Corporate social responsibility and stakeholder approach: a conceptual review

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Abstract: Corporate Social Responsibility (CSR) and the notion of a stakeholder approach are pivotal concepts when examining the role of business in society, but their relationship has been studied and much debated for decades. Academic research on the social or societal responsibilities of business organisations and the public interest in social and environmental issues incumbent upon businesses have changed since the 1950s. This article provides an overview of the existing research on CSR over the past 50 years and identifies key characteristics defining the concept of CSR. It also examines the challenges and implications of the stakeholder approach as highlighted by previous research, often in relation to research on CSR.

Keywords: Corporate Social Responsibility (CSR); stakeholder approach; stakeholder theory; social and environmental responsibilities.


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Before moving to an academic position, Linda held a senior role in a large recruitment firm where in addition to business diagnostics, development and direction setting, she groomed managers for leadership positions. Following a BA in Business Linda gained her MBA at Henley Management College.

1 Introduction

The relationships between business and society have been studied for decades with outcomes being influenced by the prevailing economic paradigm at a specific point in time (Moir, 2001). If the idea that business has duties towards society, and more specifically towards identified constituents (i.e., the stakeholders), is widely acknowledged, it is only since the 1950s and 1960s that society’s expectations have dramatically changed, that is, increased (Carroll, 1999; Lantos, 2001). This article will examine first the various contributions to the CSR concept and will draw upon proposed paradigms to identify the core elements of CSR. Secondly, it will explore the implications inferred by the development of the stakeholder model through the stakeholder literature.

2 The concept of corporate social responsibility

2.1 Corporate social responsibility in the literature

Adam Smith’s 1776 opus, The Wealth of Nations, is considered as the landmark of modern capitalism (Smith, 1991). Smith’s proposition states that when business is free to pursue profits and efficiency, it eventually benefits the common good, i.e. it serves both its interests and those of society at best (Lantos, 2001). Milton Friedman’s neo-classical position draws upon the Smithian argument by explaining that profitability is the ultimate social responsibility of business, if done in an ethical way and in obedience to the law. Adopting the Agency theory framework, Friedman explains that the alleged social responsibilities of business people are nothing but agents acting inappropriately as ‘civil servants’. Therefore, when using the resources of the principals they should ultimately...
serve, business people eventually do more of a disservice than good to society (Friedman, 1970; Lantos, 2001; Moir, 2001).

This concept known as the ‘shareholder model’ has started to be questioned by academics. In 1953, for example, Bowen introduced the idea of ‘social responsibilities’ of business people in a wider sphere than pure profit-seeking. Doubt arose among scholars due to growing discrepancies between liberal assumptions and socio-economic reality, as well as from the evidence of the inconsistency of the ‘economic man’ model, a rational decision-maker seeking to pursue his own benefit only (Takala, 1999). Society itself reacted strongly to the disillusion of the liberal economic model that brought moral compromises along with business success, especially in the USA where rampant consumerism highlighted the people’s outcry against immoral business practices (Carroll, 1999; Lantos, 2001; Thévenet, 2003). The core idea was that business could and should be reasonably expected to serve society in a way that goes beyond its previous obligations.

The 1960s and 1970s brought a significant expansion of academic interest in the CSR field. The concept was examined and discussed in depth resulting in the emergence of models of CSR and debates on the managerial implications of CSR and introduction of related concepts of Business Ethics and Corporate Social Responsiveness (Carroll, 1999). Alternative themes to balance the argument were a major focus of research in the 1980s, notably Corporate Social Performance (CSP) and the stakeholder theory and stakeholder management models. Since the 1990s, CSR has been used as ‘the base point’ or integrated as an element of other related concepts. Current research explores in particular how CSR applies to the public sector since public organisations have turned into more network-type entities alongside the private sector (Scholl, 2001). Figure 1 summarises evolution in the CSR research since the 1950s.

**Figure 1** Evolution of CSR research since the 1950s

Although being a key part of the debate on businesses’ role in society, the concept of CSR, however, is still questioned by some with regards to its righteousness for economic
survival. As Matthew Bishop, business editor of *The Economist*, argued recently, CSR-oriented programmes implemented by companies are mere attempts to keep civil pressure at bay rather than an acknowledgement that business people should respond to stakeholders’ as much as shareholders’ concerns (Salls, 2004). Moreover, Bishop claims that society’s outrages about some companies’ decisions actually impede the development of an economic system which has proved globally beneficial over the past decades (Salls, 2004).

This view is shared by some scholars and business people, but as more evidence has shed light on a positive relationship between CSR programmes and (long-term) economic performance (Post *et al.*, 2002; Margolis and Walsh, 2003; McAdam and Leonard, 2003), it may be expected that proponents of the “shareholder model” will have deeper understanding of CSR in the coming years (Thévenet, 2003). It is also worth noting that the shareholder-focused model is not as predominant in Asian or some European countries as it is in the USA (Emiliani, 2001). Although there are many guidelines and standards, the absolute standards of corporate responsibility do not exist and they may change with each generation in terms of culture as well (Daugherty, 2001). Thus, the criteria may change according to the society in question. CSR in a Continental European welfare society, for example, has a different meaning than in the USA or in developing or transition societies. In the USA, philanthropy has a long tradition, while in the northern states companies mainly bear their responsibility by paying taxes.

### 2.2 Definition(s) of CSR

Yet, what does CSR mean precisely? Although the debate on the relationships between business and society, and the implied responsibilities, has been on going for decades, there is still no consensus on a commonly accepted definition of CSR (Carroll, 1991; Jones, 1995; 1999; McWilliams and Siegel, 2001). This may be partly due to the fact that people within (and outside) the field, notwithstanding the issue of literary translation, employ, promote and defend different interpretations that have emerged over the past three decades. These range from Corporate Social Responsibility to Sustainable Development, from Business Ethics to Corporate Social Contract, from Corporate Accountability to Business in Society and from Corporate Citizenship to Corporate Governance. This variety of themes in itself is interesting and demonstrates the richness of the concept itself as well as the criticality of research (Carroll, 1999; Ougaard and Nielsen, 2002). Yet, this research area still lacks a ‘common ground’ which is accepted by the majority and a necessary development to assert legitimacy, credibility and value of research on the social and environmental responsibilities of business towards society (Angelidis and Ibrahim, 1993; Lantos, 2001; Ougaard and Nielsen, 2002).

Therefore, a portfolio of concepts expresses society’s expectations as to the role and responsibilities of business, but none of them can actually be labelled as ‘the’ definition of CSR (ORSE, 2004). The concept of CSR by itself is also often put in relation to other concepts such as Corporate Social Responsiveness or Corporate (Social) Performance by academics. On the other hand CSR and/or Sustainable Development are considered central issues by business organisations and civil society’s representatives, with the value of partnerships, *i.e.*, stakeholders’ involvement (Lépissier, 2001). Definitions of CSR thus range from highly conceptual to very practical or managerial statements. Table 1 introduces some definitions of CSR from academic researchers over the past 50 years.
Corporate social responsibility and stakeholder approach

Table 1  Definitions of CSR – academic research

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Bowen (1953)</td>
<td>[CSR] refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.</td>
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<tr>
<td>Frederick (1960)</td>
<td>Social responsibility in the final analysis implies a public posture toward society’s economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms.</td>
</tr>
<tr>
<td>Friedman (1962)</td>
<td>There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.</td>
</tr>
<tr>
<td>Davis and Blomstrom (1966)</td>
<td>Social responsibility, therefore, refers to a person’s obligation to consider the effects of his decisions and actions on the whole social system.</td>
</tr>
<tr>
<td>Sethi (1975)</td>
<td>Social responsibility implies bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values, and expectations of performance.</td>
</tr>
<tr>
<td>Carroll (1979)</td>
<td>The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time.</td>
</tr>
<tr>
<td>Jones (1980)</td>
<td>Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract.</td>
</tr>
<tr>
<td>Wood (1991)</td>
<td>The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities.</td>
</tr>
<tr>
<td>Baker (2003)</td>
<td>CSR is about how companies manage the business processes to produce an overall positive impact on society.</td>
</tr>
</tbody>
</table>

Source: Compiled by authors

Similarly, Table 2 presents some interpretations of CSR by representatives from business and society. In that perspective, the meaning of CSR is often more practical or managerial in scope. Depending on the stakeholders’ interests, CSR is defined either in a business- or society-centred way, and it is frequently related to the concept of sustainability.
Table 2 Definitions of CSR – business and civil society’s representatives

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Definition</th>
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<tbody>
<tr>
<td>World Business Council for Sustainable Development (WBCSD) (2003)</td>
<td>Corporate Social Responsibility is business’ commitment to contribute to sustainable economic development working with employees, their families, the local community, and society at large to improve their quality of life.</td>
</tr>
<tr>
<td>CSR Europe (2003)</td>
<td>Corporate Social Responsibility is the way in which a company manages and improves its social and environmental impact to generate value for both its shareholders and its stakeholders by innovating its strategy, organisation and operations.</td>
</tr>
<tr>
<td>Organisation for Economic Co-operation and Development (OECD) (2003)</td>
<td>Corporate Responsibility involves the ‘fit’ businesses develop with the societies in which they operate. [...] The function of business in society is to yield adequate returns to owners of capital by identifying and developing promising investment opportunities and, in the process, to provide jobs and to produce goods and services that consumers want to buy. However, corporate responsibility goes beyond this core function. Businesses are expected to obey the various laws which are applicable to them and often have to respond to societal expectations that are not written down as formal law.</td>
</tr>
<tr>
<td>Amnesty International – Business Group (UK) (2002)</td>
<td>Companies [have] to recognise that their ability to continue to provide goods and services and to create financial wealth will depend on their acceptability to an international society which increasingly regards protection of human rights as a condition of the corporate licence to operate.</td>
</tr>
<tr>
<td>The Corporate Responsibility Coalition (CORE) (2003)</td>
<td>As an ‘organ of society’, companies have a responsibility to safeguard human rights within their direct sphere of operations as well as within their wider spheres of influence.</td>
</tr>
<tr>
<td>Novethic (2003)</td>
<td>Linked to the application by corporations of the sustainable development principle, the concept of CSR integrates three dimensions: an economic dimension (efficiency, profitability), a social dimension (social responsibility) and an environmental dimension (environmental responsibility). To respect these principles, corporations must pay more attention to all the stakeholders [...] which inform on the expectations of civil society and the business environment.</td>
</tr>
<tr>
<td>Unilever (2003)</td>
<td>We define social responsibility as the impact or interaction we have with society in three distinct areas: (i) voluntary contributions, (ii) impact of (business’s direct) operations, and (iii) impact through the value chain.</td>
</tr>
<tr>
<td>Novo Nordisk (2003)</td>
<td>Social responsibility for Novo Nordisk is about caring for people. This applies to our employees and the people whose healthcare needs we serve. It also considers the impact of our business on the global society and the local community. As such, social responsibility is more than a virtue – it is a business imperative.</td>
</tr>
</tbody>
</table>

Source: Compiled by authors

It is not intended to exhaustively review the existing literature on CSR, but instead, examine some of the key characteristics of CSR that make the concept meaningful but at the same time a still-to-be-developed research area.
2.3 Core elements of CSR

2.3.1 CSR vs Philanthropy

It is important to explain first the difference between CSR and Corporate Philanthropy. These two concepts are sometimes combined in broad models of CSR (e.g., Carroll’s Pyramid, 1991), but they do have specific meanings. Corporate Philanthropy basically refers to the idea of the firm ‘giving back’ (financially) to society some of the wealth it has created thanks to society’s inputs. Frederick (1987; Mitnick, 1995) introduced the ‘charity principle’ as an obligation for the wealthy to support the less fortunate. The ‘charity principle’ goes along with the ‘stewardship principle’ (i.e., business as the guardian of ‘society’s resources’) to justify the theory of CSR. By itself, philanthropy (or charity) does not necessarily mean that a firm develops a broader strategy to comprehensively assess its impacts on society, and to design plans, policies and tools to improve its overall performance towards society. Indeed, Carroll (1991) defines CSR as a pyramid made up of four layers (economic, legal, ethical and philanthropic responsibilities respectively), and clearly states that “CSR includes philanthropic contributions but is not limited to them. In fact, it would be argued here that philanthropy is highly desired and prized but actually less important than the other three categories of social responsibility” (Carroll, 1991, p.42).

2.3.2 A long-term perspective

The first characteristic of CSR is that it is part of a long-term perspective of economic gain that may not be financially measurable but may provide a valuable asset for future profitability, and eventually for “social power” (Davis, 1970; Carroll, 1999). This idea is reminiscent of the concept of sustainability, i.e., business does not pursue only short-term profits, but rather a multitude of goals which all combine to guarantee business’s survival and prosperity in a changing environment. This is even more essential in a knowledge-based society where organisational assets are intangibles (reputation, technology, know-how, etc.) as much as tangibles (financial resources, buildings and equipment, etc.) (e.g., see definition by WBCSD or OECD in Table 2).

2.3.3 Beyond the law

A second characteristic on which academics agreed by the 1970s is that CSR is about going “beyond the narrow economic, technical, and legal requirements of the firm” (Davis, 1973, p.312; Carroll, 1999). Therefore, abiding by the law does not immediately mean being socially responsible and CSR is implicitly the expression of a voluntary effort by which the firm complies with ethical standards, as opposed to purely economic or legal imperatives (Jones, 1980; Carroll, 1999). Johnson and Scholes (2002, p.220) highlight that aspect, stating that: “corporate social responsibility is concerned with the ways in which an organisation exceeds the minimum obligations to stakeholders specified through regulation and corporate governance”, CSR is in the domain of ‘moral obligation’ or ‘normative principles’, and not only a question of obedience to the law (Kilcullen and Ohles Kooistra, 1999; Scholl, 2001) (e.g., see definition by Carroll or Jones in Table 1).
2.3.4 Accountability to stakeholders

A third characteristic of CSR is the idea that business is accountable to various stakeholders who can be identified and have a claim, either legally mentioned or morally expected, on the business activities that affect them (Frederick, 1987; Mitnick, 1995; Jones, 1999). This point will be more thoroughly developed later when the stakeholder theory is introduced (e.g., see definition by Davis and Blomstrom, Frederick or Jones in Table 1, and definition proposed by Novethic or Novo Nordisk in Table 2).

2.3.5 Social contract

In relation to stakeholder arguments, CSR is also often associated with the theme of the ‘social contract’ or alternatively of ‘licence to operate’. In that perspective:

“A corporation is defined as an entity created and empowered by a state charter to act as an individual. This authorisation gives the corporation the right to own, buy and sell property, to enter into contracts, to sue and be sued, and to have legal accountability for damages and debt only to the limit of the stockholders’ investment.” (Nisberg, 1988,p.74; Kilcullen and Ohles Kooistra, 1999)

This definition alone gives a scary taste of what corporations could do if they operate ‘free of any moral restraints’. But the idea of a licence to operate implies that society allows business to operate assuming that it will behave fairly and show accountability for its actions beyond legal requirements. Moir (2001) draws on Gray, Owen and Adams’s definition of society to explain why business may engage in CSR. He argues that the social contract perspective enables a firm to act responsibly not “because it is in its commercial interest, but because it is part of how society implicitly expects business to operate” (Moir, 2001,p.19). Given that a social contract states society’s expectations of business as well as business’s expectations of society, Lantos (2001) suggests that the content of this social contract may have evolved over time. At the beginning mainly directed to profit-maximisation within the constraints of the law, the ‘new social contract’ popularised in the 1950s claims that social progress should be linked with economic progress. Therefore “the enterprise’s responsibilities should be commensurate with its economic, social and political power” (Lantos, 2001,p.599) (e.g., see definition by Wood in Table 1, and definition proposed by Amnesty International in Table 2).

2.3.6 The notion of power

This notion of power is often at the core of the debate on CSR (e.g., see definition proposed by The Corporate Responsibility Coalition in Table 2). Proponents of CSR argue that “the source of this responsibility is based on the power and influence that organisations have, which leads them to cause, both directly and indirectly, moral effects in society” (L’Etang, 1995). Wilson (2000,p.13) explains that CSR is related to various layers of behaviour, whose extremes are, on the one hand, “the basic need to meet commonly accepted ethical principles of ‘good behaviour’”, and on the other hand, “an insistence that corporations have a social responsibility to help solve social problems […] they may have, in part, created, and that most certainly affect their performance”. He defines CSR as a ‘set of new rules’ somewhere in between these two positions, which specifies society’s ethical expectations, and which relates to the themes of legitimacy, governance, equity, the environment, employment, public-private sector relationships and
ethics (Wilson, 2000). The rule of legitimacy for Wilson implies that “to earn and retain social legitimacy, the corporation must define its basic mission in terms of the social purpose it is designed to serve rather than as the maximisation of profit” (Wilson, 2000, p.13).

2.3.7 Legitimacy of business activity

Citing the work of Suchman in 1995, Moir (2001) examines the reasons that make legitimacy a key issue for businesses, and introduces Lindblom’s four strategies that organisations can use to overcome ‘legitimation threats’. If legitimacy is so important for business, up to serving as an incentive to engage in social responsibility, it may actually be that “society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it” (Davis, 1973; Wood, 1991). This statement, (also known as the ‘Iron Law of Responsibility’), brings us back to the concept of a social contract. This suggests that business is granted its power and influence under some specific conditions decreed by society and that the non-fulfilment of those obligations seriously challenges the business’s economic, social and political position, and even its existence. Indeed, society ultimately has the power to decide on what is right and wrong, i.e., the power to judge, to monitor societal members’ compliance with its judgements, and to clamp down on those who do not follow the rules. In other words, “the firm is meant for society; the society is not for the firm” (Takala, 1999). Also, the firm should act as “public steward” (Chen, 1975; Takala, 1999) or as a citizen entitled to social responsibilities just as is expected from any other citizen (Davis, 1975; Takala, 1999). This is an interesting argument which actually (re)balances the power and forces between society and business, the latter being one part of the former. Especially in the for-profit sector, at a time when multinational corporations have a truly significant influence on politics and world order, it may be refreshing to think that society, i.e., individual citizens, ultimately has the control. Campaigns in favour of CSR and civil society’s outcry against business abuses can then be understood as a manifestation of this control and a way for citizens to regain the control they legitimately (should) have. Yet, this is a point still too unclear to arrive at a straight conclusion (Wood, 1991).

2.3.8 A contextual process

Two final characteristics of CSR are also relevant to the research project. The first one is the view of CSR as a process rather than “a set of outcomes” (Jones, 1980; Carroll, 1999). CSR cannot be a static concept because the environment society members live in is dynamic. As the relationships between the constituents change, and as the environment changes, the responsibilities of constituents change as well. So, CSR becomes “an ongoing process constantly monitoring the environment and relationships and not a fixed mission in relation to specific groups with a predetermined priority that remains static” (L’Etang, 1995). Comparison with continuous improvement sounds appropriate because it helps picture CSR as the product, under continual review, which emerges from cycles of dialogue between the firm and its stakeholders (Wheeler and Sillanpää, 1998).
The second element is that CSR in practice, *i.e.*, beyond the philosophical or religious frameworks it fits into, tends to be very contextual, very sensitive to environmental, organisational, even individual specificities (Singhapakdi *et al*., 1996; Jones, 1999). This characteristic makes CSR a very rich but highly complex concept, and certainly difficult to define once and for all.

To sum up, CSR fits into a long-term perspective and refers to ethical principles that are not necessarily codified by the law. Its rationale may be the existence of a social contract between society and business, whose terms enable society to take back the social power it has granted business with in case of non-fulfilment of stated obligations (*i.e.*, not only economic but also social, ethical). It can be viewed as a process involving various stakeholder groups, which may be highly contextual in practice, and submitted to macro environmental as much as very personal factors of influence. Not least, CSR tends to be a multidisciplinary rather than distinct management discipline, which ought to be examined through a wide range of lenses (Ougaard and Nielsen, 2002).

Figure 2 identifies the major contributions to the CSR concept by academics on one hand, and by business and society on the other. It is a neither absolute nor exhaustive classification, but an attempt to highlight the main drivers in the development of CSR’s meaning and scope. Indeed, academics will tend to assess CSR more in terms of social contract than of sustainability, which is probably more easy to translate into managerial and operational goals. Similarly, academics will rather examine the influence of business through the idea of legitimacy whereas civil society will refer to the price of power business is granted. Both academics and business and society acknowledge the multistakeholder framework and the fact that CSR is in practice ultimately dependent on the context. Finally, when academics define CSR as going beyond the prescription of the law, business and society will focus on the discretionary or voluntary aspect of CSR. One should note that both academics and business and society identify similar themes for debate, but the terminology used may somehow change the implications for implementing and assessing CSR (see Ougaard and Nielsen, 2002).

**Figure 2** The CSR concept: major contributions
Corporate social responsibility and stakeholder approach

2.4 Further developments on CSR

Some authors have examined and redefined CSR (hence reshaping the debate on CSR) with the view of integrating CSR into a larger model. Frederick (1978/1994; 1986; 1987), for instance, developed three perspectives on CSR: Corporate Social Responsibility (or CSR 1), Corporate Social Responsiveness (or CSR 2), and Corporate Social Rectitude (or CSR 3). Frederick argues that: “firms may adopt, and historically may have passed through, [these] three alternative stances with respect to their relationships with society” (Mitnick, 1995). CSR 1, which is Corporate Social Responsibility, for Frederick, is often referred to as a ‘doctrinie’, and proposes six precepts that lead to a socially responsible corporate behaviour. CSR 2, or Corporate Social Responsiveness, tends to be more managerial in essence and explores how a firm should respond to societal pressures. CSR 2 assumes that CSR 1 has previously examined the question of whether firms should be sensitive to social issues. Finally, CSR 3 focuses on the values that are used as normative references to assess corporate behaviour (Mitnick, 1995). Actually, these three scopes of CSR can be compared to the characteristics highlighted in the literature. Indeed, admitting that CSR 1 is Frederick’s definition of CSR, CSR 2 refers to the idea of CSR as a process to be designed in relation to multistakeholders, while CSR 3 suggests the possibility of a social contract that would settle the wrong and right things to do for corporations.

Another significant contribution to the CSR literature is that of Wood (1991), who reorganised the CSR literature into three major principles:

1. The principle of legitimacy is about the societal expectations from businesses at an institutional level.
2. The principle of public responsibility operates at the organisational level and concerns the potential impacts of business activities.

To some extent, this framework responds to the need for a clearer definition of the boundaries of CSR because it argues that there are different levels of responsibility depending on the level of analysis one elects, with no necessary hierarchy between them. Wood (1991) then uses these three principles to build a Corporate Social Performance model (CSP). This is more comprehensive than a CSR model since it involves “the identification of the domains of an organisation’s social responsibility, the development of processes to evaluate environmental and stakeholder demands and the implementation of programs to manage social issues” (Thomas and Simerly, 1995).

More recently, the CSR concept has been explored within a Total Quality Management (TQM) framework (Wheeler and Sillanpää, 1998; McAdam and Leonard, 2003). It is argued that similarly to CSR, the TQM approach needs an ‘ethical anchor’ to combine normative demands and instrumental expectations, and aims to achieve “sustainable performance through valuing people and the environment” (McAdam and Leonard, 2003, p.38). Since quality, and in particular TQM, have become mainstreamed references in companies, McAdam and Leonard (2003) propose that CSR be integrated into organisations more efficiently and rapidly by being added to existing quality benchmark processes. Indeed, the TQM concept shares with the CSR concept the need for both a strong ethical focus and a clear business case (McAdam and Leonard, 2003).
Hess et al. (2002) have examined the shift in and rationale for what they call ‘corporate social initiatives’. These Corporate Social Initiatives (CSI) differ from corporate philanthropy in so far as they anchor to the organisation’s core competences and core values. The authors emphasise three main drivers behind CSI programmes: the first category is called ‘the competitive advantage factor’ and means that CSI helps strengthen corporate reputation and develop international expansion; the second category is labelled ‘the new moral marketplace factor’ and refers to the moral pressure companies might feel, either through social reporting or peer pressure, that would drive them to change their behaviour towards higher moral standards; finally, the third category is called ‘the competitive advantage of private firms’ and suggests that given their position in the marketplace, firms may hold a competitive advantage over governments to implement social or environmental programmes (Hess et al., 2002). The balance (or lack of balance) between relationships of private firms and governments is, however, a real concern for some. There are those who wonder whether the CSR movement results from a shift of responsibilities from governments to private firms due to the weakness of political systems. Also, there are those who wonder whether the debate on the social responsibilities of corporations reveals a new consciousness where corporations must be held accountable for acts they were not previously accountable for. The value of self-regulation to achieve this is equally questioned (Ougaard and Nielsen, 2002; Wiedermann-Goiran et al., 2003).

Even more challenging, but providing a refreshing insight into the CSR-stakeholder debate, Margolis and Walsh (2003) review existing research on the social responsibilities of business and the ‘contractarian view of the firm’, and conclude that the most critical questions have been left aside. They explain that scholars and managers have focused on trying either to reconcile two opposing views of the socio-economic world, or to discredit one of the two opposite camps. As a result, no research has examined whether how and under which conditions a firm’s social activities could benefit society (Margolis and Walsh, 2003). The authors stress that in order to respond efficiently to society’s needs, scholars and practitioners should not try to address the dilemma of whether CSR is good or bad for business. Rather they should adopt a pragmatic approach which aims to “craft a purpose and role for the firm that builds internal coherence among competing and incommensurable objectives, duties, and concerns” (Margolis and Walsh, 2003,p.284). This approach would also have the advantage of being more practice-oriented, providing a support framework for managers to analyse and face the necessary trade-offs they ought to make (Margolis and Walsh, 2003).

3 The stakeholder approach

3.1 CSR and stakeholder literature

It is quite challenging to delineate areas of literature in the field of business in (or and) society, for they often intertwine. Therefore, CSR literature is partly built on the stakeholder literature, and vice-versa. Carroll (1991,p.43) expresses this as follows:

“There is a natural fit between the idea of corporate social responsibility and an organisation’s stakeholders. […] The concept of stakeholder personalises social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation.”
However, the concept of stakeholder did not develop consecutively with the concept of CSR, although the explicit relationship defined by Carroll is widely accepted by academics (Jones et al., 2002). Indeed, if CSR aims to define what responsibilities business ought to fulfil, the stakeholder concept addresses the issue of whom business is or should be accountable to, and both concepts are clearly interrelated.

Yet, one major difficulty in examining a ‘stakeholder model’ or ‘stakeholder theory’ lies in the extremely diverse backgrounds of studies that have participated in building a common ground eventually labelled “stakeholder theory” (Scholl, 2001; Jones et al., 2002). Jones et al. (2002) list the principal theoretical fields which have contributed to the development of the stakeholder conceptual framework, and which include CSR, corporate planning, systems theory and organisation theory. Each field has analysed the stakeholder concept based on a specific body of assumptions and through a specific lens, then concluding to different views on the role of stakeholders, which can be referred to as “pluralism” (Jones et al., 2002). Hummels (1998) also suggests that the various interpretations of the legitimate claim of stakeholder groups on organisational purpose emphasise various sets of stakeholders, which leads to ‘different [expected] distributions of benefits and burdens, of pleasures and pains, of values, rights and interests’ amongst interpretations.

Fair and ethical as it may be, adopting a stakeholder approach is by no means an easy and simple step to make, and rather constitutes a daily challenge for managers. Indeed, Wood (1991,p.712) clearly suggests that stakeholders are likely to develop a different understanding of what CSR means, what they expect from the organisation in relation to CSR and how they assess CSP. To create a balanced outcome acceptable to the majority, if not all, of the stakeholders, notwithstanding the possible differences in the value systems and ideological positions of stakeholders, is a harsh but necessary task for managers (Wood, 1991; Szwajkowski, 2000). It becomes an even more necessary skill, or a ‘core competence’ to possess as today’s corporations are viewed as ‘extended enterprises’ that operate at the centre of “a network of interrelated stakeholders that create, sustain and enhance [their] value-creating capacity” (Post et al., 2002,p.7). The whole environment in which this extended enterprise operates has changed, and the firm’s relationships to its stakeholders have shifted from essentially transactional to truly relational, with these relationships affecting, either positively or negatively, the creation of organisational wealth (Post et al., 2002; Simmons, 2004).

3.2 What does the stakeholder theory entail?

Even though the stakeholder concept has been extensively researched over the past two decades it is frequently defined as the ‘opposite’ to the shareholder (or stockholder) model. The latter states that only the shareholders have a legal claim on the purpose of the firm they own (Halal, 2000; Emiliiani, 2001; McAdam and Leonard, 2003; Weiss, 2003). To date, researchers have not come to an agreement on the scope of the stakeholder theory (Harrison and Freeman, 1999). Yet, Hillman, Keim and Luce (2001) claim that “although a unified stakeholder theory with general acceptance has yet to emerge among stakeholder researchers [...], there does appear to be some agreement regarding the general concepts embodied in the stakeholder theory”. Referring to the work of Jones and Wicks (1999), these authors list four main statements at the core of the stakeholder theory: “(1) the firm has relationships with constituent (stakeholder) groups,
(2) the processes and outcomes associated with these relationships are of interest, (3) the interests of all legitimate stakeholders have value, (4) the focus of stakeholder theory is on managerial decision-making” (Hillman et al., 2001).

Other stakeholder theorists summarise the two basic principles defining the stakeholder concept as follows: “that to perform well, managers need to pay attention to a wide array of stakeholders, and that managers have obligations to stakeholders which include, but extend beyond, shareholders” (Jones et al., 2002,p.20). From a rather business-driven perspective, stakeholder theory interest lies in three premises: “organisations have stakeholder groups that affect and are affected by them; these interactions impact on specific stakeholders and the organisation; and perspectives of salient stakeholders affect the viability of strategic options” (Haberberg and Rieple, 2001,p.74; Simmons, 2004).

This notion that business must deal with other constituencies than its owners for its prosperity, if not survival, has been alluded to and studied for quite a while, although it was not labelled as CSR or other stakeholder-related concepts. Citing Eberstadt’s research, Jones et al. (2002,p.21) identify similar notions of CSR in classical Greece and in medieval times. The 1920s and 1930s saw the first theoretical developments on a more extended role of business towards society, especially the work of Mary Parker Follett. This acknowledged an ‘interconnectedness’ among various constituents participating in business performance, and that of Chester Barnard in 1938 which stated that corporations were not an end per se but a means to serve society (Morris, 1997; Jones et al., 2002; Post et al., 2002).

In the 1960s Eric Rhenman alone (1964/1968, Företagsdemokrati och företagsorganisation) and together with Bengt Stymne (1966, Företagsledning in en föränderlig värld) explicitly outlined the stakeholder approach or, as they themselves put it, the stakeholder theory (Rhenman and Stymne, 1966; Rhenman, 1968). These works rapidly spread throughout Scandinavia and the stakeholder framework became popular in university management teaching, in academic research and in practical company planning. The revival period of the stakeholder concept, though, started with the publication of ‘Strategic Management: A stakeholder approach’ by Freeman in 1984 (Morris, 1997; Scholl, 2001). In what has become a landmark in the stakeholder research field, Freeman defines the term stakeholder as “any group or individual who can affect or is affected by the achievement of the organisation’s objectives” (Freeman, 1984,p.32; Vinten, 2000,p.78). The ultimate legitimacy of constituents’ claim on the organisational purpose lies on either legal, economic, social, moral, technological, ecological, political or power interests, thus far beyond the mere for-profit motive of stockholders, and stakes are either past-, present- or future-oriented (Weiss, 2003). As a consequence, stakeholder management implies “allocating organisational resources in such a way as to take into account the impact of those allocations on various groups within and outside the firm” (Jones, 1999). The ultimate purpose of the stakeholder management theory is to achieve a ‘win-win’ outcome, most probably in a medium- to long-term perspective (Carroll, 1991), but it does not infer that managers can manipulate stakeholders to reach the most favourable trade-offs (Post et al., 2002). Stakeholder management aims to allocate resources adequately given the outcome of prospective scenarios; it also aims to repair previous damages traditionally left to society’s kind-heartedness, which are referred to as ‘externalities’.
3.3 Purpose(s) of a stakeholder approach

It is often argued that the stakeholder approach is not viable as it implies the sacrifice of sound business objectives (i.e., profits) to morally acceptable (but supposedly economically unsustainable) social goals (Vinten, 2000). However, the stakeholder theory does not reject profitability as a corporate purpose, but rather widens the shareholder model. The stakeholder approach recognises the legitimate claim of shareholders, but challenges the idea that shareholders should be either the only claimants or the privileged ones over the interests of other legitimate claimants (Hummels, 1998; Emiliani, 2001). Although adopting a restrictive view of the stakeholder theory (i.e., instrumental), Clarkson (1995) claims that organisations which do not include their primary stakeholders’ concerns within their strategy challenge their long-term survival. Organisations must then try to achieve their own objectives (e.g., profitability) while at the same time satisfying in a fair way the legitimate claims of their stakeholders. As Jones and Wicks (1999, p.209; Scholl, 2001) stress, the stakeholder approach does not aim ‘to shift the focus of firms away from marketplace success toward human decency but to come up with understandings of business in which these objectives are linked and mutually reinforcing’. This is what some authors call a “balanced scorecard” (Vinten, 2000). Extensive research over the past 30 years has questioned the link between social responsibility policies and financial performance, and the general conclusion is that there tends to be a positive relationship, at least not a negative one (Margolis and Walsh, 2003; Orlitzky et al., 2003). Nonetheless, there are still problems in measuring CSR and financial performance, and it proves particularly complex to clearly define the causality between economic success and responsible behaviour (Ougaard and Nielsen, 2002; Margolis and Walsh, 2003).

3.3.1 Instrumental vs. normative stakeholder approach

Since the work of Donaldson and Preston in 1995, the stakeholder approach seems to have been developed in two different ways. Although the two authors identified four ideas at the core of the stakeholder theory (descriptive, instrumental, normative and managerial), the literature has essentially explored two dimensions. The instrumental stakeholder theory understands stakeholder management theory as an instrument to achieve expected outcomes, principally profitability. The normative stakeholder theory, however, acknowledges as primary the ethical legitimacy of the stakeholders’ claims on the organisational purpose (Jones et al., 2002). The instrumental aspect of the stakeholder theory can sometimes be considered ‘primary’, but the normative or ethical dimension of the stakeholder theory is often considered critical (Hummels, 1998). Scholl (2001) distinguishes two strands in stakeholder research, namely the ‘Social Science strand’ that examines the instrumental rationale of stakeholder theory, and the ‘Business Ethics strand’, which argues that each stakeholder holds an intrinsic value by him/herself and calls for ethical guiding standards for managers.

The instrumental stakeholder theory appears more vulnerable to criticism, because it justifies the inclusion of stakeholders’ claims in the strategy-making through merely economic reasons. Indeed, from that perspective, it makes good business sense to take into account the stakeholders’ viewpoints that will lead to profitability. However, “embracing a strategic [i.e., instrumental] stakeholder view does not automatically introduce ‘the moral point of view’”, for the organisation and lacks the essential and
necessary commitment to “good citizenship” (L’Etang, 1995; Goodpaster, 1991; Hummels, 1998). There is the danger that organisations only ‘communicate’ on their ethical endeavours, and that their (public relations) programmes designed to address the needs of the stakeholders eventually end up being purely self-interested actions to pursue economic objectives (L’Etang, 1995).

3.3.2 Stakeholder theory in practice

Another criticism of the stakeholder approach lies in its relatively poor managerial practicality. The stakeholder theory itself asserts that stakeholders’ interests must be taken into account, but remains quite vague when it comes to help managers who concretely deal with stakeholders. And yet, Freeman clearly presented his theory as an “inherently managerial” concept (Freeman, 1984; Scholl, 2001). Some stakeholder analysis tools have been designed in response to this issue, but one may indeed question the value of the stakeholder theory in its managerial dimension. Hummels (1998) explains that such questioning, fair as it may be, does not question the critical dimension of the stakeholder theory, which is the ethical scope. What makes the stakeholder theory a real challenger of the shareholder model is that its ethical dimension maintains that:

“Profit maximisation is constrained by justice. Also, that regard for individual rights should be extended to all constituencies that have a stake in the affairs of a business, and that organisations are not simply or only ‘economic’ by nature but can and do act in socially responsible ways as members of communities.” (Weiss, 2003,p.30)

Indeed, organisations should not pay attention to their stakeholders merely because it is profitable. They should not pursue purely economic objectives if they want to guarantee their legitimacy in society and be granted the ‘licence to operate’ that recognises the responsibilities of all parties involved in the running of organisations (Vinten, 2000; Weiss, 2003). Besides, the fact that managers cannot always precisely map the stakeholders does not remove the affectation of these stakeholders by the organisation’s activity. It also does not allow the organisation to deny the (moral) legitimacy which, by itself, justifies the calling for a redefinition of the organisational purpose.

3.3.3 ‘Convergent’ stakeholder theory

Some of the major (normative) stakeholder theorists have grounded their studies on the Kantian argument that “the goodness of an act is the intention which motivated it” (L’Etang, 1995; Pesqueux and Biefnot, 2002,p.186). The instrumental stakeholder theory lacks the critical moral aspect that gives the stakeholder concept an intrinsic value by itself. For that reason, some authors have called for the creation of a ‘convergent’ stakeholder theory, defined as a “theory that is simultaneously morally sound in its behavioural prescriptions and instrumentally viable in its economic outcomes” (Jones and Wicks, 1999; Jones et al., 2002,p.28). Being both normative and instrumental, the convergent theory has a strong and explicit moral basis, and for using the means-end process, it nonetheless accepts the only means of that aim is to achieve a morally acceptable end (Pesqueux and Biefnot, 2002,p.191). Although contested by some authors (e.g., Freeman), the convergent theory endeavours to fill in the noticeable gap between instrumental and normative approaches (Pesqueux and Biefnot, 2002). Nevertheless, the variety of underlying theories that have contributed to the building of the stakeholder theory may suggest that it is by nature “a hybrid with unclear parenthood” (Scholl, 2001).
3.4 Who are stakeholders?

A key question that has not been examined yet is a highly tricky one, and a major ‘flaw’ of the stakeholder approach (i.e., L’Etang, 1995): Who are stakeholders? If stakeholders are “those individuals or groups who depend on the organisation to fulfil their own goals and on whom, in turn, the organisation depends” (Johnson and Scholes, 2002,p.206), then one organisation is concerned with a very large amount of people, if not everyone since many people depend, either directly or indirectly, on an organisation’s activity. And, if the organisation is accountable to all its stakeholders (i.e., everyone) rather than to one constituency (i.e., the shareholders), then the notion of accountability becomes valueless because it is too broadly set and useless from a managerial point of view (Hummels, 1998; Vinten, 2000).

Indeed, if the stakeholder approach can help managers understand the relationships of the organisation with the various constituencies involved in its activities at various levels, it does not itself provide them with means to apprehend the quality of these relationships, i.e., the forces of influence, the power and bargains of the stakeholders. Managers are actually unable to assess the potential threats stakeholders may represent to the organisation’s objectives (Argenti, 1993; Hummels, 1998; L’Etang, 1995).

Another inconvenience of too broad a definitional scope of stakeholders is that it becomes possible to call stakeholders groups that may harm rather than support the organisation, for instance competitors (although this can be discussed – see Post et al., 2002) or terrorists (Scholl, 2001). Therefore, not only should the definition be sufficiently comprehensive and not too inclusive, but also should be clear enough to avoid misinterpretations. Stakeholder analysis tools, such as stakeholder mapping, power/interest matrix and stakeholder moral responsibilities’ matrix have been developed to provide a practical framework for managers. They help identify the key stakeholders and develop adequate strategies and tactics to achieve as much as possible a win-win outcome (Frederick et al., 1992; Carroll, 1989; Vinten, 2000; Weiss, 2003).

Post, Preston and Sachs (2002) have recently conceptualised the New Stakeholder View. They propose a comprehensive, analytical, stakeholder-based framework that encompasses within three concentric circles: the resource-base, industry-structure and socio-political aspects of a corporation’s environment. With supporting evidence from a thorough examination of three companies, Post, Preston and Sachs (2002) posit that the firm-stakeholders relationships ‘are the essential assets that managers must manage and they are the ultimate sources of organisational wealth’. Therefore it is critical to institutionalise and maintain fruitful and open dialogue with key (if not all) stakeholders to secure long-term sustainable growth.

3.4.1 Categorisation of stakeholders

To avoid giving the term ‘stakeholder’ a too broadly inclusive scope, some authors have proposed sub-categories. The most widely used is the external/internal stakeholder framework (Johnson and Scholes, 2002,p.206). Others prefer the primary/secondary stakeholder framework (e.g., Weiss, 2003,p.34), whilst some separate voluntary from involuntary stakeholders (e.g., Post et al., 2002), and some favour the social/non-social stakeholders categorisation (e.g., Wheeler and Sillanpää, 1998). Another interesting approach is that of Phillips (2001; Jones et al., 2002,p.31), who identifies ‘intrinsic’ or ‘definitional’ stakeholders, and ‘instrumental’ stakeholders who affect the definitional
stakeholders. In that view, organisations have moral obligations to all stakeholders, but also specific obligations to definitional stakeholders only.

Commonly identified stakeholder groups include shareholders (or owners), employees, customers, suppliers, local community, competitors, interest groups (or sometimes civil society representatives, though slightly more inclusive in definition), government, the media, and society-at-large (Carroll, 1991). Some of these terms by themselves raise significant problems in relation to the value of organisational accountability to stakeholders, especially ‘society-at-large’ and the notion of community. The environment is sometimes quoted as a stakeholder, but this engenders problems in identifying a spokesperson with which to discuss the stakeholders’ concerns, interests and demands. In such cases, the constituents’ representative is not affected by the corporation’s activity, but they represent the constituents because they share their concerns (Wiedermann-Goiran et al., 2003).

3.5 Stakeholder management

The need for a clear definition of stakeholder groups is now more critical. Even if not in terms of values at least it should be defined more exactly in terms of managerial implementation. This is because “it is difficult to say what kinds of moral obligations are at work, when the very nature of who has the obligation is obscure” (Jones et al., 2002, p.31). Nevertheless, trends suggest that stakeholder management is more than a fashionable concept, and there is evidence that a greater number of managers recognise, accept and use stakeholder-oriented policies (Wheeler and Sillanpää, 1998; Post et al., 2002).

This said, the stakeholder theory, as well as the concept of CSR, remain highly contextual in their managerial dimension. As Wood (1991, p.700) states:

“The principles of CSR […] should not be thought of as absolute standards, but as analytical forms to be filled with the content of explicit value preferences that exist within a given cultural or organisational context and that are operationalised through the political and symbolic processes of that context.”

The approach should not be considered as absolute, but rather endorsed as a didactic tool to foster dialogue and understanding with the stakeholder community for all constituents to eventually benefit.

Dialogue is indeed a key element in stakeholder management, and a major responsibility for top managers (Wheeler and Sillanpää, 1998; Szwajkowski, 2000; Wiedermann-Goiran et al., 2003). Good communication is acknowledged as an essential element in the development of CSR in organisations, but it is not a sufficient condition for CSR to be meaningful. Szwajkowski (2000) argues that ‘content is everything’, hence that managers must conform their (and the organisation’s) norms and behaviours to the sensitivity, ‘concerns and capabilities’ of each group of stakeholders. However, one may wonder whether various stakeholders really speak the same language (Wiedermann-Goiran et al., 2003). Similarly, Minkes et al. (1999, p.331) propose a six-step procedure to help top managers be CSR-focused, and explain that ‘such a program implies that business executives would need to understand how attitudes are developed and how an organisation and its employees are influenced’. These statements suggest that there is no standard model of stakeholder management, because each organisation is specific either historically, culturally, or structurally, and because each
stakeholder constituency is specific both socially and culturally. Yet, stated specificities are also likely to evolve over time if the organisation implements a ‘collaborative communication strategy’ which can ‘change the perceptions and ‘rules of engagement’ to create ‘win-win’ outcomes’ (Weiss, 2003, p.33). Managers’ tasks include monitoring and managing the organisation’s relationships with each of the stakeholder groups, but also to assess and manage the relationships between the various stakeholder groups (Post et al., 2002), with a view to creating synergies among stakeholders (Wiedermann-Goiran et al., 2003).

Figure 3 summarises the main elements and factors of influence in stakeholder management. Firms should engage in a constructive and open dialogue with various stakeholders who interact among themselves. This dialogue, driven by leaders, aims to secure short-term performance and long-term organisational wealth benefiting the whole society, as defined by the economic, social and political environment. The environment also influences stakeholders and firms as it may change the members of society’s expectations, values or priorities, which affect the dialogue and may change the parameters defining performance, wealth or society’s well-being.

Figure 3  Stakeholder management: elements and factors of influence

Source:  Compiled by authors

3.6  Leadership: a key determinant of the stakeholder approach

The statements also imply that the stakeholder concept, like other theories of the firm, places management at the core of the organisation. The role of managers, and sometimes more specifically top managers, is of crucial importance in the whole process of stakeholder management (Bowie, 1991; Argenti, 1993; Weiss, 1994; Hummels, 1998). For instance, in what Hummels (1998) calls an ethical version of the managerial stakeholder theory, ‘it is the role of management to balance all the (moral) rights and interests involved, while at the same time safeguarding the objectives of the firm’. The argument of corporate morality also emphasises the positive relationship between top management’s stewardship in moral values and the stakeholders’ perceptions of the morality of the organisation (Jones, 1995). More generally, the role of leaders in organisations is acknowledged as very important in ethical issues, especially because of their key influence on the organisational culture (Hitt, 1990; Minkes et al., 1999; Punter and Gangneux, 1998; McAdam and Leonard, 2003).
Leadership is a determinant in shaping and orientating the organisational climate so that the expectations of organisational constituents match more socially accepted norms of behaviour (Bennis and Nannus, 1985; Minkes et al., 1999). But CSR must be explicitly understood as more than values, and leaders must embody these values and promote and support them through their own behaviour and attitude. To that extent, and for this purpose, ‘leadership is required at more than one level in an organisation’, which suggests that not only top executives but also middle managers and further must fully endorse the values that define the organisation’s stance on CSR (Minkes et al., 1999, p.329). Formalising CSR principles into a code of conduct may be a positive step towards social responsibility (at least publicly), but codes will not prevent stakeholder outcries if they are not embedded into the organisational culture and perceived as reflecting a deep and true commitment from the overall organisational constituents (Minkes et al., 1999).

Figure 4 illustrates the principal dimensions of the stakeholder approach.

Figure 4  Main dimensions of the stakeholder approach

The relationship between CSR and business is traditionally examined through related concepts of Corporate Governance and, more often, of Corporate Social Performance (CSP) (e.g., Minkes et al., 1999). The generally accepted definition of CSP itself suggests that top managers, i.e., those who make strategic choices and decisions for organisational development and prosperity, play “a critical role in the articulation of [the organisation’s] posture vis-a-vis its stakeholders and constituents” (Thomas and Simerly, 1995, p.411). In their 1995 study of top managers’ profiles in relation to the organisation’s CSP, Thomas and Simerly found that “top managers are important internal determinants of a firm’s CSP, and top management teams and CEOs are both important to social performance outcomes”. They also suggested that a top manager’s background could play a significant role in his or her sensitivity towards stakeholders’ claims and any CSR issues the organisation might be confronted with (Thomas and Simerly, 1995, p.414).

This drives us to an interesting level of analysis, which is that organisations are ultimately made up of people, who are citizens themselves entitled to rights, duties and responsibilities (Thévenet, 2003). If the extended enterprise is confronted with so many stakeholders towards whom it has so many responsibilities such boundlessness could render CSR meaningless. It may well be that the problem is not in the pertinence of CSR,
but rather on the very personal, individual values and responsibilities of the people that make the social organisations (Thévenet, 2003). CSR cannot exist if individuals do not possess enough maturity and competence to act responsibly. It is up to companies to train and for society to socialise the individuals towards the development of such necessary competencies (Takala, 1999; Thévenet, 2003).

3.7 Overview of CSR practices

Although some business people keep believing CSR and sustainability concerns are just fads, a vast majority think that the sustainability movement will gain importance in the coming years. In 2002, PricewaterhouseCoopers surveyed senior managers of 140 top US-based companies on their stance on sustainability. The findings, published in the 2002 Sustainability Survey Report, highlight the key issues businesses are confronted with when approaching CSR. According to the survey, 75% of the respondents have implemented some kind of sustainable business practices, essentially motivated by an enhanced reputation (90%), competitive advantages (75%) and cost savings (73%), as well as industry trends, CEO/Board commitment and customer demand. The 25% who have not adopted sustainable practices justified their choice by the lack of clear business case (82%), the lack of key stakeholder interest – including customers, suppliers and investors – (62%) and the lack of senior management commitment (53%), along with the difficulty to measure CSR/sustainable performance, and the lack of legal requirements (PricewaterhouseCoopers, 2002). It is noteworthy that those who believe greater emphasis will be put on CSR and sustainability in the near future identify reputation as a critical driver for such trend as well as, among other factors, the license to operate for business and NGO demand (PricewaterhouseCoopers, 2002). It is therefore not surprising that “the larger and more highly visible the company, the more likely it is to be developing sustainability programmes” (PricewaterhouseCoopers, 2002).

What should be underlined in these findings is that there is a real need to develop research on the business case for CSR, and in particular to establish standards and quantifiable indicators to measure and monitor performance on economic, social and environmental practices. To date, CSR or sustainability has been a matter for big corporations, and the definitions and what they entail may still questionable. As the European Multi-Stakeholder Forum on CSR concluded in its Final Report, there is a need to act at a global and collaborative level towards three main objectives, namely “raising awareness and improving knowledge on CSR; developing the capacities and competences to help mainstreaming CSR; and ensuring an enabling environment for CSR” (EMSF, 2004). In terms of research, identified areas in which further projects should be led adopting a multistakeholder, qualitative approach encompass the impact of CSR on competitiveness and sustainable development, a social and environmental approach to public procurement, supply-chain issues and partnerships value, technology transfer issues, CSR information availability to stakeholders (EMSF, 2004).

In fact, CSR is a reality, but a rather woolly one. Significant steps have been made to provide corporations with general guidelines on social and environmental issues, but it seems that although actors from all sides are aware of CSR challenges and determined to enact ethical principles, the majority stands still. Nevertheless, the numerous organisations created over the past 20 years and dedicated to promote business responsibilities to society and the environment illustrate a clear shift in the debate on
business matters. Always more focused and specific topics are brought into the discussion, from the CSR case for SMEs to the mainstreaming of CSR into business education. This should be sufficient to call for a reconsideration of the existing business framework, which has stimulated overall growth but at a devastating cost.

4 Conclusion

Although the CSR field still lacks a commonly accepted paradigm, it is possible to identify some essential elements of definition, upon which both managers and academics can draw to design frameworks for implementation and future research tracks. This article has aimed to highlight some of these major characteristics of CSR that have emerged in the literature over the past century. Because the concepts of CSR and stakeholder are intertwined, the two approaches have been examined and put in relation in theory and in practice, in order to reposition their underlying principles into a broader assessment of the relationships between business and society. It appears however, as research tends to demonstrate, that individuals, in particular leaders, have a significant role to play in enhancing the social and environmental performance of their organisations. The increasing awareness people have of their leverage power could therefore significantly change the responsibilities businesses have towards society. If organisations are to mature towards greater responsibility, people should first reflect on their own position, behaviour, value-system and expectations within organisations and society.

References


Corporate social responsibility and stakeholder approach


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