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## What is CSR?

Although the role of business in society has been debated for hundreds of years, if not longer, the concept of corporate social responsibility (or CSR) in its current form first emerged in the 1950s.<sup>i</sup> A convenient marker for the start of the modern CSR era is the publication, in 1953, of Howard R. Bowen's book, *Social Responsibilities of the Businessman*.

The same questions that motivated Bowen remain relevant today. What responsibilities do businesses have to contribute in positive ways to society? What benefits might be derived from a more enthusiastic assumption of these responsibilities? What practical steps could be taken to encourage businesses to give greater weight to these responsibilities in their decision making?

Here's another way to think of CSR.

One of the defining characteristics of properly functioning economic markets is the alignment of individual and collective interests. If individual and collective interests are aligned, then there is no need for participants—either suppliers (i.e. companies) or buyers (often individuals)—to consider the impact of their actions on market outcomes. For example, in properly functioning economic markets, it is assumed that self-interested behavior by both buyers and sellers will produce desirable outcomes, such as efficient utilization and optimal allocation of resources. Adam Smith referred to this alignment as an “invisible hand” when he observed that individuals, focusing only on their own self-interest, and without giving any consideration to the broader impact of their actions,

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seem to behave as if guided by an unseen force to promote societal interests.

In other words, in properly functioning markets, participants can, in a sense, outsource their concern for societal interests to the invisible hand. Participants can simply shrug their shoulders, assume that the market will sort it out, and go about pursuing their own interests. Remarkably, as Adam Smith observed, by focusing on their own interests, market participants often end up promoting societal interests more effectively than if they had intentionally set out to do so.

In this respect, CSR runs counter to market logic. Because markets do not always function properly, there is no guarantee that the pursuit of individual interests will further societal interests. Businesses, therefore, are expected to actively assess the effect of their actions on the broader economic and social systems in which they are embedded. From a CSR perspective, therefore, businesses should be aware of societal expectations, and they should intentionally regulate their behavior in order to contribute to outcomes that meet those expectations.

Consider this. What if participants in the housing and mortgage markets prior to the global financial crisis of 2007–2008 had more carefully considered the potential impact of their actions on the broader economy? What if some of the key players had allowed these broader considerations to constrain their self-interested behavior? Might the crisis have been less severe, or have been avoided altogether?

The general idea of CSR, therefore, is that businesses have a responsibility to contribute to economic outcomes that meet societal expectations. Although this general statement is relatively uncontroversial, it is surprisingly difficult to provide a more precise definition.

## **DEFINITIONS**

The CEO of ExxonMobil, Rex Tillerson, recently commented that “there is a wide diversity of views on the role of a company such as ExxonMobil in today’s society. We know that we will never satisfy everyone.”<sup>ii</sup>

In the sixty years since Bowen's landmark book, numerous definitions of CSR have been offered by academics, practitioners, councils, and groups. The five definitions included below are arranged in chronological order and illustrate a few of the different ways CSR has been conceptualized and defined. As you read these definitions, look for both commonalities and differences.

*The term social responsibilities of businessmen will be used frequently. It refers to the obligations of businessmen [and businesswomen] 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. This definition does not imply that businessmen as members of society lack the rights to criticize the values. . . . It is assumed, however, that as servants of society, they must not disregard socially accepted values or place their own values above those of society.—Howard R. Bowen, 1953<sup>iii</sup>*

*All of this suggests that when we invoke the phrase “the social responsibilities of the businessman [or businesswoman],” we mean that businessmen [or businesswomen] should oversee the operation of an economic system that fulfills the expectations of the public. And this means in turn that the economy's means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare. 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 utilized for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms.—William C. Frederick, 1960<sup>iv</sup>*

*What does it mean to say that the corporate executive has a “social responsibility” in his capacity as businessman? If this statement is not pure rhetoric, it must mean that he is to act in some way that is not in the interest of his employers. . . . That is why, in my book *Capitalism and Freedom*, I have called it a “fundamentally subversive doctrine” in a free society, and have said that in such a society, “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.—Milton Friedman, 1970<sup>v</sup>*

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*With so many conflicting goals and objectives, the definition of CSR is not always clear. Here we define CSR as actions that appear to further some social good, beyond the interests of the firm and that which is required by law. This definition underscores that, to us, CSR means going beyond obeying the law.—Abigail McWilliams & Donald Siegel, 2001<sup>vi</sup>*

*Corporate social responsibility (CSR) is about how businesses align their values and behaviour with the expectations and needs of stakeholders—not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR describes a company's commitment to be accountable to its stakeholders. CSR demands that businesses manage the economic, social and environmental impacts of their operations to maximise the benefits and minimise the downsides. Key CSR issues include governance, environmental management, stakeholder engagement, labour standards, employee and community relations, social equity, responsible sourcing and human rights.—Two Tomorrows, 2013<sup>vii</sup>*

Although these definitions contain similar elements, it should also be clear that there is significant disagreement. It is important to realize that defining CSR is not merely a descriptive exercise. It is not as simple as attaching a label to a particular business practice, as is the case with many other business concepts. It is a normative exercise in the sense that defining CSR requires making the role of business in society explicit by enumerating societal obligations. Taken far enough, defining CSR becomes a political or ideological exercise, because it requires the implementation of a vision of how society's political economy should be structured, bounded, and ultimately, controlled.<sup>viii</sup> It shouldn't be surprising that there is little agreement on the specifics. CSR is, by its nature, an "essentially contested concept."<sup>ix</sup>

Despite these challenges, this book builds on previous definitions by proposing the following definition of CSR:

CSR, broadly defined, is the moral and practical obligation of market participants to consider the effect of their actions on collective or system-level outcomes and to then regulate their behavior in order to contribute to bringing those outcomes into congruence with societal expectations.<sup>x</sup>

Milton Friedman, an economist and recipient of the Nobel Prize in Economic Sciences, is generally perceived to have been hostile to the CSR concept. Did it surprise you to find a quote from him included with the other CSR definitions? Go back and reread the paragraph attributed to him. Note that while criticizing the concept of CSR as he perceives it, he provides his own definition of it: “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.” From Friedman’s perspective, the best way for individual companies to contribute to societal welfare is to maximize profits (subject to certain constraints). Friedman’s comments are included with other definitions of CSR because he explicitly links the behavior of individual businesses to societal welfare, albeit in a different way than most CSR advocates. We will discuss Friedman’s position in greater detail in Chapter 3.

## **REPORTING & MEASUREMENT**

Up to this point, CSR has been discussed in relatively abstract terms. A reasonable question to ask, therefore, is what does CSR look like in practice? What do businesses do that qualifies as CSR?

An early textbook on business society, originally published in 1966, listed the following areas of potential social involvement: ecology and environmental quality (e.g., pollution, aesthetics, noise control), consumerism (e.g., product safety), community needs (e.g., urban renewal), business giving, minorities and disadvantaged persons (e.g., training, utilization in supply chain), and labor relations, among others.<sup>xi</sup>

Third parties, like the Global Reporting Initiative (GRI), have developed and promoted different reporting guidelines that involve hundreds of different indicators and data points.<sup>xii</sup> The G3.1 framework, the latest version of GRI’s reporting guidelines, for example, involves detailed indicators across three principle areas: economic, environmental, and social. In the social area, GRI guidelines identify four subcategories: labor practices, human

rights, society, and product responsibility. Specific performance indicators in the social subcategory include the percentage of operations with local engagement programs, the percentage of business units analyzed for risks related to corruption, and the total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices, among others.<sup>xiii</sup> AccountAbility, another third-party organization promoting sustainability reporting, has developed the AA1000 framework that involves a similarly comprehensive set of indicators.

CSR information was recently added to Bloomberg terminals—a proprietary computer system marketed by Bloomberg L. P. and used by financial service professionals that streams real-time financial data and provides access to the company's electronic trading platform. Referred to as environmental, social, and governance data (or ESG data), Bloomberg publishes more than two hundred indicators, including the number of board meetings per year, the size of the audit committee, total employee fatalities, whether or not the company is a UN Global Compact signatory, municipal water use, and other similar variables.

Researchers have attempted to measure CSR by relying primarily on three types of information: a) reputational scores or rankings, generally based on survey responses (e.g., *Fortune* magazine's Corporate Reputation Survey<sup>xiv</sup>) b) third-party composite measures, indices or rankings (e.g., the KLD's social performance ratings<sup>xv</sup>), and c) analysis of company documents, filings, observation of activities or other direct data-gathering efforts (e.g., content analysis of annual company reports, media reports, or interviews with company representatives). Measures of CSR have included, among other things, pollution performance ratings, concern for the disadvantaged, the effectiveness of employee training programs, the existence of sexual harassment policies, and workplace safety records. Because CSR is often defined so broadly, research studies have employed a wide range of different—and in many ways, incompatible—empirical measures.<sup>xvi</sup>

Table 1.1 includes links to the websites of the top ten companies on the 2012 Best Corporate Citizens list published by *CR Magazine*.<sup>xvii</sup> To get a better understanding of what CSR looks like in practice, spend a few minutes reviewing the information

these companies disclose about their CSR activities. For example, as of June 1, 2013, Bristol-Myers Squibb provided an update on its ten-year sustainability goals (established in 2001), outlined its 2015 goals, and provided access to a comprehensive sustainability report, audited by a third party, that adhered to the 2006 G3 reporting guidelines developed by GRI.

Specific examples of other CSR activities, again, as of June 1, 2013, included IBM's energy conservation projects (that resulted in savings equivalent to 7.4% of the firm's total energy use in 2011), Intel's employee volunteer program (that involved 1.1 million hours of service at 5,100 schools and nonprofits in 45 countries in 2011), Microsoft's work with the British Council to help ministries of education and other stakeholders equip schools in Ghana, Nigeria,

**TABLE 1.1** Top Ten Companies on *CR Magazine's* 2012 List of the 100 Best Corporate Citizens

	<i>Company</i>	<i>Symbol</i>	<i>Company Website</i>
1	Bristol-Myers Squibb Co.	BMY	<a href="http://www.bms.com">http://www.bms.com</a>
2	International Business Machines Corp.	IBM	<a href="http://www.ibm.com">http://www.ibm.com</a>
3	Intel Corp.	INTC	<a href="http://www.intel.com">http://www.intel.com</a>
4	Microsoft Corporation	MSFT	<a href="http://www.microsoft.com">http://www.microsoft.com</a>
5	Johnson Controls Inc	JCI	<a href="http://www.johnsoncontrols.com">http://www.johnsoncontrols.com</a>
6	Accenture PLC	ACN	<a href="http://www.accenture.com">http://www.accenture.com</a>
7	Spectra Energy Corp.	SE	<a href="http://www.spectraenergy.com">http://www.spectraenergy.com</a>
8	Campbell Soup Co.	CPB	<a href="http://www.campbellsoupcompany.com">http://www.campbellsoupcompany.com</a>
9	Nike, Inc.	NKE	<a href="http://www.nikeinc.com">http://www.nikeinc.com</a>
10	Freeport-McMoRan Copper & Gold Inc.	FCX	<a href="http://www.fcx.com">http://www.fcx.com</a>

Source: Corporate Responsibility Magazine. <http://www.thecro.com/>

Uganda, Ethiopia, Kenya, and Tanzania with server hubs to be used in training local teachers and students, and Johnson Control's ongoing commitment to operating in accordance with the ten principles of the UN Global Compact. More detailed information about these initiatives—and hundreds of other CSR programs and initiatives—are available on the websites of the ten companies in Table 1.1.

Similar information is now available from the majority of large companies. According to a recent report by KPMG, for example, 95% of the largest global companies now regularly report on corporate responsibility activities.<sup>xviii</sup> The scope of activities and level of detail reflected in these reports offers an unprecedented look at aspects of corporate activity that are often only indirectly represented in traditional financial statements.

Over the last ten years, the amount of CSR and sustainability data published annually by the world's largest corporations has increased exponentially. Comprehensive reporting frameworks are beginning to emerge and there is a growing consensus regarding reporting protocols and standards. This trend attests to the significant progress that continues to be made in the area of CSR disclosure and assessment.

## **MAPPING THE TERRAIN**

The objective of financial accounting is to provide information about the economic performance of businesses. The objective of corporate responsibility reporting is to provide additional information about aspects of business performance that may not be fully reflected in financial data. It is important to recognize that corporate responsibility reporting is intended to supplement financial accounting data, not replace it.

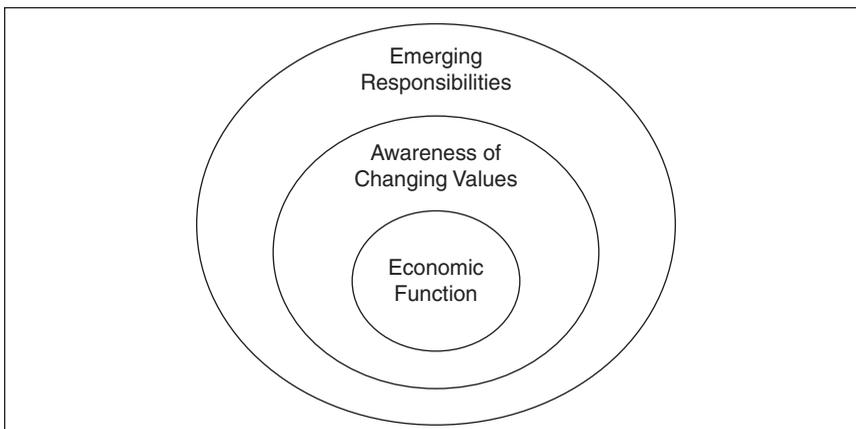
In a philosophical sense, it is relatively easy to assert that a society's economic system is designed to yield certain outcomes, and that businesses should therefore incorporate these outcomes into their decision making. In practice, however, the question of exactly what actions constitute CSR is complex. The 2012 Best Corporate Citizens list referenced earlier, for example, was compiled based on an analysis of 318 individual variables across seven major activity categories and fourteen related subcategories. Each of these

variables was collected for each company considered for inclusion on the list.

In an effort to represent the relationship between business and society in a conceptually simple way, a number of different CSR models have been proposed.

## Concentric Circle Model

The Committee for Economic Development published a statement in 1971 suggesting that societal expectations could be represented by three concentric circles of responsibilities (see Figure 1.1).<sup>xix</sup> The inner circle includes traditional economic responsibilities directly related to the efficiency of business functions. The next circle out—the intermediate circle—represents the responsibility to carry out the activities of the first circle in a manner consistent with evolving societal values and shifting priorities. If, for example, society elevates its expectations regarding environmental stewardship, or employee safety, then businesses would have a responsibility to incorporate these changes into their decision-making processes. Finally, the outer circle represents emergent or ambiguous expectations, often associated with complex social



**FIGURE 1.1** Concentric Circle Model of CSR

Source: Adapted from Committee for Economic Development. 1971. *Social Responsibilities for Business Corporations*. New York: Author; and Blomstrom, R. L. 1971. *Business, Society, and Environment: Social Power and Social Response* (2nd ed.), New York: McGraw-Hill Book Company.

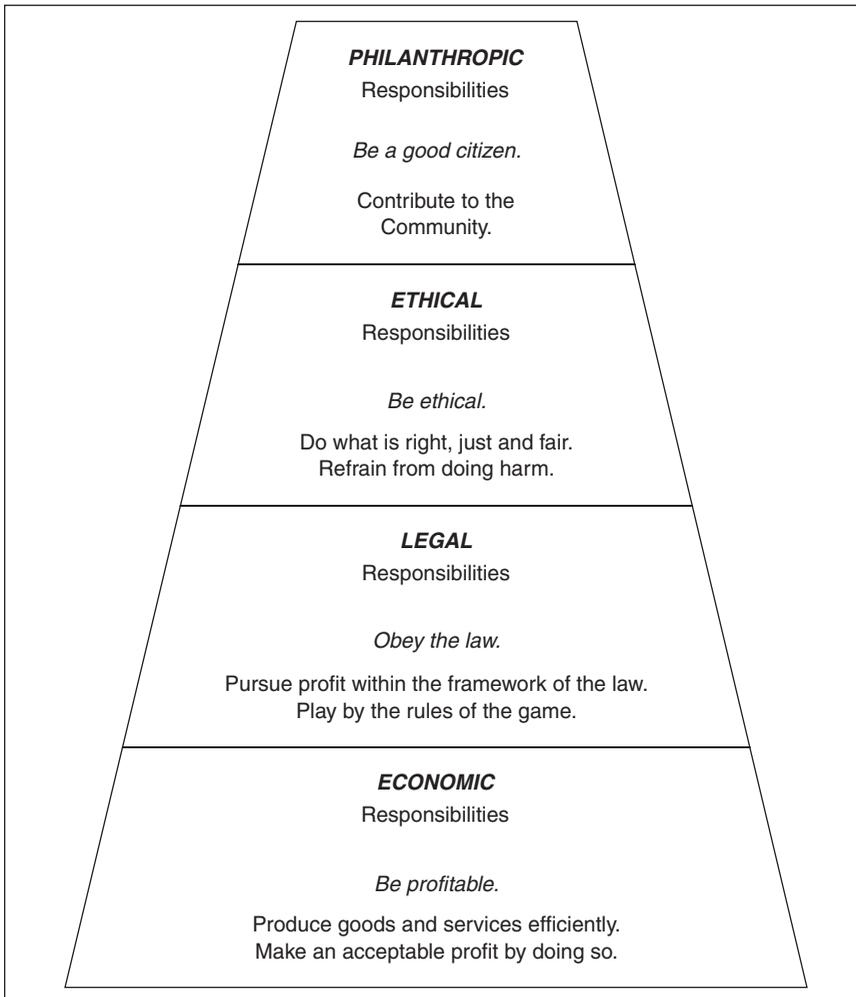
problems, such as income inequality or poverty. In terms of priority, businesses are expected to begin with the inner circle and work their way outward.

## The CSR Pyramid

In 1991, Archie B. Carroll argued in an academic paper that CSR could be subdivided into four primary components and that these components could be visualized as a pyramid (see Figure 1.2).<sup>xx</sup> At the base of the pyramid are economic responsibilities. At their core, businesses are economic entities designed to be driven by the potential for profit. Other responsibilities are dependent on a business first fulfilling its economic responsibilities, because unless it is able to do so, it will be unable to continue in operation. Legal responsibilities are represented by the next layer of the pyramid. Although businesses are expected to pursue economic profit, they are expected to do so within the framework of laws and regulations established by society. The third layer is comprised of ethical responsibilities. Although laws and regulations are rooted in ethical norms and the ideals of fairness of justice, there is a significant subset of societal standards, norms, and expectations that have not been codified into law, but with which businesses should nevertheless comply. Businesses should recognize that there is constant interplay between the legal and ethical layers as societal expectations evolve and laws are changed. Finally, the last layer represents philanthropic responsibilities. This layer includes efforts intended to promote the general welfare in ways that may be appreciated, but are not necessarily expected.

Based on the pyramid model of CSR, businesses should start at the base—beginning with economic responsibilities—and then work to satisfy legal and ethical responsibilities before finally reaching the top, where they can address philanthropic responsibilities.

Although both of these CSR models are conceptually appealing in some ways, they both imply that the economic function of business can be separated from other less central (and therefore, less important) considerations. In the case of the Concentric Model of CSR, for example, it is implied that the economic function of businesses should be given priority over an awareness of shifting



**FIGURE 1.2** The CSR Pyramid

Source: Adapted from Carroll, A. B. 1991. The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34:39–48.

societal values and priorities. Shifting values and priorities, however, are reflected in both supplier and buyer value attributions, and are therefore directly related to the prices the company is asked to pay by suppliers and the prices customers are willing to pay for the company's products and services. In other words, an awareness of shifting values and priorities isn't something a business should consider after it addresses its economic function; this awareness is an essential part of its economic function.

Similarly, in the case of the CSR Pyramid, CSR requires firms to pursue their economic interests *subject to* legal and ethical considerations, not the other way around. In other words, legal and ethical considerations should constrain and shape the pursuit of economic interests rather than be treated as secondary objectives to be pursued after economic responsibilities have been addressed.

Despite these shortcomings, both of these models have been influential in shaping how CSR has been conceptualized.

## RELATED TERMS

CSR should not be thought of as a single idea or concept, but rather as an “umbrella” term that unites a number of different approaches or perspectives that explicitly address the relationship between business and society from a business perspective. For this reason, some academics have suggested that CSR should be conceptualized as a field of study, rather than a specific term with an agreed-upon meaning.<sup>xxi</sup> It shouldn’t be surprising that there are a number of associated concepts and terms that need to be briefly mentioned.

*Sustainability*, and the more specific term, corporate sustainability, are both rooted historically in efforts by the United Nations to promote sustainable development, defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”<sup>xxii</sup> Although in the past it has been associated primarily with environmental stewardship, it is now understood that sustainability, when used in a business context, encompasses economic and social concerns, as well as environmental issues. Evolving CSR reporting standards, such as GRI’s reporting framework, have largely adopted this same structure (i.e., a tripartite focus on economic, social, and environmental responsibilities). In its current form, the term sustainability is more or less synonymous with CSR, and in certain contexts (e.g., in academic circles in Europe), it now appears to be the preferred label for efforts to address the business and society interface.

*Corporate citizenship* is another concept that is often associated with CSR. Corporate citizenship tends to be more practitioner-based

than CSR, and is centered around the idea or metaphor of the corporation as a good neighbor or virtuous citizen.<sup>xxiii</sup> *Corporate social performance*, another related concept, adopts as a conceptual starting point the responsibility of businesses to sense and then respond to evolving social expectations.<sup>xxiv</sup> In the 1950s, CSR generally took the form of charitable giving; this history continues to be reflected in CSR's close association with *corporate philanthropy* and other forms of community involvement.<sup>xxv</sup>

At least two other related concepts deserve mention: *stakeholder theory* and *systems theory*. Stakeholder theory emerged in the early 1980s as a new way of thinking about corporate strategy.<sup>xxvi</sup> From a stakeholder perspective, instead of working primarily to maximize returns to shareholders, managers should consider the needs of a broad range of stakeholders, defined as "those groups and individuals that can affect, or are affected by, the accomplishment of organizational purpose."<sup>xxvii</sup> Managers should seek to guide the business in a way that creates value for all stakeholders. Some proponents of stakeholder theory have argued that CSR has outlived its usefulness and that it should be replaced by a focus on stakeholder responsibility or stakeholder management.<sup>xxviii</sup>

Systems theory, another term that is often associated with CSR, is a broad, interdisciplinary approach that focuses on the general characteristics of different systems, rather than specific fields of research. When applied to CSR, systems theory focuses on the embeddedness of businesses in their surrounding systems and subsystems, and draws attention to feedback loops, interdependencies, unintended consequences, and other system characteristics that are often essential to an understanding of the complex role of business in society. For example, system dynamics, a systems theory approach pioneered in the 1950s by Jay Forrester, focuses primarily on feedback loops, stocks and flows to explain why simple systems can often produce complex and nonlinear outcomes.

One example of the systemic nature of CSR is the issue of employee wages. Should companies, for example, be allowed to pay employees less than a subsistence or "living" wage?<sup>xxix</sup> If companies are allowed to do so, then should these employees be allowed to access social safety net programs?<sup>xxx</sup> If employees are paid less than a subsistence wage, but are willing (and able) to continue working because their wages are effectively subsidized by

taxpayers, what implications does this have for the labor market? If competition among companies pushes down wages, and falling wages increase demand for social safety net programs, what implications does this have for the labor market? What implications does this have for tax policy?

Sustainability, corporate citizenship, corporate social performance, philanthropy, community involvement, stakeholder theory, and systems theory all represent important parts of what might be termed the CSR “ecosystem.” Each of these related terms represents a different way of approaching the same overarching questions articulated by Bowen in 1953 and highlighted at the start of the chapter.

## **CHAPTER SUMMARY**

A convenient marker for the start of the modern CSR era is the publication of the book *Social Responsibilities of the Businessman*. Published in 1953, this book asked “What responsibilities do businesses have to contribute in positive ways to society?” In many ways, CSR is an attempt to answer this question. This chapter offers a number of different definitions of CSR. For present purposes, CSR can be broadly defined as the moral and practical obligation of market participants to consider the effect of their actions on collective or system-level outcomes and to then regulate their behavior in order to contribute to bringing those outcomes into congruence with societal expectations.

A number of different organizations, such as the Global Reporting Initiative (GRI), have developed reporting guidelines that specify what types of CSR information businesses should report, and in what form they should report it. Nearly all of the largest global companies now regularly release corporate responsibility reports.

At least two well-known CSR models represent the broad relationship between business and society in a conceptually simple way: the Concentric Circle model and the CSR Pyramid. Although both of these models inappropriately compartmentalize economic, legal, and ethical considerations, both have been influential in shaping how CSR has been conceptualized.

A number of different terms are associated with CSR. Sustainability, corporate citizenship, corporate social performance, philanthropy, community involvement, stakeholder theory, and systems theory all represent important parts of what might be termed the CSR “ecosystem.”

## REVIEW QUESTIONS

1. A convenient marker for the start of the modern CSR era is the publication of Bowen’s book, *Social Responsibilities of the Businessman*. What questions did Bowen ask in this book? Why are these questions still relevant today?
2. How is CSR different from Adam Smith’s concept of the invisible hand? Why is this important?
3. Based on the definitions of CSR in the chapter—including the author’s definition—what do you believe are the essential elements of CSR? Why?
4. Describe some of the CSR programs or activities you discovered on the websites of the companies listed in Table 1.1.
5. Briefly describe the Concentric Circle Model of CSR and the CSR Pyramid. Explain how these models inappropriately compartmentalize economic, legal, and ethical considerations.
6. List and briefly describe the CSR-related terms highlighted in the text: sustainability, corporate citizenship, corporate social performance, philanthropy, stakeholder theory, and systems theory.

## APPENDIX: ADDITIONAL CSR DEFINITIONS

Here are some additional definitions of CSR (listed in chronological order):

*The concept of social responsibilities is rather difficult to set forth, for there are many definitions. Briefly, however, the concept implies*

*that the modern business corporation should recognize that, in this day and age, it can no longer hungrily pursue the single goal of profits to the complete neglect of its table manners. The idea of social responsibilities supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations. The corporation today must take an interest in politics, in the welfare of the community, in education, in the "happiness" of its employees—in fact, in the whole social world about it. In a sense, therefore, it must act "justly" as a proper citizen should.—Joseph W. McGuire, 1963<sup>xxxi</sup>*

*The difference between social responsibility and traditional business decision making is that traditional decision makers confine themselves primarily to narrow economic and technical values, but social responsibility extends thinking to social values as well. It also requires thinking in terms of the whole social system, rather than the narrow interests of a single organization, group, or person. It is clearly a systems way of thinking.—Keith Davis & Robert L. Blomstrom, 1966<sup>xxxii</sup>*

*The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behavior and outcomes.—Donna J. Wood, 1991<sup>xxxiii</sup>*

*Business needs a stable social environment that provides a predictable climate for investment and trade. CSR is the means by which business contributes to that stability rather than detracting from it. By establishing and maintaining a corporate agenda which recognizes social priorities and is tailored to meet them, business displays its human face to consumers, communities and opinion leaders.—World Business Council for Sustainable Development, 2000<sup>xxxiv</sup>*

*As the power and influence of businesses have grown, so have society's expectations. Not only does society now want corporations to take much more responsibility for their social and environmental impacts, but we now expect corporations to provide leadership and address pressing social challenges—narrow the gap between the rich and poor, solve poverty, reduce human-rights abuses. Corporate citizenship is now defined by what a company "does," not what it "gives."—Council on Foundations, 2012<sup>xxxv</sup>*

*Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. CSR is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders.*—Wikipedia, 2013<sup>xxxvi</sup>

## ENDNOTES

<sup>i</sup>For a more complete history of the CSR construct, see Carroll, A. B. 1999. Corporate social responsibility: Evolution of a definitional construct. *Business and Society*, 38(3): 268–296; also see Carroll, A. B. 2008. A history of corporate social responsibility: Concepts and practices. In A. Crane, A. McWilliams, D. Matten, J. Moon, and D. Siegel (Eds.), *The Oxford handbook of corporate social responsibility*: 19–46. Oxford: Oxford University Press.

<sup>ii</sup>This statement was made by Rex W. Tillerson, Chairman and CEO, in a recent letter to stakeholders. As of April 6, 2011, this letter was available on the company website: [http://www.exxonmobil.com/Corporate/community\\_ccr\\_ceo.aspx](http://www.exxonmobil.com/Corporate/community_ccr_ceo.aspx).

<sup>iii</sup>Bowen, H. R. 1953. *Social responsibilities of the businessman*. New York: Harper & Row, see page 6.

<sup>iv</sup>Frederick, W. C. 1960. The growing concern over business responsibility. *California Management Review*, 2: 54–61, see page 60.

<sup>v</sup>Friedman, M. 1970. The social responsibility of business is to increase its profits. *New York Times Magazine*, September 13.

<sup>vi</sup>McWilliams, A. and Siegel, D. 2001. Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review*, 26(1): 117–127, see page 117.

<sup>vii</sup><http://www.twotomorrow.com/news/what-csr/>, accessed on Feb. 6, 2013.

<sup>viii</sup>For a good overview of the academic field of CSR scholarship, see Crane, A., McWilliams, A., Matten, D., Moon, J., and Siegel, D. 2008. The corporate social responsibility agenda. In A. Crane, A. McWilliams, D. Matten, J. Moon, and D. Siegel (Eds.), *The Oxford handbook of corporate social responsibility*: 3–15. Oxford: Oxford University Press. For more information on an interesting perspective on the ongoing discussion of CSR in academia that addresses the role of ideology, see Marens, R. 2004. Wobbling on a one-legged stool: The decline of American pluralism and the academic treatment of corporate social responsibility. *Journal of Academic Ethics*, 2(1): 63–87.

<sup>ix</sup>This phrase has been used to describe the concept of corporate citizenship, see Moon, J., Crane, A., and Matten, D. 2005. Can corporations be citizens? Corporate citizenship as a metaphor for business participation in society. *Business*

*Ethics Quarterly*, 15(3): 429–453. It is also been used to describe the CSR construct: Crane, A., McWilliams, A., Matten, D., Moon, J., and Siegel, D. 2008. The corporate social responsibility agenda. In A. Crane, A. McWilliams, D. Matten, J. Moon, and D. Siegel (Eds.), *The Oxford handbook of corporate social responsibility*: 3–15. Oxford: Oxford University Press.

<sup>x</sup>This definition is adapted from a working paper on the systemic aspects of CSR by the author and a colleague: Beal, B. D. and Neesham, C. 2013. Systemic CSR: Insourcing the invisible hand. Tyler, TX: The University of Tyler at Texas.

<sup>xi</sup>Davis, K. and Blomstrom, R. L. 1975. *Business and society: Environment and responsibility* (3rd ed.). New York: McGraw-Hill, pgs. 8–10.

<sup>xii</sup>Detailed information on GRI's most recent update of its sustainability reporting framework (G3.1) is available on its website: <https://www.globalreporting.org/Pages/default.aspx>.

<sup>xiii</sup>For a good overview of different CSR and sustainability reporting standards, see Marimon, F., Alonso-Almeida, M. d. M., Rodríguez, M. d. P., and Cortez Alejandro, K. A. 2012. The worldwide diffusion of the global reporting initiative: What is the point? *Journal of Cleaner Production*, 33(2012): 132–144.

<sup>xiv</sup>The utility of the Fortune index for CSR research remains a subject of debate: Fryxell, G. E. and Jia, W. 1994. The Fortune corporate 'reputation' index: Reputation for what? *Journal of Management*, 20(1): 1; Brown, B. and Perry, S. 1994. Removing the financial performance halo from fortune's "most admired" companies. *Academy of Management Journal*, 37(5): 1347–1359; Brown, B. and Perry, S. 1995. Halo-removed residuals of Fortune's "responsibility to the community and environment": A decade of data. *Business & Society*, 34: 199–215; Wood, D. J. and Jones, R. E. 1995. Stakeholder mismatching: A theoretical problem in empirical research on corporate social performance. *International Journal of Organizational Analysis* (1993–2002), 3(3): 229.

<sup>xv</sup>Kinder, Lydenberg, Domini & Co. (KLD) was founded in 1989. The company produced a social performance rating, or KLD rating, for a number of publicly traded firms. KLD is credited with creating the first social investment benchmark, the Domini 400 SocialSM Index or DS 400 Index (a socially screened, capitalization-weighted index of 400 common stocks). KLD was acquired by RiskMetrics Group in 2009. RiskMetrics was then acquired by MSCI Inc. in 2010. More information on MSCI can be found here: <http://www.msci.com/about/>. The DS 400 Index is now referred to as the MSCI KLD 400 Social Index.

<sup>xvi</sup>For a good discussion of some of the challenges of measuring CSR in empirical academic studies, see Aupperle, K. E., Carroll, A. B., and Hatfield, J. D. 1985. An empirical examination of the relationship between corporate social responsibility and profitability. *Academy of Management Journal*, 28(2): 446–463; Also see Abbott, W. F. and Monsen, R. J. 1979. On the measurement of corporate social responsibility: Self-reported disclosures as a method of measuring corporate social involvement. *Academy of Management Journal*, 22(3): 501–515, and Wood, D. J. 2010. Measuring corporate social performance: A review. *International Journal of Management Reviews*, 12(1): 50–84.

<sup>xvii</sup>CR Magazine (or Corporate Responsibility Magazine) publishes this list annually. Detailed information on the methodology used to compile the list is available on the company website: <http://www.thecro.com/>.

<sup>xviii</sup>KPMG. 2011. International survey of corporate responsibility reporting 2011. Amsterdam: KPMG.

<sup>xix</sup>Committee for Economic Development. 1971. *Social responsibilities of business corporations*. New York: Author, see pgs. 15–16.

<sup>xx</sup>Carroll, A. B. 1991. The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34: 39–48.

<sup>xxi</sup>For a defense of this view, see Lockett, A., Moon, J., and Visser, W. 2006. Corporate social responsibility in management research: Focus, nature, salience and sources of influence. *Journal of Management Studies*, 43(1): 115–136; also see Crane, A., McWilliams, A., Matten, D., Moon, J., and Siegel, D. 2008. The corporate social responsibility agenda. In A. Crane, A. McWilliams, D. Matten, J. Moon, and D. Siegel (Eds.), *The Oxford handbook of corporate social responsibility*: 3–15. Oxford: Oxford University Press, pgs. 6–7.

<sup>xxii</sup>United Nations General Assembly. 1987. Report of the World Commission on Environment and Development: Our common future, pg. 16; <http://www.un-documents.net/wced-ocf.htm>.

<sup>xxiii</sup>Although the terms CSR and corporate citizenship may be used interchangeably in certain contexts, corporation citizenship is viewed by scholars as a distinct concept and is associated with its own stream of academic dialogue and research. The following papers provide a good introduction to the academic side of corporate citizenship: Matten, D. and Crane, A. 2005. Corporate citizenship: Toward an extended theoretical conceptualization. *Academy of Management Journal*, 30(1): 166–179; Moon, J., Crane, A., and Matten, D. 2005. Can corporations be citizens? Corporate citizenship as a metaphor for business participation in society. *Business Ethics Quarterly*, 15(3): 429–453; Néron, P.-Y. and Norman, W. 2008. Citizenship, Inc. Do we really want businesses to be good corporate citizens? *Business Ethics Quarterly*, 18(1): 1–26; Windsor, D. 2001. Corporate citizenship: Evolution and interpretation. In Andriof and McIntosh (Eds.), *Perspectives on corporate citizenship*: 39–52. Sheffield: Greenleaf; Wood, D. J. and Logsdon, J. M. 2008. Business citizenship as metaphor and reality. *Business Ethics Quarterly*, 18(1): 51–59.

<sup>xxiv</sup>For an introduction to corporate social performance, see Swanson, D. L. 1995. Addressing a theoretical problem by reorienting the corporate social performance model. *Academy of Management Review*, 20: 43–64; Swanson, D. L. 1999. Toward an integrative theory of business and society: A research strategy for corporate social performance. *Academy of Management Review*, 24(3): 506–521; Wood, D. J. 1991. Corporate social performance revisited. *Academy of Management Review*, 16(4): 691–718; Wood, D. J. 2010. Measuring corporate social performance: A review. *International Journal of Management Reviews*, 12(1): 50–84.

<sup>xxv</sup>For a good historical overview of the development and evolution of CSR, see Murphy, P. E. 1978. An evolution: Corporate social responsiveness. *University of Michigan Business Review*, 6(30): 19–25; Carroll, A. B. 1999. Corporate social responsibility: Evolution of a definitional construct. *Business and Society*, 38(3): 268–296; Carroll, A. B. 2008. A history of corporate social responsibility: Concepts and practices. In A. Crane, A. McWilliams, D. Matten, J. Moon, and D. Siegel (Eds.), *The Oxford handbook of corporate social responsibility*: 19–46. Oxford: Oxford University Press.

<sup>xxvi</sup>For a good introduction to stakeholder theory, see Freeman, R. E. 1984. *Strategic management: A stakeholder approach*. Boston: Pitman Publishing Inc.; Freeman, R. E. and Liedtka, J. 1991. Corporate social responsibility: A critical approach. *Business Horizons*, 34(4): 92–98; Freeman, R. E., Harrison, J., Parmar, B., and de Colle, S. 2010. *Stakeholder theory: The state of the art*. Cambridge, UK: Cambridge University Press.

<sup>xxvii</sup>Freeman, R. E. 1984. *Strategic management: A stakeholder approach*. Boston: Pitman Publishing Inc., pg. 25.

<sup>xxviii</sup>Freeman, R. E. and Velamuri, S. R. 2006. A new approach to CSR: Company stakeholder responsibility. In Kakabadse, A., and Morsing, M. (Eds.), *Corporate social responsibility: Reconciling aspiration with application*: 9–23. New York: Palgrave Macmillan.

<sup>xxix</sup>For a definition (and brief discussion) of subsistence or living wage, see [http://en.wikipedia.org/wiki/Subsistence\\_wage](http://en.wikipedia.org/wiki/Subsistence_wage).

<sup>xxx</sup>For a definition (and brief discussion) of social safety net programs, see [http://en.wikipedia.org/wiki/Social\\_safety\\_net](http://en.wikipedia.org/wiki/Social_safety_net).

<sup>xxxi</sup>McGuire, J. W. 1963. *Business and society*. New York: McGraw-Hill Book Company, Inc., see page 144.

<sup>xxxii</sup>Davis, K. and Blomstrom, R. L. 1966. *Business and society: Environment and responsibility*. New York: McGraw-Hill, see page 7.

<sup>xxxiii</sup>Wood, D. J. 1991. Corporate social performance revisited. *Academy of Management Review*, 16(4): 691–718, see page 695.

<sup>xxxiv</sup>Holme, R. and Watts, P. 2000. *Corporate social responsibility: Making good business sense*: World Business Council for Sustainable Development, <http://www.wbcsd.org/home.aspx>.

<sup>xxxv</sup>Council on Foundations. 2012. *Increasing impact, enhancing value: A practitioner's guide to leading corporate philanthropy*, pg. 8, <http://www.cof.org/>.

<sup>xxxvi</sup>[http://en.wikipedia.org/wiki/Corporate\\_social\\_responsibility](http://en.wikipedia.org/wiki/Corporate_social_responsibility), accessed on Feb. 6, 2013.