Corporate Social Responsibility: Strategic and Managerial Implications

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What does corporate social responsibility (CSR) actually mean to mid-level organizational business managers? This question concerning CSR is explored by analyzing data obtained from interviews with 102 managers with offices located primarily in Northern Chicago suburbs and Southeast Wisconsin. Strategic considerations regarding CSR, and varying theoretical frameworks are discussed. Eight major categories of CSR emerged from analysis of the managers' responses concerning their individual definitions. Many different conceptualizations exist. Companies need to be as concerned with communicating and promoting a shared understanding of corporate social responsibility internally among organizational managers similar to approaches used in communicating with external stakeholders.

INTRODUCTION

Corporate social responsibility during heightened globalization and a depressed world economy is increasingly important today. Strategic decisions and actions of organizational leaders transcend the borders of many nations with potentially serious consequences, direct and/or indirect, for billions of people (Doh and Guay, 2004; Lynch & Walls, Jr., 2009; Morrison, 2001; Zhang, 2008). The interconnectedness of nations, economies, and financial markets combined with serious issues such as climate change, political conflicts, and pandemics all call for more corporate social responsibility in businesses operating around the world (Epstein, 2008; Margolis and Walsh, 2003).

Businesses are largely responsible for creating the wealth upon which the well-being of society depends. As businesses create wealth, their actions impact societies comprised of multiple stakeholders. In turn, societies and their governments create laws, regulations, and expectations impacting business operations. The interaction between businesses and society is a major concern of corporate social responsibility (CSR). CSR is increasingly important in the strategic management of organizations given the interconnected, intensely competitive, global arena in which many of them operate.

Corporate social responsibility and strategic leadership are critical for effective strategic management of all types of organizational entities, including businesses, nonprofits, and governments (Deresky, 2011; Pearce & Robinson, 2013; Werther, Jr. & Chandler, 2011). Organizations of all types in the global economy need to be good corporate citizens in nations around the world. In addition, greater pressures are periodically exerted upon businesses in the United States to become more socially responsible. For example, CSR rises to heightened public scrutiny when a corporate disaster occurs, e.g., BP's massive oil spill in the Gulf of Mexico (Olsen, 2010), and the previous Exxon Valdez oil spill or when a flurry of corporate debacles occur involving other huge companies such as Enron and WorldCom. Currently, the state of the American economy is a serious issue, and the FBI continues to investigate a large number of companies for their alleged involvement in precipitating the financial crisis. The public at-large and other stakeholders have grave concerns about corporate social responsibility.

However, it remains unclear what exactly social responsibility actually means in the corporate world, how it is and should be defined, and what it actually means to mid-level managers. The lack of clarity makes it more difficult to assess the effectiveness of CSR and determine its relationship to firm performance, and its impact on intangibles such as corporate reputation.

CORPORATE SOCIAL RESPONSIBILITY: EVOLUTION, THEORIES AND DEFINITIONAL ISSUES

How is corporate social responsibility defined by academics in textbooks, scholarly journals, and other publications? One widely accepted definition of CSR is also rather broadly framed as "The idea that a business has a duty to serve society in general as well as the financial interests of its stockholders" (Pearce et al., 2013:57).

Historically, there have been economic and philosophical debates concerning corporate social responsibility since the dawn of the Industrial Revolution, and even before that era (Bhattacharyya, 2010; Smith, 2003). During the past three decades, however, corporate social responsibility has been more prominently advocated, promoted, and implemented by many American businesses and other organizations (Aguinis & Glava, 2012; Husted, 2003; Luthans and Doh, 2009; McWilliams and Siegel, 2001; Pearce et al., 2013; Smith, 2003).

CSR has evolved over the years (Porter & Kramer, 2006; McWilliams & Siegel, 2011). More than twenty years ago, one of the pioneer scholars in CSR developed a hierarchy that identified four major types of corporate social responsibility that began with economic, moved to legal responsibilities, then forward to ethical responsibilities, and finally with discretionary responsibilities (Carroll, 1991). Social responsibility in businesses has also been conceptualized as "corporate citizenship" and philanthropy, followed by "corporate social responsiveness," "corporate performance and stakeholder management" (Lindgreen, Swaen, & Johnston, 2008). Currently, "strategic corporate social responsibility" is strongly advocated (Porter & Kramer, 2006; Werther, Jr. & Chandler, 2011). Commonalities appear to be the notion that organizations should be concerned about 'doing good' beyond making profits and maximizing shareholder wealth.

Many studies, including a major meta-analysis, indicate a positive relationship between corporate social responsibility and financial performance (Orlitzky, Schmidt, & Rynes, 2003). Thus, while organizations have increased pressures to conduct their operations in a socially responsible manner; there are corporations recognized for their CSR activities that are outperforming their competitors (Engardino, Capell, Carey, & Hall, 2007; Margolis & Walsh, 2003; and Orlitzky & Rynes, 2003). Although there have been conflicting findings in different studies regarding the complex performance-corporate social responsibility relationship in the past (Pearce et al., 2013), an often cited meta-analysis confirmed a positive association across study contexts and industries (Orlitzky et al., 2003). Sometimes the most positive impact was found in corporate reputation, a very important intangible asset. This led to an increasing number of corporations now expressing the belief that social and environmental practices can yield competitive advantages in the global marketplace.

Theoretical perspectives applied to the analysis of strategic corporate social responsibility include the resource-based view to develop sustainable competitive advantage (McWilliams et al., 2010) and a strategic CSR model that links a firm's social responsibility efforts closely to core business objectives, and leverages firm strengths to positively contribute to society (Porter et al., 2006). Other theories that have been applied to CSR include agency theory; institutional theory; stewardship theory; stakeholder theory; and communication theories such as framing and counterframing (Lindgreen et al., 20009; Waller & Conaway, 2011).

Yet at the very core of CSR research and corporate practice, a clear singular definition of CSR has not emerged, resulting in problems with measurement, theoretical development, practical application, and interpretation of CSR. A wide range of CSR definitions and conceptualizations can be found in literature reviews and in practice by individual companies. Corporate social responsibility has been variously defined with a focus on the environment and sustainability or philanthropy or progressive employee policies or ecologically friendly product development or the provision of good customer service (Lindgreen et al.; McWilliams, Siegel, & Wright, 2006).

Businesses around the world widely acknowledge the need and desire to be socially responsible. The question for an increasing number of organizations is *how* best to engage in corporate social responsibility, not *if* CSR should be put into action. The lack of clarity concerning the definition of corporate social responsibility, however, is problematic. For example, it is more difficult to prioritize, implement, and evaluate CSR activities when corporate definitions/defining statements are unclear. Thus, more specific corporate definitions and defining statements that communicate the organization's approach to CSR and priorities are needed. Otherwise, CSR activities may be fragmented, inconsistent, disconnected, and less effective when undefined or poorly articulated to managers and employees in the organization.

THE MANAGER INTERVIEWS

This study explores definitional issues concerning corporate social responsibility as viewed through the lens of 102 organizational managers in a broad array of organizations operating in manufacturing, construction, and a wide range of service industries including retail, food and beverage, and financial services. The mean number of years as a manager is twelve years, the median is ten years, and the range is one to thirty-seven years of management experience.

The managers work in small businesses or small-to-medium size business units of multinational corporations. Their titles included branch manager and assistant branch manager; director of information technology or infrastructure; manager of internal audit; operations manager; district sales manager; project manager; office manager; director of recruiting; store manager; office manager; and customer service manager. The managers interviewed, therefore, are not at the very top of the organizational hierarchy.

Seventy-three percent of the respondents are managers working in service industries, and twenty-seven percent work in manufacturing and construction. Total 2011 sales revenue for these organizations ranged from approximately \$10 million to more than \$50 billion dollars in U.S. currency. (The billion dollar revenues were reported in consolidated financial statements for the multinational corporations that individual business units/branches are affiliated with.)

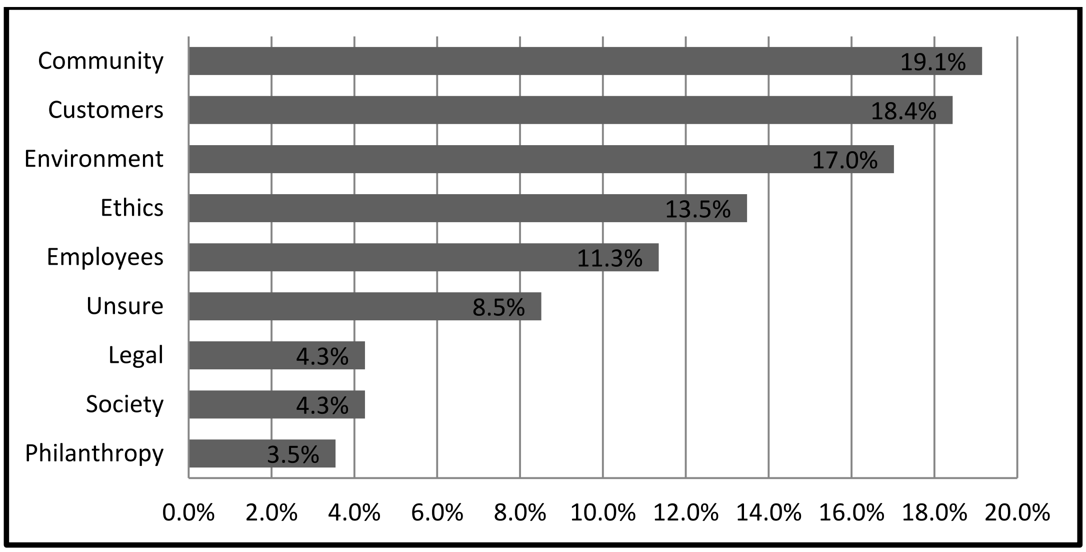
The managers were interviewed in November, 2011 through April, 2012 as part of a volunteer sample drawn from firms located in the Northern suburbs of the Chicago metropolitan area, extending into Southeast Wisconsin. They were asked a number of open-ended questions including the definition of corporate social responsibility in their organizations; whether CSR was a part of their corporate strategic plan, and whether a social audit was ever conducted to evaluate CSR activities.

ANALYSIS OF THE INTERVIEW DATA

A wide array of definitions of corporate social responsibility was provided by the managers interviewed. A simple content analysis was conducted to determine the frequency of the words/terms used in the CSR definitions. The content analysis revealed certain words and terms were often cited across industries, and eight categories of CSR emerged. The major CSR categories based on the managers' CSR definitions of corporate social responsibility are: Community; Customers; Environment; Ethics; Employees; Legal; Society; and Philanthropy. Community was cited in 19.1% of the managers' definitions; Customers 18.4%; Environment 17%; Ethics 13.5%; Employees 11.3%; Legal, 4.3%; Society 4.3%; and Philanthropy 3.5%. Notably, 8.5% percent of the managers indicated they were unsure about their organization's definition of CSR.

More than one-half of the eight CSR categories that emerged as a result of the content analysis can be considered as major stakeholders and collectively are contained in 70.1% of the managers' CSR definitions if you include the environment as a major stakeholder along with customers, community, employees, and society. The inclusion of the environment as a stakeholder has been advocated in some strategic CSR literature (e.g., Werther Jr. & Chandler, 2011). This result is congruent with the stakeholder approach to social responsibility, i.e., the majority of managers viewed and defined CSR with respect to meeting the needs and addressing the claims of major stakeholders. In contrast, only 13.5% of the managers defined corporate social responsibility as involving ethics, morals, honesty, and doing morally "right" things that conform to the core values set for the firm. Another 4.3% percent of the managers described CSR as obeying the law, and complying with rules, regulations, and federal guidelines. In addition, 4.3% included society as a major focus of corporate social responsibility in their organization. Figure 1 depicts these percentages across the eight CSR categories, and also includes the percentage of managers who were unsure.

FIGURE 1
DEPICTION OF FREQUENCY PERCENTAGES ACROSS CSR CATEGORIES



The interviewees' responses concerning corporate social responsibility were quite enlightening. The managers were asked whether CSR is an official, integral part of their organization's strategic plan, and if so, whether a CSR Audit is conducted to evaluate how effectively their organization achieves its CSR goals and implements its activities. Approximately 48% of the managers reported that corporate social responsibility is in their strategic plan; an equal percentage (48%) reported that CSR is not included in their strategic plan and 2% of the interviewees were unsure. This reflects a very high percentage of strategic plans that do not reference corporate social responsibility at all, and helps to explain the 8.5% of the managers who were unsure of a definition for CSR in their organizations. Further, the authors have begun analyzing and comparing the managers' definitions with corporate definitions and/or public statements and other communications with external stakeholders. Preliminary differences found to-date are startling at times. Also, within the volunteer sample there are a few instances in which managers from different locations of the same corporation have very different definitions of CSR. This certainly reveals the need for companies to be as concerned with communicating and promoting a shared understanding of corporate social responsibility internally among organizational managers, similar to approaches used in communicating with external stakeholders.

In response to a question regarding whether a CSR Audit is conducted, 50% said “no,” 31% said an audit is conducted, and 20% were unsure if an audit is completed or not. These are not encouraging results from a CSR assessment and evaluation perspective.

DISCUSSION

The views of organizational managers are very important to an organization. If CSR can be positively linked to economic and/or social performance, then the way in which CSR is perceived and understood is critical to the success of the organization. While the top management team typically authorizes and approves the CSR definition and priorities for a company, it is important that operational managers also understand the corporate CSR perspective. Managers’ views and understanding of corporate policies and activities directly impact their behavior and the behavior of their subordinates.

The finding indicating one-half or more of the CSR categories that emerged represent various groups of stakeholders is congruent with the definition that “CSR is the view of the corporation and its role in society that assumes a responsibility among a firm’s stakeholders to hold the firm accountable for its actions” (Werther, Jr. & Chandler, 2011:5). Organizations have inside and outside stakeholders. Customers and community are examples of important outside stakeholders while employees are major inside stakeholders. It is consistent with the importance of these stakeholders that CSR categories identified by analyzing the managers’ responses often directly reflect these internal and external constituencies.

On the other hand, it is not surprising that philanthropy (including donations, fundraising, and social investment) is only referenced in 3.5% of the managers’ definitions. Businesses as a whole have significantly evolved from prior conceptualizations of CSR as primarily fundraising and making donations. An increasing number of organizations are implementing a more strategic CSR approach that links CSR to their business model as they attempt to have an increasingly positive impact on stakeholders as well as the organization (Milliman, Ferguson, & Sylvester, 2008). Further, the low 4.3% who cited legal considerations as their CSR focus is congruent with the shift in CSR beyond mere compliance with laws to actually making a difference in addressing the claims and needs of stakeholder groups.

CONCLUSION

Corporate social responsibility is widely accepted by many organizations in the United States and throughout the world. It is considered to be “a necessity,” as one manager stated in his interview when asked for a definition of CSR.

Businesses operate in an interconnected world with tremendous challenges. One challenge is to be socially responsible while also earning profits and maximizing shareholder wealth. Thus, decisions made to develop and implement CSR initiatives are increasingly important to the survival and growth of organizations. Violating corporate social responsibility can have extremely negative consequences that may reverberate around the world (Friedman, 2005; Zhang, 2008). Clearly defining, articulating, and promoting CSR internally and externally are essential corporate tasks in the global business arena.

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