Introduction to Corporate Social Responsibility

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§1 Introduction

A number of different names are commonly used during discussions of the social responsibility of businesses including corporate responsibility, corporate accountability, corporate ethics, corporate citizenship or stewardship, responsible entrepreneurship, "triple bottom line", responsible competitiveness and corporate sustainability.[1] Rasche et al. pointed out that corporate social responsibility, or "CSR", is an essentially contested concept that has attracted a diverse range of views regarding its scope and application[2], and also observed that "CSR has varied enormously by context, particularly the context of place, or national business systems" and that "the most important characteristic to note in CSR is its susceptibility to change".[3]

A Green Paper published by the European Commission in 2001 defined CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis"[4], and a definition proposed by the European Commission in 2011 suggested that CSR should be viewed as "the responsibility of enterprises for their impacts on society".[5] According to the Dow Jones Sustainability Index, CSR is "a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments." The World Business Council for Sustainable Development defines CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."[6] Business for Social Responsibility describes CSR as a tool for "achieving

[1] The discussion in this paragraph is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 4.
[2] A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651, 653 (citing J.-P. Gond and J. Moon, "Corporate social responsibility in retrospect and prospect" in J..-P. Gond and J. Moon (Eds.), Corporate social responsibility: A reader (London: Routledge, 2011), 1).
[3] Id. (citing D. Matten and J. Moon, "'Implicit' and 'explicit' CSR: A conceptual framework for a comparative understanding of corporate social responsibility", Academy of Management Review, 33(2) (2008), 404; and J.-P. Gond and J. Moon, "Corporate social responsibility in retrospect and prospect" in J..-P. Gond and J. Moon (Eds.), Corporate social responsibility: A reader (London: Routledge, 2011), 1).
[4] European Commission, Green Paper: Promoting a European Framework for Corporate Social Responsibility (2001) www.europa.eu.int at 5 July 2007.
[5] European Commission, A renewed EU strategy 2011–2014 for corporate social responsibility, COM (2011) 681 final (Brussels: European Commission, 2011).
[6] P. Watts and Lord Holme, Corporate Social Responsibility: Meeting Changing Expectations (1999), 3.

commercial success in ways that honor ethical values and respect people, communities, and the natural environment."[7]

According to Montiel, who conducted an extensive survey of the evolution of management literature with respect to CSR and corporate sustainability, earlier articles on CSR did not define CSR well, perhaps a reflection of the ambiguous nature of perspectives on CSR.[8] Writing in the 1970s, Davis defined CSR as "the firm's considerations of, and response to, issues beyond the . . . economic, technical, and legal requirements of the firm to accomplish social benefits along with the traditional economic gains which the firm seeks".[9] Montiel's survey found that the most cited definition from the early years of scholarly work was Carroll's statement in 1979 that "the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time".[10] In that same year, Carroll introduced the conceptual corporate social performance ("CSP") model, which related the definition of social responsibility with a list of relevant social issues and a philosophy of responsiveness (reactive vs. proactive response to social issues). In 1985, Wartick and Cochran noted that the CSP model relied on an expanded version of social responsibility, which integrated economic and public policy responsibility into the definition of social responsibility.[11]

In the early 1990s, empirical studies operationalizing CSP began to appear along with more specialized journals (e.g., Business & Society and the Journal of Business Ethics) that included new CSR research and Wood defined CSP in terms of principles of CSR: the processes of corporate social responsiveness and the outcomes of corporate behavior, including impacts, policies, and programs.[12] Complicating things further is the tendency among certain practitioners and scholars to use the term "corporate responsibility" rather than CSR.[13] For example, Williams pointed out that the emphasis in definitions and interpretations of CSR has shifted over time "from philanthropy and attention to

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[7] A. White, "Business Brief: Intangibles and CSR", Business for Social Responsibility (2006), 6, available at http://www.bsr.org/reports/BSR_AW_intangibles-CSR.pdf

[8] I. Montiel, "Corporate Social Responsibility and Corporate Sustainability: Separate Pasts, Common Features", Organization and Environment, 21(3) (September 2008), 245, 252.

[9] K. Davis, "The Case For and Against Business Assumption of Social Responsibilities", American Management Journal, 16 (1973), 312.

[10] I. Montiel, "Corporate Social Responsibility and Corporate Sustainability: Separate Pasts, Common Features", Organization and Environment, 21(3) (September 2008), 245, 252 (citing A.B. Carroll, "A three-dimensional conceptual model of corporate performance", Academy of Management Review, 4(4) (1979), 497, 500).

[11] Id. (citing S. Wartick and P. Cochran, "The evolution of the corporate social performance model", Academy of Management Review, 10(4) (1985), 758).

[12] Id. (citing D. Wood, "Corporate social performance revisited", Academy of Management Review, 16(4) (1991), 691). For a detailed discussion of the evolution of CSR from the 1950s through the 1990s, see A. Carroll, "Corporate Social Responsibility: Evolution of a Definitional Construct", Business and Society 38(3) (1999), 268, 269. See also A. Dahlsrud, "How Corporate Social Responsibility Is Defined: An Analysis of 37 Definitions", Corporate Social Responsibility and Environmental Management, 15(1) (2008), 1.

[13] C. Strandberg, The Convergence of Corporate Governance and Corporate Social Responsibility: Thought-Leaders Study (Canadian Co-operative Association, March 2005), 13.

corporate action ‘beyond law’, to an inquiry into how a company conducts its business”, and then went on to observe that the broad range of concerns that corporations were expected to address had led many scholars and practitioners to abandon the use of the term CSR in favor “corporate responsibility”.[14]

In the context of considering how CSR initiatives are organized, the most interesting change has been a shift from CSR principally being a more ‘‘corporate-centered’’ to a more ‘‘corporate-oriented’’ concept.[15] Specifically, in the early 1960s, when CSR was first emerging, it was generally thought of a matter of corporate discretion, wholly apart from law or public policy, meaning that companies decided on their own on how to implement CSR initiatives and the CSR was typically conducted through “complete” organization (i.e., centered inside the formal boundaries of the company). Recently, however, the responsibility for defining the conception of CSR has broadened beyond the company itself to include numerous actors in the environment in which the company operates: government, civil society, professionals and other businesses. As such, the spotlight has shifted to how the actions and practices of the company impact its supply chain, workers, use of resources and the consumption and disposal of its products and services, and the aforementioned actors have organized their interests in the practices of companies through “partial” organization methods (e.g., membership rules for partnerships, standards setting, and methodologies for monitoring and imposing sanctions of company misbehaviors).

Daft and Marcic described “social responsibility” as management’s obligation to make choices and take actions that will contribute to the welfare and interests of society as well as the organization, and noted that corporate social responsibility (“CSR”) concerned a company’s values toward society.[16] Kelly et al. took a similar approach by defining social responsibility as the obligation of a business to contribute to society.[17] The obligation assumes and accepts that businesses do need to seek and achieve long-term profits in order to survive and become sustainable; however, the argument for social responsibility holds that once companies make a reasonable return for their investors it should strive to make social contributions, an effort that requires striking a balance, and sometime resolving conflicts, between profits and “doing good”.

The ISO 26000 standard for corporate responsibility, which was developed in 2010 by the International Standards Organization, defined “social responsibility” as “the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that contributes to

[14] C. Williams, “Corporate Social Responsibility and Corporate Governance” in J. Gordon and G. Ringe (Eds.), Oxford Handbook of Corporate Law and Governance (Oxford: Oxford University Press, 2016), 2, available at http://digitalcommons.osgoode.yorku.ca/scholarly_works/1784.
[15] J. Moon, Corporate social responsibility: A very short introduction (Oxford: Oxford University Press, 2014).
[16] R. Daft and D. Marcic, Understanding Management (5th Edition) (Mason, OH: South-Western Publishing Co., 2006), 132, 148.
[17] M. Kelly, J. McGowen and C. Williams, BUSN (Independence, KY: South-Western Publishing Company, 2014), 58.

sustainable development, including health and the welfare of society, takes into account the expectations of stakeholders, is in compliance with applicable laws and with international norms of behavior, and is integrated throughout the organization and practiced in its relationships." Hohnen and Potts argued that CSR is "the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society". The business contribution to sustainable development is the way that the World Business Council for Sustainable Development has described CSR, and the European Commission provided a simple, yet expansive and important, definition of CSR in 2011 as being "the responsibility of enterprises for their impacts on society" and went on to explain that "[e]nterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders."[18].

Social entrepreneurship seeks to launch and build companies that are entirely focused on combining good business with good citizen and the leaders of these companies, the "social entrepreneurs", are primarily interested in improving society rather than maximizing profits while nonetheless demanding high performance standards and accountability for results.[19] Examples of social entrepreneurship run the gambit of commercial activities from partnering with traditional banks to offer microloans to small businesses in developing countries to launching manufacturing facilities in poor areas to provide jobs and produce products that can be distributed at no costs to community members to improve their lives. While many of these businesses are not started with the intent to generate significant profits, a number of them have achieved impressive profits margins and market shares.

Beyond defining CSR, the scope of the commitments and activities associated with any CSR initiative, which extend well "beyond the law", can be daunting and representative lists have included the following[20]:

- Corporate governance and ethics;
- Health and safety;
- Environmental stewardship;
- Human rights (including core labor rights);
- Sustainable development;
- Working conditions (including safety and health, hours of work, wages);
- Industrial relations;
- Community involvement, development and investment;

[18] European Commission, A Renewed European Union Strategy 2011-14 for Corporate Social Responsibility, COM (2011) 681, ¶ 3.1.
[19] R. Daft and D. Marcic, Understanding Management (5^{th} Edition) (Mason, OH: South-Western Publishing Co., 2006), 147-148.
[20] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 4-5.

- Involvement of and respect for diverse cultures and disadvantaged peoples;
- Corporate philanthropy and employee volunteering;
- Consumer issues, customer satisfaction and adherence to principles of fair competition;
- Anti-bribery and anti-corruption measures;
- Accountability, transparency and performance reporting; and
- Supplier relations, for both domestic and international supply chains.

Carroll's model of CSR includes four primary criteria for use in evaluating organizational commitment and performance with regard to CSR: economic (jobs, wages, services), legal (legal compliance and playing by the rules of the game), ethical (being moral and "doing what is just, right, and fair") and discretionary (optional philanthropic contributions) responsibilities.[21] The challenge for managers is that they are generally engaged in activities that fall within two or more of the criteria simultaneously and it thus becomes necessary for them to identify and resolve conflicts between the criteria and attempt to strike the appropriate balance. While economic and legal considerations have been a long-standing concern for managers, it is now clear that stakeholders are expecting and demanding that ethical conduct and social responsibility be added to the managerial agenda. The four criteria, taken together, can be boiled down to a motto: "Be Profitable, Obey the Law, Be Ethical, Do What is Right and Avoid Harm and Contribute to the Community and Quality of Life". Further description of each of the criteria follows:

- *Economic Responsibilities:* While social considerations are becoming more important, it is still generally understood and accepted that businesses come into being and operate in order to produce goods and services that society wants and to maximize profits and return on investment for its owners (i.e., the shareholders of a corporation). What is changing, however, is that pure profit maximization is no longer considered to an adequate criterion for performance in many countries and companies that blindly pursue profit maximization without concern for law, ethics or the impact of the strategy on key stakeholders have encountered an array of legal and reputational problems.
- *Legal Responsibilities:* Societies, through their legislators, regulators and judges, promulgate and enforce formal rules, laws and regulations that are intend to establish the framework of what is considered to be appropriate and lawful business activity. Performance with respect to this criteria is based on legal compliance and repeated and knowing violations of laws and regulations not only results in fines and non-monetary penalties but also damages the brand and overall reputation of the company and raises concerns among consumers about the quality of the company's products and services.

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[21] R. Daft and D. Marcic, Understanding Management (5th Edition) (Mason, OH: South-Western Publishing Co., 2006), 137-139 (citing A. Carroll, "A Three-Dimensional Conceptual Model of Corporate Performance," Academy of Management Review 4 (1979), 499; and "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Corporate Stakeholders," Business Horizons 34 (July–August 1991), 42).

- *Ethical Responsibilities:* Ethical responsibilities may be, but often are not, aligned with a company economic interests and the guidelines for ethical behavior are not codified in the same manner as laws and regulations. Nonetheless, businesses are expected to pursue their economic goals in a manner that is equitable and fair and with respect for individuals. Companies and individuals act unethically when they make decisions and/or pursue strategies that allow them to gain an unfair advantage at the expense of others and/or society as a whole.
- *Discretionary Responsibilities:* The criteria of discretionary responsibilities takes into account actions and decisions that cannot readily be identified as being mandated by economics, law or ethics and include voluntary actions by businesses that are driven by their desire to make positive contributions to society and the welfare of the community. Discretionary responsibility is aptly considered to be the highest criterion of social responsibility since it exceeds societal expectations.

It is often the case that two or more of the criterion will be impacted by an action or decision. For example, unethical behavior by corporate executives not only breaches a company's ethical responsibilities it will generally lead to economic disappointments and violations of law. Encouragement of unethical accounting practices by executives at companies such as Enron not only led to civil and criminal prosecutions against them but also severely damaged public shareholders, who saw the value to their investment plummet, and employees, who lost their jobs and much of the personal savings they had put into company stock that eventually became worthless.

Lantos suggested and described the following three categories of CSR: ethical CSR, which is morally mandatory and goes beyond fulfilling a firm's economic and legal obligations to its responsibility to avoid harm or social injuries, even in cases where the business does not directly benefit; altruistic CSR, which is humanitarian/philanthropic CSR which involves genuine optional caring (e.g., initiatives to alleviate society problems such as poverty or illiteracy in order to improve the quality of life), irrespective of whether the firm will reap financial benefits or not; and strategic CSR, which includes strategic philanthropy aimed at achieving strategic business goals while also promoting societal welfare.[22]

Rahim suggested that CSR practices may be grouped into the following four major categories of approaches[23]:

- Societal: The societal approach to CSR is that companies should contribute to building better societies and therefore they should incorporate social concerns into their core strategies as well as consider the full scope of their impact on societies. For

[22] D. Jamali, A. Safieddine and M. Rabbath, "Corporate Governance and Corporate Social Responsibility Synergies and Interrelationship", Corporate Governance, 16(5) (2008), 443, 445 (citing G. Lantos, "The boundaries of strategic corporate social responsibility", Journal of Consumer Marketing, 18 (2001), 595; and D. Jamali, "The case for strategic corporate social responsibility in developing countries", Business and Society Review, 112 (2007), 1).
[23] M. Rahim, Legal Regulation of Corporate Social Responsibility: A Meta-Regulation Approach of Law for Raising CSR in a Weak Economy (Berlin: Springer, 2013), 13, 19-20.

example, companies should implement fair wage policies, uphold human rights, fair trade and ethical issues, produce safe products and cooperate in the network of companies and communities.[24]

- Economic: The economic approach emphasizes company efficiency in producing goods without compromising social and environmental values. This does not mean that companies cannot continue to pursue the financial expectations of their shareholders; however, they must also be mindful of, and seek to enhance, the economic wellbeing of society as a whole.[25]
- Environmental: The environmental approaches calls on companies to refrain from harming the environment in order to maximize their profits and take a strong role in repairing environmental damage caused by their irresponsible use of natural resources.[26]
- Stakeholder: The stakeholder approach holds companies responsible for considering the legitimate interest of their stakeholders.[27]

Another way to look at CSR was suggested by Jamali et al., who observed that many scholars had conceived of CSR as encompassing two dimensions: internal and external.[28] On the internal level, companies "revise their in-house priorities and accord due diligence to their responsibility to internal stakeholders, namely employees, addressing issues relating to skills and education, workplace safety, working conditions, human rights, equity considerations, equal opportunity, health and safety, and labor rights".[29] On the external level, which has generally received the most attention, companies focus on assumption of their extended duties as "corporate citizens" and afford "due diligence to

[24] Astrid Konrad et al., "Empirical Findings on Business–Society Relations in Europe" Journal of Business Ethics, 63(1) (2006), 89, 91; A. Carroll, "Corporate Social Responsibility", Business & Society, 38(3) (1999), 268; E Garriga and D Mele, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53(1) (2004), 51; C. Valor, "Corporate Social Responsibility and Corporate Citizenship: towards Corporate Accountability", Business and Society Review 110(2) (2005), 191; and M. Siltaoja, The Relationship Between Corporate Social Responsibility and Corporate Reputation from a Value-Laden Viewpoint: An Empirical Study in a Finnish Newspaper Context (University of Jyvaskyla, 2006), 299.

[25] J. Elkington, "Partnerships from Cannibals with Forks: The Triple Bottom Line of 21st Centruy Business", Environmental Quality Management, 8(1) (1998), 37; M. Rogers and R. Ryan, 'The Triple Bottom Line for Sustainable Community Development", Local Environment, 6(3) (2001), 279; E. Juholin, "For Business or the Good of All? A Finnish Approach to Corporate Social Responsibility", Corporate Governance, 4(3) (2004), 20; and Astrid Konrad et al., "Empirical Findings on Business–Society Relations in Europe" Journal of Business Ethics, 63(1) (2006), 89, 93.

[26] R. McAdam and D. Leonard, "Corporate Social Responsibility in a Total Quality Management Context: Opportunities for Sustainable Growth", Corporate Governance, 3(4) (2003), 36; and D. Matten and J. Moon, "Pan-European Approach: A Conceptual Framework for Understanding CSR", Corporate Ethics and Corporate Governance, 2007), 179.

[27] E. Freeman and R. Velamuri, "A New Approach to CSR: Company Stakeholder Responsibility' Institute for Corporate Ethics Bridging Paper", at http://www.corporate-ethics.org/pdf/csr.pdf at 12 December 2011; and D. Jamali, "A Stakeholder Approach to Corporate Social Responsibility: A Fresh Perspective into Theory and Practice", Journal of Business Ethics, 82(1) (2008), 213.

[28] D. Jamali, A. Safieddine and M. Rabbath, "Corporate Governance and Corporate Social Responsibility Synergies and Interrelationship", Corporate Governance, 16(5) (2008), 443, 446.

[29] Id. (citing P. Jones, D. Comfort and D. Hillier, "Corporate social responsibility and the UK's top ten retailers", International Journal of Retail and Distribution Management, 33 (2005), 882).

their external–economic and social–stakeholders and the natural environment"[30] Through initiatives to ensure that the corporate operations have a positive impact on the environment and initiatives to address community issues and foster social justice.[31] Jamali et al. explained that "[t]he environmental component addresses primarily the impacts of processes, products, and service on the environment, biodiversity, and human health, while the social bottom line incorporates community issues, social justice, public problems, and public controversies".[32] Jamali et al. observed that "[a]ddressing these two CSR dimensions often implies difficult adjustments and willingness to consider multiple bottom lines … [and] … requires good communication of CSR objectives and actions, new standards, control and performance metrics, and the successful integration of CSR into the culture of the organization".[33]

Social responsibility follows from the reality that businesses are open systems and that most of what companies do generate direct benefits and costs for the societies, which means that businesses have certain duties and obligations, in addition to their financial interests, to protect and benefit other members of society and refrain from taking actions that could harm them. The influence that businesses have within society has also led to calls for companies to be involved in addressing and solving societal problems. In general, companies have taken one of three approaches to social responsibility: resistance, which includes actively fighting to eliminate, delay or significantly reduce the imposition of socially responsible duties on their operations; reactive, which means waiting for duties to be imposed and then evaluating alternative means for complying with those duties; and proactive anticipation, which means proactively communicating with interested stakeholders (i.e., those persons and entities that have an interest in or who are affected by how a business conducts its operations) to learn and understand their needs and collaborate with them to find ways to assist them in a manner that is consistent with the business' own goals and objectives.[34]

In a similar vein, Kelly et al. observed that a company's position with respect to social responsibility depends on its values, mission, resources and management philosophy and

[30] Id. (citing L. Munilla and M. Miles, "The corporate social responsibility continuum as a component of stakeholder theory", Business and Society Review, 110 (2005), 371).
[31] S. Deakin and R. Hobbs, "False dawn for CSR: Shifts in regulatory policy and the response of the corporate and financial sectors in Britain", Corporate Governance: An International Review, 15 (2007), 68.
[32] D. Jamali, A. Safieddine and M. Rabbath, "Corporate Governance and Corporate Social Responsibility Synergies and Interrelationship", Corporate Governance, 16(5) (2008), 443, 446.
[33] Id. (citing D. Jamali, "Insights into triple bottom line integration from a learning organization perspective", Business Process Management Journal, 12 (2006), 809; J. Hancock (Ed.), Investing in Corporate Social Responsibility: A Guide to Best Practice, Business Planning & the UK's Leading Companies (London:,Kogan Page, 2005); G. Lantos, "The boundaries of strategic corporate social responsibility", Journal of Consumer Marketing, 18 (2001), 595; and J. Elkington, "Governance for sustainability", Corporate Governance: An International Review, 14 (2006), 522).
[34] Notes on "Chapter 9: Management Ethics and Social Responsibility", http://www2.ivcc.edu/aleksy/Fall14/Fall14Mgmt/Plunkett10Ch09.pdf [accessed July 25, 2016]

that the approaches to social responsibility taken by businesses appeared to fall within three broad categories[35]:

- No Contributions: Companies that do not recognize an obligation to society and do only what is legally required.
- Responsible Contributions: Companies that choose to respond on a case-by-case basis to market requests for contributions.
- Proactive Contributions: Companies that proactively integrate social responsibility into their strategic plans and make contributions a part of the business goals.

The record on social responsibility for many companies is actually a mix of the various approaches describe above, often combined with actions that not only make no social contribution but which actually appear to be intentional or unintentional statements to their stakeholders that they don't really care about whether or not an act is socially responsible or not. Kelly et al. offered a list of corporate actions that illustrate the wide range of behaviors in the marketplace[36]:

- A major consumer products company introduced a line of "99% natural" cleaning products, earning the endorsement of the Sierra Club and the right to affix the Sierra Club logo on the products. The company committed to make an annual contribution to the Sierra Club based on a percentage of the sales of the new product.
- A large food processing company donated a significant percentage of its profits to charity; however, it remained subject to allegations of unethical and socially irresponsible actions including unfair business practices (e.g., controversies regarding the way that they raised chickens) and unsavory labor and environmental practices.
- A large food and beverage company decided to stop advertising unhealthy, albeit highly profitable, food products to young children in recognition of growing concerns about childhood obesity. The company also planned to eliminate in-school marketing and remove certain unhealthy snacks from school vending machines.
- Enron and Arthur Andersen, both of which were once considered to be exemplary companies, stumbled and disappeared under the weight of massive accounting frauds at Enron that Arthur Andersen helped to cover up. The aftermath was massive financial losses for small investors and permanent career disruption for employees of both firms who lost their jobs and were saddled with a black mark on their resumes for their affiliation, albeit innocent, with these corporate pariahs.
- One of the largest global bank received a substantially amount of taxpayer bailout funds and then turned around and sponsored a large marketing and entertainment event at the Super Bowl. While the bank defended its actions as necessary and appropriate for future growth, critics took the bank to task for wasting public funds and overall insensitivity about how its actions would be perceived during a period of intense financial unease among ordinary citizens.

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[35] M. Kelly, J. McGowen and C. Williams, BUSN (Independence, KY: South-Western Publishing Company, 2014), 59.
[36] Id. at 60.

- In spite of a clear record of significant levels of defects in some of its most popular models, a global automobile maker delayed admitting problems for months and resisted taking remedial measures. In fact, even when the company finally announced a recall it did not halt new sales of recalled models until five days later. Analysts not only criticized the company's response but also speculated that the company knew about the defects even before the cars were put on the road and went ahead anyway.

Simply put, social responsibility can be seen an organization acting as a "good corporate citizen"; however, while the definitions seem simple and straightforward the reality is that social responsibility covers a wide range of actions and situations and there is no universal consensus about which actions improve societal welfare. Moreover, determining whether a particular action is "socially responsible" raises a variety of economic, ethical, environmental and legal considerations, many of which may be in conflict. For example, bankruptcy is a legally sanctioned process for avoiding payment of financial obligations to suppliers and others in many countries; however, when a company goes bankrupt it often leaves its creditors struggling to survive because they can no longer count on the revenues they had hoped to receive from the debtor to pay their employees, invest in new equipment and provide their shareholders with a fair return on their investment. Intense competition between businesses is also encouraged by antitrust laws, but competition creates winners and losers and often drives good companies offering products that consumers want out of business.

Companies have seen their reputations tarnished and their stock prices tumble in the wake of disclosures of a wide range of unethical and socially irresponsible activities including insider trading, fraudulent accounting, exploitative labor practices in their manufacturing facilities in developing countries, abuse of the environment and predatory pricing practices. Activities of this type have been going on for a long time; however, it would appear that accelerated competition and globalization has increased the pressure on managers and made it more difficult for them to take the time necessary to carefully weigh their decisions about how to behave. More and more, managers act out of expediency rather than ethical judgment. At the same time, scrutiny of companies and the decisions and actions of their managers has increased as regulators and activists have advanced investigative and communication tools in their hands to learn more about what companies do and quickly disseminate information into the marketplace. These same stakeholders have also mobilized to develop new global standards for corporate ethics and social responsibility that have begun to change the way that companies conduct their business operations.

Table 1
Corporate Social Responsibility-Related Definitions

References	Definitions
Elbing (1970)	Social Responsibilities of Businessmen. Describes the social responsibility framework (businessman has a responsibility more important than profit maximization), opposed to the economic framework (businessman has one singular responsibility to maximize profits of its owners).

Davis (1973)	Social Responsibility. Firm's consideration of, and response to, issues beyond narrow economic, technical, and legal requirements (p. 312).
Hay and Gray (1974)	Social Responsibility of Business Managers. Responsibilities that extend beyond the traditional economic realm of profit maximization or merely balancing the competing demands of the sundry contributors and pressure groups (p. 137).
Purcell (1974)	Corporate Social Responsibility. A willingness on the part of the corporate manager (acting not only as an individual but as a decision maker implicating his or her firm) actively and with moral concern to confront certain social problems he or she deems urgent and to bend the influence of his or her company toward the solution of those problems insofar as the firm is able to do so. Such responsibility requires that the manager intelligently balance the needs of the many groups affected by the firm so as best to achieve both profitable production and the common good, especially in situations in which he or she is not required to do so by law or by external pressures that the company cannot easily resist (p. 437).
Gavin and Maynard (1975)	Corporate Social Responsibility. Refers to Luthans and Hodgetts (1972), encompassing such concerns as world poverty, consumerism, ecology, civil rights, as well as physical and psychological well-being of workers. Also refers to Davis and Blomstrom (1971) that the substance of CSR arises from the institution's ethical obligation to evaluate the effects of its decisions and actions on the whole social system (p. 377).
Mears and Smith (1977)	Social Responsibility. Responsibility of the firm to the public, employee, and consumer and responsibility of the employee to the firm.
Crawford and Gram (1978)	Social Responsibility. The outcome of transactions between firms and social interest organizations (p. 883).
Zenisek (1979)	Social Responsibility. A model with four phases: 1. Owner–manager type; 2. Organizational–participant type; 3. Task–environment type; 4. Societal type.
Aupperle, Carroll, and Hatfield (1985); Carroll (1979); Tuzzolino and Armandi (1981)	Social Responsibility. It must embody the economic, legal, ethical, and discretionary categories of business performance because of the need to address the entire range of obligations business has to society.
Boal and Peery (1985)	Corporate Social Responsibility. A three-dimensional construct: 1. Economic, noneconomic, human outcomes; 2. Ethical considerations; 3. Consequences for relevant interest groups. Describes four CSR outcomes for each Zenisek four-celled partition of social responsibility: 1. Organizational owner-manager (promotes economic interests of business, maintains high levels of productivity, promotes long-range survival of business, and promotes interests of stockholders); 2. Employees-organizational participants (safe working conditions, jobs that allow

	employees to use valued skills and abilities, promotes employee rights, job security for employees); 3. Task environment-consumers (produces products desired by customers, prices products fairly, maintains high quality of products and services, produces safe products); 4. Societal (company obeys the law, promotes social justice, supports social and cultural activities, does not degrade the environment).
McGee (1998)	Corporate Social Responsibility. It states the ambiguity of the CSR concept, sometimes defined in purely economic profit-making terms or as socially oriented in a proactive social responsiveness view.
McWilliams and Siegel (2001)	Corporate Social Responsibility. Actions that appear to further some social good, beyond the interests of the firm and that which is required by law (CSR is beyond obeying the law) (p. 117).
Maignan and Ralston (2002)	Corporate Social Responsibility. Conceptualized as motivating principles (driven by values, stakeholders, performance); processes (programs and activities aimed at implementing CSR principles and/or addressing specific stakeholder issues, including philanthropic, sponsorships, volunteer, code of ethics, quality, health and safety, and managing environmental impacts); and stakeholder issues (community, customer, employee, shareholders, suppliers).

Source: I. Montiel, "Corporate Social Responsibility and Corporate Sustainability: Separate Pasts, Common Futures", Organization and Environment, 21(3) (September 2008), 245, 253-254. The article reported the results of the author's extensive survey of the evolution of management literature in both general management and specialized journals with respect to CSR and corporate sustainability ("CS"). The article quantifies the research work and summarizes the different CSR-and CS-related definitions to identify the definitional differences between CSR and CS. This Table, adapted from the article, lists definitions of the key CSR constructs used in the general management articles reviewed and full citations for the references can be found in the "References" section of the article.

Table 2
Corporate Social Performance-Related Definitions

References	Definitions
Carroll (1979)	Corporate Social Performance. A model with three aspects: 1. Definition of social responsibility (need to address the entire range of obligations business has to society; it must embody the economic, legal, ethical, and discretionary categories of business performance); 2. List of social issues involved (consumerism, environment, discrimination, product safety, occupational safety, shareholders); 3. Philosophy of responsiveness (philosophy, mode, or strategy behind business response to social responsibility and social issues).
Strand (1983)	Corporate Social Performance. A systems model of organizational social responsibility, responsiveness (internal organizational social adaptations), and responses (external organizational social adaptations).

Wartick and Cochran (1985)	Corporate Social Performance. An expanded conceptualization of social responsibility integrating responsibilities, responsiveness, and issues through a principle, process, policy approach. CSP solves three main challenges to social responsibility: 1. Economic responsibility is incorporated as one level of CSR; 2. Public responsibility is incorporated as one level of CSR with the underlying orientation for macro- and micro-level concerns existing simultaneously; 3. Social responsiveness is incorporated as the action-oriented complement to CSR and the underlying approach to developing responses to social issues.
Agle, Mitchell, and Sonnenfeld (1999); Deniz-Deniz and De Saa-Perez (2003); Orlitzky, Schmidt, and Rynes (2003); Wood (1991)	Corporate Social Performance. Definition based in three principles: 1. Legitimacy (institutional level); 2. Public responsibility (organizational level); 3. Managerial discretion (individual level).
Graves and Waddock (1994); Ruf, Muralidhar, and Paul (1998); Waddock and Graves (1997)	Corporate Social Performance. Measured with eight dimensions based on Kinder, Lydenberg, Domini & Co., Inc. social rating service: 1. Community relations; 2. Employee relations; 3. Environmental issues; 4. Military issues; 5. Product issues; 6. South Africa issues; 7. Nuclear power; 8. Women or minority issues.
Wood (1991)	Corporate Social Performance. Defined as the principles of CSR, the processes of corporate social responsiveness and the outcomes of corporate behavior, including impacts, policies, and programs.
Clarkson (1995)	Corporate Social Performance. It states that its definition is not entirely satisfactory and proposes that CSP can be analyzed and evaluated more effectively by using a framework based on the management of a corporation's relationships with its stakeholders than by using models and methodologies based on concepts concerning corporate social responsibilities and responsiveness (p. 92).
Swanson (1995)	Corporate Social Performance. Describes a reoriented CSP model including four broad research topics: 1. CSR macro principles (institutional and organizational level); 2. CSR micro principles (executive decision-making, ethics, and personal values); 3. Corporate culture and normative processes; 4. Social impacts.
Turban and Greening (1997)	Corporate Social Performance. Company's responsibilities to multiple stakeholders, such as employees and the community at large, in addition to its traditional responsibilities to economic shareholders (p. 658).
Johnson and Greening (1999)	Corporate Social Performance. A bi-dimensional construct with a community, women, minorities, and employee relations dimensions and also a product quality and environment dimension.

Source: I. Montiel, "Corporate Social Responsibility and Corporate Sustainability: Separate Pasts, Common Futures", Organization and Environment, 21(3) (September 2008), 245, 255-256. The article reported the results of the author's extensive survey of the evolution of management literature in both general management and specialized journals with respect to CSR and corporate sustainability ("CS"). The article quantifies the research work and summarizes the different CSR-and CS-related definitions to identify the definitional differences between CSR and CS. This Table, adapted from the article, compiles different definitions of the corporate social performance ("CSP") construct used in the general management articles reviewed and full citations for the references can be found in the "References" section of the article.

Hopkins argued that treating the stakeholders of the firm ethically or in a socially responsible manner is an economic responsibility of companies.[37] Similarly, Marsden emphasized that "CSR is not an optional add-on nor is it an act of philanthropy. A socially responsible corporation is one that runs a profitable business that takes account of all the positive and negative environmental, social and economic effects it has on society."[38] Andersen's definition of CSR was also based on a broader societal approach that called for firms to extend "the immediate interest from oneself to include one's fellow citizens and the society one is living in and is a part of today, acting with respect for the future generation and nature".[39] Ward also had a broad understanding of CSR as a commitment by companies to "contribute to sustainable economic development—working with employees, their families, the local community and society at large to improve the quality of life, in way that [is] also good for business."[40] In 2013, Rahim summed up the results of a survey of definitions and conceptions with the following:

> ". . . [T]here is no conclusive definition of CSR and that it can have different meanings to different people and different organizations as an ever-growing, multifaceted concept. Nevertheless, it may be said that the concept of CSR is consistent and converges on certain common characteristics and elements. More precisely, if CSR as defined above is examined from a practical and operational point of view, it converges on two points. CSR requires companies (a) to consider the social, environmental, and economic impacts of their operations and (b) to be responsive to the needs and expectations of their stakeholders. These two points are also embedded in the meaning of the three words (i.e., 'corporate', 'social', and 'responsibility') of the phrase 'corporate social responsibility'. The word 'corporate' generally denotes business operations, 'social' covers all the stakeholders of business operations, and the word 'responsibility' generally refers to the relationship between business corporations and the societies within which they act together. It also encompasses the innate responsibilities on both sides of this relationship. Accordingly, CSR is an integral element of business strategy: it is the way that a company should follow to deliver its products or services to the market; it is a way of maintaining the legitimacy of corporate actions in wider

[37] M. Hopkins, Corporate Social Responsibility: An Issue Paper (Working Paper No. 27, Policy Integration Department, World Commission on Social Dimension of Globalization, 2004).
[38] C. Marsden, "The Role of Public Authorities in Corporate Social Responsibility" (2001) in A. Dahlsrud, "How Corporate Social Responsibility Is Defined: An Analysis of 37 Definitions", Corporate Social Responsibility and Environmental Management, 15(1) (2008), 1, 9.
[39] K. Andersen, The Project (2003) in A. Dahlsrud, "How Corporate Social Responsibility Is Defined: An Analysis of 37 Definitions", Corporate Social Responsibility and Environmental Management, 15(1) (2008), 1, 11.
[40] H. Ward, Public Sector Roles in Strengthening Corporate Social Responsibility: Taking Stock (2004), 3.

> society by bringing stakeholder concerns to the foreground; and a way to emphasize business concern for social needs and actions that go beyond philanthropy."[41]

A 2017 article in *The Economist* succinctly described the evolution of CSR up to that time as follows:

> "Between the 1950s and 1970s, CSR took shape in the form of pre-corporate philanthropy, a largely disparate approach involving support for domestic nonprofits at the discretion of CEOs with little transparency or oversight. In the 1980s, intense foreign competition and a greater focus on shareholders led many publicly traded corporations to adopt more stringent quality and cost controls. This created greater demands to tie corporate philanthropy to financial performance through efforts like cause-related marketing and practices more aligned with a company's business. Throughout the 1990s, CSR became more international in scope, but was typically reactive in nature and often a response to negative publicity. During this time, a holistic, triple-bottom-line accounting framework of sustainability also began to emerge. Since the 2000s, CSR has grown increasingly strategic, and a broader concept of sustainability has gained ground. Public pressure to address negative corporate externalities, and pressing social, economic, and environmental issues drove the evolution of these practices. Over time, they have blurred the lines between the public, private, and civil sectors, and redefined traditional roles and structures in the process."[42]

§2 Classification of CSR theories

Garriga and Mele´ suggested that it was possible and useful to create a classification of corporate social responsibility ("CSR") theories based on the perspective of how the interaction phenomena between business and society are focused. They argued that CSR theories could be classified into the following four groups[43]:

- *Instrumental Theories:* Theories placed in this group are based on the assumption that corporations are instruments for wealth creation and that this is their sole social responsibility. If this view is accepted, then CSR or any other social activity undertaken by the corporation is only a means to the end of profits and such activities should not occur unless they are consistent with wealth creation.
- *Political Theories:* Theories placed in this group emphasize the social power of corporations and the obligation of corporations to accept social duties and rights and/or participate in certain social cooperation.

[41] M. Rahim, Legal Regulation of Corporate Social Responsibility: A Meta-Regulation Approach of Law for Raising CSR in a Weak Economy (Berlin: Springer, 2013), 13, 24 (citing A. Gill, "Corporate Governance as Social Responsibility: A Research Agenda" (2008), 464).
[42] J. Cramer-Montes, "Sustainability: A New Path to Corporate and NGO Collaborations", The Economist (March 24, 2017), http://www.economist.com/node/10491124
[43] E. Garriga and D. Mele´, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53 (2004), 51, 52.

- *Integrative Theories:* Theories in this group are based on fundamental argument that businesses, including corporations, depend on society for continuity, growth and survival and as such are obligated to integrate the demands of society into their operations.
- *Ethical Theories:* Theories in this group see the relationship between business and society as embedded with ethical values and that corporations need to accept social responsibilities, such as CSR, as ethical obligations above any other consideration.

The economic foundation of the instrumental theories of CSR was famously expressed by Friedman, who wrote in 1970 that ‘‘the only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country’’.[44] Using maximization of shareholder value as the supreme criterion to evaluate a specific suggested corporate social activity is consistent with the instrumental theories; however, corporations are still free to engage in an activity that might have a positive socio-economic objective provided that the investment in that activity would produce an increase in shareholder value acting without deception and fraud. Friedman himself provided the following example of when investment in the local community would be permitted under his criterion: “It will be in the long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That makes it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects.”[45] However, if the cost of a project that would address social demands exceeds the projected increase in shareholder value the project should be rejected.

A group of theories within the larger category of instrumental theories focus on aligning pursuit of long-term social objectives with creating a competitive advantage, which presumably will lead to maximization of shareholder value in some future period.[46] Businesses often have the resources and knowledge to effectively take on a social issue and create greater social value in ways that individual donors and governments cannot. For example, when a telecommunications company teaches computer network administration to students in the communities where the company operates it not only improves life in those communities and the company’s image in those communities but also provides the company with more skilled workers to choose from in the future.[47] Corporations can also use common CSR tools, such as stakeholder engagement, to

[44] M. Friedman, ‘The Social Responsibility of Business is to Increase its Profits”, New York Times Magazine (September 13, 1970), 32–33, 122 and 126.
[45] E. Garriga and D. Mele´, “Corporate Social Responsibility Theories: Mapping the Territory”, Journal of Business Ethics, 53 (2004), 51, 53 (citing M. Friedman, ‘The Social Responsibility of Business is to Increase its Profits”, New York Times Magazine (September 13, 1970), 32–33, 122 and 126).
[46] Id. at 54-55. The discussion in this paragraph is adapted from Garriga and Mele´ and the original article should be consulted for citations and additional references.
[47] Id. at 54 (citing M. Porter and M. Kramer, ‘The Competitive Advantage of Corporate Philanthropy”, Harvard Business Review, 80(12) (2002), 56).

enhance their reputation for responsiveness, trustworthiness and ethical behavior.[48] Strategies, such as "disruptive innovation", aimed at the bottom of the economic pyramid have been put forward as a way for corporations to simultaneously serve the poor and generate profits from markets they have not previously been involved with.[49] Finally, corporations can engage in "cause-related marketing", defined as "the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in a revenue-providing exchanges that satisfy organizational and individual objectives"[50], to leverage consumer concern for business responsibility as a means for securing competitive advantage (e.g., a reputation as an ethical and socially responsible firm) while facilitating benefits for charitable causes.[51]

Instrumental CSR Theories: Reconciling Wealth Creation and Doing Good

Instrumental theories of corporate social responsibility ("CSR") are based on the fundamental assumption that the sole social responsibility of corporations is wealth creation and that only the economic aspects of interactions between business and society should be considered when setting strategy and making operational decisions. These theories do not necessarily prohibit CSR activities; however, CSR programs and initiatives are seen as a means to the end of profits and thus should not be undertaken unless they are consistent with wealth creation. The questions below demonstrate how certain of the instrumental theories can be integrated into decision making relating to a particular CSR program or initiative:

- Does the project involve investment in an activity would produce an increase in shareholder value acting without deception and fraud? For example, it may be worthwhile for a company that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government if the investment will make it easier to attract desirable employees, reduce the wage bill, lessen losses from pilferage and sabotage or have other worthwhile effects.
- Does the project involve investment in an environmentally- or socially-responsible activity that will result in long-term maximization of the value of the company and satisfaction of certain interests of people with a stake in the firm (i.e., the "stakeholders")? This criterion assumes that "enlightened value maximization" has supplanted the traditional goal of "shareholder value maximization".
- Does the project involve a philanthropic activity consistent with the skills and resources that is aligned with the company's mission and may enhance the company's competitive advantage? For example, when a telecommunications company teaches computer network administration to students in the communities where the company operates it not only improves life in those communities and the company's image in those communities but also provides the company with more skilled workers to choose from in the future.
- Does the project involve the creation and/or maintenance of social and ethical resources and capabilities which can be a source of competitive advantage? Competitive advantage can be derived from implementing processes of moral decision-making and capacity for adaptation and the development of proper relationships with primary stakeholders such as employees, customers, suppliers and communities.

[48] A. Hillman and G.Keim, "Shareholder Value, Stakeholder Management, and Social Issues: What's the Bottom Line", Strategic Management Journal, 22(2) (2001), 125.
[49] C. Prahalad and A. Hammond, "Serving the World's Poor, Profitably", Harvard Business Review, 80(9) (2002), 48.
[50] P. Varadarajan and A. Menon, "Cause-Related Marketing: A Coalignment of Marketing Strategy and Corporate Philanthropy", Journal of Marketing, 52(3) (1988), 58.
[51] A. McWilliams and D. Siegel, "Corporate Social Responsibility: A Theory of the Firm Perspective", Academy of Management Review, 26(1) (2001), 117; and W. Smith and M. Higgins, "Cause-Related Marketing: Ethics and the Ecstatic", Business and Society, 39(3) (2000), 304.

- Does the project involve the development of new capabilities and resources to overcome anticipated constraints and challenges posed by the natural biophysical environment? Important strategic capabilities include pollution prevention, product stewardship and sustainable development, and critical resources include the capacity for continuous improvement, stakeholder integration and shared vision.
- Does the project implement strategies that can serve the poor and improve the social and economic conditions at the "base of the pyramid" while simultaneously making profits and creating a competitive advantage for the company? Companies may attempt "disruptive innovation" through the development of products or services that do not have the same capabilities and conditions as those being used by customers in the mainstream markets and introducing them only for new or less demanding applications among non-traditional customers, with a low-cost production and adapted to the necessities of the population (e.g., a telecommunications company inventing a small cellular telephone system with lower costs but also with less service adapted to the base of the economic pyramid).
- Does the project involve cause-related marketing that can enhance the company's brand and reputation for reliability and honesty while helping customers satisfy their own individual objectives? For example, the company may offer to contribute a specified amount to a designated cause when customers engage in a revenue-providing exchange. Making such an offer enhances the company's reputation, causes customers to view the company's products as being high quality and secures a competitive advantage for the company.

Source: E. Garriga and D. Mele´, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53 (2004), 51, 53-55 (see text of article for relevant citations for each of the questions above).

Political theories of CSR approach and focus on the interactions and connections between business and society and on the power and position of business and its inherent responsibility.[52] The foundations of these theories extend back to the early 1960s, when Davis declared that businesses were social institutions that had power within society and should be required and expected to use that power responsibly.[53] In the early 1980s, Donaldson wrote that a sort of "implicit contract" existed between business and society that included certain indirect obligations of business toward society.[54] The 1980s also saw the introduction of the term "corporate citizenship" into discussions of the relationship between business and society.[55] While there have been several noteworthy divergences in theories on corporate citizenship, Garriga and Mele´ noted that "most authors generally converge on some points, such as a strong sense of business responsibility towards the local community, partnerships, which are the specific ways of formalizing the willingness to improve the local community, and for consideration for the environment."[56] Garriga and Mele´ pointed out that the concern for "local community" has extended progressively to also include global concerns, leading to the popularization

[52] E. Garriga and D. Mele´, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53 (2004), 51, 55.
[53] K. Davis, "Can Business Afford to Ignore Corporate Social Responsibilities?", California Management Review, 2 (1960), 70.
[54] T. Donaldson, Corporations and Morality (Englewood Cliff, NJ: Prentice-Hall, 1982).
[55] B. Altman and D. Vidaver-Cohen, "Corporate Citizenship in the New Millennium: Foundation for an Architecture of Excellence", Business and Society Review, 105(1) (2000), 145.
[56] E. Garriga and D. Mele´, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53 (2004), 51, 57.

of "Global Corporate Citizenship" among large multinational corporations who have come under pressure to address and limit perceived harms caused by globalization of business activities.[57]

Integrative theories focus on how business integrates social demands and are based on the premise that since businesses depend on society for their existence, continuity and growth they are obligated to take social demands into account and integrate social values into their strategies and operations.[58] Companies are expected to be socially responsive and engage in "issues management", which has been defined as ‘‘the processes by which the corporation can identify, evaluate and respond to those social and political issues which may impact significantly upon it’’.[59] Management of social and environmental issues is part of a company's overall risk management process and involves scanning for potential opportunities and threats that may accompany social and political changes. Formalization of issues management makes it easier for companies to respond systematically and effectively to particular issues.

Commentators such as Preston and Post have proposed that businesses have a "public responsibility" and that managers should look to the framework of relevant public policy as a guideline for their legitimate behavior.[60] Interestingly, Preston and Post explained that ‘‘public policy includes not only the literal text of law and regulation but also the broad pattern of social direction reflected in public opinion, emerging issues, formal legal requirements and enforcement or implementation practices’’.[61] Another set of integrative theories focus on "stakeholder management", which includes trying to integrate the stakeholders of the business into managerial decision making.[62] Key to stakeholder management is "stakeholder dialog", which ‘‘not only enhances a company's sensitivity to its environment but also increases the environments understanding of the dilemmas facing the organization’’.[63]

Another important perspective within the group of integrative theories of CSR is based on the model of "corporate social performance" ("CSP") first introduced by Carroll in the

[57] On global corporate citizenship, see D. Wood and J. Lodgson, "Business Citizenship: From Individuals to Organizations" Business Ethics Quarterly, Ruffin Series, 3 (2002), 59; and N. Tichy, A. McGill and L. St. Clair, Corporate Global Citizenship (San Francisco, The New Lexington Press, 1997).
[58] E. Garriga and D. Mele´, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53 (2004), 51, 57.
[59] S. Wartick and R. Rude, "Issues Management: Corporate Fad or Corporate Function?", California Management Review, 29(1) (1986), 124.
[60] See L. Preston and J. Post, Private Management and Public Policy: The Principle of Public Responsibility (Englewood Cliffs, NJ: Prentice Hall, 1975); and L. Preston and J. Post, "Private Management and Public Policy", California Management Review, 23(3) (1981), 56.
[61] L. Preston and J. Post, "Private Management and Public Policy", California Management Review, 23(3) (1981), 56. 57.
[62] E. Garriga and D. Mele´, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53 (2004), 51, 59.
[63] M. Kaptein and R. Van Tulder, "Toward Effective Stakeholder Dialogue", Business and Society Review, 108 (Summer) (2003), 203.

late 1970s.[64] The model had three basic elements: a basic definition of social responsibility, which Carroll insisted must include the entire range of obligations business has to society and embody the economic, legal, ethical and discretionary categories of business performance; a listing of issues in which social responsibility exists; and a specification of the philosophy of response to social issues.[65] In the early 1990s, Wood presented another model of CSP composed of principles of CSR expressed on institutional, organizational and individual levels; processes of corporate social responsiveness, such as environmental assessment, stakeholder management and issues management; and outcomes of corporate behavior, such as social impacts, social programs and social policies.[66]

Ethical theories of CSR focus on the ethical requirements that cement the relationship between business and society and are based on principles that express "the right thing to do" or the necessity to achieve a good society.[67] One of the groups of theories within this category is referred to as the "normative stakeholder theory", which has its roots in the notion expressed by Freeman in 1984 that "managers bear a fiduciary relationship to stakeholders".[68] Other scholars, such as Donaldson and Pearson, built on this principle by pushing two key ideas: stakeholders have a legitimate interest in the procedural and/or substantive aspects of corporate activity and the interests of all stakeholders, not just shareholders, are of intrinsic value.[69] The result of all this is that "a socially responsible firm requires simultaneous attention to the legitimate interests of all appropriate stakeholders and has to balance such a multiplicity of interests and not only the interests of the firm's stockholders".[70] However, Garriga and D. Mele´ further explained that a normative core of ethical principles is required in order to understand how corporations have to be governed and how managers ought to act. While there is far from universal agreement on just what those ethical principles should be, the normative stakeholder approach is noteworthy for placing ethics at the center of CSR.

Other ethical theories of CSR focus on universal rights and sustainable development.[71] A number of the more well-known principles of socially responsible activities for businesses that have been developed in recent years, such as the UN Global Compact, the

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[64] A. Carroll, "A Three-Dimensional Conceptual Model of Corporate Performance", Academy of Management Review, 4(4) (1979), 497. See also A. Carroll, "The Pyramid of Corporate Social Responsibility: Towards the Moral Management of Organizational Stakeholders", Business Horizons (July/ August, 1991), 39–48.
[65] E. Garriga and D. Mele´, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53 (2004), 51, 59.
[66] D. Wood, "Corporate Social Performance Revisited", Academy of Management Review, 16(4) (1991), 691.
[67] E. Garriga and D. Mele´, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53 (2004), 51, 60.
[68] R. Freeman, Strategic Management: A Stakeholder Approach (Boston: Pitman, 1984).
[69] T. Donaldson and L. Preston, "The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications", Academy of Management Review, 20(1) (1995), 65.
[70] E. Garriga and D. Mele´, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53 (2004), 51, 60.
[71] Id. at 61.

Global Sullivan Principles and SA8000, emphasize human and labor rights, environmental protection, and economic, social and political justice by companies where they do business. The concept of "sustainable development", which "requires the integration of social, environmental, and economic considerations to make balanced judgments for the long term"[72], has been woven into prescriptions for CSR activities take into account, and balance, economic, social and environmental perspectives. One example is the proposal to extend traditional "bottom line" accounting, which is based on financial/economic criteria to measure profitability, to a "triple bottom line" approach that not only measures financial/economic performance but also the social and environmental impacts of the company's activities.[73]

Notice should also be taken of the "common good" approach to CSR, which is based on the notion that the referential value for CSR should be the common good of society. According to Garriga and Mele´: "Business contributes to the common good in different ways, such as creating wealth, providing goods and services in an efficient and fair way, at the same time respecting the dignity and the inalienable and fundamental rights of the individual. Furthermore, it contributes to social well-being and a harmonic way of living together in just, peaceful and friendly conditions, both in the present and in the future."[74] They explained that the "common good" is a classical concept rooted in Aristotelian tradition and Medieval Scholastics that has been developed philosophically and assumed into Catholic social thought as a key reference point for business ethics. Simply put, the "approach maintains that business, as with any other social group or individual in society, has to contribute to the common good, because it is a part of society".[75]

The common good approach can be seen in The Caux Roundtable Principles for Business (www.cauxroundtable.org), which the drafters explained were rooted in two basic ethical ideals: the Japanese concept of "kyosei", which means living and working together for the common good enabling cooperation and mutual prosperity to coexist with healthy and fair competition, and "human dignity", which refers to the sacredness or value of each person as an end, not simply as a mean to the fulfillment of others' purposes or even majority prescription. The Preamble to the Principles includes the following: "The mobility of employment, capital, products and technology is making business increasingly global in its transactions and its effects. Law and market forces are necessary but insufficient guides for conduct. Responsibility for the policies and actions of business and respect for the dignity and interests of its stakeholders are fundamental. Shared values, including a commitment to shared prosperity, are as important for a global community as for communities of smaller scale. For these reasons … we affirm the necessity for moral values in business decision making. Without them, stable business relationships and a sustainable world community are impossible."

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[72] World Business Council for Sustainable Development, Corporate Social Responsibility: Making Good Business Sense (Geneva: World Business Council for Sustainable Development, 2000).
[73] E. Garriga and D. Mele´, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53 (2004), 51, 62.
[74] Id. at 62.
[75] Id.

Caux Round Table Principles for Business

One of the most interesting stakeholder-focused standards for corporate governance has been developed by the Caux Round Table ("CRT") (www.cauxroundtable.org), which describes itself as an international network of principled business leaders working to promote a moral capitalism. The CRT believes that the world business community should play an important role in improving economic and social conditions and, to that end, has developed the CRT Principles for Business to embody the aspiration of principled business leadership. The CRT has been proactively advocating implementation of the CRT Principles at the firm level and has created a specially designed process for incorporating the CRT Principles into the culture of a corporation and is also working on ethical training for corporate boards of directors and a new ethics curriculum for business schools. The CRT Principles are rooted in two basic ethical ideals: the Japanese concept of "kyosei", which means living and working together for the common good enabling cooperation and mutual prosperity to coexist with healthy and fair competition; and the "human dignity", which is described in the Introduction to the CRT Principles as referring to the sacredness or value of each person as an end, not simply as a mean to the fulfillment of others' purposes or even majority prescription.

The Preamble to the CRT Principles acknowledges that the mobility of employment, capital, products and technology is making business increasingly global in its transactions and its effects and argues that law and market forces are necessary but insufficient guides for conduct. Noting that businesses can be powerful agents of positive social change, the CRT Principals admonish businesses that they are expected to act responsibly and demonstrate respect for the dignity and interest of its stakeholders (i.e., customers, employees, owners/investors, suppliers, competitors and communities) in the policies and actions. The following General Principles in the CRT Principles were intended to serve as a foundation for dialogue and action by business leaders in search of business responsibility and a means implementing moral values into business decision making:

- Principle 1. The responsibilities of businesses extend beyond shareholders toward stakeholders
- Principle 2. The economic and social impact of business should be focused on innovation, justice and world community.
- Principle 3. Business behavior should extend beyond the letter of the law toward a spirit of trust
- Principle 4. Respect for rules
- Principle 5. Support for multilateral trade
- Principle 6. Respect for the environment
- Principle 7. Avoidance of illicit operations

Of particular interest are the various Stakeholder Principles in Section 3 of the CRT Principles:

Customers: We believe in treating all customers with dignity, irrespective of whether they purchase our products and services directly from us or otherwise acquire them in the market. We therefore have a responsibility to:

- Provide our customers with the highest quality products and services consistent with their requirements;
- Treat our customers fairly in all aspects of our business transactions, including a high level of service and remedies for their dissatisfaction;
- Make every effort to ensure that the health and safety of our customers, as well as the quality of their environment, will be sustained or enhanced by our products and services;
- Assure respect for human dignity in products offered, marketing, and advertising; and Respect the integrity of the culture of our customers.

Employees: We believe in the dignity of every employee and in taking employee interests seriously. We therefore have a responsibility to:

- Provide jobs and compensation that improve workers' living conditions;

- Provide working conditions that respect each employee's health and dignity;
- Be honest in communications with employees and open in sharing information, limited only by legal and competitive constraints;
- Listen to and, where possible, act on employee suggestions, ideas, requests and complaints;
- Engage in good faith negotiations when conflict arises;
- Avoid discriminatory practices and guarantee equal treatment and opportunity in areas such as gender, age, race, and religion;
- Promote in the business itself the employment of differently abled people in places of work where they can be genuinely useful;
- Protect employees from avoidable injury and illness in the workplace;
- Encourage and assist employees in developing relevant and transferable skills and knowledge; and
- Be sensitive to the serious unemployment problems frequently associated with business decisions, and work with governments, employee groups, other agencies and each other in addressing these dislocations.

Owners/Investors: We believe in honoring the trust our investors place in us. We therefore have a responsibility to:

- Apply professional and diligent management in order to secure a fair and competitive return on our owners' investment;
- Disclose relevant information to owners/investors subject to legal requirements and competitive constraints;
- Conserve, protect, and increase the owners/investors' assets; and
- Respect owners/investors' requests, suggestions, complaints, and formal resolutions.

Suppliers: Our relationship with suppliers and subcontractors must be based on mutual respect. We therefore have a responsibility to:

- Seek fairness and truthfulness in all our activities, including pricing, licensing, and rights to sell;
- Ensure that our business activities are free from coercion and unnecessary litigation;
- Foster long-term stability in the supplier relationship in return for value, quality, competitiveness and reliability;
- Share information with suppliers and integrate them into our planning processes;
- Pay suppliers on time and in accordance with agreed terms of trade; and
- Seek, encourage and prefer suppliers and subcontractors whose employment practices respect human dignity.

Competitors: We believe that fair economic competition is one of the basic requirements for increasing the wealth of nations and ultimately for making possible the just distribution of goods and services. We therefore have a responsibility to:

- Foster open markets for trade and investment;
- Promote competitive behavior that is socially and environmentally beneficial and demonstrates mutual respect among competitors;
- Refrain from either seeking or participating in questionable payments or favors to secure competitive advantages;
- Respect both tangible and intellectual property rights; and
- Refuse to acquire commercial information by dishonest or unethical means, such as industrial espionage.

Communities: We believe that as global corporate citizens we can contribute to such forces of reform and human rights as are at work in the communities in which we operate. We therefore have a responsibility in those communities to:

- Respect human rights and democratic institutions, and promote them wherever practicable;
- Recognize government's legitimate obligation to the society at large and support public policies and practices that promote human development through harmonious relations between business and other segments of society;
- Collaborate with those forces in the community dedicated to raising standards of health, education, workplace safety and economic well-being;
- Promote and stimulate sustainable development and play a leading role in preserving and enhancing the physical environment and conserving the earth's resources;
- Support peace, security, diversity and social integration;
- Respect the integrity of local cultures; and
- Be a good corporate citizen through charitable donations, educational and cultural contributions, and employee participation in community and civic affairs.

One of the most important byproducts of their extensive survey of the approaches to CSR was the conclusion of Garriga and Mele´ that most of the current theories focus on four main aspects: "(1) meeting objectives that produce long-term profits, (2) using business power in a responsible way, (3) integrating social demands and (4) contributing to a good society by doing what is ethically correct".[76] Embedded in all of this are a number of duties and ideas that are finding their way into a new kind of corporate governance framework including long-termism, stakeholder engagement, transparency and disclosure, responsible consumption of natural resources, fair dealings with workers and consumers and attention to the needs of local communities and society as a whole. In addition, many of the emerging approaches to CSR, particularly those falling within the ethical theories identified by Garriga and Mele´, argue, as referenced in the Caux Roundtable Principles for Business, that legal and market forces are necessary but insufficient guides for conduct, and that it is also incumbent upon businesses to take ethical and moral values into consideration in their decision making.

§3 CSR research

Williams reported that the topic of corporate responsibility has been given increasing academic attention in the past decades, citing data collected and analyzed by Devinney that showed that the number of articles relating to the topic had risen significantly in various journals devoted to environmental sciences, economics, management, sociology, psychology and law.[77] One of the most popular topics among academics has been the relationship between corporate responsibility and financial performance, an important question given the consistent need for advocates of corporate responsibility initiatives to

[76] E. Garriga and D. Mele´, "Corporate Social Responsibility Theories: Mapping the Territory", Journal of Business Ethics, 53 (2004), 51, 65. The various CSR approaches are described, including key references, in Table 1 ("Corporate social responsibilities theories and related approaches") included in the article at 63-64.

[77] C. Williams, "Corporate Social Responsibility and Corporate Governance" in J. Gordon and G. Ringe (Eds.), Oxford Handbook of Corporate Law and Governance (Oxford: Oxford University Press, 2016), 20, available at http://digitalcommons.osgoode.yorku.ca/scholarly_works/1784.

make a strong "business case" beyond the ethical arguments.[78] Williams noted that as studies have become more sophisticated in identifying the mediating variables and the quality of data has improved, the results have been more consistent in showing positive financial results from corporate responsibility, an outcomes that many who have studied the issue can be attributed to the fact that corporate responsibility strategies and operating procedures positively influence certain key intangibles that are significantly related to corporate financial performance such as innovation, human capital improvements, reputation and corporate culture.[79] While studies have identified improvements on a range of performance metrics, such as lowering the cost of capital, positive influence on stock price performance and better operational performance, the specific linkages between particular corporate responsibility-related operational and managerial competencies and specific performance outcomes are still unclear.[80]

Researchers have also been interested in assessing the connection between board composition and committees and measurable corporate social performance. While it can logically be assumed that creation of a specific board committee dedicated to corporate responsibility would have a positive impact on a company's social performance, the results from studies have been mixed.[81] William cited several factors that may come into play such as whether the committee was established to promote better environmental or social performance or as a reaction to a particular issue or problem.[82] One survey found that independent, larger and less diverse boards were associated with worse environmental performance, an outcome that could be attributed to a lack of in-depth knowledge of the environmental risks confronting the company, and it has been suggested that environmental performance would be better improved by reducing board independence and oversight by a separate committee and allowing a powerful CEO to develop and execute his or her vision for positive environmental impacts through managerial strategies.[83] On a related note, Williams observed that the presence of

[78] For further discussion, see A. Carroll and K. Shabama, "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice", International Journal of Management Reviews, 12(1) (2010), 85.

[79] C. Williams, "Corporate Social Responsibility and Corporate Governance" in J. Gordon and G. Ringe (Eds.), Oxford Handbook of Corporate Law and Governance (Oxford: Oxford University Press, 2016), 25, available at http://digitalcommons.osgoode.yorku.ca/scholarly_works/1784 (citing J. Surroca, J. Tribó and S. Waddock, "Corporate Responsibility and Financial Performance: The Role of Intangible Resources", Strategic Management Journal, 31 (2010), 463).

[80] Id. at 26 (citing G. Clark, A. Feiner and M. Viehs, "From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance (2015), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2508281; and T. Devinney, "Is the Socially Responsible Corporation a Myth? The Good, the Bad and the Ugly of Corporate Social Responsibility", Academic Management Perspectives (May 2009), 44).

[81] C. Williams, "Corporate Social Responsibility and Corporate Governance" in J. Gordon and G. Ringe (Eds.), Oxford Handbook of Corporate Law and Governance (Oxford: Oxford University Press, 2016), 27, available at http://digitalcommons.osgoode.yorku.ca/scholarly_works/1784.

[82] Id. at 27 (citing J. Walls, P. Berrone and P. Phan, "Corporate Governance and Environmental Performance: Is there Really a Link?", Strategic Management Journal, 33 (2012), 885).

[83] Id. at 27 (citing J. Walls, P. Berrone and P. Phan, "Corporate Governance and Environmental Performance: Is there Really a Link?", Strategic Management Journal, 33 (2012), 885, 902). See also J. Surroca and J. Tribó, "Managerial Entrenchment and Corporate Social Performance", Journal of Business

sustainability disclosures on company websites, just like the presence of corporate responsibility committees at the board level, should not be understood as an unambiguous signal of actual corporate responsibility, pointing out that companies had often touted their dedication to sustainability while being embroiled in real world controversies relating to income inequality, contribution to public health problems and illegal and unethical corporate behavior.[84]

Other areas of interest to researchers have included the relationship between the types of investors in a company and the company's environmental and social performance and the impact of the corporate governance system in which the company operates. For example, several studies have found that companies with higher percentages of long term, pension fund investors had significantly better environmental and social performance than companies with lower percentages and that environmental and social performance suffered when companies were forced to deal with short-term shareholder activism from mutual funds and investment banks.[85] As for cross-jurisdictional research, one study found that: "among different legal origins, the English common law—widely believed to be mostly shareholder oriented—fosters CSR the least; within the civil law countries, firms of countries with German legal origin outperform their French counterparts in terms of ecological and environmental policy, but the French legal origin firms outperform German legal origin companies in social issues and labor relations. Companies under the Scandinavian legal origin score highest on CSR (and all its subfields)".[86] Williams observed that "where, as in the common law system, the state's role in the economy is understood to be more limited in addressing economic inequality or promoting and protecting labor or environmental interests than among Scandinavian countries or those based on civil law legal families, there is more pressure for voluntary corporate responsibility issues to address these issues . . . [however] . . . evidence suggests those voluntary initiatives are less effective in promoting social and environmental social welfare than are the types of laws and institutional arrangements found in the Scandinavian and civil law legal contexts".[87]

§4 Factors driving interest in CSR

Hohnen and Potts succinctly made the case for CSR in the following observations:

Finance and Accounting, 35(5-6) (2008), 748 (arguing that corporate responsibility is a strategy for management entrenchment and that CEOs establish stronger ties with internal and external constituencies, such as employees and community elites, in order to insulate themselves from accountability mechanisms at the board level).

[84] Id. at 29.

[85] Id. at 30-31 (citing R. Johnson and D. Greening, "The Effects of Corporate Governance and Institutional Investor Types on Corporate Social Performance", Academy of Management Journal, 42:5 (1999), 564; and D. Neubaum and S. Zahra, "Institutional Ownership and Corporate Social Performance: the Moderating Effects of Investment Horizon, Activism, and Coordination", Journal of Management, 32:1 (2006), 108).

[86] Id. at 31-32 (citing and quoting from H. Liang and L. Renneboog, "The Foundations of Corporate Social Responsibility", Tilberg Law and Economics Center Discussion Paper No. 2013-023, available at http://ssrn.com/abstract=2371103).

[87] Id. at 33.

> "There is growing recognition of the significant effect the activities of the private sector have—on employees, customers, communities, the environment, competitors, business partners, investors, shareholders, governments and others. It is also becoming increasingly clear that firms can contribute to their own wealth and to overall societal wealth by considering the effect they have on the world at large when making decisions. Business opinion polls and corporate behavior both show increased levels of understanding of the link between responsible business and good business. Also, investors and financial markets are beginning to see that CSR activities that integrate broader societal concerns into business strategy and performance are evidence of good management. In addition to building trust with the community and giving firms an edge in attracting good customers and employees, acting responsibly towards workers and others in society can help build value for firms and their shareholders."[88]

Business gurus such as Michael Porter have cautioned businesses that the costs of failing to pay attention to corporate citizenship are too high and have counseled that companies can and must identify and implement ways in which they can leverage their unique capabilities to both support social causes and enhance their competitive advantage at the same time.[89] In particular, Porter, along with Kramer, has argued that sustainability and responsible business practices are integral parts of a corporate strategy that can create "shared value" for the company, its shareholders and other key stakeholders of the company.[90] Porter, along with others such as McWilliams and Segal, has also maintained that companies should use the CSR initiatives as part of their business strategies to promote competitive advantage and, in fact, a large percentage of Global 250 firms have explicitly identified issues such as climate change and material resource scarcity as opportunities for the development of new products and services.[91] However, CSR is often a confusing matter for business leaders as they struggle to understand the role that companies should play in social and environmental issues and develop measures of return on investment in CSR initiatives in order to assess the value of the costs associated with those initiatives. Some companies approach CSR as primarily a philanthropic undertaking, or something that generates "good publicity", and miss the opportunities for engaging and building relationships with stakeholders.

Hohnen and Potts were among those who perceived CSR as being an integral part of a new business model that aligns core business strategies with changing social and

[88] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 1.
[89] Id. (referring to a quote from a speech delivered by Porter at the April 2005 Business and Society Conference on Corporate Citizenship sponsored by the University of Toronto's Rotman School of Management).
[90] M. Porter and M. Kramer, "Creating Shared Value", Harvard Business Review (January-February 2011).
[91] See M. Porter and M. Kramer, "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility", Harvard Business Review, 78 (December 2006); and A. McWilliams and D. Siegel, "Creating and Capturing Value: Strategic Corporate Social Responsibility, Resource-Based Theory, and Sustainable Competitive Advantage", Journal of Management 37 (2011), 1480.

environmental contexts and described CSR as "the way that firms—working with those most affected by their decisions (often called "stakeholders")—can develop innovative and economically viable products, processes and services within core business processes, resulting in improved environmental protection and social conditions."[92] Statements from leaders of major global businesses have frequently included intentions to focus on providing goods and services and reaching new customers in way that address major social and environmental challenges. Certainly these companies believe that these activities will enhance economic performance and polish their reputations; however, they also understand that their businesses cannot be sustained in a world in which societies are struggling under the weight of the problems caused by environmentally unsound practices, poverty and poor education and training.

Hohnen and Potts identified the following factors and influences that have led to the emerging and growing interest in CSR[93]:

- CSR is one of several responses to pressures for attention to the need for **sustainable development** based on the fear that current usage of natural resources cannot be continued for practical and moral reasons since it will deprive future generations of the resources they will need for their development and survival.
- Accelerated **globalization** in the form of increased cross-border trade, emerging multinational enterprises and greater reliance on global supply chains has raised concerns about treatment of workers in developing countries, environmental protection and health and safety and more and more countries have made it clear that they expect global businesses to act in a socially responsible manner wherever they are operating.
- Corporate scandals have driven governments and intergovernmental bodies, such as the United Nations, the Organisation for Economic Co-operation and Development and the International Labour Organization to develop and widely disseminate compacts, declarations, guidelines, principles and other instruments that include norms and standards for **governance** and acceptable business conduct that companies can incorporate into their own CSR initiatives.
- As corporations and other business organizations have assumed great roles with respect to political, social and environmental initiatives, questions have been raised about **corporate sector impact** and making sure that businesses are held accountable for their actions and the impact that they can have on stakeholders.
- Advances in **communications technology** have made it easier for activists and other stakeholders to track corporate activities and identify and assess business practices that are either sound or problematic, meaning that companies must be more vigilant and understand that their actions will quickly be reported to the public. It should be noted also that the same technology enables more positive and open relationships with stakeholders.

[92] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 2.
[93] Id. at 6-8.

- Interest in support socially responsible businesses has increased among investors and companies that have implemented CSR initiatives have enjoyed **finance-related benefits** in the form of increased share value, lower cost of capital and improved flexibility in their ability to respond to markets and risks and opportunities.
- **Ethical missteps** by the leaders of high-profile business organizations that have caused substantial damage to investors, employees and other stakeholders have driven companies to adopt codes of ethics that include ethical standards designed to improve governance, transparency and accountability.
- While there are companies that prefer to simply follow the minimum legal requirements, if any, when carry out their business activities, other firms realize that governmental action in many of the areas described elsewhere in this Guide will either be slow or non-existent and that CSR is an opportunity to take a **leadership** role in addressing important social and environmental problems.
- While sometimes criticized for inconsistency with the notion of "doing good" and being a good "corporate citizen", companies have come to see CSR as a powerful **business tool** that reduces the risk of business disruptions, opens up new opportunities, drives innovation, enhance brand and company reputation and improves efficiency.

Hohnen and Potts also noted that there are two schools of thought about what drives companies to consider and implement CSR initiatives. Of course, idealists hope that companies will embrace socially responsibility because it is the right thing to do and with the recognition that CSR provides a framework that facilitates innovation and pursuit of new markets. On the other hand, some feel that many companies have a "compliance" mentality, which means that they only do things that are required, and that the CSR efforts of these companies will extend only as far as is necessary to fulfill applicable legal requirements. Critics of the compliance approach argue that companies taking this route do little to help the fundamentals of their business since they are not willing or able to see the possibilities that CSR might bring in terms of innovation.[94]

According to Willard, attention to CSR was driven during the early 2000s by a combination of "mega-issues" and demands from emerging stakeholder groups.[95] The mega-issues included climate change, pollution/health, globalization backlash, the "energy crunch" and erosion of trust and desire for transparency. Emerging stakeholders included "green" consumers, activist shareholders, civil society/non-governmental organizations ("NGOs"), governments and regulators and the financial sector. At the same time, companies around the world were being motivated to engage in CSR for various competitive reasons including economic considerations, ethical considerations, innovation and learning, employee motivation, risk management or risk reduction, access to capital or increased shareholder value, reputation or brand, market position or share,

[94] The discussion in this paragraph is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 16.

[95] B. Willard, The Next Sustainability Wave (Gabriola Island, British Columbia CN: New Society Publishers, 2005).

strengthened supplier relationships and cost savings.[96] For example, companies began to realize they could improve their access to capital, and increase shareholder value as measured by market pricing of their securities, by improving their internal processes for identifying, mitigating and reporting business risks. Companies began to see that attention to ethical concerns in the marketplace would provide them with access to potentially large numbers of consumers who were demanding goods and services focusing on health, the environment, social justice and sustainable living.[97] In addition, more attention to improved use of resources could lead to greater cost savings and better value for consumer and a strong bottom line for shareholders.

The Future-Fit Business Framework identified the following "global challenges", which were described as being the critical environmental and social issues that are undermining the natural processes and social fabric that business, and society as a whole, relies upon[98]:

- ***Climate destabilization***: Accumulation of greenhouse gases in the atmosphere is changing the Earth's energy balance, causing extreme weather events, rising sea levels, temperature and water stresses on agriculture, and damage to ecosystems.
- ***Ocean acidification***: An excess of carbon dioxide absorbed from the atmosphere is causing an increase in the acidity of the Earth's oceans, destroying coral reefs and adversely affecting other marine ecosystems.
- ***Biodiversity crisis***: Species are now becoming extinct a thousand times faster than before humans appeared, resulting in irreversible damage to a wide range of ecosystems whose resources we depend upon.
- ***Ecosystems degradation***: Ecosystems we depend upon are being degraded and in some cases collapsing as a result of direct actions (e.g. physical encroachment, over-harvesting and pollution) and indirect effects (e.g. climate change).
- ***Access to mined materials***: Increasing demand for non-renewable resources (metals and minerals) from a growing population and middle class puts pressure on dwindling virgin supplies, with extraction becoming more resource intensive and disruptive.
- ***Access to renewable materials***: Increasing demand for renewable resources is driving over-harvesting, encroachment into biodiverse areas and unsustainable farming methods, thus undermining the regenerative capacity of those resources.
- ***Energy crisis***: Increasing demand for energy services from a growing population and middle class contributes to extreme volatility in fossil fuel prices, stressing oil-dependent sectors (e.g. transport) and raising geopolitical tensions.
- ***Fresh water crisis***: The quality and quantity of available fresh water is rapidly declining, with demand from a growing population exceeding supply for drinking, sanitation, agriculture, energy production and business operations.

[96] KPMG International Survey of Corporate Responsibility Reporting 2005(KPMG Global Sustainability Services: Amsterdam).
[97] D. Crawford and T. Scaletta, "The Balanced Scorecard and Corporate Social Responsibility: Aligning Values for Profit", CMA Management (October 2005).
[98] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 11, FutureFitBusiness.org.

- ***Food crisis***: The reliability and affordability of nutritious food is at risk, driven by increasing demand and pressures on agriculture due to extreme weather events, water scarcity, soil degradation and competition for land.
- ***Health crisis***: Growing incidence of chronic diseases, an aging population and increasing risk of pandemics are exacerbated by a lack of universal access to essential medicines, nutrition and sanitation.
- ***Infrastructure crisis***: Failure to adequately invest in, upgrade, and secure critical infrastructure, coupled with rapid and poorly-planned urbanization, undermines the long-term health and resilience of communities.
- ***Governance failure***: Weak or inadequate global institutions, agreements and networks, combined with competing national and political interests, disenfranchise citizens and impede efforts to address global risks.
- ***Financial inequality***: A severe income disparity between the world's richest and poorest citizens both contributes to and is exacerbated by underemployment, a growing skills gap and depressed economies.
- ***Education crisis***: A large proportion of the global population has inadequate access to basic education, resulting in a skills gap, poor nutrition and health, and less chance for families to escape from poverty and lead fulfilling lives.
- ***Social instability***: Social instability, which negatively impacts communities and markets, arises from a lack of equitable treatment and access to resources, coupled with aggressive policies and actions on the part of regional powers.
- ***Erosion of trust***: Trust in institutions, from governments to business, is low and is being eroded by unethical practices, a lack of transparency, and failure to deal effectively with corruption, organized crime and illicit trade.

Future-Fit argued that the aforementioned challenges must be addressed by society, including businesses, in order for the Planet to transition to a sustainable future.[99]

The World Economic Forum has been publishing a comprehensive and widely praised annual report on "global risks" since 2006 drawing on the unique expertise available within the Forum itself and its different communities and knowledge networks. The 2017 Edition of the Forum's Global Risks Report identified the following major environmental and social risks[100]:

- ***Extreme weather events (e.g. floods, storms, etc.):*** Major property, infrastructure and/or environmental damage as well as loss of human life caused by extreme weather events.

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[99] See also Future-Fit Business Benchmark "Sources of Global Threats/Risks" and the additional sources of information listed thereon including "Expect the Unexpected: Building business value in a changing world", KPMG (2012); J. Rockstrom, W. Steffan et al., "Planetary Boundaries: Guiding human development on a changing planet", Science (January 2015), K. Raworth, "A Safe and Just Space for Humanity: Can we live within the doughnut"", Oxfam Discussion Paper (February 2012); and "Global Opportunity Report 2015", Global Opportunity Network (2015).
[100] The Global Risks Report 2017 (12th Edition) (Geneva: World Economic Forum, 2017), 61-62. The Report and an interactive data platform are available at http://wef.ch/risks2017.

- ***Failure of climate-change mitigation and adaptation:*** The failure of governments and businesses to enforce or enact effective measures to mitigate climate change, protect populations and help businesses impacted by climate change to adapt.
- ***Major biodiversity loss and ecosystem collapse (terrestrial or marine):*** Irreversible consequences for the environment, resulting in severely depleted resources for humankind as well as industries.
- ***Major natural disasters (e.g. earthquake, tsunami, volcanic eruption, geomagnetic storms):*** Major property, infrastructure and/or environmental damage as well as loss of human life caused by geophysical disasters such as earthquakes, volcanic activity, landslides, tsunamis, or geomagnetic storms.
- ***Man-made environmental damage and disasters (e.g. oil spills, radioactive contamination, etc.):*** Failure to prevent major man-made damage and disasters, including environmental crime, causing harm to human lives and health, infrastructure, property, economic activity and the environment.
- ***Failure of urban planning:*** Poorly planned cities, urban sprawl and associated infrastructure that create social, environmental and health challenges.
- ***Food crises:*** Inadequate, unaffordable, or unreliable access to appropriate quantities and quality of food and nutrition on a major scale.
- ***Large-scale involuntary migration:*** Large-scale involuntary migration induced by conflict, disasters, environmental or economic reasons.
- ***Profound social instability:*** Major social movements or protests (e.g. street riots, social unrest, etc.) that disrupt political or social stability, negatively impacting populations and economic activity.
- ***Rapid and massive spread of infectious diseases:*** Bacteria, viruses, parasites or fungi that cause uncontrolled spread of infectious diseases (for instance as a result of resistance to antibiotics, antivirals and other treatments) leading to widespread fatalities and economic disruption.
- ***Water crises:*** A significant decline in the available quality and quantity of fresh water, resulting in harmful effects on human health and/or economic activity.

The Report also included economic, geopolitical and technological risks, some of which, including the following, are especially problematic for businesses[101]:

- ***Failure/shortfall of critical infrastructure:*** Failure to adequately invest in, upgrade and/or secure infrastructure networks (e.g. energy, transportation and communications), leading to pressure or a breakdown with system-wide implications.
- ***High structural unemployment or underemployment:*** A sustained high level of unemployment or underutilization of the productive capacity of the employed population.
- ***Illicit trade (e.g. illicit financial flows, tax evasion, human trafficking, organized crime, etc.):*** Large-scale activities outside the legal framework such as illicit financial flows, tax evasion, human trafficking, counterfeiting and/or organized crime that

[101] The Global Risks Report 2017 (12th Edition) (Geneva: World Economic Forum, 2017), 63. The Report and an interactive data platform are available at http://wef.ch/risks2017.

undermine social interactions, regional or international collaboration, and global growth.

- ***Severe energy price shock (increase or decrease):*** Significant energy price increases or decreases that place further economic pressures on highly energy-dependent industries and consumers.
- ***Adverse consequences of technological advances:*** Intended or unintended adverse consequences of technological advances such as artificial intelligence, geo-engineering and synthetic biology causing human, environmental and economic damage.
- ***Breakdown of critical information infrastructure and networks:*** Cyber dependency that increases vulnerability to outage of critical information infrastructure (e.g. internet, satellites, etc.) and networks, causing widespread disruption.
- ***Massive incident of data fraud/theft:*** Wrongful exploitation of private or official data that takes place on an unprecedented scale.

Also relevant for businesses in making decisions with respect to their long-term strategies are the following "trends" highlighted in the Report, each of which represent a long-term pattern that is currently evolving and that could contribute to amplifying global risks and/or altering the relationship between them:

- ***Changing climate:*** Change of climate which is attributed directly or indirectly to human activity and that alters the composition of the global atmosphere, in addition to natural climate variability.
- ***Degrading environment:*** Deterioration in the quality of air, soil and water from ambient concentrations of pollutants and other activities and processes.
- ***Rising chronic diseases:*** Increasing rates of non-communicable diseases, also known as "chronic diseases", leading to rising costs of long-term treatment and threatening recent societal gains in life expectancy and quality
- ***Rising income and wealth disparity:*** Increasing socioeconomic gap between rich and poor in major countries or regions.

A telling finding was that among the eight global risks mentioned in either or both of the "Top 5 Global Risks in Terms of Likelihood" or the "Top 5 Global Risks in Terms of Impact", five of them were environmental or social: extreme weather events, major natural disasters, water crises, large-scale involuntary migration and failure of climate-change mitigation and adaptation.[102]

Jamali argued that while governments had traditionally assumed sole responsibility for the improvement of the living conditions of the population, the needs of society have evolved and expanded to the point where they can no longer be satisfied with the capabilities that governments have in hand and it is now necessary for business to assume

[102] In 2007 there were no environmental risks in either of the "Top 5" for that year and the first year in which environmental risks came to the forefront was in 2011 (i.e., storms and cyclones, flooding, biodiversity loss and climate change).

a greater role in contributing to sustainable economic development.[103] Drivers of corporate responsibility cited by the Australian Parliamentary Joint Committee on Corporations and Financial Services in its 2006 report on "corporate responsibility" included competitiveness and profitability, attracting investment, attracting and retaining employees, reputation, risk management. corporate failures, community expectations and license to operate, avoidance of regulation and globalization.[104]

Regardless of the reasons for implementing a CSR initiative, there are certain legal and regulatory issues and trends that should be considered since national, state and local governments in countries all over the world have already adopted a wide range of laws and regulation relating to consumers, workers, health and safety, human rights, environmental protection, bribery and corruption and corporate governance. Compliance with these laws and regulations is a starting point for becoming a socially responsible company, not only because the legal standards are generally instructive minimum guidelines but also because failure to adhere to laws and regulations will bring adverse public attention to the company and undermine any other efforts that the company might be making to be perceived as a socially responsible actor. Examples of legal requirements relating to topics that are typically associated with CSR initiatives include the following[105]:

- *Required public disclosure of social responsibility performance:* The United Kingdom and other countries in Europe have implemented disclosure requirements for publicly-listed companies that call for those companies to make reports on various and activities relating to environmental matters (i.e., the impact of the company's business on the environment), employees, social and community issues and risks in their supply chains.
- *Directors' fiduciary duties and corporate governance disclosure requirements:* There is a growing trend in many countries to expand the scope of directors' fiduciary duties to include taking into account environmental, social and governance issues and countries have also taken to imposing requirements on publicly-listed companies to disclose and describe their internal policies and practices with respect to corporate governance. Securities exchanges in the US and elsewhere have promulgated corporate governance standards that have been incorporated into their requirement for initial and continued listing. Corporate governance has also been addressed in laws enacted in response to the corporate scandals in the late 1990s and early 2000s (e.g., the Sarbanes-Oxley Act of 2002 in the US).
- *Bribery and anti-corruption laws:* Acting responsibly and fairly in business matters is a bedrock principle of social responsibility and this includes refraining from engaging

[103] D. Jamali, A. Safieddine and M. Rabbath, "Corporate Governance and Corporate Social Responsibility Synergies and Interrelationship", Corporate Governance, 16(5) (2008), 443, 445 (citing D. Jamali, "Insights into triple bottom line integration from a learning organization perspective", Business Process Management Journal, 12 (2006), 809).
[104] Parliamentary Joint Committee on Corporations and Financial Services, Corporate responsibility: Managing risk and creating value (2006), 22-34.
[105] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 15-17.

in bribery and other corrupt activities. Numerous countries, building on international instruments such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the UN Convention against Corruption have enacted laws prohibiting bribery of public officials.

Notwithstanding the importance of understanding applicable laws in each of the locations in which the company is operating, it should not be forgotten that laws are often at best minimum standards of socially responsible and ethical behavior and that many issues related to what is commonly understood as social responsibility are not addressed at all in a number of legal regimes. As such, companies implementing CSR typically base their policies and practices on international instruments such as the Organisation for Economic Co-operation and Development ("OECD") Guidelines for Multinational Enterprises, the G20/OECD Principles of Corporate Governance and/or the United Nations Global Compact Principles and on voluntary, non-binding codes of conduct developed and endorsed by firms in specific industry sectors. In some instances, companies will actually partner with activists and others to lobby governments to adopt new laws or make changes in existing laws to create a legal framework that more closely conforms to emerging international norms and standards on a particular CSR subject.

Globalization, mentioned frequently above as one of the factors driving interest and focus on CSR, make CSR more challenging for companies since they must now operate in countries in which the legal and cultural environments are quite different. Globalization has made long-standing ethical issues such as bribery and corruption even more difficult for companies since they now much cope with thorny questions such as whether a gift will be considered a bribe under the legal standards and cultural norms in foreign countries and what is the best way to monitor corruption and enforce company policies on that issue in foreign subsidiaries. Ethical dilemmas for managers become particularly difficult when it is clear that bribes are needed, and actually expected, in order to increase business opportunities and remain competitive in certain foreign markets.

When a company's move toward globalization includes hiring workers in foreign markets it must consider how to meet its socially responsible obligations to those workers to provide them with a safe working environment, reasonable hours and a living wage. Kelly et al. point out that this is not as easy as it seems and that managers must grapple with the following questions: "Does a living wage mean enough to support an individual or a family and does "support" mean enough to subsist from day-to-day or enough to live in modest comfort? Should American businesses ban child labor in countries where families depend on their children's wages to survive?"[106]

Codes of conduct for domestic and foreign vendors have become quite popular, and are often mandated by law or contract, and address important and controversial issues and practices such as human rights, wages, safety and the environmental impact of the vendor's operations. In order for these codes to be effective, however, companies must

[106] M. Kelly, J. McGowen and C. Williams, BUSN (Independence, KY: South-Western Publishing Company, 2014), 65.

be prepared to monitor and enforce the guidelines in the codes and must be willing to work with vendors to find practical solutions to issues that might arise and terminate relationships with vendors that are unwilling or unable to comply. Enforcement and monitoring can be expensive and time-consuming since it generally means that personnel will need to visit foreign facilities on a regular basis to audit operations and ensure that remedial actions are taken.

§3 System conditions

Many of the arguments for businesses to act in a sustainable manner are based on the premise that the operational activities of businesses are part of a tightly integrated system that also includes society at large and the environment. Willard pointed to the teachings of the "nested dependencies" model of the inter-relationships between the environment, society and companies which depicts society and companies as wholly-owned subsidiaries of the environment and reminds us that if the environment "fails" then so will society and the companies within it.[107] People and companies have long assumed that there will be enough natural resources and ecosystem services available for life as we have known it to go on forever; however, the forces of progress, many of which have been driven by businesses, have overstressed the environment and endangered the ecosystem services that have been taken for granted. The new reality for companies is that the damage their past activities have caused to the environment and society has now come back to challenge their operations and generated significant pressures to identify and implement new business models that can address the challenges referred to above and bring stability to maintain sustainability.

The Future-Fit Business Framework included set of eight system conditions described below, where were intended to serve as the boundaries within which society must operate to protect the possibility that humans and other life can flourish on Earth forever.[108] It was explained that any activity by any societal actor that breached one of these conditions would in some way contribute undermining the resilience and wellbeing of society as a whole and any company operating within and serving society. The system conditions were deliberately presented as a definition of what should <u>not</u> happen—an attempt to provide a robust and proven definition of what "do no harm" means for both society and the environment—and the creators admonished companies to embrace the freedom to do anything within their range of creativity and innovation so long as it did not breach any of the conditions.

- In a sustainable society, nature is not subject to systematically increasing concentrations of substances extracted from the Earth's crust. Limited extraction and safeguarding so that concentrations of lithospheric substances do not increase

[107] B. Willard, "Introduction" in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/).
[108] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 21, 25, FutureFitBusiness.org.

systematically in the atmosphere, the oceans, the soil or other parts of nature (e.g., fossil, carbon, metals).

- In a sustainable society, nature is not subject to systematically increasing concentrations of substances produced by society. Conscious molecular design, limited production and safe-guarding so that concentrations of societally-produced molecules and nuclides do not increase systematically in the atmosphere, oceans, soil or other parts of nature (e.g., NOx, CFCs).
- In a sustainable society, nature is not subject to systematically increasing degradation by physical means. The area and quality of soils, fresh water availability, biodiversity and other aspects of biological productivity and resilience, are not systematically degraded by mismanagement, displacement or other physical manipulation (e.g., de-forestation and over-fishing).
- In a sustainable society, people are not subject to structural obstacles to health. This means that people are not exposed to social conditions that systematically undermine their ability to avoid injury and illness, physically, mentally or emotionally (e.g., lack of access to basic services, dangerous working conditions).
- In a sustainable society, people are not subject to structural obstacles to influence. This means that people are not systematically hindered from participating in shaping the social systems they are part of (e.g., through suppression of free speech or neglect of opinions).
- In a sustainable society, people are not subject to structural obstacles to competence. This means that people are not systematically hindered from learning and developing competence individually and together (e.g., obstacles to education or insufficient possibilities for personal development).
- In a sustainable society, people are not subject to structural obstacles to impartiality. This means that people are not systematically exposed to partial treatment (e.g., through any form of discrimination, or unfair selection to job positions).
- In a sustainable society, people are not subject to structural obstacles to meaning-making. This means that people are not systematically hindered from creating individual meaning and co-creating common meaning (e.g., by suppression of cultural expression, or through obstacles to co-creation of purposeful conditions).

§4 Core sustainability business principles

The global business challenges described above can be expected to have a variety of impacts on businesses ranging from price increases and volatility to new regulations, physical and weather changes, change in consumer preferences and resource constraints on production. Certainly there will be new regulatory, reputational, physical, market, litigation and social risks for companies; however, crisis and challenges also bring new opportunities with respect to reputation and branding; innovation and learning; new products, services and markets; cost reduction and access to capital.[109] In order for

[109] B. Willard, "Introduction" in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/).

companies to be able to mitigate the risks and seize the opportunities, they must first understand and embrace certain core business principles that can guide them in formulating and executing their sustainability initiatives. The Future-Fit Business Principles provide a reference point for companies as to how they must operate to ensure that they do not in any way hinder society's transition to a prosperous future for all[110]:

- A future-fit business eliminates its contribution to pollution from mined substances.
- A future-fit business eliminates its contribution to pollution from substances produced by society.
- A future-fit business eliminates its contribution to environmental degradation by physical means.
- A future-fit business ensures it in no way puts the health of its stakeholders at risk.
- A future-fit business ensures it in no way prevents its stakeholders from having a voice.
- A future-fit business ensures it in no way undermines the opportunity for its stakeholders to learn and grow.
- A future-fit business ensures it in no way prevents its stakeholders from being treated impartially.
- A future-fit business ensures it in no way prevents its stakeholders from creating meaning in their lives.

§5 Business benefits of CSR

While presumably the prospect of "doing good" is a compelling reason for companies to consider implementing CSR initiatives, the reality is that managers must develop a solid business case for investing the company's resources in CSR activities, a process that calls for identification of the specific business benefits that the company expects to achieve from its CSR programs with respect to increasing value, saving costs and reducing risks. While companies differ in terms of size, products, activities, location and stakeholders, most of them are finding that their commercial partners are demanding great attention and sensitivity to social and environmental issues, which means that prioritizing CSR is important for attracting and retaining business. Also relevant is the growing recognition of CSR among investors in financial markets, a movement facilitated by the emergence of indexes and other measures of corporate performance with respect to CSR criteria (e.g., governance, human resource management, health and safety, environmental protection and community development) discussed elsewhere in this Guide.

According to the International Organization for Standards, an organization's performance on social responsibility can influence, among other things, competitive advantage; reputation; the ability to attract and retain workers or members, customers, clients and users; the maintenance of employee morale, commitment and productivity; the perception of investors, owners, donors, sponsors and the financial community; and relationships with companies, governments, the media, suppliers, peers, customers and the community

[110] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 21, FutureFitBusiness.org.

in which it operates.[111] Hohnen and Potts argued that other key potential business benefits for companies implementing CSR include the following[112]:

- *Better anticipation and management of an ever-expanding spectrum of risk:* The process of identifying, measuring, assessing and managing governance, legal, social, environmental and economic risks is the best way for companies to improve the security of supply and their overall stability in the marketplace. In addition, considering in advance the impact of proposed activities on various stakeholders facilitates identification of potential problems and problems that can be effectively managed and mitigated.
- *Improved reputation management:* Embracing CSR means operating on values such as trust, credibility, reliability, quality and consistency, all of which contribute to improving the company's reputation and overall brand equity. Companies that effectively manage their supply partners also enjoy reputational benefits that lead to more business opportunities.
- *Enhanced ability to recruit, develop and retain staff:* Companies known for their commitment to social and environmental issues enjoy improved access to talented personnel who may be attracted by pride in the company's products and practices, the company's "enlightened" human resources practices and/or the company's efforts to improve employee morale and loyalty. The result is a stable pool of human capital with values aligned with the CSR initiatives and a willingness to act as champions of a company that they are proud to be a part of.
- *Improved innovation, competitiveness and market positioning:* Involvement in CSR provides companies with new opportunities for innovation and increasing their competitiveness. Communications with a diverse group of stakeholders provides companies with access to ideas for new products, processes and markets, thus allowing them to create competitive advantages. Certification to environmental and social standards makes companies eligible for supply and other business relationships with retailers. Offering products and services with environmental and social benefits also allows companies to improve their positioning in the marketplace.
- *Enhanced operational efficiencies and cost savings:* When companies implement the audit and assessment processes associated with CSR initiatives they generally are able to identify opportunities to enhance operational efficiencies and reduce costs. For example, companies may discover ways to turn waste streams into revenues and lower their overall costs of energy use. Additional efficiencies and costs savings will be realized over time as a byproduct of the implementation of a more disciplined and systematic approach to management.
- *Improved ability to attract and build effective and efficient supply chain relationships:* CSR involves concentrating on developing stronger relationships with key stakeholders, including suppliers. Companies realize they are heavily dependent on the actions and performance of their suppliers and CSR is a way for companies to

[111] International Organization for Standardization, ISO 26000 Guidance on Social Responsibility: Discovering ISO 26000 (2014).
[112] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 10-12.

engage with their suppliers to help them become more efficient and implement socially and environmentally responsible business practices (e.g. safe working conditions and fair wages for employees). The result will be stronger and less risky business partners in the supply chain who will be able to make long-term contributions to the company's performance by providing a continuous and reliable stream of high quality products

- *Enhanced ability to address change:* The continuous communications and dialogue with stakeholders that is central to any CSR initiative provides a valuable means for companies to collect information on trends that can be used to formulate strategies to anticipate and respond to regulatory, economic, social and environmental changes in the company's current and proposed markets. Simply put, CSR is a valuable tool in any company's environmental scanning program, an important part of the overall strategic planning process.
- *More robust "social license" to operate in the community:* As companies build a reputation as a socially responsible actor they gain access to more opportunities to assume leadership roles in their communities, thus building "social capital". Companies that have a developed and test CSR program are able to build strong public and private alliances and engage with like-minded groups in civil society. These relationships often translate into improvement in the business and financial performance of the company.
- *Access to capital:* As noted elsewhere in this Guide, investors and financial institutions have shown growing interest in social responsibility and have become far more likely to included social and environmental criteria into their assessment of projects and requests for funding. To the extent that this assessment process focuses on management practices and competencies, an effective and well-developed CSR initiative is a good indicator that company management will be good stewards of the funds and meet commitments to provide funders with the information necessary to track their investments.
- *Improved relations with regulators:* Many of the actions and behaviors associated with CSR go beyond compliance with the minimum requirements established by regulators and companies that establish CSR initiatives are in a better position to address concerns that may be raised by regulators in investigations or in due diligence conducted when governmental agencies are make decisions regarding awards of procurement or export assistance contracts. Governments realize that they do not have the resources to monitor socially responsible behavior and look to private firms acting as government contractors for assistance in overseeing and improving the actions of businesses in their supply chains. Companies that demonstrate competencies in supply chain management can reasonably expect to see strong interest from government contract officials.
- *A catalyst for responsible consumption:* One of the goals and byproducts of CSR is "responsible consumerism" and companies can make their contributions by changing consumer preferences and facilitating sustainable consumption patterns and lifestyles through the goods and services they provide and the way they provide them.

The Future-Fit Business Network acknowledged that there is a strong financial imperative to embracing sustainability and that sustainable companies will have opportunities to enhance their resilience and competitiveness and realize one of more of the following benefits with respect to increasing value, saving costs and reducing risks[113]:

- Increase sales to people who value more responsible companies and products
- Increase access to capital that values well-governed, future-focused companies
- Improve employee productivity and foster a culture of learning
- Grow brand equity through leadership on high-profile issues
- Align the company's actions with its purpose and values
- Identify new areas for innovation
- Attract and retain top talent who are increasing seeking employers with strong values
- Prepare the company to thrive in a circular, water-constrained, low-carbon economy
- Avoid reputational and financial costs due to lawsuits and regulatory breaches
- Reduce the cost and secure the supply of critical resources
- Reduce exposure to volatility in fossil fuel markets
- Secure license to operate and attract goodwill wherever the company operates
- Prepare for more stringent future regulations on emissions
- Improve decision-making through more diverse perspectives
- Protect critical infrastructure and services upon which the company depends

Numerous studies have been conducted relating to the benefits of CSR to companies. For example, a study completed and published by the World Business Council for Sustainable Development found that a coherent CSR strategy, based on integrity, sound values and a long-term approach, offered clear business benefits to companies, helped them make a positive contribution to society and offered them an opportunity to show their "human face".[114] Studies have also shown the planning and monitoring is essential to an effective CSR program and that companies must be prepared to engage in open dialogue and constructive partnership with various stakeholders including governments at various levels, intergovernmental organizations, non-governmental organizations, other elements of civil society and, in particular, local communities. In addition, while CSR is based on the development and implementation of global standards and policies, companies must be flexible and sensitive enough to take into account and respect local and cultural differences.

Daft and Marcic reported that studies that have been undertaken to determine if heightened ethical and social responsiveness by companies increased or decreased their financial performance had generally found that a small positive relationship exists between social responsibility (i.e., being a "good corporate citizen") and financial performance as measured by returns on assets, investment and capital.[115] Hohnen and

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[113] Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 13, FutureFitBusiness.org.
[114] Id. at 14.
[115] R. Daft and D. Marcic, Understanding Management (5th Edition) (Mason, OH: South-Western Publishing Co., 2006), 146-147.

Potts concluded that while the evidence is conflicting, the general consensus is that there are positive or neutral correlations between social and environmental responsibility and superior financial performance; however, researchers have had difficulty drawing conclusions about causal links.[116] Socially responsible companies appear to benefit from having a superior reputation in the marketplace, which attracts customers to their products and services, and to enjoy advantages in recruiting and retaining high-quality employees. While the benefits from embracing social responsibility are often slow in coming and difficult to measure, there is a growing consensus that acting with integrity and fairness builds trust with key stakeholders such as customers, employees and suppliers that will ultimately benefit all of the company's stakeholders. For many companies, CSR has become a source of competitive advantage. The decision to take on CSR initiatives has also been made easier by the emergence of management tools and best practices and the acceptance of broad-based performance scorecards for companies that include not only financial performance but also metrics on environmentalism, labor relationship and contributions to local communities and society in general.

§6 Measuring CSR

For all the good intentions and motives associated with acting in a socially responsible manner, businesses and their stakeholders need to have ways to measure and evaluate the effectiveness and impact of CSR initiatives. Measurement is essential for tracking progress against CSR goals and objectives; however, how to go about doing that is by no means easy and ideas in this area are rapidly evolving. Initial efforts recognized the concept of a "double bottom line" which involves looking at both financial indicators, like earnings, and social responsibility indicators, such as community involvement. Companies have relied on so-called "balanced scorecard" methods that recognize four perspectives for measuring performance: people and knowledge, internal business, customers and financial.[117]

Companies have also been doing "social audits", which are systematic evaluations and reports of how well a firm is meeting its ethics and social responsibility objectives.[118] A social audit report typically summarizes corporate activities under headings such as charitable contributions, support of local community groups and activities, employment of protected groups, political contributions, pollution control and cleanup, health and safety measures and efforts to improve the quality of work life for employees.[119]

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[116] The discussion in this paragraph is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 14.

[117] The traditional approach to the "balanced scorecard" is generally attributed to Kaplan and Norton. See R. Kaplan and D. Norton, The Balanced Scorecard: Translating Strategy into Action (Cambridge MA: Harvard Business School Press, 1996). For further discussion of the "balanced scorecard", see "Management: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

[118] M. Kelly, J. McGowen and C. Williams, BUSN (Independence, KY: South-Western Publishing Company, 2014), 66.

[119] Notes on "Chapter 9: Management Ethics and Social Responsibility", http://www2.ivcc.edu/aleksy/Fall14/Fall14Mgmt/Plunkett10Ch09.pdf [accessed July 25, 2016]

In addition to formal assessment and reporting, feedback on CSR initiatives comes from other groups who watch and monitor industry activities and the behaviors of individual companies. Shareholders have become much more aggressive in questioning the activities of management and companies can also expect to be scrutinized by labor unions, consumer activists, environmentalists and other community groups. The possibility of government regulation has often motivated industries to "self-regulate" by adopting standards and codes of conduct to be followed by industry members.

One place to look for ideas about measuring CSR is in the financial community where various indexes and other measures of corporate performance on various CSR criteria (e.g., governance, human resource management, health and safety, environmental protection and community development) have been developed to assist public and private investors, including mutual fund managers and venture capitalists, in making investment decisions. Interest in measurement has exploded as more investment capital is being set aside for "socially responsible investment".

It is important to understand how a particular index defines CSR and sustainability. Many earlier indexes focused on screening out companies that operated in undesirable or risky industries; however, as time went by the metrics became broader and more sophisticated and included positive factors such as leadership approaches, planning processes and management practices in areas such as governance, social impact and the environment. Notable examples of sustainability indexes include the Dow Jones Sustainability indices and the MSCI ESG indexes. An extensive library of reports and self-reported climate change, water and forest-risk data is available through the CDP (www.cdp.net), which works with companies, investors and governments on issues and projects relating to environmental risks.[120] Indices of CSR have been supplemented by efforts to list and rank the most socially responsible companies. For example, Corporate Knights releases an annual list of the "Top 100 Most Sustainable Corporations in the World"

Montiel found substantial similarities in how CSR and corporate sustainability researchers operationalized their constructs to measure social and environmental performance, noting that both groups of scholars use similar variables to measure CSR and corporate sustainability that included economic, environmental and social dimensions. The most common variables included ethics policy, philanthropic contributions, stakeholder interests and relationships (i.e., investors, shareholders, customers, suppliers, employees, and the community), governmental relationships, urban development, minority support programs, health and safety initiatives, community involvement and development, conserving natural resources, employee eco-initiatives, voluntary environmental restoration, eco-design practices and systematically reducing waste and emissions from operations.[121]

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[120] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 10.

[121] I. Montiel, "Corporate Social Responsibility and Corporate Sustainability: Separate Pasts, Common Futures", Organization and Environment, 21(3) (September 2008), 245, 260.

Table 3
Examples of Performance Measures for CSR, CSP and CS

MEASURES	SELECTED STUDIES
Corporate Social Responsibility	
Fortune's Corporate Reputation Survey (rates firms on financial soundness, long-term investment value, use of corporate assets, quality of management, innovativeness, quality of products and services, use of corporate talent, community and environmental responsibility)	Holmes (1977); Abbott & Monsen (1979); McGuire et al. (1988); Fryxell & Wang (1994)
11 survey items (pollution, quality of products and services, decay of cities, inflation, monopoly, quality of education, support of charities, corporate profits, human resources, minority employment, unemployment)	Grunig (1979)
Moskowitz Reputation Index (pollution control, equal employment opportunity, minority and female representation on board of directors, support of minority enterprise, responsible and irresponsible advertising, charitable contributions, community relations, product quality, plant safety, illegal politicking, disclosure of information, employee benefits, respect for privacy, support for cultural programs, responsiveness to consumer complaints, fair dealing with customers)	Cochran & Wood (1984)
Motivating principles (value, stakeholder, and performance driven), processes (programs and activities aimed at implementing CSR principles and/or addressing specific stakeholder issues, which include philanthropic, sponsorships, volunteer, code of ethics, quality, health and safety, and management of environmental impacts) and stakeholder issues (community, customer, employee, shareholder, supplier)	Maignan & Ragston (2002)
Corporate Social Performance	
Kinder, Lydenberg, Domini social rating service dimensions (community relations, employee relations, environmental issues, military issues, product issues, South Africa issues, nuclear power, women or minority issues)	Graves & Waddock (1994); Turban & Greening (1996); Waddock & Graves (1997); Ruf et al. (1998); Weaver et al. (1999); Agle et al. (1999)
Corporate Sustainability and Sustainable Development	
Pollution control, eco-efficiency, recirculation, eco-design, ecosystem stewardship, and business redefinition	Sharma & Henriques (2005)
*10 environmental integrity items (reduced products' environmental harmful impact, reduced environmentally damaging inputs, used inputs from renewable sources, reduce environmental impacts of processes, reduced operations in environmentally sensitive locations, reduced likelihood of environmental accidents, reduced waste, reused waste, disposed waste responsibly,	Bansal (2005); Chan (2005)

handled toxic waste responsibly); *6 economic prosperity items (established government relations, reduced costs of inputs, reduced cost for waste management for same level of outputs, used waste for revenue, differentiated product on environmental performance, created spin-off technologies); and *6 social equity items (considered stakeholder interests, communicated environmental risk, improved health and safety issues, protected local communities' rights, improved facility's visual aspect, funded local community projects)	
Source: I. Montiel, "Corporate Social Responsibility and Corporate Sustainability: Separate Pasts, Common Futures", Organization and Environment, 21(3) (September 2008), 245, 261-262. The article reported the results of the author's extensive survey of the evolution of management literature in both general management and specialized journals with respect to CSR, corporate social performance ("CSP") and corporate sustainability ("CS"). The article quantifies the research work and summarizes the different CSR-and CS-related definitions to identify the definitional differences between CSR and CS. This Table, adapted from the article, lists examples of measurement instruments used by scholars to operationalize CSR, CSP and CS in the general management articles reviewed and full citations for the references can be found in the "References" section of the article.	

§7 Stakeholders

Companies seeking to practice social responsibility recognize obligations to multiple "stakeholders" in their internal and external environments.[122] Daft and Marcic described a stakeholder as "any person or group within or outside the organization that has a stake in the organization's performance"[123], and the GIIRS explained that the term "stakeholders generally refers to any individual or group that, either positively or negatively, impacts or is impacted by the decisions and action of an organization".[124] Organizations generally can identify a number of different stakeholders and each of them has their own unique and specific interest in the organization, its overall performance and the way in which it interacts with and treats its stakeholders. The list of stakeholders for any organization, as well as their relative importance to the organization at a given time, is unique and will depend on a variety of factors such as geography, industry, size, business model and the stage of growth.[125]

Daft and Marcic noted that owners, investors and shareholders, employees (managers and non-managers) and workers throughout the supply chain (and their elected representatives, if any), customers and clients, suppliers, vendors, distributors,

[122] For detailed discussion of stakeholders, see "Stakeholders and Stakeholder Engagement" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[123] R. Daft and D. Marcic, Understanding Management (5th Edition) (Mason, OH: South-Western Publishing Co., 2006), 132.
[124] GIIRS Emerging Market Assessment Resource Guide: Stakeholder Engagement, 1, available at www.giirs.org.
[125] Id.

contractors and other key business partners (e.g., lenders and insurers) are considered to be a company's primary stakeholders, without which the company would not be able to survive. However, other stakeholders can also be very important to a company: governments (local, provincial and national) and intergovernmental bodies, which provide the licenses for businesses to operate and establish, interpret and enforce the laws and regulations under which businesses must conduct their affairs; the community, which includes local government, the natural and physical environments and the quality of life provided to residents in the areas where the company conducts its business; special interest groups, which include industry and trade associations, political action committees, social activists, cooperatives, professional associations and consumer interest groups; creditors; for- and non-profit partners (i.e., "strategic partners" such as universities and research institutes) that provide support and collaboration on development of new technologies, products and processes; the "media"; competitors; and non-governmental organizations ("NGOs"), international organizations and other affected by the activities of the business.[126]

A stakeholder relationship is one of mutual dependence and influence. In other words, while stakeholders look for companies to acknowledge, understand and protect their interests, stakeholders can also have a significant impact on the performance and survival of the company, a situation that often raise difficult issues for company management when doing what is best for one stakeholder harms or disadvantages another stakeholder. For example, Daft and Marcic referred to Wal-Mart's well-known tactic of driving hard bargains with their suppliers in order to provide its customers with lower prices and generate profits that benefit Wal-Mart shareholders. Proponents of this strategy point to the benefits for consumers and the overall utility of pushing suppliers to be more efficient; however, many question the ethics and social responsibility of practices that have forced US manufacturers to lay off workers and close factories, sometimes devastating local communities, because they simply cannot pay their employees from the revenue they would receive under Wal-Mart's preferred contractual terms and driven businesses to low-wage countries where local workers work in dangerous conditions in order to fulfill orders from Wal-Mart.[127]

The scenario above illustrates how a company's strategies and performance goals can impact a stakeholder, but stakeholders are not powerless in their relationships with companies. Daft and Marcic provided a vignette about the struggles that Monsanto underwent dealing with certain of its stakeholders as the company implemented a sweeping strategy to transform itself from a chemical business into a biotechnology company. The strategy called for development of a new genetic seed business; however,

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[126] R. Daft and D. Marcic, Understanding Management (5th Edition) (Mason, OH: South-Western Publishing Co., 2006), 132-133 (citing D. Wheeler, B. Colbert, and R. E. Freeman, "Focusing on Value: Reconciling Corporate Social Responsibility, Sustainability, and a Stakeholder Approach in a Networked World", Journal of General Management, 28(3) (Spring 2003). 1; and J. E. Post, L. E. Preston, and S. Sachs, "Managing the Extended Enterprise: The New Stakeholder View", California Management Review, 45(1) (Fall 2002), 6).
[127] R. Daft and D. Marcic, Understanding Management (5th Edition) (Mason, OH: South-Western Publishing Co., 2006), 132.

the initiative was meant with protects from consumer activists in Europe who complained about unlabeled, genetically modified food ingredients that they dismissively named "Frankenstein foods". Research institutes were also unhappy about Monsanto's entry into the new technology and business. All of this discontent placed barriers in the way of Monsanto's progress—regulatory approvals for the company's genetically modified organisms were costly to obtain and time-consuming—and the company's overall reputation suffered, leading to erosion of investor confidence and a tumble in the company's stock price. It was clear that Monsanto needed to do a better job of managing its stakeholder relationship or risk that its stakeholders would actually torpedo the company's new strategy and even drive it completely out of business.[128]

The learning from the stories above is that each of the company's stakeholders has a different interest in the company and these differences mean that each stakeholder has its own ideas about what is "responsible" and that company management will be challenged when their pursuit of strategies that are aligned with the interests of one group of stakeholders conflicts with the interests of other stakeholders. For example, while investors and shareholders are interested in profits, a company can expect troubles if they fail to recognize the desire of its employees for fair pay and work satisfaction and turn out products that are competitively priced but fail to meet reasonable expectations of customers with regard to quality and safety. Actions of a company that management truly believes to be socially responsible may nonetheless disappoint and agitate members of a particular stakeholder group. Complicating the situation even more is that simply following the letter of the law does not, in and of itself, guarantee that an act will be socially responsible. In this way, the puzzles and problems of pursuing social responsibility are very similar to those that appear in the field of business ethics. Finally, companies that operate in the global marketplace will quickly find that societal culture plays a big role in people's attitudes about what is right and wrong, how companies should act and who is the appropriate subject to their attention and respect in making strategic and operational decisions.

While all stakeholders have a stake, or personal interest, in the performance and actions of a company, their specific needs, expectations and levels of interest will vary depending on the type of business and other circumstances.[129] For example, government regulators will have a high level of interest in the activities of pharmaceutical companies, given the serious health and welfare issues associated with the development and marketing of new drugs, but will generally have little interest in a small pottery business beyond assessing fees for business permits and requiring certifications that the company's worksite is clean and safe. In the same vein, strategic and competitive factors will often influence the relative importance of a stakeholder relationship in the eyes of the company, as is the case when a company is dependent on an exclusive relationship with a particular supplier or the ability of the company to commercialize its products hinges on obtaining the approval of a government regulator.

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[128] Id. at 133.
[129] M. Kelly, J. McGowen and C. Williams, BUSN (Independence, KY: South-Western Publishing Company, 2014), 58.

§8 Organizational design and sustainability

Rasche et al. set out to examine how CSR is organized and why certain organizational forms are used frequently to coordinate CSR activities, while other forms are less widespread.[130] In particular, they were interested in how and why companies might choose among popular CSR initiatives such as cross-sector partnerships, internal codes of conduct or signing on to multi-stakeholder or industry-wide standards when deciding how best to pursue a CSR-related goal such as combatting human rights abuses. They argued that companies and other CSR "organizers" (e.g., non-governmental organizations ("NGOs"), governments and standard-setters) generally choose between two distinct types of "organizing" when it comes to CSR. The first type is a "complete" organization, which is feasible when the organizers have access to all of the elements needed to achieve organized orders (i.e., membership, hierarchy, rules, monitoring and sanctioning). The second type is a "partial" organization, which is used in instances when the organizers do not have access to all of the organization elements. Illustrations of partial organizations include cross-sector partnerships between companies and NGOs and CSR standards evolving from multi-stakeholder consultations.

Opportunities from Engaging with NGOs

Governments and multi-lateral organizations such as the United Nations have struggled to respond to the enormous environmental and social challenges that have developed around the world and more pressure has been exerted on businesses, particularly multinational corporations, to play a larger role. The drumbeat for corporate responsibility has been fueled by social media and the reality that many of the larger global companies have substantial financial resources under their control. While businesses are generally willing to provide support for environmental and social responsibility initiatives, they want their resources to be deployed in ways that are consistent with their values and their strategies and in a manner that is efficient and objectively impactful. In many cases, this requires extensive development experience, which is something many companies do not have and cannot easily acquire.

The solution, according to a September 2017 article in *The Economist*, may be engaging with NGOs to create and execute sustainability initiatives. According to the article, NGOs can assist businesses in developing more cost-effective and impactful corporate sustainability programs by contributing their deep knowledge of issues like environmental conservation, human rights, and economic development and their technical expertise in practical solutions such as project planning and implementation, monitoring and evaluation, and social marketing. NGOs can also help companies with reconceiving their goods and services to meet the needs of those at the "base of the economic pyramid", not only improving the lives of millions of poor people but also gaining access to a market estimated to be worth $5 trillion. Similarly, NGOs can provide experience and contacts for companies interested in entering new markets, particularly frontier markets, and developing communities. Finally, NGOs with experience working on difficult issues such as climate change adaptation programs and peace and conflict resolution can help businesses strength their supply chains and their relationships in local communities.

Source: J. Cramer-Montes, "Sustainability: A New Path to Corporate and NGO Collaborations", The Economist (March 24, 2017), http://www.economist.com/node/10491124

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[130] A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651. For further discussion of organizational design, see "Organizational Design: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

The arguments made by Rasche et al. were grounded in the work of Ahrne and Brunsson, who believed that an organization could be understood as a type of decided social order in which one or more of the following five elements existed: membership, hierarchy, rules, monitoring and sanctions.[131] Rasche el al. noted that much of the research on organizational design and structure had traditionally focused on what happens inside the boundaries of formal organizations[132], such as corporations, and that these formal organizations possessed all five of the above-mentioned elements and thus could be characterized as "complete" organizations[133]:

- Formal organizations make formal decisions about who can or cannot become members of the organization, such as decisions about which persons to hire as employees.
- Formal organizations generally establish a hierarchy based on explicit assignments of authority to certain individuals or groups of individuals to make decisions on certain matters related to the operation of the organization.
- Formal organizations coordinate their activities through the issuance of rules and procedures that members are expected to follow in carry out their day-to-day activities on behalf of the organization.
- Formal organizations supplement their rules and procedures by establishing formal and/or informal monitoring mechanisms to ensure that members are complying with the rules.
- Formal organizations seek to motivate members to comply with the rules and procedures through the implementation of positive and negative sanctioning mechanisms.

Rasche et al. emphasized that while complete organizations were characterized as such because they had the ability to draw upon on all five elements as they designed their formal organization, in practice there were differences among them with respect to the extent to which each of the elements were deployed and/or the overall balance of the elements in the organizational design chosen to address a particular organizational task.

While formal organizations are obviously important, not all types of organization that can be identified occur within the boundaries of formal organizations, nor is it necessary for all of the five elements mentioned above to be available to organizers in order to launch and maintain an organization. The concept of "partial" organization includes organizations that only use selected elements (i.e., one or several of the five elements of

[131] G. Ahrne and N. Brunsson, "Organization outside organizations: The significance of partial organization", Organization, 18(1) (2011), 83.

[132] Well-known works of formal organizations include J. March and H. Simon, Organizations (New York: Wiley, 1958); H. Mintzberg, The structuring of organizations, (Englewood Cliffs: Prentice Hall, 1979); and K. Weick, The social psychology of organizing (Reading: Addison-Wesley, 1979).

[133] A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651, 652-653.

formal organizations are missing) and which are forged outside and among formal organizations.[134] One example provided by Rasche et al. was organizations, such as associations, organized by formal organizations. In those instances, organization occurs through membership and members will be expected to adhere to certain rules; however, many associations dispense with monitoring of members' behavior and sanctioning members for failure to comply with the rules of the association.[135] Another example of a partial organization is the rankings of schools that have become so popular. These rankings are based on efforts to monitor and measure schools' behavior based on explicit rules and a drop in performance against any of the metrics results in sanctions to a school in the form of a drop in its ranking; however, the schools included in a ranking scheme are not organized and connected through formal membership or hierarchical controls.[136] Rasche et al. noted that while it is arguably difficult to distinguish partial organizations from networks and institutions, both of which also develop and flourish outside the boundaries of formal organizations, the difference is that networks and institutions are "emergent social orders" while partial organizations, like complete organizations, come into being as a result of deliberate decisions by their organizers (i.e., individuals and/or other organizations).

While CSR has become more "corporate-oriented", companies continue to deploy the strategies and methods of complete organization to CSR, not surprising since companies remain ultimately responsible for their actions relating to CSR. For example, more and more companies are explicitly integrating CSR principles and goals into their missions and strategies, and investment in internal CSR capacity (i.e., personnel and technologies) has increased.[137] However, organizational practices must now take into account the interests and concerns of external actors who bring with their own ideas and expectations regarding norms and standards and the role of companies in pursuing their business objectives in a way that incorporates community benefit alongside traditional economic goals. As such, the details of complete organization for CSR in companies are often based on external standards, including an increasing volume of laws and regulations and popular global standards for CSR reporting, and companies have also recognized that they are no longer the sole actor with respect to CSR and must rely on partial organization to gain access to complementary resources that have been developed by and/or with others, such as knowledge and legitimacy (e.g., publicly adopting the GRI

[134] Id. at 653.
[135] W. Coleman, "Associational governance in a globalizing world: Weathering the storm", in J. R. Hollingsworth and R. Boyer ((Eds.), Contemporary capitalism: The embeddedness of institutions (Cambridge: Cambridge University Press. 1997), 127.
[136] M. Sauder and W. Espeland, "The discipline of rankings: Tight coupling and organizational change", American Sociological Review, 74(1) (2009), 63.
[137] A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651, 654 (citing J. Moon, "The institutionalisation of business social responsibility: Evidence from Australia and the UK", The Anahuac Journal (Mexico), 5(1) (2004), 40; K. Bondy, J. Moon and D. Matten, "An institution of corporate social responsibility (CSR) in multi-national corporations (MNCs): form and implications", Journal of Business Ethics, 111(2) (2012), 281; and R. Strand, In praise of Corporate Social Responsibility bureaucracy (Copenhagen: Copenhagen Business School PhD Series (26.2012))).

standards and participating in GRI working groups on sustainability and reporting).[138] All this means that companies must become more adept at understanding and balancing both "complete" and "partial" organizational techniques when developing and implementing their CSR initiatives.

§9 --CSR standards

Rasche et al. began by explaining that "standards, in their most general sense, reflect rules for common and voluntary use, decided by one or several people or organizations".[139] One of the strongest trends in the CSR field has been the emergence of a plethora of standards ranging from broadly defined principles such as the United Nations Global Compact to narrowly defined certification standards and guidelines such as Social Accountability 8000, the Global Reporting Initiative and ISO 26000 (an effort by the International Organization for Standardization to guide organizations on how they can operate in a socially responsible manner). Rasche and Esser observed that while one can identify differences among the CSR standards and such standards are intended for a variety of purposes, the consistent thread among them is that they are "voluntary predefined rules for assessing, measuring, and communicating social and environmental performance".[140]

As to the first element of formal organization, "membership", it is important to note that few of the popular CSR standards impose substantial restrictions on which organizations are allowed to adopt their rules, although some sector specific initiatives are practically limited to organizations operating in a particular industry and/or to "listed companies". There are differences, however, in the processes that standards use to sign up new members. Many standards require that organizations go through a formal sign up or application process if they are interested in receiving the specific benefits associated with being related to the standards. This type of "closed" membership strategy affords reputational advantages to the members that are admitted, advantages that are often protected by allowing members to exclude others whose performance may not adhere to the standard's requirements. Other important standards, such as ISO 26000 or the Global Reporting Initiative, do not have application requirements (although organizations can register their reports with the GRI). The FTSE4Good Index considers all listed companies; however, inclusion in the Index (i.e., "membership") is based on monitoring of performance by the organizers of the Index. Rasche et al. pointed out that dispensing with membership as an essential organizational element can be advantageous to

[138] For further discussion of the role of CSR in gaining legitimacy for organizations, see also T. Emtairah and O. Mont, "Gaining legitimacy in contemporary world: environmental and social activities of organisations", International Journal of Sustainable Society, 1(2) (2008), 134.

[139] A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651, 656 (citing N. Brunsson, A. Rasche and D. Seidl, "The dynamics of standardization: Three perspectives on standards in organization studies", Organization Studies, 33 (2012), 613, 616).

[140] A. Rasche and D. Esser, "From stakeholder management to stakeholder accountability", Journal of Business Ethics, 65(3) (2006), 251.

organizers of the standards because it lowers barriers to entry and thus promotes acceleration of adoption.[141]

The second element of formal organization, "hierarchy", is conspicuously missing from CSR standards that are essentially voluntary and thus have no mechanism for forcing any organization to adopt and comply with the standards. When an organization does decide to adopt a standard the responsibility for compliance lies primarily with organization itself and not with the organizers of the standard. Abbott et al. pointed out that delegation of implementation authority to the followers of the standard, as opposed to those who set the standard, is a characteristic of "soft law", a phrase that has become famous among advocates of CSR.[142] The lack of hierarchy has advantages and disadvantages for CSR standards. Ahrme and Brunsson pointed out that it does afford adopters with more flexibility to customize and fit the rules of the standard into their specific organizational context; however, Behnam and MacLean argued that misuse of this flexibility is a real danger and that the results of customization may be that organizations are not actually "walking their talk".[143]

In contrast to contextually specific rules that are generally found in formal organizational approaches to organizing CSR, the rules found in CSR standards are less precise because they are generally intended to serve as "universal" guidelines applicable across national borders and in different geographical and socio-cultural areas. In fact, many standards are based, at least in part, on international treaties such as widely recognized and respected conventions promulgated under the watch of the International Labor Organization. Universal rules are a great opportunity to raise the bar of accountability and responsibility across the globe and encourage a leveling of the playing field among organizations operating in and competing from different parts of the world; however, by definition, universal rules do not fit every situation and organizations adopting standards will also need to invest time and effort in finding the best ways to apply and interpret those standards in the specific circumstance.[144]

Rasche et al. pointed out that many CSR standards do not include "monitoring" or "sanctioning" mechanisms or requirements (e.g., ISO made it clear that its ISO 26000 standards are not certifiable and do not contain monitoring or sanctioning mechanisms).[145] The use of monitoring and sanctioning is often a highly political decision and organizers of CSR standard need to weigh the additional burdens on

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141 A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651, 656.

142 K. Abbott, R. Keohane, A. Moravcsik, A.-M. Slaughter and D. Snidal, "The concept of legalization". International Organization, 54(3) (2000), 401–419.

143 A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651, 656 (citing G. Ahrne and N. Brunsson, "Organization outside organizations: The significance of partial organization", Organization, 18(1) (2011); and M. Behnam and T.L. MacLean, "Where is the accountability in international accountability standards? A decoupling perspective", Business Ethics Quarterly, 21(1) (2011), 45–72).

144 Id. at 656-657 (citing G. Ortmann, "On drifting rules and standards", Scandinavian Journal of Management, 26(2) (2010), 204).

145 Id. at 657.

members against the potential benefits, a difficult question to answer given that auditing practices are often sloppy and may not render results that guarantee higher levels of compliance.[146] Some standards setters rely on and permit professional certification bodies to conduct audits, understandable from the perspective of the standards organizers but a further complicating factor for organizations seeking alignment with the standards given the cost and time required to deal with the certification body.[147] In the limited situations where the standard setters have themselves achieved a high level of legitimacy the pressures on members increase to the point where they are driven to comply since public disclosure of violations of the standard is seen as risky from a reputational perspective. Rasche et al. described this as "implicit sanctions through reputation mechanisms". As noted above, the FTSE4Good Index relies on monitoring as its gateway to membership as opposed to application processes.[148] Finally, standards setters may provide for some form of monitoring but not get actively involved with imposing sanctions for failure to comply with the standards.

§10 --Cross-sector partnerships

Rasche et al. described "partnerships" in a CSR context as ‘‘collaborative arrangements in which actors from two or more spheres of society (state, market, and civil society) are involved in a non-hierarchical process, and through which these actors strive for a sustainability goal’’.[149] Cross-sector partnerships share the common feature of collaboration from actors across business government and civil society; however, they appear in many different forms and seek to achieve a wide range of purposes including agenda setting, policy development and implementation, market creation and dissemination of knowledge.

As for membership in cross-sector partnerships, Rasche et al. noted that while at least two partners are required, not every organization can become a partner and not every collaboration results in a partnership.[150] As organizations consider partnership opportunities they are generally looking for partners who can forge mutually beneficial relationships that include clear goals, senior level commitment, frequent communication, involvement of professionals, a shared commitment of resources and an evaluation of

[146] D. O'Rourke, "Monitoring the monitors: A critique of corporate third-party labor monitoring" in R. Jenkins, R. Pearson and G. Seyfang (Eds.), Corporate responsibility and ethical trade: Codes of conduct in the global economy (London: Earthscan, 2002), 196. See also A. Rasche, "The limits of corporate responsibility standards", Business Ethics: A European Review, 19(3) (2010), 280; and A. Rasche, "A necessary supplement': What the United Nations Global Compact is and is not", Business & Society, 48(4) (2009), 511.

[147] D. Gilbert and A. Rasche, "Discourse ethics and social accountability: The ethics of SA 8000", Business Ethics Quarterly, 17(2) (2007), 187.

[148] R. Slager, J.-P. Gond and J. Moon, "Standardization as institutional work: The regulative power of a responsible investment standard", Organization Studies, 33(5–6) (2012), 763.

[149] A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651, 657 (citing M. van Huijstee, M. Francken and P. Leroy, "Partnerships for sustainable development: A review of current literature", Environmental Sciences, 4(2) (2007), 75, 77).

[150] Id.

progress.[151] Creation and development of cross-sector partnerships plays out over several stages beginning with selection and then moving through design and institutionalization.[152] While many CSR partnerships are enduring, some have changed their form of partial organization over time and become something different, such as the partnership between WWF and Unilever that eventually became a standard for assessing and certifying sustainable fisheries overseen by the Marine Stewardship Council.[153]

Cross-sector partnerships are, almost by definition, largely non-hierarchical organizational forms and rely largely on achieving consensus among participants in arriving at decisions.[154] However, while formal hierarchies are rare among cross-sector partnerships, there after often significant power differences among the partners in terms of their access to information and/or their influence during the negotiation process leading up to decisions. Rasche et al. provided the following observation from Nikoloyuk et al.: ‘‘[t]he successful development of supply chain partnerships for sustainability tends to involve […] a high concentration of powerful agents and the marginalization of smaller and less powerful agents.’’[155]

Cross-sector partnerships generally have some formal internal rules; however, studies have shown that there are often no clear guidelines on how to operate inside these partnerships or how to assess the overall performance of the partnership.[156] While this situation provides the partners with flexibility to design their partnership to suit their specific needs, it also creates a risk of inefficiency and lack of productivity that will cause participants to abandon the partnership.[157] External rules sometimes come out of negotiations with NGOs on self-regulation; however, the process requires a lack of hierarchy among the partners in order to have a level playing field for participating in the development process.[158]

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[151] B. Googins and S. Rochlin, “Creating the partnership society: Understanding the rhetoric and reality of cross-sectoral partnerships”, Business and Society Review, 105(1) (2000), 127.

[152] J. Selsky and B. Parker, “Cross-sector partnerships to address social issues: Challenges to theory and practice”, Journal of Management, 31(6) (2005), 849.

[153] A. Rasche, F. de Bakker and J. Moon, “Complete and Partial Organizing in Corporate Social Responsibility”, Journal of Business Ethics, 115 (July 2013), 651, 660.

[154] M. van Huijstee, M. Francken and P. Leroy, “Partnerships for sustainable development: A review of current literature”, Environmental Sciences, 4(2) (2007), 75.

[155] A. Rasche, F. de Bakker and J. Moon, “Complete and Partial Organizing in Corporate Social Responsibility”, Journal of Business Ethics, 115 (July 2013), 651, 657 (citing J. Nikoloyuk, T. Burns and R. De Man, “The promise and limitations of partnered governance: The case of sustainable palm oil”, Corporate Governance, 10(1) (2010), 59, 70).

[156] Id. (citing K. Babiak and L. Thibault, “Challenges in multiple cross-sector partnerships”, Nonprofit and Voluntary Sector Quarterly, 38(1) (2008), 117).

[157] N. Egels-Zande´n and E. Wahlqvist, “Post-partnership strategies for defining corporate responsibility: The business social compliance initiative”, Journal of Business Ethics, 70(2) (2006), 175, 176.

[158] A. Rasche, F. de Bakker and J. Moon, “Complete and Partial Organizing in Corporate Social Responsibility”, Journal of Business Ethics, 115 (July 2013), 651, 657 (citing J. Nikoloyuk, T. Burns and R. De Man, “The promise and limitations of partnered governance: The case of sustainable palm oil”, Corporate Governance, 10(1) (2010), 59, 70).

Many cross-sector partnerships are formed without explicit attention to monitoring and sanctioning. In those cases, the members of the partnership develop their own methods for assessing whether or not the other members are performing and the "sanction" for non-performance will likely be reduction of cooperation with a partner that is not complying with the rules set for the partnership.[159] One of the challenges for monitoring cross-sector partnerships is how to determine the "value creating ability" of the partnership and then using that metric as a way to gauge the effectiveness of the partnership. Since each partner has their own ideas about the value and purpose of the partnership, each of them may be applying a different measure of performance.[160] Ba¨ckstrand noted that partners also closely monitor the results of other partners to determine whether they are fulfilling the expectations associated with the partnership and argued that accountability, measurable targets and timetables, and reporting and monitoring mechanisms are important elements for successfully organizing partnerships.[161] The flexible character of monitoring, and the general way in which cross-sector partnerships are constructed, complicates the element of sanctioning within those partnerships, and studies have shown that sanctions for non-compliance are often restricted to expulsion from the partnership.[162] While expulsion may seem like a relatively weak sanction and may difficult to apply, it nonetheless can have serious consequences for the impacted partner from the perspective of reputation and credibility.[163]

§11 Comparing the organization of CSR in large and small firms

Baumann-Pauly et al. noted that debate and research regarding corporate social responsibility ("CSR") had focused primarily on large multinational corporations ("MNCs").[164] They explained that this emphasis could be attributed to a number of factors. First, MNCs are often implicitly considered capable of assuming responsibility for implementing CSR-related organizational practices and structures that will enable them to interact with civil society and, in fact, the evidence shows that MNCs have played a leading role in developing codes of conduct and corporate policies addressing important global issues such as human rights and labor standards in their supply chains and climate change. Second, practical CSR initiatives coming out of multi-stakeholder initiatives such as the UN Global Compact, the Global Reporting Initiative and industry-

[159] Id. (citing G. Ahrne and N. Brunsson, "Organization outside organizations: The significance of partial organization", Organization, 18(1) (2011), 83, 94).
[160] B. Googins and S. Rochlin, "Creating the partnership society: Understanding the rhetoric and reality of cross-sectoral partnerships", Business and Society Review, 105(1) (2000), 127.
[161] K. Ba¨ckstrand, "Multi-stakeholder partnerships for sustainable development: rethinking legitimacy, accountability and effectiveness", European Environment, 16(5) (2006), 290.
[162] A. Rasche, F. de Bakker and J. Moon, "Complete and Partial Organizing in Corporate Social Responsibility", Journal of Business Ethics, 115 (July 2013), 651, 657 (citing P. Glasbergen, "Understanding partnerships for sustainable development analytically: The ladder of partnership activity as a methodological tool", Environmental Policy and Governance, 21(1) (2011), 1, 7).
[163] Id.
[164] D. Baumann-Pauly, C. Wickert, L. Spence and A. Scherer, Organizing Corporate Social Responsibility in Small and Large Firms: Size Matters (University of Zurich: Chair of Foundations of Business Administration and Theories of the Firm Working Paper Series No. 204, December 2011), 2-3.

focused associations working on sustainability issues are typically designed primarily for large firms with the human and financial resources necessary to implement the required procedures in the business operations. Finally, MNCs have become prolific reporters of their CSR activities and their interactions with selected stakeholders and civil society.

Baumann-Pauly et al. argued that it was important to have a better understanding about CSR in small and medium sized enterprises ("SMEs") due to the significant role that SMEs play in both the developed and developing world in terms of employment and overall contributions to the economy.[165] CSR activities in SMEs are also directly related to the actions of MNCs due to the large number of SMEs that are embedded in the global supply chains maintained by SMEs. Baumann-Pauly et al. noted that the little research that had been done had resulted in a general impression that MNCs were more advanced at implementing CSR when compared to SMEs[166]; however, they felt that it was necessary to challenge those impressions by critically analyzing public perceptions of CSR in both MNCs and SMEs through an assessment of the actual implementation of CSR practices at the organizational level.

Baumann-Pauly et al. conducted an empirical study of five MNCs and seven SMEs from Switzerland, all of which were selected based on their likelihood to present data-rich cases on CSR implementation.[167] All of the MNCs (ABB, Credit Suisse, Nestle, Novartis and UBS) had announced that they had joined the UN Global Compact at the time that it was launched in 2000, putting them among the first MNCs worldwide to make a formal and public commitment to implementing the CSR principles set out in the UN Global Compact, an initiative that had received strong support from the Swiss government and some Swiss MNCs. All of the SMEs in the study (CPT, Mammut Sports Wear, Remei, Stuco, Sherpa Outdoor, Switcher and Vestergaard Frandsen) had less than 25 employees and were from the textile industry, which the researchers noted had a long CSR history and was considered to be a model for consideration and implementation of CSR initiatives. By selecting companies from a single country the researchers hoped to eliminate any issues with regard to inter-case compatibility that might arise because of differences in regulatory, political and cultural context. The study was conducted over a three year period between 2007 and 2010.

One of the most interesting and useful tools coming out of the work of Baumann et al. was the framework they suggested for assessing CSR among MNCs and SMEs. They were especially interested in assessing the organizational embeddedness of CSR in daily business practices to determine whether firms actually "walked the talked" with regard to CSR, an important question given that some researchers had argued that while many

[165] D. Baumann-Pauly, C. Wickert, L. Spence and A. Scherer, Organizing Corporate Social Responsibility in Small and Large Firms: Size Matters (University of Zurich: Chair of Foundations of Business Administration and Theories of the Firm Working Paper Series No. 204, December 2011), 3.
[166] Id. (citing J. Campbell, "Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility", Academy of Management Review, 32(3) (2007), 946; and A. McWilliams and D. Siegel, "Corporate Social Responsibility: A Theory of the Firm Perspective", Academy of Management Review, 26 (2001), 117).
[167] Id at 8-9.

MNCs had heavily promoted their CSR commitments the reality was that they were not to be found in day-to-day practices (a phenomenon described as "building up a CSR façade").[168] Focusing on daily business routines was also a good way to see whether researchers were correct in their assumptions that SMEs would have difficulty implementing CSR due to their relative lack of financial and human resources and assumed inexperience with the formal management systems thought to be necessary in order for CSR initiatives to succeed.[169]

Baumann et al. explained that their assessment framework was developed from an organizational learning model that Zadek created based on his empirical work with Nike that identified five stages that businesses typically go through before they fully implement CSR: "denial", "compliance", "managerial", "strategic" and "civil".[170] Each stage, beginning with "denial" and progressing through "civil", represents a progressively higher degree of embeddedness of CSR (i.e., organizational integration of CSR principles into daily business routines). Baumann et al. assessed implementation along three dimensions: commitment to CSR, internal organizational integration of CSR and the external engagement and interaction with actors of civil society, and took care to adapt the indicators for each of these dimensions to the specific, and quite different, organizational characteristics of MNCs and SMEs (e.g., for "commitment" the MNC indicator was "commitment" and the SME indicator was "awareness"; for internal organizational integration of CSR the MNC indicator was "structural and procedural" and the SME indicator was "internal skills and capabilities"; and for external engagement and interaction the MNC indicator was "interactive" and the SME indicator was "external collaborations").[171]

Overall, Baumann-Pauly found that the implementation of CSR among the MNCs that they survey varied considerably. Some of those companies had just begun implementation of CSR while others were already quite advanced. While all of the MNCs demonstrated a strong commitment to CSR, this commitment had not yet translated into systematic integration of CSR principles into all area of the organization. Reporting functions were strongly developed among all of the MNCs; however, several of the MNCs lagged behind with respect to conducting impact assessments of their CSR activities and installing internal grievance procedures. In addition, as noted above, the MNCs generally had done little to establish interactive ties with external stakeholders. In contrast, the SMEs in the survey generally demonstrated strong internal implementation

[168] Id. at 5 (citing S. Banerjee, Corporate Social Responsibility: The Good, the Bad, and the Ugly, (Cheltenham: Edward Elgar, 2007); R. Sims and J. Brinkmann, "Enron Ethics (Or: Culture Matters More than Codes)", Journal of Business Ethics, 45 (2003), 243; and G. Weaver, L. Treviño and P. Cochran, "Integrated and decoupled corporate social performance: Management commitments, external pressures, and corporate ethics practices", Academy of Management Journal, 42 (1999), 539).
[169] Id. (citing H. Jenkins, "A Critique of Conventional CSR Theory: An SME Perspective", Journal of General Management, 29 (2004), 55; and A. McWilliams and D. Siegel, "Corporate Social Responsibility: A Theory of the Firm Perspective", Academy of Management Review, 26 (2001), 117).
[170] Id. at 6 (citing S. Zadek, 'The Path to Corporate Social Responsibility", Harvard Business Review, 82 (2004), 125).
[171] Id. at 7-8.

of CSR-related practices and had aligned their corporate functions with CSR through informal or implicit principles. The level of engagement between SMEs and their external stakeholders was also highly developed and the SMEs consistently tapped into the expertise of external stakeholders in making crucial decisions.[172]

Comparing the MNCs to the SMEs, Baumann-Pauly observed that the relative strength of MNCs appeared to be in developing and publicly disseminating extensive CSR commitments and creating and publishing CSR reports while SMEs were stronger in implementing CSR-related practices in organizational processes.[173] They argued that these differences in approaches could be explained by focusing on the relative organizational costs (i.e., the relative share in total firm costs) for implementing and communicating CSR in MNCs and SMEs. They explained that the size and scope of operations of the MNCs made it expensive in terms of time and resources to embed CSR in all of their operational functions and that being a global enterprise created challenges for MNCs with respect to developing stable stakeholder relationships. Given these implementation costs, MNCs opted to invest in externally communicating CSR—the "CSR-façade" mentioned above—by establishing a central CSR department that was responsible for public relations and collecting and publishing the data expected of companies that engage in formal CSR reporting practices. In contrast, extensive formal reporting was relatively costly for SMEs; however, it was generally easier and less expensive, in relation to MNCs, for SMEs to integrate organizational CSR practices given their small number of employees and their flatter organizational structures. This did not mean that SMEs were not reporting on the CSR activities to external stakeholders. In fact, reporting did occur on an informal basis in the context of discussions with stakeholders that were often crucial for SMEs in terms of providing them with access to expertise regarding CSR that was not available internally.

§12 Framework for CSR implementation

Hohnen and Potts noted that there is no "one-size-fits-all" method for pursuing a CSR initiative and that each company must consider its own unique characteristics and circumstances when implementing, expanding or modifying its CSR programs and policies.[174] Among other things, these characteristics and circumstances include the company's overall mission and purpose, organizational culture, external environment and risk profile, operating conditions and existing relationships with stakeholders. Available resources for CSR activities are also an important constraint, although even when resources are scarce companies can take modest steps to integrate CSR concerns and principles into their core decision making, strategy, management processes and activities. However, notwithstanding the contextual contingencies of CSR, companies can take advantage of the extensive work that has gone into creating international instruments that

[172] D. Baumann-Pauly, C. Wickert, L. Spence and A. Scherer, Organizing Corporate Social Responsibility in Small and Large Firms: Size Matters (University of Zurich: Chair of Foundations of Business Administration and Theories of the Firm Working Paper Series No. 204, December 2011), 14-15.
[173] Id. at 4-5 and 18-21.
[174] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 18.

provide a basic framework for designing and implementing an effective and comprehensive CSR initiative and which have been vetted and endorsed by governments and civil society alike. Among the sources to choose from are the following:

- The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises;
- The International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and Core Labour Standards;
- The UN Global Compact Principles;
- The Global Reporting Initiative ("GRI") Sustainability Reporting Guidelines;
- The International Organization for Standardization ("ISO") standards;
- The AccountAbility AA1000 Series; and
- The Social Accountability International SA8000 standard.[175]

Hohnen and Potts proposed a CSR implementation framework that begins with "planning", and the first step in this phase is conducting a CSR assessment by assembling a CSR leadership team; developing a working definition of CSR; identifying legal requirements; reviewing corporate documents, processes and activities and internal capacity; and identifying engaging key stakeholders.[176] Once the assessment is completed attention turns to developing a CSR strategy, a process which includes building support with CEO, senior management and employees; researching what others are doing, and assessing the value of recognized CSR instruments; preparing a matrix of proposed CSR actions; developing ideas for proceeding and the business case for them; and deciding on direction, approach, boundaries and focus areas.

Once the CSR strategy has been completed it is time to move forward with developing and implementing CSR commitment. Developing CSR commitments involves doing a scan of CSR commitments; holding discussions with major stakeholders; creating a working group to develop the commitments; preparing a preliminary draft; and consulting with the affected stakeholders. In order to implement the CSR commitments steps must be taken to develop an integrated CSR decision-making structure; prepare and implement a CSR business plan; set measurable targets and identify performance measures; engage employees and others to whom CSR commitments apply; design and conduct CSR training; establish mechanisms for addressing problematic behavior; create internal and external communications plans; and make commitments public. Once the company is actively engaged in implementing the CSR strategy it is essential to measure and assure performance, engage stakeholders and report on performance, both internally and externally. The CSR leadership team must evaluate performance, identifying

[175] Id. at vii. Companies can also refer to guidelines prepared by local and regional governments which presumably were prepared with reference to specific local conditions and societal values and generally benefit from participation by representatives of business, government and labor (e.g., the Singapore Compact; the Thailand Labour Standard; the 2006 CSR Beijing Declaration; and the Confederation of Indian Industries). Id.
[176] Id. at 19.

opportunities for improvement and engage with stakeholders on implementing changes and improvements.

Taken together, the steps described above—which Hohnen and Potts called "plan", "do", "check" and "improve"—should be seen as a "cycle" of implementation that should be mastered and improved and repeated in line with a reasonable and appropriate schedule. Hohnen and Potts emphasized that companies should approach CSR as a process of continual improvement, being constantly alert to new issues and considerations. Their implementation framework, which they noted was based on well-known initiatives such as the quality and environmental management systems promulgated by the International Organization for Standardization ("ISO"), is intended to provide a path for companies to follow; however, flexibility should be exercised in order to be sure that the specific needs and circumstances of the firm are taken into account. The goal of the process is to create and maintain a CSR implementation framework that integrates economic, social and environmental decision making throughout the company, from the board of directors to front-line employees to supply chain partners, and thus enhances the overall corporate governance effectiveness of the company.[177]

Another framework was suggested by Willard, who recommended that companies engage in a multi-step process for ensuring effective implementation of sustainability initiatives that includes "wake up and decide", "inspire visions", "assess current realities", "develop strategies", "build case(s) for change", "mobilize commitment" and "embed and align".[178] He explained how this works as follows:

> "[A process that ensures a successful implementation of any significant sustainability change initiative] begins with sustainability champions deciding to make a difference on a pressing environmental or social issue that is relevant to the company. It could be reducing the company's carbon footprint to avoid climate destabilization, mitigating the water or food crisis, or improving the wellbeing of the local community. With a few kindred spirits, they the sustainability champion crafts an inspiring shared vision of how great it would be if the company were a leader on that issue. Then they identify performance gaps between where the company is now on the chosen sustainability issue and where it could or should be. They engage appropriate internal and external stakeholders to map out strategies to close the performance gaps. The next "build case(s) for change" step is pivotal. Some progress can be made without senior management support, but to get real traction and mobilize sustained commitment to the desired sustainability initiative throughout the organization, the executive team needs to

[177] Id. at 19. For further discussion of the process of implementing a CSR strategy, see "Developing and Implementing CSR Strategy and Commitments" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

[178] B. Willard, "Introduction" in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/).

provide visible and active support. Only they have the position power to allocate appropriate resources and to make the necessary changes to the measurement, management, recognition, and reward systems to imbed any required new policies, processes, and behaviors into the company's culture and DNA. It's time to craft a compelling business case."[179]

While both of the frameworks suggested above are organized and described as an orderly continuum of steps, the reality is that developing and implementing a CSR initiative requires that a number of activities be carried out at once. One of the first things that should be done is to getting a good idea about what the company stands for and how it operates, a process which includes document review, interviews and observation. Concerns of internal stakeholders, such as employees, need to be identified and analyzed. At the same time, it is essential to determine who the company's most important external stakeholders are and collect information on how those stakeholders have interacted with the company and what their expectations might be with respect to the company's CSR programs. Community concerns are particularly noteworthy even though the company's relationships with other stakeholders, such as investors, customers, lenders and supply chain partners, have a more direct impact on economic performance. Companies need to reach out to members of their communities through publications, open houses and workshops to develop and implement ideas about how the company can be a better community member. Finally, the interests and concerns of society-in-general and regulators should be monitored on a continuous basis and companies should establish and maintain contacts with NGOs, advocates for civil society, legislators and representatives of regulatory agencies with influence over topics that are relevant to the company.

A "Top 10" List of CSR Mistakes

Blok et al., who have consulted a wide range of companies on strategy and sustainability, argued that while growing numbers of companies appeared to be take social and environmental responsibility more seriously and announcing grand plans for corporate social responsibility ("CSR") initiatives, most of those companies were undertaking CSR projects without a firm idea of what corporate responsibility really meant for their businesses. As a result, they believed that many companies would ultimately need to unlearn the practices and activities that they believed to be socially responsible when it becomes clear that their CSR initiatives were not living up to the expectations of stakeholders and were actually eroding the value of their businesses. In an effort to get companies on the right path from the beginning of their journey toward social responsibility, Blok et al. outlined what they believed to be the ten most frequent areas where companies make CSR mistakes:

Lack of vision: Most companies place too much emphasis on the past when developing their CSR strategy. The recommended approach is to first ask "What does this company want to be in ten years' time?". This encourages the creative development of a vision for the company and its long-term role in the world. Once that question is answered, the company can return to "Where are we now?" and bridge the gap between the answers to the first two questions by brainstorming on "What and how do we need to change to bring about our vision?".

Poor understanding of the scope of required change: Most companies fail to realize and appreciate that effective implementation of CSR will require an enormous amount of organizational change and development based on completely new managerial perspectives. It is not sufficient for companies to

[179] Id.

selectively modify existing business practices, but rather they must be committed to finding and executing new, more responsible and smarter ways to create wealth.

Managing CSR at the sub-strategic level: In many cases, CSR is managed as a staff function, at a sub-strategic level, meaning that there is at best a loose connection to the overall strategy of the business, its core technologies and management know-how. While this approach can create an appearance of CSR commitment, it generally fails to adequately address the emerging social and environmental pressures that companies are facing. CSR needs to be recognized as a strategic imperative to be managed at the highest levels of the organization by board members and senior executives who are in a position to implement sweeping changes to incentive systems, the focus of decision-making, and management systems.

Unsophisticated view of CSR: Companies fails to recognize and adopt a strategic view of CSR and its role in protecting the value of current assets and creating new value. The preferred approach is selecting and implementing more responsible practices to protect the value of existing assets (i.e., management systems, performance indicators, reporting, adherence to codes and standards) and selecting and implementing activities where CSR plays a role in innovation and change that leads to creation of new value.

Inability to hear outside voices: While stakeholder engagement is a central premise for developing and implementing a CSR strategy, many companies fail to take the best advantage of stakeholder input because they are unable to engage stakeholders in appropriate ways, to ask them appropriate questions and to listen and understand their suggestions. For example, when seeking stakeholder input on a sustainability report companies need to pose focused questions so that stakeholders know what is expected of them (e.g., providing ideas for improving the report, suggesting ways to improve the relationship between the company and the stakeholder or identifying opportunities for innovation).

Sticking with old managerial competencies: Many companies cling to the traditional focus on “hard” analytical skills when selecting and training their managers; however, these skills, while still valuable, are not sufficient to effectively manage CSR initiatives that will require interactions with various stakeholders in product development and strategic planning. Companies pursuing CSR will need to modify their recruiting and training practices, as well as their organizational culture, to develop the managerial competencies appropriate for CSR initiatives.

One worldwide approach: Companies typically rush to adopt a single uniform worldwide approach to CSR, generally pursuing an agenda that is based on priorities and practices in their home countries. While this may be efficient and make it easier to launch a CSR initiative, it fails to take into account real differences among the CSR agendas across countries. For example, while Germans believe that environmental sustainability and good community relations should be prioritized, the Nordic countries are more concerned about how companies operate in developing economies.

Uneven approach: A number of companies make grand pronouncements about broad CSR initiatives; however, when it comes to implementation they focus their action on a limited set of divisions, localities and functional areas while continuing to ignore other problems, an approach that eventually brings the integrity and value of the entire program into question. For example, while it has become popular for companies to announce carbon-neutrality pledges to generate good publicity, many of them drag their feet in engaging in the hard work necessary to clean up the unsafe working conditions and use of child labor in their supply chains.

Non-participative management: While the board of directors and members of the senior management team need to be actively involved in CSR initiatives by setting the proper “tone at the top” and proactively developing a comprehensive CSR strategy and accompanying CSR commitments, the process should not be entirely top-down directives. Companies need to involve employees at all levels to make CSR part of company culture and procedures and identify internal “change champions”. Ideas drawn from employees and put into practice build commitment to the initiative which can be leveraged in communications and other dealings with external stakeholders.

Failure to see corporate responsibility as innovation: Blok et al. felt that many of the mistakes mentioned above were part of a larger and more fundamental problem they observed at many companies: failure to see that adopting and practicing CSR is best based on a continuous innovation process that links corporate responsibility to the company’s business model. They noted that while companies do recognize innovation as being important to creating and maintaining competitive advantage, they have been slow to acknowledge that CSR initiatives can and should be framed as innovative methods for protecting existing assets and value and creating new value that will make the company as a whole more sustainable.

Source: Adapted from M. Blok, V. Jennings, D. Leipziger and N. Roome, "A how-not-to guide: top ten corporate responsibility mistakes", Ethical Corporation (December 2006), 40.

§13 Governance and management processes

CSR is like any other important management initiative and requires proactive leadership from the top of the organization. In fact, it is clear that the "tone at the top" is an important factor in the success or failure of any CSR initiative and the directors and officers of the corporation are uniquely positioned to act as internal champions of CSR and proactively communicate with everyone in the organization on a daily basis about the impact of new environmental and social products and services. The directors and officers must also commit to investing the time and effort necessary to explain the corporation's CSR initiatives to customers and other stakeholders and develop and implement metrics for tracking and reporting progress. While social responsibility certainly extends "beyond the law", directors and officers must be mindful of their fiduciary duties and understand how laws, regulations and standard contract provisions are rapidly evolving to incorporate environmental and social responsibility standards. Among the issues and activities that will need to be considered in establishing and maintaining effective governance and management processes for CSR implementation are the following[180]:

- Understanding the drivers of enhanced board oversight of sustainability including investors' expectations as to the role and responsibilities of directors and changing societal beliefs regarding the political and social roles of corporations
- Understanding how CSR is changing the traditional fiduciary duties of directors and officers including the ascendance of the stakeholder-focused model and the introduction of alternative legal architectures for sustainability-oriented businesses
- Working with the board of directors to integrate environmental and social responsibility into the governance structure and the traditional roles and responsibilities of directors
- Assisting the board of directors on the design and implementation of an effective framework for board oversight of CSR and corporate sustainability[181]
- Counseling the board of directors and senior management on the development and implementation of CSR commitments and instruments
- Incorporating reports on CSR initiatives into board meetings and understanding how to create effective environmental and social responsibility committees and integrate sustainability into the activities of other board committees
- Developing job responsibilities for the senior social responsibility officer and designing effective internal organizational structures and systems for managing CSR

[180] For detailed discussion of governance and management processes for CSR, see "Sustainability Governance and Management Processes" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[181] For detailed discussion of board oversight of sustainability and establishing an effective board oversight framework, see "Board Oversight of Sustainability" in "Governance: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

initiatives and programs and supporting CSR commitments and expectations such as preparation and distribution of sustainability reports and stakeholder engagement
- Implementing formal management systems relating to sustainability-related issues and topics based appropriate standards issued by the International Organization for Standardization (e.g., ISO 14001 (environment); ISO 26000 (social responsibility) and ISO 28000 (supply chain security))
- Reviewing and modifying job responsibilities and compensation arrangements of executive team members, particularly the chief executive officer, to incorporate CSR commitments and attainment of CSR-related performance goals
- Providing education and training to directors and executive team members on sustainability issues including the creation and management of stakeholder advisor groups and teams of external experts
- Assisting directors, executive team members and managers and employees within the internal sustainability group with key CSR-related activities such as transparency and disclosure and stakeholder engagement
- Identifying and counseling directors and officers on ethical issues that will arise as they discharge their duties and responsibilities with respect to CSR

§14 Stakeholder engagement

Hohnen and Potts described stakeholder engagement as the formal and informal ways of staying connected to the parties who have an actual or potential interest in or effect on a company's business (i.e., the company's "stakeholders") and noted that "engagement" implies understanding their views and taking them into consideration, being accountable to them when accountability is called for, and using the information gleaned from them to drive innovation.[182] Stakeholder engagement is related to the fundamental principle of CSR that calls for companies to acknowledge that their businesses do not and cannot exist in isolation and rely heavily on their relationships with customers, employees, suppliers, communities, investors and others. Stakeholder engagement is more than just listening, although that is obviously very important, but extends to forging working alliances with stakeholders to pursue and achieve mutually agreed results.[183]

Stakeholder engagement is about building relationships with the parties that are most important to sustainability of a company's business. Companies that fail to pay attention to the concerns and opinions of their stakeholders can suddenly find themselves confronted with an array of problems that go to the very heart of their businesses. When

[182] The discussion of stakeholder engagement in this section is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 76-84. See also Stakeholder Engagement: A Good Practice Manual for Doing Business in Emerging Markets (Washington DC: International Finance Corporation, 2007) and From Words to Action: The Stakeholder Engagement Manual (Cobourg, Ontario, Canada: Stakeholder Research Associates in collaboration with AccountaAbility, and the United Nations Environment Programme, 2005).

[183] For detailed discussion of stakeholder engagement, see "Stakeholders and Stakeholder Engagement" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

companies are unresponsive to their customers, they begin to lose business and revenues tumble. Companies that do not pay attention to the needs of their employees are unable to recruit and retain the talent necessary to remain competitive. Failing to explain strategies and financial performance to investors jeopardizes the availability of capital. Companies that do not stay in touch with the communities in which they are operating will encounter opposition to expansion and other changes that have a local impact. Other important reasons for focusing on engagement include the following:

- **Building Social Capital:** Stakeholder engagement builds "social capital", which is determined by a company's relationship with society and how the company is perceived and regarded by and among its stakeholders. Creating and maintaining social capital takes time and effort; however, Hohnen and Potts noted that benefits can include improved access to information, enhanced influence, increased adherence to group norms, and being given the benefit of the doubt should an unexpected problem arise. Social capital is difficult to measure directly but the strength and quality of stakeholder relationships is a good proxy. Related to building social capital is building trust that can be called upon when it is necessary to resolve problems with stakeholders and enhancement of the company's brand and reputation in the eyes of customers, investors and other economic stakeholders.
- **Reducing Risk:** Strong stakeholder relationships based on continuous communication allows companies to manage and reduce the risk of operating their businesses since they are more likely to get an "early warning" of potential problems. For example, engaging with customers means involving them in product design and development activities and getting feedback from customers on actual and potential concerns about the company's products and services. Similarly, other stakeholders can pass on news about developments relating to safety, human rights, governance and the environment as part of their regular dialogue with the company.
- **Driving Innovation:** In the same way that stakeholders can serve as "early radar" for potential problems, they can also be an invaluable source of information, opportunities and ideas that companies can use to drive innovation in their businesses. Hohnen and Potts noted that one of the keys for success in an increasingly knowledge-driven world is developing strong and transparent relationships with stakeholders and cultivating a culture of learning from those relationships. Stakeholders can play a valuable role in providing input on a company's innovation processes and helping the company improve the way it approaches new product development and new market entry. Stakeholders should also be involved in developing and implementing the company's CSR commitments.
- **Integrating Management and Improved Productivity:** A sometimes ignored benefit of a CSR initiative and the accompanying stakeholder engagement is improved integration and alignment of strategic and managerial practices among the various departments and business units involved in the implementation of the company's CSR commitments (i.e., finance, human resources, product development, marketing and communications, supply chain management etc.). Improved integration of managerial practices will eventually lead to improvements in efficiency and overall productivity and engaged employees will contribute ideas for saving time

and money and will have a higher morale due to their ability to participate in workplace decision making.

- **Improving Strategic Opportunities and Access to Capital:** Engaging with stakeholders not only drives innovation, as described above, but also helps companies identify new strategic opportunities and market segments, as well as opportunities to partners with stakeholders to pool resources to achieve common goals that would otherwise be impossible or impractical for one party to pursue on its own. In addition, stakeholder engagement, coupled with greater transparency through the use of sustainability reporting processes, has been shown to be attractive to potential investors, particularly the growing group of "impact investors" focused specifically on businesses with sustainability as their core principle.

Benefits of Stakeholder Engagement

GIIRS Ratings and Analytics, which uses the B Impact Assessment to deliver a comprehensive accounting of an investment fund's impact on workers, customers, communities and the environment, identified the following benefits of engaging with stakeholders:

- *Building Trust*: Sincere efforts at engagement can improve relations between a company and its stakeholders. This can diffuse existing tensions and make it easier to solve potential problems down the road.
- *Risk Management:* Working with stakeholders can lead to a more stable operating environment and reveal critical information that is important for company decision-making.
- *Brand Enhancement:* By engaging with stakeholders a company can improve its visibility and reputation. Customers, investors, and other economic stakeholders may also view this engagement as a differentiating factor in the market.
- *Improved Productivity:* Better internal engagement can identify areas in which the company can become more efficient. Additionally, employees that have a greater voice in the workplace tend to have higher morale.
- *Strategic Opportunities*: Engaging with stakeholders can help a company to identify new business opportunities and market segments.
- *Partnerships*: By collaborating with stakeholders, companies can pool resources to achieve a common goal.
- *Increased Investment:* Greater transparency and stakeholder engagement can be an attractive draw for capital, particularly from impact investors.

Source: GIIRS Emerging Market Assessment Resource Guide: Stakeholder Engagement, available at www.giirs.org.

Companies should also proactively scan their internal and external stakeholder environments to develop and ingrain their values and use inputs from stakeholders to identify market opportunities. Sampselle recommended that companies "engage all levels of employees in identifying values, and then use engagement of stakeholders to orient and align corporate strategy in accordance with environmental pressures related to their core competencies".[184] For example, IBM tapped into its stakeholder environment

[184] D. Sampselle, Sustainable Organization Design Principles, OTMT 608.13.

in order to find ideas for new forward-thinking technologies and used extensive engagement and dialogue with its employees to develop a new set of core values that became the foundation for the company's overall strategy and market positioning.[185] Unilever organized its stakeholders from all over the world in a collective fact-finding and action-plan-formulation effort to reconsider its role in society and identify sustainability themes that were material to its core competencies. For Unilever, the scanning efforts allowed it to target developing and emerging markets as areas for future growth, enter into appropriate partnerships with NGOs such as UNICEF and organize small local networks of suppliers and distributors that not only made its products more affordable but also fueled social and economic progress in local communities (e.g., Unilever developed distribution channels that turned underprivileged women into village-level entrepreneurs).

Companies may have a wide range of actual and potential stakeholders; however, there are differences among the stakeholders as to the degree of influence they have on the decisions made by the company. The degree of influence dictates the type and level of engagement that is appropriate: for some stakeholders merely keeping them informed of developments will be sufficient while other stakeholders can and should be consulted during the CSR implementation process and participate actively in decisions about CSR commitments that affect them and their relationship with the company. Companies sometimes use a technique called "stakeholder mapping" to identify relevant stakeholders and their relative influence on the activities of the company. This exercise allows the company to prioritize its engagement efforts and allocate scarce resources to those stakeholders who will likely have the greatest impact on the CSR initiative.

Once stakeholders have been identified and prioritized the company needs to establish a plan for the engagement process. The style of engagement and the stakeholders' expectations about the engagement process will depend on the reasons that the company is engaging with the stakeholder. Among the questions and issues that need to be considered when planning the engagement process are the following[186]:

- What does the company want or need to get from the engagement?
- What do stakeholders want or need from the engagement?
- Who are the members of the stakeholder group and has consideration been given to making sure that representatives of all corresponding subgroups are included in the engagement process?

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http://www.brevolutionconsulting.com/assets/Sustainable-Organization-Design-Principles.pdf [accessed December 6, 2016], 6-8.

[185] Sampselle argued that the transformation of IBM from a "Defender" hardware producer to a "Prospector" services provider focused on being among the first to identify and address diverse social and environmental problems was based on abandoning the company's traditional mechanistic task design and bureaucratic organization design in favor of extensive scanning, spirited engagement with a wide range of stakeholders (i.e., customers, suppliers and the public at large), elements of virtual and network organization architectures, and an emphasis on flexibility and willingness to learn from the environment and invent around it. Id. at 6.

[186] Id. at 80-81.

- Are there any existing engagement processes (e.g., processes under a current management approach such as ISO 9001) that can be used to develop a more systemic engagement approach?
- Are the representatives involved in the engagement appropriate for the specific goals and objectives? For example, when the engagement involves a regulatory process the representatives from the company should have legal authority to act on behalf of the company. When the engagement involves organizational learning employee representatives should be involved to ensure reliable and relevant results.
- Has consideration been given to overcoming obstacles that some stakeholders may have to participating in the engagement process? For example, community members and indigenous peoples may need compensation or childcare in order to participate in meetings or other engagement events and it is important to ensure that language is not a barrier to effective communication (i.e., interpreters should be available).
- Have precautions been taken to ensure that participants feel safe in the engagement process and comfortable to speak freely without fear of recriminations or reprisals? Cultural and religious factors should be taken into account in selecting the site for the engagement events and selection of facilitators.
- What is the most appropriate engagement approach? Companies generally select from among focus groups, individual or small group interviews, surveys, formal referrals, key-person meetings and advisory councils, with the choice depending on the factors mentioned above (i.e., objectives of the engagement, the subject matters of the discussions and cost and time constraints).
- Should a professional facilitator or outside consultant be used to develop and execute the engagement plan? Private firms are available to provide facilitation services and candidates can be found through an online search and consultations with colleagues in business associations.

Planning for the stakeholder engagement process is addressed in the well-regarded AccountAbility standards, the most recent version of which is *AA1000 Stakeholder Engagement Standard 2015*. Recommended steps include the following:

- Profile and map stakeholders to systematically seek to understand each stakeholder's knowledge of the issues associated with the purpose and scope of the engagement; expectations of the engagement; existing relationship with the organization (close or distant, formal or informal, positive or negative); dependence on the organization; willingness to engage; level of influence; type (civil society, government, consumer, etc.); cultural context; geographic scale of operation; capacity to engage (e.g., language barriers, IT literacy, disability); legitimacy and representation; and relationships with other stakeholders.
- Determine the engagement level(s) and method(s) that are best suited to the purpose and scope of engagement and to the relevant stakeholders. This involves pre-engagement activities such as analyzing stakeholder views, tracking information and creating awareness and selecting the appropriate method of communication based on the level of engagement and nature of relationship.

- Establish the boundaries of disclosure of the engagement and clearly communicate those boundaries to the stakeholders. A range of options should be considered including full disclosure, including attribution of who said what; full disclosures, without attribution of who said what; limited disclosure agreed by the participants; and limited disclosure controlled by the owners of the engagement.
- Draft engagement plan including the following components: the mandate; the purpose and scope; the boundaries of disclosure; the engagement levels and methods; owners of the engagement, their roles and responsibilities; required resources; pre-engagement activities; identification of stakeholders; and profiling and mapping stakeholders.
- Establish indicators, with stakeholder input, for the quality of stakeholder engaged based on the requirements of AA1000SES (2015) as well as indicators that measure the engagement impact.

Table 4
Checklist for Designing and Implementing a Stakeholder Engagement Plan

Step 1: Identify Stakeholders and Key Issues

- Profile stakeholders to understand their interests, knowledge, and capacity to engage.
- Using a table, chart, grid, zoning map or any other method appropriate for the company and context, categorize or map stakeholders based on the characteristics and issues that are most important to the company or project. Common dimensions used in stakeholder mapping include power, influence, interests, proximity and needs.
- Prioritize the issues and stakeholders that are most important to the business. Prioritization is particularly important for small businesses that are short on the resources necessary to conduct a comprehensive engagement program.
- Identify who are the legitimate and accountable representatives of each stakeholder.

Step 2: Establish Objectives and Process

- Decide on the scope of the process, timeline, and level of engagement.
- Set strategic goals, agree upon expectations, determine what methods are best suited to achieve these objectives and determine how to measure outcomes.
- Identify whether there are any regulatory or financial requirements for disclosure or engagement.
- Assign ownership for the process and outline responsibilities for carrying out the different components of the plan.
- Determine the resources available for engagement and any training needed in order for all stakeholders to engage effectively (e.g., sharing knowledge of the issues and process, supporting development of specific skills, or increasing resources, time or access to information).
- Identify existing channels of communication that may be used to communicate with stakeholders (e.g., engaging with employees can provide opportunities for communicating with the broader communities in which employees reside).
- Seek out third party organizations with additional resources that can serve as an intermediary stakeholder and enhance capacity.
- Establish a method for documenting progress and outcomes. Documentation should capture the purpose and aims of the engagement; the methods used; who participated and who did not; the time frame; a verbatim record; a summary of stakeholder concerns, expectations and perceptions; a summary of the key discussions and interventions; and outputs (e.g., queries, proposals, recommendations; and agreed decisions and actions).

Step 3: Implement Plan

- Managers make sure that the process moves forward as planned, gather data, and coordinate with any third parties that are involved.
- Embed commitment to engagement across all levels of company corporate and operating areas.
- Communicate progress to all stakeholders on a frequent and transparent basis.
- Enact written grievance mechanisms to allow stakeholders a chance to provide feedback during the process.

Step 4: Review and Report

- Keep track of how outcomes correspond with original objectives. Empowering stakeholders in this process gives them more ownership and can strengthen the relationship. An independent party is also helpful in certain circumstances in order to improve accountability and credibility of the engagement process.
- Use findings and feedback to revise the plan as needed and capture key learnings that can be applied in future stakeholder engagement initiatives.
- Provide regular and transparent information to stakeholders about the results of the engagement. Reporting on stakeholder engagement may include stakeholder groups engaged, approach to stakeholder engagement and methods used, frequency of engagement, primary issues and concerns raised through engagement and organizational response to the engagement outcomes.

Source: GIIRS Emerging Market Assessment Resource Guide: Stakeholder Engagement (adapted from: AccountAbility, *AA1000 Stakeholder Engagement Standard 2011 – Final Exposure Draft*), available at www.giirs.org. The current version of the AccountAbility engagement standards is *AA1000 Stakeholder Engagement Standard 2015*.

Once engagement plans have been made it is time to move forward with establishing and continuing dialogue with each of the relevant stakeholder groups. A variety of methods can be used in order to engage with stakeholders, with the specific choices being determined by a variety of factors such as available resources and the level of influence that a particular stakeholder is given in the company's overall decision making process. GIIRS suggested that engagement could be broken down into the following "engagement types" ordered by increasingly higher levels of influence in company governance and/or operational decision making[187]:

- **Communication/Disclosure:** Probably the easiest form of engagement is primarily one-way communications from the company to its stakeholders about practices or new developments that may impact them. Common methods for this type of engagement include bulletins, letters, newsletters, reports, presentations, speeches, videos, reports, interviews, training, performance mechanisms, town hall meetings, open houses, tours, ratings and performance metrics. Sharing information can influence stakeholders, build trust, and demonstrate transparency and a willingness to engage; however, this method generally does not provide opportunities for stakeholders to provide input to the company and/or participate in the company's decision making processes.

[187] GIIRS Emerging Market Assessment Resource Guide: Stakeholder Engagement, 6, available at www.giirs.org. See also AA1000 Stakeholder Engagement Standard 2015 § 4.1.2.

- **Consultation:** Consultative engagement involves proactive pursuit of stakeholder perspectives and opinions by the company and a legitimate commitment by the company to consider stakeholder perspectives in its decision making processes. Consultation demonstrates that the company values stakeholder advice and feedback; however, the effectiveness of the approach will ultimately depend on whether stakeholders see their opinions having a real impact on how the company operates. Methods for supporting consultation include surveys, focus groups, assessments, Public hearings, workshops, online feedback or discussion forums or hotlines.
- **Participation:** Companies that engage with stakeholders through participation do so by using a variety of two-way or multi-party conversational methods (e.g., advisory boards, task forces, leadership summits, interviews, research and analysis, workshops, focus groups, etc.) in which stakeholders play a more important role in decision-making. Decisions made using these methods are often carried out by the company or the parties individually.
- **Partnering/Negotiating:** Smaller businesses, lacking the resources to launch a full-blown sustainability initiative on their own, can benefit from collaborating with two or more other parties in areas of mutual interest. Partnering between companies and their stakeholders can create synergies, reduce risks by combining resources and areas of expertise, anchor stakeholder relationships around a common purpose and increase learning between the two groups. Partnering methods include joint committees, joint ventures, product partnerships, multi-stakeholder projects and strategic alliance. Negotiation through methods such as collective bargaining between companies and their employees allows both companies and stakeholders to come to a mutually agreed-upon decision and may be appropriate for certain situations in which an agreement is needed to continue operations.
- **Empowering:** Stakeholder influence is highest when they are given responsibility or legal recourse to influence company governance or operational decision-making through methods such as stakeholder representation on the board of directors, whistleblowing policies, ombudspersons and warranties.

GIIRS counseled that organizations need to take into account regional differences with respect to issues and characteristics of engagement when establishing and maintaining relationships with stakeholders operating in different parts of the world.[188] For example, social issues (i.e., education, health, job creation, etc.) tend to be more important than environmental issues to stakeholders in emerging markets; the environmental impact of extractive industries is more of a concern for urban stakeholders in developing countries, while rural stakeholders in those countries are primarily focused on employment opportunities; and civil society groups in developed regions are often focused on advocacy, litigation and policy whereas those in emerging markets, especially in Asia and Latin America, are more focused on capacity building. As for characteristics of engagement, formal partnerships are more common in Europe, while advisory panels and multi-stakeholder groups seem to be preferred by external stakeholders in the U.S; and there tends to be a preference in Latin America for an individual representative of the community to engage rather than a group or panel. Engaging with indigenous groups

[188] Id. at 7-8.

raises special considerations such as the need to understand the hierarchy of authorities, culture and context and the regulatory implications of engagement.

Companies need to understand that they may not like everything that they hear during the engagement process and that once engagement begins they will be expected to make and follow through on their commitments and, if necessary, explain to stakeholders why the company cannot agree to all of their requests and suggestions. One of the goals of the engagement process should be develop a mutually agreed set of commitments that include deliverables, timetables and metrics for gauging performance. By formalizing the commitments the company can avoid later misunderstandings and integrate the commitments into the overall CSR initiative; however, when formulating commitments for one stakeholder group reference should be made to results of engagement of other stakeholders to make sure that there are no conflicts and that there are sufficient resources available to achieve all of the goals.

§15 Sustainability reporting and auditing

In order to know whether or not the CSR initiative and its related commitments are actually improving the company's performance it is necessary to have in place procedures for reporting and verification, each of which are important tools for measuring change and communicating those changes to the company's stakeholders.[189] Hohnen and Potts described reporting as "communicating with stakeholders about a firm's economic, environmental and social management and performance" and verification, which is often referred to as "assurance", as a form of measurement that involves on-site inspections and review of management systems to determine levels of conformity to particular criteria set out in codes and standards to which the company may have agreed to adhere.[190] Verification procedures should be tailored to the company's organizational culture and the specific elements of the company's CSR strategy and commitments; however, it is common for companies to rely on internal audits, industry (i.e., peer) and stakeholder reviews and professional third-party audits.

One basic reason for reporting and verification is to make sure that the CSR initiative is properly managed and that persons involved understand they will be accountable for their actions. Other good reasons for reporting and verification include giving interested parties the information they need in order to make decisions about purchasing the company's products and/or investing in the company (the level of funding from investors focusing their interest on ethical businesses is continuously increasing) or otherwise supporting the company's community activities; collecting information that can be used to make changes and improvements to the company's CSR strategy and commitments; improving internal operations; managing and reducing risks; and strengthening relationships with stakeholders. However, in order to achieve the greatest benefits from

[189] For detailed discussion of sustainability reporting, see "Sustainability Reporting and Auditing" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[190] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 67.

reporting and verification companies need to carry out those activities in a rigorous and professional manner using tools and standards that are widely recognized and accepted among those interested in the results.

The scope of the company's reporting and verification efforts will depend on various factors including the size of the company, the focus of its CSR commitments and the financial and human resources available for investment in those activities. As mentioned elsewhere in this publication, Ceres, a non-profit organization advocating for sustainability leadership (www.ceres.org), has developed and disseminated its Ceres Roadmap as a resource to help companies re-engineer themselves to confront and overcome environmental and social challenges and as a guide toward corporate sustainability leadership.[191] In the area of disclosure and reporting, Ceres stated that the overall vision was that companies would report regularly on their sustainability strategy and performance, and that disclosure would include credible, standardized, independently verified metrics encompassing all material stakeholder concerns, and details of goals and plans for future action. Specific expectations regarding disclosure were as follows:

- D1 – Standards for Disclosure: Companies will disclose all relevant sustainability information using the Global Reporting Initiative ("GRI") Standards as well as additional sector-relevant indicators.
- D2 – Disclosure in Financial Filings: Companies will disclose material sustainability risks and opportunities, as well as performance data, in financial filings.
- D3 – Scope and Content: Companies will regularly disclose trended performance data and targets relating to global direct operations, subsidiaries, joint ventures, products and supply chains. Companies will demonstrate integration of sustainability into business systems and decision making, and disclosure will be balanced, covering challenges as well as positive impacts.
- D4 – Vehicles for Disclosure: Companies will release sustainability information through a range of disclosure vehicles including sustainability reports, annual reports, financial filings, corporate websites, investor communications and social media.
- D5 – Verification and Assurance: Companies will verify key sustainability performance data to ensure valid results and will have their disclosures reviewed by an independent, credible third party.

When establishing plans for reporting and verification it is useful to obtain and review copies of reports that have been done and published by comparable companies. Reports of larger companies are generally available on their corporate websites and extensive archives of past CSR-focused reports can be accessed through various online platforms such as CorporateRegister.com, a widely recognized global online directory of corporate responsibility reports. It is also important to have a good working understanding of well-known reporting and verification initiatives such as the GRI Standards; the AccountAbility AA1000 series; the United Nations Global Compact; and the International Auditing and Assurance Standards Board ISAE 3000 standard. Country-

[191] Ceres, The Ceres Roadmap for Sustainability (www.ceres.org/ceresroadmap)

specific information is also available through professional organizations such as the Canadian Chartered Professional Accountants, which has published an extensive report on sustainability reporting in Canada.

The scope and sophistication of CSR reporting has come a long way since the idea first came up in the mid-1990s, when only a handful of companies reported on social responsibility issues and activities in addition to their regular financial reports. Today almost all of the largest global companies produce reports on their environmental policies and activities, often providing interested parties with a whole range of documents that can be accessed in a separate yet highly visible section of the company website. Companies participating in the United Nations Global Compact are required to make an annual "Communication on Progress" that outlines the actions they have taken with respect to integrating the Compact's ten principles and to make the communication publicly available to stakeholders through annual financial, sustainability or other prominent public reports in print or on the company's website. The Compact recommends that companies follow the GRI Standards when preparing their reports.[192]

While international standards like the GRI Standards provide a useful framework for comprehensive CSR verification and reporting, companies should remember that it is important to tailor the information in their reports to the needs and expectations of their specific primary audiences. While it has become more and more common among larger companies to generate large reports with glossy pictures, charts and graphs and detailed breakdowns of data, many interested parties prefer to a short executive summary that highlights the most relevant information and provides links to detailed reports, case studies and other materials. Information should be presented in a manner that reflects the company's overall organizational culture and provides recipients with a sense of what social responsibility means to the company's leaders and employees on a day-to-day basis. Finally, while reporting is certainly a positive public relations tool and companies will be eager to showcase their CSR successes, credibility demands that reports also include transparent assessments of areas in which the company may have failed to achieved its previously announced objectives and disclosures on the reasons for those failures and the steps the company is taking to improve its performance and the metrics that will be used to evaluate how well the remediation is proceeding.

Smaller businesses generally do not have the resources to engage a professional auditor or prepare elaborate reports on their CSR activities; however, this does not mean that small businesses should avoid attempting to implement some basic and relatively simple steps for reporting the results of their sustainability efforts. The GRI has argued that transparent reporting and communicating about sustainability initiatives and programs

[192] For detailed discussion of the GRI Standards, see "Sustainability Reporting and Auditing" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

creates valuable internal and external benefits for new and small businesses.[193] Among the internal benefits that were noted were the following:

- ***Forging and Describing Vision and Strategy:*** By placing their purpose, vision and strategy into the context of global sustainability during the course of the sustainability reporting new and small businesses can establish a direction for their activities and make that direction clear and explicit for their stakeholders.
- ***Developing Effective Management Systems:*** In order for sustainability management and reporting to be effective new and small businesses must invest in the development of management systems that can track and analyze data and use the results to identify and exploit opportunities for improvement, efficiency and cost savings.
- ***Identifying Strengths and Weaknesses:*** Committing to reporting and communicating drives managers of new and small businesses to seek out early warning signs of emerging issues that provide a chance to grasp opportunities and address potentially damaging developments before they grow into problems that threaten the survival of the organization.
- ***Recruiting and Motivating Employees:*** Communication, including reporting, is essential for recruiting and motivating employees through engagement in sustainability, leading to a workforce that is loyal and committed to the organization and its mission.

Important external benefits to new and small businesses from sustainability reporting and communication include building goodwill and reducing reputational risk; improving product image and branding; signaling quality and good management that leads to new sources of capital and reduced costs of financing; building or restoring trust among stakeholders through increased and improved stakeholder engagement; and increased customer satisfaction and loyalty, leading to more opportunities to collaborate with business partners as members of their trusted supply chain network.

Hohnen and Potts suggested that small companies could take several modest steps to report and verify their CSR initiatives[194]:

- While it is probably impractical to appoint a full-time CSR executive, small companies should at least designate one senior employee to monitor CSR activities and collect information that can be used to develop new CSR initiatives and report activities to stakeholders (the designated employee's existing duties and performance metrics should be rearranged to accommodate the CSR-related activities).
- A modest budget should be set up to cover anticipated CSR activities and key people in other departments (e.g., human resources, customer service, marketing and public

[193] Small Business Big Impact: SME Sustainability Reporting from Vision to Action (Amsterdam and Geneva: Stichting Global Reporting Initiative and the International Organization of Employers, 2016), 3. The publication is available for download at www.globalreporting.org.
[194] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 72.

relations, manufacturing etc.) should be asked to submit ideas for CSR projects and informed that they will be expected to work with the designated CSR employee on projects from time-to-time.

- Even if the company has not yet adopted one of the international CSR instruments, information regarding its CSR activities should be posted on the company's website and should include both successes and areas that have been targeted for improvement.
- Information on CSR activities can also be communicated to customers, suppliers and other business partners and community members by adding new sections to the company's brochures and pamphlets and posting pictures of activities that can be viewed by visitors to the company's facilities.
- Information about the company's CSR activities can be placed into local newspapers, a relatively easy and low cost public relations effort that has high impact among current and prospective employees, local customers and community members.
- Staff briefings on CSR activities should be held on a regular basis and small businesses should also invite business partners and community members to events at the company's facilities which showcase some of the things that the company is doing with respect to CSR.
- CSR should be placed on the agenda for all discussions with key customers, suppliers and other business partners in order to gather their input and ideas on things that the company can do in the CSR area and get feedback on current initiatives.
- Small businesses should begin with self-assessment of CSR commitments using well-accepted global guidelines as a reference point and use the self-assessment process as a means for preparing for more rigorous verification and reporting in the future.

Questions for New and Small Businesses Launching Sustainability Reporting

Sustainability reporting is often seen as a daunting and challenging project for new and small businesses and sustainable entrepreneurs often complain that they do not know where to start. However, the Global Reporting Initiative ("GRI"), the developer of the GRI Standards used by thousands of organizations around the world to describe and report the progress of their sustainability initiatives and programs, and the International Organization of Employers partnered to generate the following list of questions that new organizations can use the develop a process for launching their reporting process:

- **Scope and Strategy:** ***How does your organization communicate what it is and what it does, including showing your commitment to being environmentally, socially and economically responsible?*** Provide a clear picture of how your organization creates value, and of your operations and activities. Explain how your business strategy incorporates sustainability into programs, priorities and executive level decision making. When describing value, consider value created for the company, the employees, local communities and the wider economy.
- **Governance and Accountability:** ***How is your sustainability strategy led, and what policies and structures are in place to ensure organizational accountability when it comes to meeting sustainability objectives?*** Show how your senior executives are involved in leading sustainability programs and key initiatives.
- **Stakeholder Inclusiveness:** ***How does your organization identify the stakeholder groups that will have the greatest impact on your long-term viability? How do you engage with these stakeholders? How do you use their feedback to better understand and anticipate future risks and opportunities?*** Identify your key stakeholders and show how they are being engaged. Explain how you have addressed–or will address–their highest priority topics and how this is reflected in your sustainability initiatives.

- **Material Topics:** ***How does your organization present topics that are particularly important to you and your key stakeholders?*** Indicate your material topics while explaining how these topics were identified and addressed both in your current strategy and programs and your strategic planning.
- **Key Performance Indicators, Performance and Impact:** ***How does your organization measure sustainability performance? How do you know whether your sustainability performance is advancing, and how it is impacting society, the environment and your bottom line?*** Use key performance indicators (KPIs) corresponding to high-priority topics to show how your performance is improving and whether you are meeting expectations/targets.
- **Data Quality:** ***How clearly do you communicate your sustainability priorities, plans and performance? Do you provide a well-rounded picture of your successes, challenges, risks and opportunities? Are you open about improvement points? How do you prove the accuracy of your performance data and the credibility of your claims? Is the information presented in a way that is sufficiently accurate and detailed for stakeholders to assess your performance?*** Sustainability reports should be credible. This means reports should be balanced and the data reported should be comparable, accurate, timely, clear and reliable. Show your stakeholders how a focused and effective sustainability program will improve your overall future direction (i.e., improving bottom line, reducing risks, increasing competitiveness), so that there is a strong link between sustainability and corporate strategy. Describe how your company addresses potential concerns about the reliability of data and claims through a combination of consistently applied internal auditing practices, independent quality assurance and feedback from stakeholders on the overall structure, topics and tone of the report.

Taken together, the above questions should prod the leaders of the organization to address several of the key elements for success in exercising social responsibility and pursuing sustainability in the course of the organization's activities. First of all, the organization needs to identify is core mission and purpose and the way in which it intends to provide value to each of its stakeholders. In order to achieve clarity regarding the expectations of stakeholders relating to the organization's value proposition, organizational leaders need to establish relationships with each of the stakeholder groups through engagement. Stakeholder engagement will ultimately lead to the identification of the organization's major sustainability goals and objectives, each of which will eventually become a "major topic" in the sustainability reporting process and will need to be supported by a strategy that can also be explained to stakeholders in the sustainability report. Once the goals and strategies associated with the organization's sustainability initiative and programs have been selected, the governance framework of the organization (i.e., policies and procedures) should be aligned with the strategy. This begins with the proper "tone at the top" and continues downward throughout the organization with clarity for everyone regarding their roles and responsibilities. In addition, in order for the organization to report on the progress of its sustainability initiatives and the success of its strategies, there must be performance indicators embedded in the strategy and investment in the systems necessary to generate and analyze the data required to track performance and report on it to stakeholders.

Source: Small Business Big Impact: SME Sustainability Reporting from Vision to Action (Amsterdam and Geneva: Stichting Global Reporting Initiative and the International Organization of Employers, 2016), 11-12. The publication is available for download at www.globalreporting.org.

While CSR reporting has already evolved significantly there will no doubt be important and interesting changes in the future as the appetite of the various stakeholder groups, particularly investors, for information on CSR management and corporate governance generally grows.[195] There is already intense discussion about non-financial reporting, sometimes referred to as "extra-financial reporting" or "intangibles" reporting, that would cover operational activities that are not yet formally regulated but are already embedded

[195] The discussion in this section is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 70.

in global social responsibility standards and best practices regarding ethical business conduct. In fact, a number of companies already include both financial and non-financial information in their reports to the investors and other stakeholders and it is expected that disclosure requirements in investor reports will continue to be changed to incorporate more analysis of the impact of environmental and social responsibility initiatives on economic performance and the overall well-being of the communities that are served by the company. A popular format for integrating financial and non-financial reporting is the "triple bottom line" which facilitates incorporation of economic, environmental and social considerations into performance measurement and disclosures; however, others have argued that additional dimensions should be included such as culture and ethics.[196]

Five Dimensions for Integrating Financial and Non-Financial Reporting

As discussed in the text, commentators have argued for the recognition and use of multiple dimensions for integrating traditional financial reporting with reporting on activities and performance with respect to non-financial issues that are core to sustainability. In explaining the role that lawyers and the legal profession have with respect to corporate social responsibility, the Council of Bars and Law Societies of Europe explained that the "triple bottom line" framework was designed to provide a roadmap for companies to understand how they should be contributing to sustainability in their relationships with human beings, or "people" (i.e., employees, suppliers, customers, local communities and other stakeholders); the external environment, or the "planet" (e.g., biodiversity and animal welfare); and the economy, referred to as "profit" and including the economy of the communities in which they operated. Others have attempted to solve the puzzle of how to balance the domains by maintaining that equal priority should be given to each of the domains in a model that includes the three dimensions of the "triple bottom line" plus two more: cultural responsibility and ethical duties and responsibilities. Combining a list of the illustrative areas under each of the categories of the "triple bottom line" compiled by the Council with the work of commentators and researchers on the cultural and ethical dimensions produces the following compilation that can be used as a reference point when planning for integrated reporting:

Social Responsibility (People)

- Labor rights: Slave, forced or compulsory labor; child labor; freedom of association/collective bargaining; non-discrimination/equal opportunities; rest, leisure and holidays; minimum wages; health and safety
- Right to work: Protection against unjustified dismissals and technical/vocational guidance and training
- Right to life
- Development rights: Right to education; to health; to adequate food and fair distribution of food; to clothing; to housing; to social security; to enjoy technological development
- Right to hold opinions and freedom of expression, thought, conscience and religion
- Right to a family life
- Right to privacy (e.g. surveillance, personal information, drug testing)
- Minority rights to culture, religious practice and language and cultural rights (indigenous peoples)
- Right to peaceful assembly
- Right to take part in political life
- Informed consent to medical/biological trials
- Moral and material interests from inventions

[196] For further discussion of the "triple bottom line" and other dimensions of sustainability, see "Entrepreneurship: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

Environmental Responsibility (Planet)

- UN Convention on Bio-Diversity: in-situ and ex-situ conservation, impact on diversity, use of genetic material, technology transfer
- The Precautionary Principle (if in doubt about negative environmental impact of a given action – abstain)
- Use and handling of GMOs (Genetically Modified Organisms)
- Air emissions and impact on global warming (greenhouse gases)
- Impact on the ozone layer (Montreal Protocol Annexes)
- Prohibition of use of certain materials and substances, hereunder safe handling/transport of dangerous substances
- Distance to residential neighborhoods for production sites
- Soil, ground water and surface water contamination
- Treatment and reduction of waste water
- Water consumption and leakage
- "Eco-efficiency", consumption of raw materials, and consumption of energy
- Export of waste and re-use of material
- Subsidizing environmental projects (e. g., protection of the rainforest)
- Animal welfare

Economic Responsibility (Profit)

- Financial profit, economic growth and asset creation
- Business ethics, corruption and bribery, conflict of interest
- Direct and indirect economic impact on communities through spending power (suppliers, consumers, investors, tax payments and investments), and geographic economic impact
- Economic impact through business process: outsourcing, knowledge, innovation, social investments in employees and consumers
- Monetary support for political parties, lobbying, and other 'political' activities
- External economic impact from pollution, internalization of externalities, value of consuming products
- Stock exchange behavior, including insider trading
- Economic regulation, tax incentives, redistribution
- State contracts and State Subsidies
- Intellectual property rights, hereunder patents, pricing and the impact on economic and societal development potential
- Antitrust and competition, including market impact and "alliances"
- Board and executive remuneration and role of accountants
- Donations
- Taxes, including "transfer pricing"

Cultural Responsibility

- Preservation of the community and cultural values
- Avoidance of damage to traditional or indigenous knowledge or culture
- Avoidance of over-dependence on Western culture arising from economic progress and development as defined by Western standards

Ethical Duties and Responsibilities

- Right of community members to be treated with dignity and respect and in a manner that is mindful of maltreatment, indifference, justice, care and development
- Duty to contribute to a harmonious way of living together in just, peaceful, and friendly conditions
- Avoidance of corruption, especially in the supply and customer chains

- Awareness of and resistance to financial and operational pressures which heighten the incentives for entrepreneurs to engage in expedient behavior (including dishonesty)
- Refraining from exerting underhanded influence on people to gain benefit or power by way of lies, deceit, or the creation of false expectations

Sources: Corporate Social Responsibility and the Role of the Legal Profession: A Guide for European Lawyers (Council of Bars and Law Societies of Europe, June 2008); I. Majid and W-L. Koe, "Sustainable Entrepreneurship (SE): A Revised Model Based on Triple Bottom Line (TBL)", International Journal of Academic Research in Business and Social Sciences, 2(6) (June 2012), 293; K. Nurse, "Culture as the Fourth Pillar of Sustainable Development", Small States: Economic Review and Basic Statistics, 11 (2006), 28; and A. Racelis, "Sustainable Entrepreneurship in Asia: A Proposed Theoretical Framework Based on Literature Review", Journal of Management for Global Sustainability, 2 (2014), 16..

Verification and reporting, both important in their own right, should also be seen as the catalyst for careful evaluation of the effectiveness and scope of the company's CSR initiatives and generation of ideas for modifying and improving those initiatives.[197] Hohnen and Potts admonished companies to use the results from the verification process, including information gathered from engaging stakeholders, to determine what is working well, why and how to ensure that it continues to do so; investigate what is not working well and why not, to explore the barriers to success and what can be changed to overcome the barriers; assess what competitors and others in the sector are doing and have achieved; and revisit original goals and make new ones as necessary.[198] While some might ask why this is necessary when a detailed report has been prepared at great expense it is important to distinguish the data and other information in the report from the process of thinking deeply about what the data and information really mean in practice. Questions that Hohnen and Potts suggested should be used in order to drive the evaluation process included the following:

- What worked well? In what areas did the company meet or exceed targets? Has the company celebrated its successes, an important way to continue motivating employees?
- Why did it work well? Were there factors within or outside the company that helped it meet its targets?
- What did not work well? In what areas did the company not meet its targets?
- Why were these areas problematic? Were there factors within or outside the company that made the process more difficult or created obstacles?
- What did the company learn from this experience? What should continue and what should be done differently?
- Is the company using the right reporting indicators? Are they aligned with the company's overall mission and CSR commitments?

[197] For detailed discussion of auditing sustainability processes and initiatives, see "Sustainability Reporting and Auditing" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[198] The discussion in this section is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 73-74.

- Is the company engaging with the right stakeholders?
- Have the right persons for advancing CSR initiatives inside the company been identified and have they been given adequate support?
- Drawing on this knowledge, and information concerning new trends, what are the CSR priorities for the company in the coming year?
- Are there new CSR objectives?

Evaluations need to be done regularly, no less frequently than annually, and procedures should be established for tracking the results from evaluations year-over-year in order to gauge progress and identify any relevant patterns or trends. When conducting evaluations input should be obtained from people throughout the organization as line-level employees may have very different impressions of CSR initiatives than managers higher up in the organizational structure. When small businesses conduct an evaluation it need not be time consuming. In fact a good deal can be learned from having everyone in the company get together for a working meeting and planning session to go through the questions laid out above.

§16 CSR for small businesses

While CSR has been a topic of discussion for larger businesses for a long time, relatively little attention was paid to CSR and small businesses.[199] However, as governments have come to realize the importance of small businesses—small- and medium-sized enterprises ("MSEs")—to their economies as drivers of employment, research and guidance on management topics for MSEs has become more prevalent. While managers of small businesses rightly have concerns about the costs associated with many CSR projects, and non-governmental organizations have not spent as much time and effort on monitoring CSR among SMEs, more and more SMEs are beginning to appreciate the potential benefits of having some type of CSR initiative, even if it scaled down to fit the size of the firm and the relatively meager resources available. For example, as larger companies have integrated supply chain management into their CSR initiatives SMEs seeking to become supply chain partners have been forced to take a hard look at their efforts with respect to social responsibility, particularly the ways that they treat their workers and the impact of their operations on the environment. Another driver of CSR among SMEs is their dependence on their relationship with the local community. While larger companies operate in numerous locations around the world, SMEs have one primary site and depend heavily on the strength and support of the community surrounding the site. As such, it is incumbent on SMEs to act in a socially responsible manner in their interactions with community members and support community efforts in areas such as education, health, safety and general welfare.

[199] For detailed discussion of CSR and sustainability for small businesses, see "Corporate Social Responsibility for Small Businesses and Startups" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

In spite of the above-referenced benefits of embracing CSR, SMEs reasonably complain about finding the time and resources to collect the necessary information, develop and implement CSR strategies and continuously engage with stakeholders. Owners and senior managers of SMEs typically wear a number of different hats already and adding CSR leadership assignments often seems to be just too much. Fortunately, the size and scope of activities of SMEs may actually make it easier to find information and reach out to important stakeholders. For example, since SMEs are already closely linked to their communities and dependent on them for customers, labor and supplies it is generally a small step to extend the relationship into social responsibility projects. In the same vein, SMEs often have higher levels of employee participation in decision making and this facilitates worker engagement of health and safety, product quality and service and implementing eco-friendly manufacturing processes.

While small businesses operate under resource constraints that make it impractical for them to implement comprehensive CSR initiatives on the scope of those that have been adopted by larger companies, they nonetheless can begin by referring to the same authoritative international instruments such as the Organisation for Economic Co-operation and Development ("OECD") Guidelines for Multinational Enterprises and the UN Global Compact Principles, each of which are intended to be applicable to organizations of all sizes. Governments and business associations have also created and published guides and other resources relating to a wide range of SME management topics including the use of environmental management systems by SMEs and adopting the management systems framework of the International Standards Organization to the SME context.[200] Other resources tailored to the particular needs of small businesses seeking to implement a CSR initiative include the "Introduction to Corporate Social Responsibility for Small & Medium-Sized Enterprises" available online from the European Commission with links to other European Union publications and tools on CSR and SMEs; and the CSR handbook for SMEs developed by the Caux Round Table (www.cauxroundtable.org), an international network of principled business leaders working to promote moral capitalism.

§17 CSR around the World

Rahim surveyed steps that had been taken around the globe to integrate the core principles of CSR into the policy objectives of different economies and global companies. Global companies in Europe have been guided by the EU Commission's Green Paper on Promoting a Framework for CSR and the European Code of Conduct Regarding the Activities of Transnational Corporations Operating in Developing Economies. A number of individual countries in Europe have also taken action driven, at least in part, by a series of resolutions adopted by the European Parliament to facilitate the development of the incorporation of CSR principles in its member economies: the UK established a post of CSR Minister to encourage greater social responsibility in UK

[200] See International Organization for Standardization, ISO 26000 Guidance on Social Responsibility: Discovering ISO 26000 (2014) and Handbook for Implementers of ISO 26000, Global Guidance Standard on Social Responsibility by Small and Medium Sized Businesses (Middlebury VT: ECOLOGIA, 2011).

companies and the UK's Companies Act of 2006 included specific reporting requirements on environmental and social issues; Belgium passed legislation requiring pension fund managers to disclose the extent to which they consider ethical, social and environmental criteria in their investment policies; France required listed companies to disclose their impact on social and environmental issues in their annual reports and accounts; and each of the Scandinavian countries mandated environmental disclosures. There have also been a number of important quasi-legal initiatives for the promotion of CSR at the national level throughout Europe including the International Business Leaders Forum, the Ethical Trading Initiative and Partnership for Global Responsibility.[201]

Rahim noted that, in contrast to Europe, the US has been slower in using formal regulation to incorporate CSR into the business strategies and operations of corporations, an approach that is consistent with the preference in the US for minimal legislative control of business. According to Rahim, the US has emphasized developing specialized organizations that set rules and standards, and provide enforcement regimes, for certain aspects of CSR including the Occupational Safety and Health Administration, Equal Employment Opportunity Commission, Consumer Product Safety Commission and the Environmental Protection Agency. A variety of industry and other non-governmental organizations have also contributed guidelines that can be referenced for the self-regulatory initiatives of individual companies including the US Model Business Principles and the work of the Center for Corporate Ethics and the Fair Labor Association. Trade associations in specific sectors, such as automobile manufacturing and paper products, have promulgated guidelines for their members on environmental management practices for themselves and their suppliers.[202]

Principles of CSR have been important in Japan since the post-war reconstruction period, during which the resolution "Awareness and Practice of the Social Responsibility of Business" was adopted and stated the fundamental principal that businesses should not simply pursue corporate profit, but must seek harmony between the economy and society, combining factors of products and services, and that social responsibility is a better way to pursue this goal.[203] Various cabinet ministries have undertaken initiatives to promote and achieve CSR including the Cabinet Office;, the Ministry of Agriculture, Forestry, and Fisheries; the Ministry of Health, Labor, and Welfare; and the Ministry of Environment. For example, the Cabinet Office issued its "Corporate Code of Conduct" in 2002 to build consumer confidence in businesses and set guidelines to promote the establishment and implementation of corporate codes of conduct.[204] The influential Ministry of Economy, Trade and Industry collaborated with the Japanese Standards Association on the creation of a working group to develop CSR standards in Japan and Japan has been an active participant in the development of intergovernmental initiatives relating to CSR. The

[201] M. Rahim, Legal Regulation of Corporate Social Responsibility: A Meta-Regulation Approach of Law for Raising CSR in a Weak Economy (Berlin: Springer, 2013), 13, 34-38.
[202] Id. at 38-39.
[203] Id. at 40 (citing M. Kawamura, The Evolution of Corporate Social Responsibility in Japan (Part 1)—Parallels with the History of Corporate Reform (NLI Research institute, 2004), 156).
[204] Id. (citing Asian Productivity Organisation, Policies to Promote Corporate Social Responsibility (Report of the Asian Productivity Organisation Top Management Forum, 2006)).

result of all this activity has been that Japanese companies have been global leaders in disclosures of CSR activities, investment in internal resources to oversee CSR commitments and adoption of codes of conduct based on international standards.[205]

Rahim summed up his findings regarding the integration of CSR principles into corporate governance and regulation among strong economies as follows:

> ". . . CSR has attracted considerable attention. Most of the strong economies have adopted CSR principles within their corporate regulatory mechanisms. They have used different strategies and employed different actors to encourage this incorporation of CSR principles in corporate regulation. Though their regulatory strategies are not identical, their goals for relating CSR to public policies amplify their political affiliation for CSR practices in companies; the role of government in these economies is to facilitate the private sector. In these economies, laws and regulations for incorporating the ethos of this convergence are not authoritative. Rather, they are advisory and focused on bringing a broader perspective to the necessity of environmental responsibility in corporate self-regulation. Broadly speaking, incorporation of CSR notions in corporate self-regulation in these economies appears to focus on 'process-oriented regulation' where system-based strategies, enforced self-regulation, management-based strategies, meta-regulation approaches, and principle-based strategies coexist to ensure greater flexibility for the regulators where an objective needs to be incorporated in the era of deregulation."[206]

As for developing and less-strong economies, Rahim reported that several of them have made attempts to incorporate the principles of CSR within their regulatory frameworks, particularly with respect to labor issues, the environment (particularly in those countries that rely extensively on extractive industries), the community and the marketplace. In some instances, these economies have encouraged companies with respect to disclosure practices, stakeholder engagement and implementing corporate governance practices that incorporate consideration of environmental and social issues.[207] However, Rahim expressed misgiving about the pace and intensity of incorporating the ethos of CSR into the fabric of the socio-economic and environmental regulation of the weaker economies given the absence of public interest advocacy groups to oversee this convergence, the disorganization of civil groups, the lack of focus on such issue by the media in those countries and the persistently high rate of corruption within public organizations.[208]

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[205] Id. at 41-42.
[206] Id. at 45 (citing P. May, "Compliance Motivations: Perspectives of Farmers, Homebuilders, and Marine Facilities", Law and Policy, 27(2) (2005), 317; S. Winter and P. May, "Motivation for Compliance with Environmental Regulations", Journal of Policy Analysis and Management, 20(4) (2001), 675; B. Hutter, The Role of Non-State Actors in Regulation (Centre for Analysis of Risk and Regulation, 2006), 14; N. Gunningham, P. Grabosky and D. Sinclair, Smart Regulation: Designing Environmental Policy (1998); M. Sparrow, The Regulatory Craft: Controlling Risks, Solving Problems, and Managing Compliance (2000); and V. Nagarajan, "From 'Command-and-Control' to 'Open Method Coordination': Theorizing the Practice of Regulatory Agencies" Macquarie Law Journal, 8, 6).
[207] Id. at 42-43.
[208] Id. at 44-45.

§17 Legal and voluntary sustainability standards and instruments

Williams noted that since the late 1990s there has been a proliferation of transnational, voluntary standards for what constitutes responsible corporate action, including standards have been developed by states; public/private partnerships; multi-stakeholder negotiation processes; industries and companies; institutional investors; functional groups such as accountancy firms and social assurance consulting groups; NGOs; and non-financial ratings agencies.[209] Notable multi-sector standards initiatives have included Social Accountability 8000 and the Ethical Trading Institute, and influential multilateral initiatives have included the OECD's Guidelines for Multinational Enterprises, the ISO 26,000 Corporate Responsibility standards, the UN Global Compact and the "Protect, Respect and Remedy" framework in the UN's Guiding Principles on Business and Human Rights that articulates the human rights responsibilities of states and companies.[210]

According to Williams, most of the corporate responsibility standards are voluntary, although India passed legislation in 2014 that required companies to establish a corporate responsibility committee at the board level and contribute 2% of net profits to corporate responsibility initiatives.[211] It should not be forgotten, however, that many of the topics generally included within the general subject of CSR have been addressed to some degree in domestic regulations covering labor rights, environmental and consumer protection, anti-discrimination and anti-bribery. Countries vary in the degree to which regulatory standards relating to corporate responsibility are relied upon and Williams noted that empirical evidence suggested that the underlying regulatory standards effectively shape the sustainability culture within countries, and have both a strong effect on how companies handle corporate responsibility issues and a strong effect on the sustainability.[212] For example, Williams pointed out that Matten and Moon have argued that "in countries with stakeholder corporate governance systems and more expansive social welfare arrangements, corporate responsibility is 'implicit' in doing business

[209] C. Williams, "Corporate Social Responsibility and Corporate Governance" in J. Gordon and G. Ringe (Eds.), Oxford Handbook of Corporate Law and Governance (Oxford: Oxford University Press, 2016), 7, available at http://digitalcommons.osgoode.yorku.ca/scholarly_works/1784.
[210] Id. at 8-9. For further discussion of legal and voluntary sustainability standards, see "Legal and Voluntary Sustainability Standards" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org). See also the appendices to P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), which includes a list of national CSR guidance and suggestions for further reading.
[211] C. Williams, "Corporate Social Responsibility and Corporate Governance" in J. Gordon and G. Ringe (Eds.), Oxford Handbook of Corporate Law and Governance (Oxford: Oxford University Press, 2016), 13, available at http://digitalcommons.osgoode.yorku.ca/scholarly_works/1784.
[212] Id.

according to law, so companies do not need to be as "explicit" about taking on social responsibilities, as do leading companies in more shareholder-oriented countries".[213]

§18 CSR organizations

In addition to the non-profit CSR institutions and resources described elsewhere in this chapter, useful information on CSR is available from the following organizations:

- African Institute of Corporate Citizenship (http://www.aiccafrica.org)
- Business and Human Rights Resource Centre (http://www.business-humanrights.org)
- Business Social Compliance Initiative (http://www.bsci-eu.org)
- Business for Social Responsibility (http://www.bsr.org)
- Business in the Community (http://www.bitc.org.uk)
- Caux Round Table (http://www.cauxroundtable.org)
- Ceres (www.ceres.org)
- Coalition for Environmentally Responsible Economies (http://www.ceres.org)
- Conference Board (http://www.conference-board.org)
- Corporate Register (http://www.corporateregister.com)
- Ethos Institute (http://www.ethos.org.br)
- Ethical Trading Initiative (http://www.ethicaltrade.org)
- European Academy of Business in Society (http://www.eabis.org)
- Extractive Industries Transparency Initiative (http://www.eitransparency.org)
- Fair Labor Association (http://www.fairlabor.org)
- Future-Fit Business Benchmark (http://www.FutureFitBusiness.org)[214]
- Global Unions (http://www.global-unions.org/).
- Sustainability Reports (http://www.sustainability-reports.com/)
- Transparency International (http://www.transparency.org/)
- World Business Council for Sustainable Development (http://www.wbcsd.org)
- World Council for Corporate Governance (http://www.wcfcg.net)

[213] Id. (citing D. Matten and J. Moon, "Implicit" and "explicit" CSR: A conceptual framework for a comparative understanding of corporate social responsibility", Academy of Management Review, 33:2 (2008), 404).
[214] For detailed discussion of the 21 Future-Fit business goals proposed by the Future-Fit Business Benchmark, see "Developing and Implementing CSR Strategy and Commitments" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

About the Author

Dr. Alan S. Gutterman is the Founding Director of the Sustainable Entrepreneurship Project (www.seproject.org). In addition, Alan's prolific output of practical guidance and tools for legal and financial professionals, managers, entrepreneurs and investors has made him one of the best-selling individual authors in the global legal publishing marketplace. His cornerstone work, *Business Transactions Solution*, is on online-only product available and featured on Thomson Reuters' Westlaw, the world's largest legal content platform, which includes almost 200 book-length modules covering the entire lifecycle of a business. Alan has also authored or edited over 40 books on sustainable entrepreneurship, management, business law and transactions, international law business and technology management for a number of publishers including Thomson Reuters, Kluwer, Aspatore, Oxford, Quorum, ABA Press, Aspen, Sweet & Maxwell, Euromoney, CCH and BNA. Alan has over three decades of experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He has been an adjunct faculty member at several colleges and universities, including Boalt Hall, Golden Gate University, Hastings College of Law, Santa Clara University and the University of San Francisco, teaching classes on a diverse range of topics including corporate finance, venture capital, corporate law, Japanese business law and law and economic development, He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Alan, his publications or the Sustainable Entrepreneurship Project, please contact him directly at alangutterman@gmail.com, and follow him on LinkedIn (https://www.linkedin.com/in/alangutterman/).

About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) engages in and promotes research, education and training activities relating to entrepreneurial ventures launched with the aspiration to create sustainable enterprises that achieve significant growth in scale and value creation through the development of innovative products or services which form the basis for a successful international business. In furtherance of its mission the Project is involved in the preparation and distribution of Libraries of Resources for Sustainable Entrepreneurs covering Entrepreneurship, Leadership, Management, Organizational Design, Organizational Culture, Strategic Planning, Governance, Corporate Social Responsibility, Compliance and Risk Management, Finance, Human Resources, Product Development and Commercialization, Technology Management, Globalization, and Managing Growth and Change. Each of the Libraries include various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts.

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