effects of business on society, beyond the traditional role of seeking to maximize profits” (Crane et al., 2008a: 569). The wording of the World Business Council for Sustainable Development highlights the central role of business within society and might serve as a first approximation to the issue:

“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” (World Business Council for Sustainable Development, 2000: 10).

Also widely quoted is the interpretation of the European Commission which defines the concept of CSR as a template used by corporations – on a strictly voluntary basis, moving beyond mere compliance with legal requirements and market expectations – in order to integrate various social issues, environmental concerns, and stakeholder interests:

“By stating their social responsibility and voluntarily taking on commitments which go beyond common regulatory and conventional requirements, which they would have to respect in any case, companies endeavour to raise the standards of social development, environmental protection and respect of fundamental rights and embrace an open governance, reconciling interests of various stakeholders in an overall approach of quality and sustainability” (European Commission, 2001: 4).

Despite the existence of a great variety of different terms, concepts, and interpretations, “all are manifestations of one and the same underlying position, namely that corporate decisions have moral consequences and that therefore corporate decision makers should consider the moral consequences of their decisions” (den Hond, de Bakker, & Neergaard, 2007a: 3, with reference to Freeman, 1994).
More from the angle of welfare economics, Salazar and Husted (2008: 140) refer to CSR as a corporation’s obligation “to respond to the externalities created by market action.” Building on these insights, it is necessary to take into consideration not only objects and topics, but also subjects and means of CSR:

“CSR occurs when a business firm, through the decisions and policies of its executive leaders, consciously and deliberately acts to enhance the social well-being of those whose lives are affected by the firm’s economic operations. In this way, CSR blends and harmonizes economic operations with a human community’s social systems and institutions, creating an organic linkage of Business and Society” (Frederick, 2008: 522-523).

Frederick (2008: 523) also reminds us of the dual meaning of CSR, i.e., of the “two distinct ways of determining a company’s CSR standing: looking at the company as a whole, or examining the individuals who make decisions and set policies for the company”. While the first perspective characterizes a focal corporation’s CSR status as a function of “institutional actions” of executives and boards (i.e., the focus here is on the corporation as a legal entity), the latter conceives CSR status more as a function of “personal actions” of individual corporate agents.

Finally, CSR has both an internal and an external perspective (e.g., European Commission, 2001): Within a corporation, socially responsible practices primarily target employees and address issues such as human resource management, occupational health and safety, change management, the management of natural resources, as well as environmental impacts of production processes. However, CSR extends well beyond the doors of the organization and involves a wide range of external stakeholders; in addition to shareholders and staff, corporations must therefore also deal with customers, suppliers, and business partners, public authorities and NGOs representing local and global communities, as well as the environment and society at large (e.g., Freeman, 1984; European Commission, 2001; Werther & Chandler, 2011).

Definitions of CSR diverge over several dimensions that demand further attention. I will briefly highlight what I regard as the three major points here: motive, voluntariness, and institutional context. First, there is the question of a social motive as an essential foundation for CSR. As Dunfee (2008: 347) puts it: “Should it be considered genuine CSR if in reality the apparent CSR is a disguised business strategy designed to increase earnings, market share, or competitive position?” The answer depends, from a normative perspective, on the ethical theory applied (for an overview, see Kagan, 1998; Smith, 2009; Brenkert & Beauchamp, 2010): While deontological theories emphasize intention (i.e., the worthiness of action is dependent on the motive and principle behind it), teleological theories focus on the consequences and outcomes (e.g., Dunfee, 2008; Crane & Matten, 2010).14 A wide

14 It is, of course, also possible – and in many cases likely – that both lenses might end up with the same evaluation.
variety of motives for engaging in CSR have been recognized in the literature. Aguilera et al. (2007), for instance, suggest three main clusters – instrumental, relational, and morality-based motives – also pointing to the possibility of multiple and combined motives. However, motive as an element of a definition of CSR remains tricky, especially as it presents itself as opaque to persons other than the decision maker, or to observers from outside an organization (Dunfee, 2008).

A second important line of conflict in defining CSR revolves around the criterion of voluntariness and whether this feature is a sine qua non for the concept’s very definition. While authors like, for instance, Windsor (2006: 93; see also Carroll, 1991, 2004) broadly define CSR as “any concept concerning how managers should handle public policy or social issues”, other literature sometimes more narrowly refers to “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (McWilliams & Siegel, 2001: 117; McWilliams, Siegel, & Wright, 2006a). Such reference of surpassing minimum legal requirements might be problematic insofar as it makes it dependent on the respective regulatory context of whether or not a certain type of action qualifies as socially responsible (i.e., behaving in an identical manner could be evaluated quite differently).15 On a more abstract and normative level (see, for instance, Kagan, 1998), it is even more questionable as to how to fully reconcile the ideas of voluntariness and responsibility: While living up to someone’s responsibility results in a choice of deliberate and discretionary action, the underlying responsibility (or accountability) per se is nothing that can be thought of as essentially voluntary. Moreover (and as with motive), it is difficult to determine what is and what is not voluntary action: While this is, for instance, quite clear in the case of issues settled by specific legislation, the borderline is much more blurred in the case of “soft law” or incentive structures, but also in the case of fundamental institutional pressure (for a general overview, see Dunfee, 2008; see also Edelman, Uggen, & Erlanger, 1999 on the endogeneity of legal regulation). As indicated above, some definitions of CSR explicitly exclude compulsory action from being able to qualify as CSR by stating that CSR “involves going beyond what the letter and spirit of the law require or the market demands” (Baron, 2001: 12; McWilliams & Siegel, 2001; see also, for instance, the position of the European Commission, 2001). An alternative approach allows the differentiation of various types of corporate responses to social problems in more detail: Husted and Salazar (2006; Salazar & Husted, 2008), for instance, make a useful distinction between altruistic, strategic, and coerced CSR.

A third area of divergence in defining CSR is interrelated to those mentioned above and addresses the institutional context in which organizations operate. Matten and Moon (2008), among others, argue that the understanding, scope, and content

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15 Campbell (2006, 2007) also reminds us that it is not only action but also the abandonment of irresponsible action (i.e., not acting in a harmful way) that qualifies as social responsibility – something that is overlooked in most established definitions of CSR.
of CSR significantly differ between divergent governance and business systems, i.e., especially between liberal market economies (like the United States) and coordinated market economies (various continental European countries; see also Whitley, 1999; Hall & Soskice, 2001): While the first cultural setting provides greater opportunity and incentives for business to address responsibility through explicit CSR policies, rhetoric, and action, the latter represents a system of wider organizational responsibility (embedded in broader norms and regulation), yielding comparatively narrow opportunities and incentives for business to take explicit responsibility. Matten and Moon (2008) thus denote explicit and implicit as the two decisive attributes for CSR.

"By ‘explicit CSR’ we refer to corporate policies that assume and articulate responsibility for some societal interests. They normally consist of voluntary programs and strategies by corporations that combine social and business value and address issues perceived as being part of the social responsibility of the company. […] By ‘implicit CSR’ we refer to corporations’ role within the wider formal and informal institutions for society’s interests and concerns. Implicit CSR normally consists of values, norms, and rules that result in (mandatory and customary) requirements for corporations to address stakeholder issues and that define proper obligations of corporate actors in collective rather than individual terms” (Matten & Moon, 2008: 409).

A primary task in this chapter will be to develop a robust understanding of the concept of CSR that is applicable in empirical research – i.e., that enables a qualified empirical study of CSR discourse in Austria –, yet without imposing an a priori definition on the field that might not resonate, or even lead to distortion. As an initial step, it might be helpful to further our comprehension of the term CSR by shedding some light on its distinguishing elements (see also Hiß, 2006): The types of (a) corporate organizations covered by this attribute comprise stock corporations with separation of ownership and control, corporations with owner-managers (for instance, SMEs or family-owned business), and corporations with ownership by public bodies. These actors are positioned within a complex system of (b) social relations with other societal actors whose interests and claims might vary greatly; additional characteristics like the area of operation (in the case of multinational corporations) or exposure to public scrutiny (such as flagship corporations or those with business activity in sensitive or high impact industries) might intensify this system of multiple interests. Finally, (c) responsibility refers, on the one hand, to the fundamental question of the role and purpose of the corporation within society, and, on the other, to areas of action a focal corporation considers to be relevant, based on the organization’s position within society – or, alternatively, core audiences and stakeholders perceive as highly relevant for the focal corporation. In corporate practice, in continental European and Anglo-American contexts alike, social responsibility (soziale Verantwortung in German) has been occasionally interpreted as an act of mere corporate giving, philanthropy, or charity – rather than embracing a more comprehensive approach of responsibility for and accountability.
toward society in general (i.e., societal responsibility, or gesellschaftliche Verantwortung in German; for this distinction, see also Hiß, 2006). Such a narrow understanding is limited to covering only one of the three pillars of the triple bottom line (TBL) of sustainable development, namely the social dimension. However, and especially in recent years, sustainability (Nachhaltigkeit in German) with its focus on environmental issues (i.e., the ecological dimension), as well as long-term value maximization (i.e., addressing the economic dimension) have become essential elements of the understanding of CSR; in addition, strategic stakeholder management made its way into corporations’ business policies (e.g., Werther & Chandler, 2011). Against the backdrop of these multiple understandings, and quite much in line with other research (e.g., Carroll, 1999; Bassen, Jastram, & Meyer, 2005; Matten & Moon, 2008), I argue that the idea of CSR is characterized as a comprehensive, dynamic, and discourse-shaped concept consisting of an entire bundle of conceptual sub-discourses.16

In order to explore the dissemination of CSR as a management concept, it is indispensable to achieve a comprehensive understanding of the multiple layers of responsibility; it is therefore also essential to include the totality of empirical labels and interpretations, and to pay attention to ambiguous meanings within the concept. The use of various labels that are synonymous with, or clearly allude to, CSR, as well as the struggle over terminology and definition in general, clearly point to the necessity of specification and contextualization. For this study, I have decided to retain CSR as the all-encompassing “umbrella term” (Matten & Moon, 2008: 405), although literature using new terminology to address business-society relations has recently proliferated (e.g., “corporate citizenship,” which draws more attention to the political dimension and to issues of governance; see Matten & Crane, 2005; Moon & Vogel, 2008). I have also refrained from “dropping the S” in CSR (see Aguilera et al., 2007) in order to stress the embeddedness of organizations, business, and economic action in the structures of social relations (Granovetter, 1985; Dacin, Ventresca, & Beal, 1999) that results in strong ties between corporations and their social environment. This being said, I nonetheless wish to break down CSR to its various sub-discourses – both conceptually and empirically.

2.2 CSR in the academic debate: A brief historical overview

Like its theoretical foundations, CSR looks back on a rather “long and varied history” in scholarly literature (Carroll, 1999: 268). Some aspects of CSR have created more enthusiasm within academia than in actual corporate behavior (Beaver, 1999; Matten & Crane, 2005), while other issues that are now part of the CSR agenda (and are thus, for instance, incorporated in standard textbooks) have

16 See below for a detailed description of CSR sub-concepts.
been anchored in sociopolitical traditions or in corporate practices for a substantial period of time in various institutional contexts, yet without explicitly being thought of as CSR (Meyer & Höllerer, 2009). Empirical examples used in literature date back as far as times of industrial revolution (e.g., Carroll, 2008). As Frederick (2008: 525) – a researcher whose contributions to the scholarly debate on CSR span more than half a century – points out, the concept currently known as CSR evolved in more or less four chronological phases or stages of development that can be summarized as follows: (a) Corporate social stewardship – corporate managers as public trustees and social stewards (1950s and 1960s); (b) corporate social responsiveness – responding to social demands (1960 and 1970s); (c) corporate ethics – fostering ethical corporate culture (1980s and 1990s); and (d) corporate global citizenship – accepting and attaining global citizenship responsibility (1990s and 2000s).

Formal writings on CSR have largely been a product of the second half of the 20th century, with most of the early texts emerging in the United States (for an overview see, for instance, Carroll, 1999, 2008; Frederick, 2008). In Europe, the academic debate is relatively young17 and the practices of CSR have become widespread only recently (Matten & Moon, 2008). Nonetheless, European scholars have significantly contributed to the sizable body of existing literature in the last 15 years, for which reason it must “be acknowledged that CSR and related notions have been developed in practice and thought in a number of […] countries and at different times” (Carroll, 2008: 20). More recently, countries in other parts of the world have also begun to direct their attention to CSR thinking, policies, and practices. Hence, to outline the development of the concept at length constitutes a considerable challenge.18

A number of scholars (Carroll, 1979; Wartick & Cochran, 1985; Carroll, 1999; Valor, 2005; Lee, 2008, among others) agree that Bowen’s (1953) milestone publication entitled Social Responsibilities of the Businessman marked the start of modern literature on CSR within social and management science – and also “CSR’s formal birth and growth in the 1950s” (Carroll, 2008: 24). Corporations, so Bowen’s (1953: 6) argument, have the obligation “to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society”.19 Drucker was among the first to explicitly address the “public” or “social responsibility of management” in his classic book The Practice of

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17 For some early exceptions in continental Europe and in the German speaking community in particular, see, for instance, Steinmann (1973) and Ulrich (1986).
18 For this study (and with regard to the empirical analyses covering an observation period from 1990 to 2005), a summarizing account seems sufficient and favorable.
19 Bowen’s treatment of CSR proceeds from the underlying assumption that corporate decision makers constitute a social elite (on value systems and styles of social responsibility of managers, see also Hay & Gray, 1974). Recently, the responsibility of individual actors has been discussed anew especially under the notion of “accountability” (e.g., Bovens, 2007), whereas the responsibility of the corporation as a legal entity has somehow remained diffuse (see also the remarks on the dual meaning of CSR above).
Management, presenting many thoughts and ideas (see Drucker, 2007) that prove to be even more relevant and valid today than they were when the book was first published in 1954. In general, while Europe was primarily concerned with efforts to recover and reconstruct its economic infrastructure after WWII, the first explicit theorization of CSR – including the role of corporations within society – mainly took place in the United States. Again, and this is a central point, considerable traces of implicit CSR within the institutional framework of continental European countries must not be neglected.20

Following up on some of these early thoughts on CSR, the 1960s were characterized by attempts to define the meaning of CSR (Carroll, 2008), with movement picking up speed throughout the 1970s (for an overview of relevant literature from the 1960s and 1970s see, for instance, Carroll, 1999, 2008). Interestingly, the notion of CSR was extended by reference to corporate social performance (e.g., Sethi, 1975; Wartick & Cochran, 1985), corporate social responsiveness (e.g., Ackerman, 1973; Sethi, 1975; Ackerman & Bauer, 1976), and public responsibility (e.g., Preston & Post, 1981). Many authors at this time began to emphasize the importance of a managerial approach to CSR by applying the traditional management functions, i.e., to “forecast and plan for CSR, organize for CSR, assess social performance, and institutionalize corporate social policy and strategy” (Carroll, 2008: 34).

During the mid-1980s, and in the Anglo-American context, corporations’ responsibilities toward society seemed widely recognized; what became more and more important was the question of how to arrange and enact corporate ethics in business practice (Carroll, 2008). Some central theoretical contributions within the discipline (e.g., Carroll, 1979; Zenisek, 1979) – as well as fruitful ideas from the field of strategy and corporate governance (above all the stakeholder theory, see Freeman, 1984), which especially in continental Europe achieved great resonance – were followed by a number of studies with diverging foci. Some of this work was devoted to further developing the model of corporate social performance (e.g., Wartick & Cochran, 1985); another major line of (empirical) research was particularly interested in the relationship of CSR activity and financial performance of a corporation (e.g., Cochran & Wood, 1984; Aupperle, Carroll, & Hatfield, 1985; Mackey, Mackey, & Barney, 2007; for an overview, see Orlitzky, 2008, or the meta-studies of Margolis & Walsh, 2003; Orlitzky et al., 2003).

In the 1990s, new and unique contributions to the concept of CSR were rare; instead, it served rather “as the basepoint, building block, or point-of-departure for

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20 For example, as Meyer and Höllerer (2010) point out, in Austria the Aktiengesetz (Austrian Stock Corporations Act) has demanded a distinct stakeholder orientation in corporate control since the 1960s, with the debate on which interests a corporation must take into account dating back to the era of the Austrian-Hungarian Empire (Kalss, Burger, & Eckert, 2003). Moreover, owners and managers of corporations generally perceived themselves as the societal elite responsible for other members of society – and for the nation at large, thus also engaging in sociopolitical decision making (see chapter on empirical context for details).
other complementary concepts and themes, many of which embraced CSR thinking and were quite compatible with CSR” (Carroll, 2008: 37). One of the most prominent ones was sustainability – an idea that was originally connected with environmental issues but has been broadened to include other dimensions of organizational environments as well as economic issues (“corporate sustainability”, see below). Moreover, the notion of corporate social performance still drew much attention (e.g., Wood, 1991; Swanson, 1995; Wood & Jones, 1995; Swanson, 1999). Among others, Carroll (1991, 1998) revisited his influential CSR definition(s), highlighting the “discretionary/philanthropic” component of CSR that embraces “corporate citizenship”, a term that has since become rather popular as an alternative way of framing CSR (Carroll, 2008).

Corporations only more recently realized their responsibilities toward a global business environment, and since the turn of the millennium the CSR movement has become, finally, a global phenomenon, with the rhetorical and practical tool kit of CSR being established as an essential part of business practice. Thus, it is not surprising that the most significant advances and stimuli to the debate on social responsibility have come in the realm of business practice itself (Carroll, 2008). In academia, the 2000s were characterized by a splintering of interests and new scholarly fields in which to think about CSR. Within management research, CSR has doubtlessly created an empirical research agenda of its own which currently seems to aim in particular at reconciling theory and practice (see Habisch, Jonker, Wegner, & Schmidpeter, 2005; Kotler & Lee, 2005; Aras & Growther, 2010).21

2.3 Defining the range of responsibilities for business organizations

The notion of CSR holds corporations accountable toward society and key stakeholders, and assigns them responsibility for other societal actors and the environment, as well as for society at large. However, the problem of defining a corporation’s actual range of responsibilities is a difficult task. While some literature (see above) refers to CSR as exclusively voluntary action, others argue that it must be framed in a way that embraces the entire range of business responsibilities. Carroll (1979) was one of the first to systematize CSR, distinguishing economic, legal, ethical, and philanthropic/discretionary aspects or dimensions of CSR (see also Carroll, 1991; Schwartz & Carroll, 2003; Carroll, 2004). Specifically, he suggested that the “social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (Carroll, 1979: 500). The derived “pyramid of corporate social responsibility” (e.g., Carroll, 1991) has been particularly predominant (see Figure 1).

21 For an evaluation of the status of CSR research within the management literature see, for instance, Lockett, Moon, and Visser (2006).
Corporations’ primary responsibility is to produce profit and a decent return on investment for its shareholders. Profitability is therefore “a sine qua non of effective corporate citizenship” (Carroll, 1998: 2); or, in the words of Drucker (1984: 62),

“[…] the first ‘social responsibility’ of business is then to make enough profit to cover the costs of the future. If this ‘social responsibility’ is not met, no other ‘social responsibility’ can be met. Decaying businesses in a decaying economy are unlikely to be good neighbors, good employers or ‘socially responsible’ in any way.”

Corporations and their management must also operate within the legal framework of a society – that is, within the society’s codified ethics. These two dimensions – economic and legal responsibility – are more or less required, while complying with broader ethical standards (i.e., doing no harm and doing what is generally regarded as right, just, and fair) can only be expected by society. Finally, society might desire corporations to live up to their philanthropic/discretionary responsibilities of “giving back” to the community and society at large.  

Carroll’s typology is somehow inspired by a ground-breaking contribution to the concept of CSR that also largely reflected the practitioners’ view: In its 1971 publication, the Committee for Economic Development suggested three concentric circles to typify CSR: An inner circle that includes basic responsibilities for the efficient execution of the economic function; an intermediate circle that encompasses responsibility to exercise this function with a sensitive
Corporate social responsibility (CSR) refer to ethical and philanthropic responsibilities as “the essence of CSR”.

While this conceptual framework is still useful today, it is problematic insofar as these clear-cut dimensions do not exist in practice but are intertwined. Werther and Chandler (2006: 9) emphasize that social issues can and do evolve over time, and that societal expectations become increasingly institutionalized. They argue that

“[…] what was ethical, or even discretionary in Carroll’s model, is becoming increasingly necessary today due to the changing environment within which businesses operate. As such, ethical responsibilities are more likely to stand on a par with economic and legal responsibilities as foundational for business success […]. As societal expectations of the firm rise, so the penalties imposed by stakeholders for perceived CSR lapses will become prohibitive.”

An alternative way to define the range of corporations’ responsibilities commences with a differentiation of stakeholders. Basically, corporations have three kinds of stakeholders: organizational stakeholders (i.e., internal stakeholders like employees, management, and shareholders) at its very core, economic stakeholders (i.e., external stakeholders like customers, suppliers, and various business partners) as an interface between organizational stakeholders and society, and societal stakeholders in a more general sense (i.e., external stakeholders like communities, government and regulators, and NGOs). All three sit within the larger context of corporations’ global business environment (e.g., Werther & Chandler, 2006).

These conceptualizations can be summarized and transformed into “spheres of responsibility” (Figure 2; for details see also Hiß, 2006). From the perspective of a corporation, one might distinguish between a minimum sphere (required by society in terms of market mechanisms and legal regulations), an intermediate sphere (voluntary CSR activity within the value chain, for instance, compliance with soft law regulation, which is usually expected by society; e.g., respecting labor standards), and an extended sphere of responsibility (voluntary CSR activity outside the value chain, desired by society; for instance, contributing to and sponsoring civil society).

awareness of changing social values and priorities; and an outer circle that assumes business to become more broadly involved in actively improving the social environment (see also CED Committee for Economic Development, 1971: 17).
2.4 Institutional context matters: Explicit versus implicit CSR

I have already briefly referred to the embeddedness of corporations in institutional frameworks, as well as to the question of how these specific contexts influence the perception of and approach to CSR activity. Given that societies have developed divergent governance systems over time (reflecting their institutions, customary ethics, and social relations), it follows “that we might expect some differences in the ways in which corporations express and pursue their social responsibilities among different societies” (Matten & Moon, 2008: 407). In greater detail, Matten and Moon (2008; see also Hiss, 2009) suggest that these ways can be described as either explicit or implicit (see Figure 3).

The authors make a convincing argument that the institutional framework – i.e., the governance and business systems in place – decisively set the scene for corporations’ CSR activities (Matten and Moon, 2008): While institutions in liberal market economies encourage individualism and provide considerable discretion to economic actors to explicitly engage with CSR in their corporate policies, CSR is an implicit element of the institutional framework within coordinated market economies (addressed by coordinated approaches to economic and social issues through a partnership of representative socioeconomic actors and government) (see Figure 4). Both systems, however, exhibit explicit and implicit elements to some extent: It
must not be thought of this model as a “dichotomous distinction […] but, rather, one of emphasis” (Matten & Moon, 2008: 410).

**Explicit CSR** …
- describes corporate activities that assume responsibility for the interests of society.
- consists of voluntary corporate policies, programs, and strategies.
- is motivated by the perceived expectations of different stakeholders of the corporation.

**Implicit CSR** …
- describes corporations’ role within the wider formal and informal institutions for society’s interests and concerns.
- consists of values, norms, and rules that result in (often codified and mandatory) requirements for corporations.
- is motivated by the societal consensus on the legitimate expectations of the roles and contributions of all major groups in society, including corporations.

**Figure 3: Explicit and implicit CSR compared (Source: adapted from Matten & Moon, 2008: 410)**

**Figure 4: A continuum between explicit and implicit CSR (Source: adapted from Matten & Moon, 2008: 411)**
For corporate stakeholders, the results of CSR activities – as well as their impact on the organization’s audiences – do not have to be different at all. On the contrary: Matten and Moon (2008: 410) argue that

“[…] corporations practicing implicit CSR might conduct practices similar to those of corporations practicing explicit CSR […]. Many of the elements of implicit CSR occur in the form of codified norms, rules, and laws but are not conventionally described explicitly as CSR. It is the societal norms, networks, organizations, and rules that are explicit, rather than their implications for the social responsibilities of business. It is in this sense that CSR in these systems is implicit.”

However, the interpretation that this important differentiation “also exposes differences in intent” (Matten & Moon, 2008: 410) is somewhat questionable. While one might agree that implicit CSR is in most cases not “conceived of as a voluntary and deliberate corporate decision but, rather, as a reaction to, or reflection of, a corporation’s institutional environment” (although there is much leeway concerning how – and to what extent – codified norms and rules are fulfilled),23 I argue that also explicit CSR is not always “the result of a deliberate, voluntary, and often strategic” decision making process. Expectations from key stakeholders, for example, can prove to be very strong pressures that equally reduce the scope for deliberate decision making. In a similar way, coercive isomorphism in specific industries, for instance, might force corporations to address CSR explicitly.

Still, one major puzzle remains. Why have continental European corporations recently begun to adopt a more explicit commitment to CSR (also reflected in their corporate policies and communication) that largely resembles that of their Anglo-American counterparts – “regardless of the fact that responsible business practices have been and continue to be implicitly part of their day-to-day business activities” (Matten & Moon, 2008: 405)? The study at hand will mainly draw on arguments from organizational institutional theory/research in order to explore this phenomenon in more detail. In this respect, another point raised by Matten and Moon (2008: 410) seems important: Corporations practicing explicit CSR “use the language of CSR in communicating their policies and practices to their stakeholders, whereas those practicing implicit CSR normally do not describe their activities this way” – because it is not necessary at all (see also Scott, 2008, on the “cognitive pillar” in institutional theory; for more, see chapter on organizational institutionalism). While some 15 years ago any explicit debate on CSR in Austria was more or less absent due to this issue being, first, taken-for-granted and, second, implicit in the institutional framework, standardized accounts have – after a phase of negotiation of meaning during the decline of classic Austrian institutions and “sub-societies” like the powerful social partnership (e.g., Pelinka, 1998; see also Meyer &

23 Besides, as Moon and Matten (2008) admit in their statement of limitations, corporations actively shape rather than merely reflect institutional frameworks (see also chapter on the empirical setting of this study).
Höllerer, 2010) – begun to prevail in the late 2000s (see also empirical findings below).

2.5 CSR as an essentially contested issue

The actual scope and content of CSR has been subject to controversial discussion ever since its early appearance, both in practice and theory (see, for instance, the debate surrounding Friedman, 1970). Depending on the position of the actors or speakers involved in the debate, different elements and aspects have been focused on and integrated into the CSR agenda. In the early 1970s, Votaw made a very apt remark on CSR in this respect: “The term is a brilliant one; it means something, but not always the same thing, to everybody” (Votaw, 1973: 11). Drawing on a plurality of literature in – and major contributions to – the field, I have shown above that CSR is far from being easily defined. On the contrary: Few subjects in management research elicit as much controversy and contestation (Crane et al., 2008b). CSR presents itself as both an essentially contested issue and concept (e.g., Okoye, 2009), “being ‘appraisive’ (or considered as valued), ‘internally complex’, and having relatively open rules of application” (Matten & Moon, 2008: 405, with a quote from Moon, Crane, & Matten, 2005). It appears to be a matter of ideological position whether CSR is argued to be beneficial for business or merely a waste of resources, whether it should remain voluntary action or be determined by legal regulation, and, finally, which range of activities can be subsumed under the notion of CSR.

Borrowing from institutional theory (see next chapter for more details), CSR discourse can also be understood as an issue field that brings “together various field constituents with disparate purposes” and in which “competing interests negotiate over issue interpretation” (Hoffman, 1999: 351-532; see also Meyer, 2004). Thus, legitimate actors and meaning structures in such contested issue fields – that might themselves be part of even broader societal discourses – are of particular interest. However, meaning – Meyer and Höllerer (2010) refer to a “topographic map” of meaning – is not directly accessible at field level; only manifestations are (for

24 A great deal of the debate centers around the original character of CSR as voluntary action guided by specific (global) standards and “soft law” versus the demand for reinforced legal regulation (Sahlin-Andersson, 2006; for Austria, see Mark-Ungericht & Weiskopf, 2007; on the expansion of “soft law” and increasing standardization see, for instance, Brunsson & Jacobsson, 2002; Möth, 2004). Here, supporters of a more market-based approach argue that externalities must be built into market prices in order to ensure the correct alignment of costs and benefits. Others, however, largely distrust markets as an appropriate modus of control and argue that “soft law” should be replaced by obligatory legal regulations (see also Sahlin-Andersson, 2006). In fact, under certain circumstances (e.g., market failure) increased regulation might be necessary and useful; on the other hand, overregulation reduces the international competitiveness of corporations and might also create considerable market barriers.
instance, in the media or in other genres of communication like annual reports or corporate websites). It is noteworthy that the concept of CSR is conceptualized to a large degree from the perspective of corporations (Crane & Matten, 2004; Hiß, 2006). Thus, corporations themselves – as a core group of actors with considerable sociopolitical influence – dominate the theorization of the concept in the realm of practice, together with the “usual suspects”: business schools, consultants, management gurus, IGOs, and business press. However, a wide variety of other societal actors is also involved in field-level discourse on CSR (e.g., various stakeholders, interest groups, politicians, and NGOs). These stakeholder interests are covered insofar as corporations develop strategies to cope with, address, and balance the – often conflicting – claims of these groups: Corporate strategy, corporate communications, and marketing, among others, show distinct traces of such efforts. Moreover, these strategies will also mirror much broader societal discourses and issues that are salient, for instance, in the media. Critical events in the corporations’ environment further stimulate the debate surrounding an issue (Meyer & Höllerer, 2010), contrast perspectives, and contribute to a constantly evolving discourse that sets the CSR agenda for corporations alongside more ethical considerations.

While I shall, in the following, explore central framings of and approaches to CSR in greater detail, it is important to mention critics who more or less reject the notion of a social responsibility of business altogether. These voices are either – frequently referring to the classic argument brought forward by Levitt (1958) or Friedman (1962, 1970) – generally skeptical of a multi-stakeholder approach in defining the role and purpose of business (see also Jensen, 2001), or argue that CSR is merely costly rhetoric decoupled from any significant action (e.g., “PR gimmick”, “cheap talk”, or “managerial speech”).

2.6 Ethical argumentation and business case framing

CSR can be characterized as a cluster concept with a variety of theoretical foundations that are drawn on in order to substantiate and explain the concept in greater detail. Garriga and Melé (2004) distinguish between four theories, each in itself constituted by various approaches: (a) ethical theories focusing on the right thing to do in order to achieve a good/ideal society; (b) instrumental theories focusing on the

25 Each genre sheds light on different aspects; hence, each approach is selective. While the media debate, for instance, qualifies to cover the entire issue field and overall discourse (notwithstanding that the media play a central role as “gatekeepers”), corporate communication focuses on the most affected actors in the field (i.e., the corporations) and allows for an in-depth exploration of their interpretation of CSR.

26 An extensive body of literature deals with the relationship of shareholder value orientation and stakeholder approach (for an overview see Melé, 2008, among others).
achievement of core economic objectives through social activities; (c) political theories focusing on a responsible use of status, power, and influence of business in the political arena; and (d) integrative theories focusing on the integration of social demands in business policies.

Of the various interpretive packages to promote CSR, two (meta-) framings appear to be essential in the CSR field: an ethical argumentation (moral case) and a business case framing. In their textbook on CSR, Werther and Chandler (2006, 2011) build on a moral argument for CSR that is based on a “give-and-take approach” between business and society: Recognizing that generating profit is necessary for the long-term survival of any business organization, it is also important to note that business opportunities for obtaining profit are only possible by enabling a societal environment in which corporations can operate. Thus, the obligations and social responsibilities of business emerge from the reciprocal relationship between corporations and society; they are shaped by individual and collective standards of morality and values. Such a relationship can be thought of as a “social contract” – a series of explicit and implicit contracts between individuals, organizations, and institutions – that ensures an environment of trust and harmony in which corporations receive resources, goods, and the license to operate in exchange for appropriate behavior (Wilson, 2003). In this sense, CSR

“[…] broadly represents the relationship between a company and the principles expected by the wider society within which it operates. It assumes businesses recognize that for-profit entities do not exist in a vacuum and that a large part of their success comes as much from actions that are congruent with societal values as from factors internal to the company” (Werther & Chandler, 2006: 16).

All societies rest upon a cultural heritage that gives rise to a belief system that also defines the boundaries of socially and morally acceptable behavior of organizations and their agents (Berger and Luckmann, 1967; Werther & Chandler, 2006). To violate explicit or implicit moral boundaries could result in societal sanctions and a loss of legitimacy – and, thus, also to constraints on a corporation’s freedom to pursue its core interests and strategic objectives (e.g., restrictive legislation, sanctions, fines, and penalties by regulators, or boycotts and social activism that bring

27 The term “moral case” was coined to parallel the “business case”, which it either complements or challenges (Lane, 2010).
28 Arguments for the notion that corporations have a moral duty to behave responsibly toward the members of society can be based on several ethical theories such as Kantian ethics and virtue ethics (see below for more).
29 Several scholars highlight, especially from an organizational institutionalism perspective, the need for legitimacy as key for the global spread of CSR (see Hiß, 2006; Matten & Moon, 2008; Hiss, 2009, among others); they propose a “fundamental shift to moral legitimacy […] [that] creates a new basis of legitimacy and involves organizations in processes of active justification vis-à-vis society rather than simply responding to the demands of powerful groups” (Palazzo & Scherer, 2006: 71; see also Palazzo, 2004).
about limited access to resources and markets). In sum, sanction avoidance represents a rational argument for CSR.

“CSR is a rational argument for businesses seeking to maximize their performance by minimizing restrictions on operations. In today’s globalizing world, where individuals and activist organizations feel empowered to enact change, CSR represents a means of anticipating and reflecting societal concerns to minimize operational and financial limitations on business” (Werther & Chandler, 2006: 18).

The consequences of this rational argument – business acting proactively – lead directly to a strong economic argument for CSR: Incorporating CSR into core business operations and the value chain offers considerable opportunities for differentiation and competitive advantage, especially as corporations increasingly “need to build a watertight image with respect to all stakeholders” (Werther & Chandler, 2006: 18). In its various roles within the economic system – whether as employer, producer, consumer, supplier, or investment object – the attractiveness and success of a corporation is strongly linked to the strength of its image and brand, as well as to its ability to balance the conflicting interests of multiple stakeholders. Thus,

“(…) CSR is an argument of economic self-interest of business. CSR adds value because it allows companies to reflect the needs and concerns of their various stakeholder groups. By doing so, a company is more likely to retain its societal legitimacy, and maximize its financial viability, over the long term. Simply put, CSR is a way of matching corporate operations with societal values at a time when these parameters can change rapidly” (Werther & Chandler, 2006: 18).

2.6.1 The moral case for CSR

CSR can be assigned the status of an objective in itself and positioned at the same level as other goals in the hierarchy of organizational objectives or obligations. While the business case seems to be an increasingly attractive and legitimate framing for corporations to employ the concept of CSR, frequent references to the ethical foundations of the notion of social responsibilities of business are nonetheless to be found.

In general, an ethical approach to CSR contends “defects of morally indifferent business conduct and social advantages of morally-sensitive […] management practices” (Windsor, 2006: 98). The moral case prescribes action by drawing directly on fundamental standards of morality, values, and other methods of moral reasoning. These principles and values are characterized as essentially intrinsic – as opposed to instrumental values (Lane, 2010). It further seems important to note that such standards concern to a lesser degree the corporation as a legal entity (i.e., institutional action) and more the personal decisions and actions of individual managers and employees as corporate agents (Frederick, 2008).
Although drawing on a composite of various moral frameworks other than egoism and utilitarianism, ethical approaches to CSR use “a basic shared principle of impartial moral reflection on tolerating expansive public policy and practicing broad self-restraint and altruism” (Windsor, 2006: 98). From the broad array of normative ethical theories (for an overview see, for instance, Kagan, 1998; Smith, 2009; Brenkert & Beauchamp, 2010) I will discuss – very briefly – the most important ones. The focus will be on deontological (non-consequentialist) rather than on teleological (consequentialist) theories (i.e., on theories that are based on underlying principles of decision makers’ motivation than on the intended outcomes of action), as well as on virtue ethics.

2.6.1.1 Ethics of duties

The philosophical theory of ethics of duties judges the morality of a specific action based on the action’s adherence to a rule or principle, regardless of the desirability of an action’s consequences. If an action is not carried out with the motive of duty (deduced from abstract principles), then it is without moral value. Ethics of duties is inevitably related to Kantian ethics and the “categorical imperative” (see, for an overview, Fiesner, 2000, among others) – a “theoretical framework that should be applied to every moral issue regardless of who is involved, who profits, and who is harmed” (Crane & Matten, 2004: 87). At its very core, the maxims of the categorical imperative reflect the aspects of consistency, human dignity, and universality; hence, these three elements characterize morality (Crane & Matten, 2004). For CSR, this means that corporate agents first and foremost have a moral duty to respect all stakeholders, as well as mutual rights and obligations; each stakeholder group, conversely, has a moral right to be treated not just as a means to some end but as an end in itself (Evan & Freeman, 1988; see also Bowie, 1999).

2.6.1.2 Theory of rights

The theory of rights goes back to Locke and his notion of “natural rights” – moral claims to which all humans are entitled, and that should be respected and protected in every single action. Thus, rights of one actor result in corresponding duties of

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30 Egoism and utilitarianism – as opposed to deontological ethical theories – address right and wrong according to the consequences and outcomes of a decision, i.e., outcomes for the individual decision maker (egoism) or wider social outcome within a community (utilitarianism) (see Kagan, 1998; Audi, 2010; Crane & Matten, 2010, among others).

31 Naturally, this can only be a selection of what I regard the most important ethical theories in this context. Crane and Matten (2010), for instance, also discuss alternative perspectives on ethical theory that are based on relationship (e.g., feminist ethics), procedures of norm generation (e.g., discourse ethics), or empathy and moral impulse (e.g., postmodern ethics).
other actors. Nowadays, the most important rights consist of human rights like the right to life, liberty, freedom of speech, justice, privacy, property, freedom of belief, education, and fair wages, to name just a few (Crane & Matten, 2004). From a CSR perspective, rights theory essentially addresses the equivalence (or even precedence) of basic human rights and property rights: “While shareholders of a corporation have certain property rights, this does not give them license to override the basic human rights of employees, local community members, and other stakeholders” (Wilson, 2003: 3). Ethical theories based on rights have proven to be very powerful due to their plausibility. However, a substantial limitation — especially for multinational corporations — is that this approach is strongly based in the Western view of morality (Crane & Matten, 2004).

2.6.1.3 Theory of justice

The issue of justice arises as individual rights must be realized in a way that they are addressed and respected equally and justly: “Justice can be defined as the simultaneously fair treatment of individuals in a given situation with the result that everybody gets what they deserve” (Crane & Matten, 2004: 92). Fairness, however, can be viewed in two ways that are not always compatible in practice: in terms of fair procedures (i.e., procedural justice) and in terms of fair outcomes (i.e., distributive justice). Notions of justice have been widely applied to questions and problems in business ethics. The problem of a just distribution of wealth has been particularly prominent and has produced two extreme positions (Crane & Matten, 2004): egalitarian (i.e., justice is the same as equality) and non-egalitarian (i.e., justice within the economic system is a product of the fair process of free markets). A recent and very popular approach toward somehow reconciling these two extremes of equality and liberty is — although not unchallenged — Rawls’ (1971) Theory of Justice that suggests two main criteria in order to decide and judge whether an action is just. A first tentative formulation of the two principles — Rawls determines their sense more precisely in the course of his book — reads as follows:

“First: each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others. Second: social and economic inequalities are to be arranged so that they are both (a) reasonably expected to be to everyone’s advantage, and (b) attached to positions and offices open to all” (Rawls, 1971: 60).

For the notion of CSR, this means that corporate agents should favor social equality, fairness, and justice in the workplace; moreover, a fair society is considered one in which corporations — as key societal actors — consider the needs of all members of society, not only of those with power, status, and/or wealth (see also Donaldson & Preston, 1995; Wilson, 2003; Frederick, 2008).
2.6.1.4 **Virtue ethics**

Yet another ethical approach, rooted in the ancient thinking of Plato and Aristotle, emphasizes the character of an agent or decision maker as the key element of a valid moral judgment. This criterion contrasts with both teleological approaches (i.e., focused on outcomes of actions) and deontological approaches (i.e., focused on the principles underlying an action): Whereas many ethical principles emphasize doing, virtue ethics emphasize being (Carroll, 1998). It contends that virtuous – i.e., morally correct – actions are those undertaken by agents with virtuous characters. Thus, the theory focuses on individuals imbued with intellectual virtues (e.g., wisdom) and moral virtues (e.g., honesty, integrity, courage, mercy, truthfulness, benevolence, or non-malfeasance) that result in habitual patterns of behavior (Solomon, 1993; Carroll, 1998; Crane & Matten, 2004): Virtuous agents create a good corporation and society (see also Frederick, 2008). For example, the “paternalistic view” on CSR of a corporate/managerial elite – also much in line with Judeo-Christian thinking – points in this direction (see also Meyer & Höllerer, 2009).

2.6.2 **The business case argument for CSR**

In addition to ethical reasoning, strong rational/economic arguments have been increasingly used to argue for the adoption and implementation of CSR. The business case for CSR is – in business practitioners’ terms – a “pitch for investment in a project or initiative that promises to yield a suitably significant return to justify the expenditure” (Kurucz, Colbert, & Wheeler, 2008: 84). The core idea, predominant both in CSR practice and research, has been that corporations might “do well by doing good” (Zadek, 2000), i.e., they might perform better financially by attending not only to core business operations but also to various societal responsibilities (Joyner & Payne, 2002; Vogel, 2005; Crane et al., 2008a; Kurucz et al., 2008; Carroll & Shabana, 2010, among others). Creating, protecting, and maximizing shareholder value still remains the uncontested and ultimate goal of corporations, however, by means of demonstrating that the focal corporation has a sound ethical stance – and by strategically using this position to enhance business opportunities (see also Höllerer & Meyer, 2007). As a result, corporations signal their compliance with standards of social responsibility accepted by society in order to increase their attractiveness to potential employees, investors, suppliers, and customers, to reduce their vulnerability to potential damage “irresponsible” conduct can have on profitability, brand image, overall reputation as well as societal legitimacy.

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32 For a comprehensive review of concepts, research, and practice with regard to the business case for CSR see, for instance, Salzmann, Ionescu-Somers, & Steger, 2005; Carroll & Shabana, 2010).
The empirical question that lies at the very heart of the notion of a business case for CSR is that of a causal relation of corporations’ social and financial performance. Moreover, a considerable part of the ethical investment movement is built on the belief that a positive correlation exists between these two. However, there is “no single business case for CSR – no single rationalization for how CSR improves the bottom line” (Carroll & Shabana, 2010: 92). Rather, many different arguments have been assembled to argue the construct of a business case for CSR. Zadek (2000; see also Carroll & Shabana, 2010) was among the first to present a classification scheme; he argues that corporations pursue CSR activities to defend reputations and avoid potential financial loss (“pain alleviation”), to achieve cost benefits (“traditional business case”), for strategic business reasons (“strategic business case”), and in order to manage risk, innovate, and learn in dynamic and complex environments (“New Economy case”).

In order to discuss business case arguments for CSR, I will draw on a framework put forward by Kurucz et al. (2008; see also Carroll & Shabana, 2010) who identify – partly overlapping with Zadek’s (2000) classification – four types of business cases, each embodying a proposition for value creation: (a) cost and risk reduction; (b) competitive advantage by adapting and leveraging opportunities; (c) reputation and legitimacy development by aligning stakeholder interests; and (d) synergistic value creation by integrating stakeholder interests. These analytical categories are not exclusive, and corporations empirically “may be involved in all four at once through a variety of policies and initiatives” (Kurucz et al., 2008: 86). For each type, the theoretical foundations of these arguments will be outlined.

### 2.6.2.1 Cost and risk reduction

A first set of justifications of the business case for CSR employs arguments of cost and risk reduction.

“Under the cost and risk reduction perspective […], the primary view is that the demands of stakeholders present potential threats to the viability of the organization, and that corporate economic interests are served by mitigating those threats through a threshold level of social or environmental performance” (Kurucz et al., 2008: 88).

The cost argument has been widely used – mostly reflecting Friedman’s (1962, 1970) neoclassical argument – to oppose CSR activities of corporations, indicating a negative trade-off between CSR expenditures and financial performance of the corporation. Other empirical studies, however, find a neutral or positive correlation

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33 Orlitzky (2008) lists a couple of important mediators – causal mechanisms responsible for an observed positive relationship – between corporations’ social and financial performance.

34 This triad of adapting, aligning, and integrating – also referring to power relations – strikes an interesting chord with Pfeffer and Salancik’s classic book (1978).
between social activities and financial performance, while again others suggest a relationship that takes the form of an inverted U curve (for an overview see Salzmann et al., 2005): an optimal level of CSR activities, beyond which the corporation incurs unnecessary costs and, consequently, a reduction in profits (Kurucz et al., 2008).

An important means of reducing costs (and, thus, enhance long-term shareholder value) is to adequately manage risk and threats from the organizational environment. Most corporations have established risk management systems in place, and many of these systems incorporate CSR issues within their risk evaluation (Story & Price, 2006). Instrumental stakeholder theory (Donaldson & Preston, 1995; Jones, 1995; Berman, Wicks, Kothen, & Jones, 1999, among others) describes how corporations are affected by stakeholder relations with a view to risk – and thus also cost – reduction by balancing divergent stakeholder interests in processes of corporate decision making. Attention to stakeholder concerns will help to reduce risk by avoiding managerial decisions that could push stakeholders to oppose corporations’ objectives (Bowie & Dunfee, 2002; Kurucz et al., 2008). From such a perspective, developing and fostering trust in the relationship with and between key stakeholders as well as with communities is seen as having the potential to significantly lower costs (Jones, 1995; Berman et al., 1999; Wicks, Berman, & Jones, 1999; Godfrey, 2005; Godfrey, Merrill, & Hansen, 2009). As Kurucz et al. (2008) point out, a range of activities and issues directly relate to the reduction of risk and cost: Organizations turn to the managerial idea of CSR influenced by a desire to avoid such conflicts as consumer boycotts and liability suits, increased labor costs (e.g., due to high employee turnover), and/or short-term losses in market capitalization (see Bowie & Dunfee, 2002). Issues management (also known as social issues management) (e.g., Chase, 1984; Wartick & Cochran, 1985; Heath, 1997) is an adequate method by which to build stable relationships with stakeholders, to make collaborative decisions, and to avoid critical incidents (such as corruption scandals or environmental accidents) that result in unwanted attention from media, regulators, or the general public (Bowen & Heath, 2005). It also assists corporations in preventing extensive legal regulation in favor of a “soft regulatory framework” (Sahlin-Andersson, 2006). Building a genuine culture of awareness within an organization can offset many of these risks.

“Issues management serves the financial viability of organizations by enhancing the quality of relationship with stakeholders in a power arena. Issues management was designed as ‘the management process whose goal is to help preserve markets, reduce risk, create opportunities and manage image as an organization asset for the benefit of both an organization and its primary shareholders’ […]. Issues management helps management to understand and implement standards of ethical decision making” (Bowen & Heath, 2005, with a quote from Tucker, Broom, & Caywood, 1993).

Bowen and Heath (2005) use the case of Enron to exemplify the role of legal standards and ethical principles in decision making in issues management.
Compliance with national and international CSR standards, the conducting of CSR audits, and the communication of corporate-specific CSR indicators also aim at building confidence among corporations’ stakeholders – and thus reduce risk (Kok, van der Wiele, McKenna, & Brown, 2001; Story & Price, 2006). In general, a reasonable degree of proactivity on social and environmental issues can lower the risk of a loss of legitimacy among stakeholders (Hart, 1995; Shrivastava, 1995; Carroll & Shabana, 2010); moreover, it will cut the costs of complying with present or future regulations, thus enhancing firm efficiency and driving down operating costs (Berman et al., 1999).

2.6.2.2 Competitive advantage

CSR activities and initiatives might be conceived strategically as conferring competitive advantage on corporations: Value creation occurs when organizations adapt to their environment in order to realize and/or optimize their competitive advantage in the respective field (see Kurucz et al., 2008).

“Adaptive approaches to building a business case for CSR focus on building firm competitive advantage through strategically orienting and directing resources toward the perceived demands of stakeholders. Stakeholder demands are viewed less as constraints on the organization, and more as opportunities to be leveraged for the benefit of the firm” (Kurucz et al., 2008: 89).

While the previous approach rather illustrated how CSR practices may be used to build competitive advantage in terms of cost leadership, Carroll and Shabana (2010: 98) argue that this one is best understood in the context of a differentiation strategy: It focuses on “how firms may use CSR practices to set themselves apart from their competitors”. By meeting demands of key stakeholders, CSR activities enhance the position of corporations to the extent that stakeholder decisions are influenced in their favor, i.e., they lead to favorable stakeholder attitudes and better support behaviors (Du, Bhattacharya, & Sen, 2010). Including stakeholder positions and interests in the process of strategy-making (e.g., Mitchell, Agle, & Wood, 1997) thus seems a necessity.

Kurucz et al. (2008) discuss a supply/demand perspective of CSR (e.g., McWilliams & Siegel, 2001) as well as “base of the pyramid” approaches (e.g., Prahalad & Hammond, 2002; Prahalad, 2004) as a means of enhancing business opportunities. Moreover, the resource-based view of the firm (Wernerfelt, 1984; Barney, 1991) and its variations and applications on social and environmental issues (e.g., Hart, 1995; Russo & Fouts, 1997; Branco & Rodrigues, 2006; Maurer, Bansal, & Crossan, 2010; for an overview see also Jones & Bartlett, 2009) make an especially strong argument that CSR constitutes an important resource (or capability, 36 A supply/demand theory of corporate CSR implies that corporations’ ideal level of CSR can be determined by cost-benefit analyses (McWilliams & Siegel, 2001).
i.e., an element of strength associated with the focal corporation) that leads to sustainable competitive advantage. From a resource-based perspective, all CSR-related initiatives should generate resources for the corporations that yield a source of competitive advantage, meaning that create situations in which competitors are unable to deploy equivalent resources and duplicate their benefits (Jones & Bartlett, 2009). In particular, CSR can help to build and strengthen competitive advantage by strategically adapting to the environment and enhancing relationships with various stakeholders: Customers, for example, demonstrate higher consumer patronage or brand loyalty in the event of customized CSR measures (Baron, 2001; Bhattacharya & Sen, 2003, 2004; Pivato, Misani, & Tencati, 2008; Smith, 2008); specific and inclusive CSR policies can be effectively used in helping corporations to win the “war for talents” and to recruit and retain qualified employees from the widest talent pool (Smith, 2005; Bhattacharya, Sen, & Korschun, 2008); and distinct CSR initiatives also have a positive impact on strategically attracting investment (Smith, 2005; Kurtz, 2008; see below for more).

The business case for CSR can be promoted when it is justified based on an economic rationale, meaning whenever expenditures contribute to increases in shareholders’ returns in the end (Carroll & Shabana, 2010). Porter and Kramer (2002: 59; see also 2006) provide a premise for this argument: Corporations may realize a competitive advantage through their CSR activities when these are directed at causes where there is some “convergence of interests” between financial and social interests (i.e., corporate expenditures simultaneously producing economic and social benefits; see also Carroll & Shabana, 2010). Strategic philanthropy (e.g., Post & Waddock, 1995) is very much in line with such an approach. Corporations engage in philanthropic efforts in order to enhance their competitive advantage through combinations of market (i.e., external) and competence (i.e., internal) orientations (Bruch & Walter, 2005; see also Carroll & Shabana, 2010): A market orientation helps corporations to design and adapt their CSR activities in order to fit external demands and to meet the expectations of key stakeholders; corporations try to improve their competitive advantage through “improved marketing and selling capabilities, higher attractiveness as an employer or better relationships with governmental and nongovernmental organizations” (Bruch & Walter, 2005: 50). A competence orientation, on the other hand, brings CSR activities in line with core organizational capabilities and competencies in order to “avoid distractions from the core business, enhance the efficiency of […] charitable activities and assure unique value creation for the beneficiaries” (Bruch & Walter, 2005: 50).

### 2.6.2.3 Developing reputation and legitimacy

A business case is also argued for employing CSR activities in order to create value by enhancing corporations’ reputation (and strengthening their societal legitimacy). Such an approach is characterized by a particular “focus on value creation by
leveraging gains in reputation and legitimacy made through aligning stakeholder interests” (Kurucz et al., 2008: 90).

Under such an aligning perspective, failure to meet crucial stakeholder needs will have a negative impact on corporations’ reputation. The social impact hypothesis states that costs of CSR activities are much lower than potential benefits (Kurucz et al., 2008); other studies suggest a positive link between corporations’ social performance and their reputation (Fombrun & Shanley, 1990; Turban & Greening, 1997; Freeman, 2006). In crowded marketplaces, corporations strive for association with factors that distinguish them from competitors in the mind of key stakeholders (i.e., for brand differentiation). CSR activities can assist corporations in building a reputation of integrity, and thus enhance the ability of corporations to attract customers, employees, and investors, among others. Here, an organization’s reputation and the value of its brand are among its most valuable assets (Smith, 2005; Carroll & Shabana, 2010). An excellent example of CSR activity that directly targets reputation is cause-related marketing (e.g., Varadarajan & Menon, 1988; Drumwright, 1996); it highlights the alignment of stakeholder and corporate interests “by linking corporate philanthropy and marketing, showcasing socially and environmentally responsible behavior of the firm in order to generate reputational gains” (Kurucz et al., 2008: 90). Studies on socially responsible or “green” consumerism and ethical purchasing behavior (e.g., Crane, 2001; see also Caruana & Crane, 2008) consider how reputation and brand differentiation impact financial performance (Smith, 1990; Brown & Dacin, 1997; Bhattacharya & Sen, 2003, 2004, among others). The link between corporations’ CSR activities, their reputation, and their ability to attract talent is emphasized and explored by various research on the attractiveness of organizations as potential employers (e.g., Riordan, Gatewood, & Bill, 1997; Turban & Greening, 1997; Albinger & Freeman, 2000). Finally, socially responsible investment and ethical sound investing (e.g., Domini & Kinder, 1986; Kinder, Lydenberg, & Domini, 1993; Mackenzie & Lewis, 1999; Domini, 2001; Kurtz, 2008, among others) highlight potential investors’ moral positions and expectations of corporate social performance (see also Kurucz et al., 2008).

Corporations are keen to avoid any interference in their business conduct through extensive taxation or legal regulation (see above); even more importantly, they are dependent on maintaining their legitimacy and license to operate granted by the specific society they operate in. This is very much in line with the “iron law” of responsibility (Davis, 1973): As social entities, business organizations must exercise responsible use of power – or they risk having it revoked and thus losing control over decision making and external interactions (Kurucz et al., 2008 with reference to Sethi, 1979). In his seminal definition, Suchman (1995; see also Strandgaard Pedersen & Dobbin, 2006 as well as the chapter on organizational

37 On the “fit” of corporations’ social performance and their specific stakeholder environment see Brammer and Pavelin (2006), among others.
institutionalism below) characterizes legitimacy as the generalized perception that the actions of an entity are desirable and appropriate within the socially constructed system of values and norms. Fombrun and Shanley (1990) explain that perceptions of business organizations’ concerns for issues important to the broader society illustrate their ability to build sustainable relationships, indicating that these organizations are “able to operate while adhering to social norms and meeting expectations of different stakeholder groups” (Carroll & Shabana, 2010: 99). Corporate philanthropy is just one way to enhance reputation and legitimacy, especially among local communities. Corporations can also enhance their legitimacy by disclosing information with regard to their performance on social and environmental issues (Brammer & Pavelin, 2004). One such disclosure practice is detailed corporate social reporting linked to the very area of their operations: Aside from building trust, communicating corporate-specific CSR measures and indicators in such media as annual financial reports or stand-alone annual CSR reports enables corporations to illustrate that their operations are consistent with social norms and expectations and therefore legitimate (Carroll & Shabana, 2010). Other research inspired by institutional arguments explores isomorphic pressures and their role in motivating CSR-related activities in cases in which organizations can gain first-mover advantage and, consequently, reap the rewards of reputational and legitimacy gains with dominant stakeholders (Bansal & Roth, 2000; King & Lenox, 2000; see also Kurucz et al., 2008). Supply chain pressures also push corporations to adopt CSR standards or to seek CSR certification (Cashore, 2002) in order to enhance their legitimacy.

2.6.2.4 Synergistic value creation

Approaches advocating synergistic value creation focus on exploiting opportunities that “unearth, relate, and synthesize” – in short: reconcile – the differing demands and interests of a diverse set of stakeholders (Kurucz et al., 2008: 92; Carroll & Shabana, 2010). Corporations may create “win-win-win outcomes by seeking out and connecting stakeholder interest, and creating pluralistic definitions of value for multiple stakeholders simultaneously” (Kurucz et al., 2008: 91). In contrast to the “adapting” and “aligning” approaches discussed above, the underlying idea of this perspective is that “creating connections between stakeholders by relating common interests will open up heretofore unseen opportunities for multi-point value creation” (Kurucz et al., 2008: 91).

38 Providing information with regard to corporations’ performance on the economic, environmental, and social dimension (i.e., the TBL) has been encouraged by the establishment of the Global Reporting Initiative (GRI) and the United Nations Global Compact toward the end of the 1990s.
Carroll and Shabana (2010, with reference to Porter & Kramer, 2002) argue that CSR activities and competitive advantage – appropriate management techniques provided – might become mutually reinforcing and create a “virtuous cycle”. On a more general level, one could propose that “the proper ‘social responsibility’ of business is [...] to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth” (Drucker, 1984: 62). The value-based networks conception by Wheeler, Colbert, and Freeman (2003) echoes this contention when describing how communities and social networks united by a sense of what is valuable create new opportunities for mutual benefit (see also Kurucz et al., 2008; Carroll & Shabana, 2010); related work (Wheeler, McKague, Thomson, Davies, Medalye, & Prada, 2005) empirically shows how this might result in reinvestment in various types of capital.39

In summary, the synergistic value creation perspective on the business case for CSR aims at anticipating and fulfilling stakeholder demands while simultaneously allowing corporations to pursue their own operations and economic/business objectives. By engaging with divergent groups of stakeholders and satisfying their demands, corporations explore new opportunities that enable them to pursue their profitability objective with the consent – and even with the support – of its stakeholder environment. Thus, such a “win-win perspective to CSR practices provides a view in which CSR is perceived as a vehicle that allows both the firm to pursue its interest and stakeholders to satisfy their demands” (Carroll & Shabana, 2010: 100).

2.7 Marking out the territory

Above, I summarized some of the most prominent lines of argument for CSR. The existence of various termini further complicates matters; this complexity also partly explains why conceptual and empirical studies on the social responsibility of business have been handicapped by not being able to share a common understanding or definition. The construct of CSR overlaps with some, and is synonymous with other, conceptions of business-society relations (Matten & Crane, 2005; Matten & Moon, 2008). A variety of more or less related concepts – as well as their respective vocabulary – is interchangeably used with CSR (Crane et al., 2008a). In both academic and practitioners’ debates, different terms appear within the same

39 At length, Wheeler et al. (2005) empirically revealed that examples of successful sustainable enterprises in developing countries often involve informal networks that include businesses, non-profit organizations, local communities, and other actors. Typically, such sustainable local enterprise networks begin with a range of existing assets that are augmented by some type of external investment functioning as a catalyst for increased growth; positive outcomes can then result in virtuous cycles of reinvestment in human, social, financial, and ecological capital.
context and are used rather synonymously, while the very same terms are used in significantly different contexts. In sum, this underlines the necessity to thoroughly examine key concepts and terms used in the broad field of CSR. In the following, therefore, I will describe each concept in greater detail, highlighting overlaps and differences.

2.7.1 Synonyms, interchangeable concepts, and/or distant relatives?

2.7.1.1 Business ethics

The discipline of business ethics is a form of applied ethics (Pieper, 2000) that explores moral problems and ethical principles that arise in the context of business environments. “In a nutshell, [...] business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed” (Crane & Matten, 2004: 8). It applies to all aspects of business conduct (e.g., issues of human resource management, finance, production, sales and marketing, supply chain management, or use of technology); moreover, it is relevant to both the conduct of individuals and business organizations as a whole (Frederick, 2008). Business ethics as an academic field is both normative and descriptive. It constitutes the theoretical backdrop against which modern management concepts designed to deal with moral and ethical questions are formed and defined. Thus, business ethics represents the wider theoretical framework in which CSR is discussed (see Crane et al., 2008c; Brenkert & Beauchamp, 2010, among others).

2.7.1.2 Corporate sustainability

Corporate sustainability can be viewed as the evolving management paradigm of the 2000s (as opposed to an orientation toward short-term profit-maximization during the late 1990s). It borrows from various other concepts discussed here, but builds in particular on the notions of sustainable development (e.g., World Commission on Environment and Development, 1987) and TBL reporting (e.g., Elkington, 1999). With increasingly global problems in the environmental and social dimensions, it had been widely suggested that the “goals and consequences of business require radical rethinking” (Crane & Matten, 2004: 21). The new conceptual frame promoted was primarily the notion of sustainability – an idea strongly influenced by the report of the Brundtland Commission in 1987.40 Since then, sustainability has become a common term in the debate and rhetoric surrounding a variety of issues of business ethics. It has been widely adopted by

40 “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987: 47).
corporations, governments, consultants, pressure groups, and academics alike to address the “long-term maintenance of systems according to environmental, economic, and social considerations” (Crane & Matten, 2004: 24). As a corporate objective, sustainability is embodied most completely in the notion of the TBL. As Crane and Matten (2004: 26) emphasize, the TBL of sustainability is “less about establishing accounting techniques and performance metrics for achievements in the three dimensions […] and more about revolutionizing the way companies think about and act in their business”. The concept of corporate sustainability also expands the original notion of social responsibility (for instance, by its focus on the environmental dimension, long-term perspective, or its compatibility with some value-oriented concepts). Nonetheless, and especially in the continental European corporate world, both sustainability and CSR share common characteristics on a large scale.

2.7.1.3 Stakeholder approach

The stakeholder theory of the firm (e.g., Freeman, 1984, 1994; Donaldson & Preston, 1995; Jones, 1995; Mitchell et al., 1997; Phillips, Freeman, & Wicks, 2003; Dunfee, 2008; for an state of the art overview see Freeman, Harrison, Wicks, Parmar, & de Colle, 2010) has, during the last 25 years or so, emerged as a central vehicle of CSR thinking and as the primary organizing framework undergirding all business ethics (McWilliams & Siegel, 2001; Wheeler et al., 2003). More recently, it has also gained substantive ground as a viable framework in the field of strategic management – the context of its origin (see Freeman, 1984; Werther & Chandler, 2006, among others). Wheeler et al. (2003: 14) note that “stakeholder ‘theory’ is not so much a formal unified theory as a broad research tradition that encompasses philosophy, ethics, political theory, economics, law and organizational social science. In its applied form we therefore refer to a ‘stakeholder approach’”. At its core, the approach concludes that various constituents – and not just shareholders – are affected by the outcomes of business organizations, and therefore should have a voice and rights in corporate decision making (e.g., Donaldson & Preston, 1995; Crane et al., 2008a). This, obviously, has a massive impact on issues and models of corporate governance. In his seminal book, Freeman (1984: 46) broadly defined stakeholders as “any group or individual who can affect, or is affected by,

41 Elkington (1999) proposes that economic objectives of business organizations are inseparable from the society and environment in which they operate. In particular, he argues that the failure to account for social and environmental impacts will compromise future business opportunities.

42 Corporate sustainability, although often used by practitioners and academics as a synonym for broader sustainability, is focused on a long-term managerial and organizational perspective and thus defined in a more limited sense than sustainability in general (see also Marrewijk & Werre, 2003, among others).
the achievement of the organization’s objectives”. Identifying the range of stakeholders is therefore one of the most crucial challenges of strategic management – especially as clear criteria for separating stakeholders from non-stakeholders are somehow lacking. And, above all: Who actually matters in processes of organizational decision making is a different story altogether:

“The organization is a contested terrain where managers must consider divergent interests and inputs. Shareholders, consumers, employees, and communities all make claims on organizations. A firm must appropriately manage its relationships with its various stakeholders to develop an acceptable corporate social performance […]. Inherent […] is the assumption that managers are aware of stakeholder interests and prioritize the value of those interests. As argued by Mitchell, Agle, and Wood (1997), managers respond to stakeholders who have three primary attributes: power, legitimacy, and urgency. Lacking those attributes, stakeholders have relatively little influence over the inner workings of a corporation” (King, 2008: 21).

In summary, while CSR is strongly focused on the corporation and its responsibilities, the stakeholder approach tends to highlight the social environment of business organizations – however, stressing core economic arguments with regard to business-society relationships. It is only through the appropriate management of stakeholder relations and constant dialogue with the stakeholder environment that corporations can perform well on the social dimension, thereby meeting their business objectives and living up to the broad responsibility laid out by the notion of CSR.

2.7.1.4 Corporate accountability

Accountability – understood as “the giving and demanding of reasons for conduct” (Roberts & Scapens, 1985: 447) – has become a ubiquitous concept in contemporary societies (e.g., Boström & Garsten, 2008). In such a broad sense, to be held and to hold others accountable is a general characteristic of everyday activities (Giddens, 1979); the accounts actors give point to legitimate and taken-for-granted aspects of society. Against this backdrop, corporate accountability characterizes the idea that corporations – and corporate decision makers – are not only responsible for business processes but also must explain and justify the wider consequences of their decisions and activities:

43 For example, some authors – broadly and somehow tautologically – suggest “that stakeholders are those that have a stake in the company’s activities – something at risk” (Wilson, 2003: 4).

44 Accountability has played a central role in ethnomethodology and structuration theory – and also in organizational institutionalism (Scott & Lyman, 1968, 1970; Meyer & Rowan, 1977; Elsbach, 1994; Davis & Greve, 1997; Elsbach, Sutton, & Principe, 1998; Creed et al., 2002, among others).
“Accountability is legal or ethical responsibility to provide an account or reckoning of the actions for which one is held responsible. Accountability differs from responsibility in that the latter refers to one’s duty to act in a certain way, whereas accountability refers to one’s duty to explain, justify, or report on his or her actions” (Wilson, 2003: 4).

In the world of business, many different accountability relationships exist (for a general overview and conceptual framework see, for instance, Bovens, 2007). Apart from accountability resulting from the relationship between corporate management and shareholders (based on the traditional fiduciary model), corporations are given permits and approvals from regulators (e.g., on environmental issues), or granted a license to operate by society (Wilson, 2003). It has also been argued that the recent shift toward corporate accountability is due to the fact that corporations increasingly take on the role of political actors, triggered by government failure and the increasing power and influence of – in particular multinational – corporations (Crane & Matten, 2004). All this sets out the arguments why corporations should essentially be accountable for their performance on all three dimensions of the TBL (Elkington, 1999). Corporate accountability is therefore closely linked to transparency, that is, to “the degree to which corporate decisions, policies, activities and impacts are acknowledged and made visible to relevant stakeholders” (Crane & Matten, 2004: 61) in corporate communication and reporting. In practice, accountability is often used synonymously with other concepts from the field of ethics and governance. I therefore suggest thinking of accountability as a means of reflecting on social relations with key stakeholders, while responsibility refers to the broader obligation to act in the interest or favor of someone (especially those social groups dependent upon, or in need of, support). However, corporate accountability is an important element that informs us of the political dimension within CSR issues.

2.7.1.5 Corporate citizenship

In recent years, the notion of corporate citizenship – a relatively “new, but potentially important addition to the lexicon” of CSR terminology (Crane & Matten, 2004: 61) – has become increasingly popular in management practice and literature (e.g., Carroll, 1998; Waddock, 2000; Birch, 2001; Habisch, Meister, & Schmidpeter, 2001; Waddock, 2001; Windsor, 2001; Wood & Logsdon, 2001; Matten, Crane, & Chapple, 2003; Matten & Crane, 2005; Moon et al., 2005; Valor, 2005).46 In their

45 “A relationship qualifies as a case of accountability when: 1. there is a relationship between an actor and a forum 2. in which the actor is obliged 3. to explain and justify 4. his conduct; 5. the forum can pose questions; 6. pass judgment; 7. and the actor may face consequences” (Bovens 2007: 452).

46 The worldwide number of research centers and consultancies devoted to the notion of corporate citizenship is remarkable; see Crane and Matten (2004) for an overview of motives as to why business turned toward and adopted this notion at the expense of other terms.
various literature reviews, Matten and Crane (Matten et al., 2003; Crane & Matten, 2004; Matten & Crane, 2005) suggest three different perspectives: the “limited”, “equivalent”, and “extended view of corporate citizenship”. Initially, corporate citizenship is used to denote and identify the voluntary philanthropic role of business organizations within (local) communities; discretionary activity and giving back to society qualifies an organization to become a “good corporate citizen” (e.g., Carroll, 1991, 1998). A second common understanding “consists of a somewhat updated label for CSR (or sometimes stakeholder management), without attempting to define any new role or responsibilities for the corporation” (Crane & Matten, 2004: 67); essentially, this interpretation is more about a “marketing of academic ideas” and can be also seen in the light of management fashions (Matten & Crane, 2005).

Matten and Crane (2005; see also Scherer & Palazzo, 2007) criticize the insufficient conceptual anchoring of the notion of corporate citizenship, and argue rather from the perspective of the notion’s origin in political theory (e.g., Moon et al., 2005). They note that corporations have increasingly taken on a political role in society – at the same time when governments have failed to fulfill some of their traditional functions (see also the remarks on accountability above).48 “Simply said, they [i.e., corporations] can be said to partly take over […] functions with regard to the protection, facilitation, and enabling of citizens’ rights – formerly an expectation placed solely on the government” (Crane & Matten, 2004: 68). Thus, given the emerging role of corporations in the administration of social, civil, and political rights, Crane and Matten (2010: 78, see also Matten & Crane, 2005) suggest a novel definition for what they call the extended view of corporate citizenship: It “describes the corporate function for governing citizenship rights for individuals” – instead of, or in addition to, state institutions, and in the form of a “providing”, “enabling”, or “channeling role”. In summary, corporate citizenship is, although interchangeably used with CSR in both corporate and academic practice, the broader notion that “considers the role of corporations as social institutions and their ability to respond to non-market pressure, especially in a global context” (Crane et al., 2008a: 570).

2.7.1.6 Corporate social performance

While the responsibilities of business are inherently unobservable, corporations’ CSR-related policies, processes, and outcomes can indeed be measured – at least to some extent (Crane et al., 2008a). Wood (1991: 693; for alternative classifications of topics or models of corporate social performance see, for instance, Carroll, 1979; Wartick & Cochran, 1985; Swanson, 1995, 1999) defines corporate social perfor-
Corporate social responsibility (CSR)

Performance as the “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”. This rather comprehensive definition also hints at the broad range of CSR topics that gather around the term. Above all, the main appeal of the concept is that it enables the empirical testing of the relationship between corporations’ financial and social performance (Orlitzky, 2008). However, in many cases, corporate social performance is used as a synonym for CSR or corporate citizenship – or other terms referring to the interaction of business and its social environment (Wartick & Cochran, 1985; Orlitzky, 2008). In corporate practice, the notion impacts business organizations’ communication and reporting on CSR activities, for instance, in encouraging them to issue not only annual financial reports, but also stand-alone annual CSR reports.

2.7.1.7 Ethical stakeholder behavior

Another related area, albeit one not yet characterized by synonymous concepts, is ethical stakeholder behavior. It is “a way for stakeholders to control the socially responsible behavior of managers by determining the incentives for such behavior” (Crane et al., 2008a: 570; see also Crane & Matten, 2010). One of the most prominent concepts here is socially responsible investing (e.g., Domini & Kinder, 1986; Kinder et al., 1993; Mackenzie & Lewis, 1999; Domini, 2001; Kurtz, 2008); another is socially responsible consumerism (e.g., Crane, 2001; Caruana & Crane, 2008; Smith, 2008). This perspective makes evident that responsibility is not a one-way street; it is also in the hands of key stakeholders to direct business organizations toward CSR. For corporations, on the other hand, this has considerable implications with regard to self-presentation, reporting, and issues management as stakeholders primarily perceive observable proxies for CSR (e.g., CSR indicators, standards, certificates, audits, and reports).

2.7.1.8 Good corporate governance

Corporate governance is best described as the set of regulations, policies, processes, and institutions affecting the way a corporation is directed, administered, and controlled; it addresses the relationships among the various stakeholders (e.g., shareholders, management, supervisory board, employees, customers, creditors, suppliers, and the community at large) and objectives for which a business organization is governed (see European Commission, 2001; OECD, 2001, 2004). “Good” corporate governance, then, adds a normative dimension. The OECD defines good corporate governance as follows:

“Corporate governance is one key element in improving economic efficiency and growth as well as enhancing investor confidence. Corporate governance involves a set of relationships between a...
company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring” (OECD, 2004: 11).

Obviously, some of these issues strike a chord with CSR – especially in modern variants of corporate governance and at the more basic levels of the CSR pyramid. From a shareholder perspective, CSR and corporate governance also share some common objectives – especially the reduction of risk –, although they significantly differ with regard to means employed (Bassen et al., 2005). Corporate governance primarily aims at control and incentive mechanisms in order to prevent misbehavior of management, is limited to bodies within the organization, and emphasizes accountability, transparency, and fiduciary duties; the protection of shareholder interests is the primary and foremost goal (Buchholtz, Brown, & Shabana, 2008). Thus, I regard good corporate governance as a “distant relative” that can be quite in line with CSR principles in some respect, but that might also be attached to rather contrasting logics.49

2.7.2 A working definition

In this chapter, I have sorted out basic terminology as well as discussed and assessed several conceptual approaches related to the idea of CSR. Figure 5 summarizes these concepts that feed into, and are intertwined with, the more general issue.

The challenge of adequately designing the business-society interface is, at least currently, mainly addressed by using the wide-ranging label of CSR. However, for the purpose of investigating the discourse on the social responsibilities of business in detail, it is necessary to move beyond examining the development of this umbrella term only and also include other terms that actors in the discursive arena use to denote the same idea. It is important to hold that what belongs to an issue, and what does not, is in itself contested: Inclusion and exclusion are never neutral, but dependent on position. Thus, the issue “should be itself considered as the ‘terrain’ upon which discourse takes place, a terrain which is itself an (interactive) construction” (Donati, 1992: 161; see also Hoffman’s [1999] remarks on the issue field).

49 On divergent models of governance and contesting institutional logics, see also Meyer and Höllerer (2009, 2010).
Nevertheless, not all terms and concepts qualify for operationalization as part of the CSR discourse within my empirical study, and for a number of reasons (see especially the light-blue boxes in Figure 5). I will briefly evaluate the conceptual constructs and frameworks mentioned above against the backdrop of my empirical project.

Business ethics represents the most important theoretical foundation for CSR; nonetheless, it remains far too abstract to be discussed in corporations’ statements. Corporate sustainability and the stakeholder approach, on the other hand, are two central and distinct vehicles of CSR thinking and communication that can also carry ethical considerations; these two definitely must be taken into account. Corporate accountability issues are, at least in the empirical setting of the study at hand, understood as being more or less synonymous with CSR, and they are typically referred to using the identical German label. Corporate citizenship represents the “youngest” concept in the field of CSR and has been promoted by

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50 See also remarks on issue markers in the chapter on methodology.
51 At least for my empirical sample, not even a single direct reference to business ethics was found in the genre of annual reports.
52 With all this multiplicity of labels and terminology, I touch here on a very important point that is highly relevant when investigating discursive traces: In addition to dissemination across divergent cultural/institutional contexts, one has also to deal with language issues (in my case, the spread of Anglo-American terminology into the German-speaking business community which partly adopts these terms, but also partly creates and develops its own vocabulary). In this sense, one has to account for both cultural and linguistic processes of translation.
its advocates as a potential “heir” to the overall label (albeit with only mediocre success); it nonetheless needs to be included here. Corporate social performance has been a synonym and also an alternative umbrella term ever since, primarily in the Anglo-American context and for the purpose of juxtaposing social and financial performance of business organizations; it is thus strongly linked to quantification and objectification (i.e., to CSR standards and key indicators). Responsible or ethical stakeholder behavior determines a subject of responsibility other than the corporation; therefore, it shall not be included as a decisive part of the CSR discourse in this study. However, responsible stakeholders substantially increase the pressure for business organizations to direct their attention to explicit CSR policies; stakeholders themselves are guided in their actions by corporate social disclosure (alongside, for instance, media coverage, or NGO campaigns). Finally, good corporate governance conceptually embraces elements of CSR and certainly feeds into the broader debate and discourse on responsible behavior of business. However, it refers at the same time to another discourse – corporate governance – that per se does not necessarily imply activities in line with the idea of CSR; it could, for instance, also be restricted to the discourse on shareholder value. In order to ensure a more conservative approach, I have decided not to include issues of corporate governance, unless they (i.e., mostly their German translations) explicitly allude to responsibility/accountability (for details on the methods used in this study, see below).

53 However, the concept of corporate governance has been recorded as an additional variable and will be employed on several occasions.