

# Chapter 1

## The Corporate Sustainability and Responsibility Proposition: A Review and Appraisal

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### **ABSTRACT**

*This chapter deliberates on the business case for CSR. It contends that corporations are capable of implementing responsible behaviors as they pursue their profit-making activities. A thorough literature review suggests that there is a link between corporate social responsibility (CSR) or corporate social performance (CSP) and financial performance. In addition, there are relevant theoretical underpinnings and empirical studies that have used other constructs, including corporate citizenship, stakeholder engagement and business ethics. In this light, this contribution reports on how CSR is continuously evolving to reflect today's societal realities. Therefore, it raises awareness of key notions representing strategic CSR, creating shared value and corporate sustainability and responsibility (CSR2.0). This latter perspective suggests that responsible behavioral practices may be strategically re-conceived to confer competitive advantage over rival firms. Therefore, this chapter makes reference to laudable investments that could unleash shared value. It implies that CSR2.0 demands business to build adaptive approaches with stakeholders for the benefit of the firm and for societal advancement.*

### **INTRODUCTION**

This chapter builds on the previous theoretical underpinnings of the corporate social responsibility (CSR) agenda, including corporate social performance, stakeholder engagement, corporate citizenship, creating shared value. There have been diverse theoretical perspectives surrounding the notion of CSR. McWilliams, Siegel and Wright (2006) emphasise that CSR research requires a multi-disciplinary approach. They describe it as a '...fertile ground for theory development and empirical analysis'. For instance, businesses' way of thinking has changed dramatically since Levitt, (1958), Friedman (1962, 1970) held that the companies' only responsibility is to maximise their owners' and shareholders' wealth.

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CSR developed during the latter part of 20th Century as the recognition of all stakeholders, rather than just shareholders being the legitimate concern for the business, see Freeman (1984). Without doubt, the clarification of CSR's meaning is a significant strand within the research agenda. CSR has developed as a rather vague concept of moral good or normative behaviour; see Frederick (1986), Carroll (1979, 1991, 2004). An all-embracing definition is given by Moon, Anastasiadis and Vigano (2009), 'CSR is about beyond-compliance contributions of companies to social, environmental and ethical concerns'. Whilst retaining the comprehensive aspects, Carroll (1979) suggested a relativistic measure of 'the economic, legal, ethical and discretionary expectations that society has of organisations at a given point of time'. With an entrepreneurial stance, Drucker (1984) characterised it as a way of tackling 'social problem(s)' to engender positive 'economic benefit(s)' to ensure 'well paid jobs, and ... wealth'. Porter and Kramer (2006) recognised that 'CSR can be much more than a cost, a constraint, or a charitable deed'. Apparently they perceived CSR, 'as a source of opportunity, innovation and competitive advantage'. Undoubtedly, in the recent years we have witnessed extensive research in this area. Crane, McWilliams, Matten, Moon and Siegel (2009) indicated some of the avenues for further research in the subject of CSR. In the main, the authors held that there is a need to reveal its effects on individual companies and their stakeholders. Interestingly, some researchers have related CSR to business efficiency (see Salzmann, Ionescu-Somers & Steger, 2005). Other authors maintained that CSR improves resources and skills (Donaldson & Dunfee, 1999). Some academic contributors discovered that CSR can create an opportunity to boost sales (see Lindgreen, Swaen & Johnston, 2009), and it may even reduce cost and risk (Salzmann et al., 2005).

In this light, the underlying objective of this research is to present the latest concept, namely; corporate sustainability and responsibility (CSR2.0) perspective. that has emerged from the business ethics literature. At the same time, it provides a logical link between extant CSR constructs. Therefore, this contribution features a theoretical summary on 'strategic corporate social responsibility', 'corporate sustainability', and 'creating shared value' among other notions.

## **BACKGROUND**

### **The Evolution of Corporate Social Responsibility**

Many authors have indicated that the CSR notion is a fertile ground for theory development and empirical analysis (McWilliams, Siegel & Wright, 2006; Orlitzky, Schmidt & Rynes, 2003) as there are also mixed views on this dichotomous field of study among academia (Salzmann, Ionescu-Somers & Steger, 2005; Amann, Khan, Salzmann, Steger & Ionescu-Somers, 2007) The businesses' way of thinking has changed dramatically in recent years. CSR became popular during the latter part of 20th Century as there was an increased recognition of all stakeholders, rather than just shareholders being the legitimate concern for the business (Donaldson & Preston, 1995). Without doubt, the clarification of CSR's meaning is a significant strand within the research agenda. CSR has developed as a rather vague concept of moral good or normative behaviour (Carroll, 1979; Frederick, 1986). At the time, this construct was described as a relativistic measure of 'the economic, legal, ethical and discretionary expectations that society had of organisations at a given point of time' (Carroll, 1979). CSR tackled 'social problem(s)' to engender positive 'economic benefit(s)' to ensure 'well paid jobs, and ... wealth' (Drucker, 1984).

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