

## Chapter 2

# Responsible Corporate Behaviors: Drivers of Corporate Responsibility

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### ABSTRACT

*The aim of this chapter is to outline the growing interest on corporate responsibility, how it has evolved and transpired itself in the form of CSR. In this respect the chapter begins by reviewing the definitions of corporate responsibility and emphasizing its difference from related concepts. In the following section major cornerstones in the evolution of corporate responsibility are explained along with a brief outlook of how the modern approaches to corporate responsibility have changed in the past 30 years. The main focus of the chapter is on factors that shape corporate responsibility. In this respect attention is directed to four perspectives used in organization studies; economic, institutional, cultural and cognitive. Theoretical underpinnings, empirical research and examples are provided for the drivers of corporate responsibility. The chapter demonstrates benefits of integrating multiple perspectives and discusses directions for the future of corporate responsibility.*

### INTRODUCTION

This first decade of the twenty-first century has brought with it various challenges for businesses to survive and to grow in a period of accelerated change, uncertainty about the future and the rise of new technologies. In such a dynamic environment corporate responsibility (CR), despite its seemingly impressive steady march of progress, has in some cases failed to meet its ethical ideals (Tolhurst & Pohl, 2011). In this chapter we will explain how CR has gained a reputation of becoming an inevitable aspect of corporate strategy (See Porter & Kramer, 2006, 2011) and how it has failed to fulfill its fundamental role in society. We will emphasize a call for rejuvenation of the concept (namely CSR 2.0) focusing on the latest trends in economic and socio-technological environment.

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Before we move on to how CR has evolved we will define the concept and underline its critical aspects. Various definitions of CR have been given, some of which do not always cohere with one another (Griffin & Mahon, 1997; Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003). Griffin and Prakash (2014) have underlined that CR and its linguistic ancestors corporate social responsibility (CSR), corporate citizenship (Waddock, 2004), and so on, are viewed as competing terms. Some view CR's closest antecedent, CSR, as a philanthropic, charitable give-a-way. This view refers to CSR 1.0 and is regarded to be an outmoded approach of CSR as philanthropy or public relations (Tolhurst & Pohl, 2011). This view of corporations' responsibility towards society has proven to be outdated, superficial, and as a means for companies to corner instrumental gains for their interest (Andriof & McIntosh, 2001). We are now beginning to realize the limitations of the generic CSR 1.0 codes and standards that have proliferated in the past 10 years and call for a new perspective that will genuinely create involvement of corporations in the larger picture. CSR has therefore been reformulated to stand for Corporate Sustainability and Responsibility (CSR 2.0), rather than Corporate Social Responsibility (CSR 1.0) (Visser, 2011). In its new form, CSR refers to the way in which business consistently creates shared value in society through economic development, good governance, stakeholder responsiveness and environmental improvement. CSR is an integrated, systemic approach by business that builds, rather than erodes or destroys, economic, social, human and natural capital (Visser, 2011).

## **THE ROAD TO CORPORATE RESPONSIBILITY**

Corporate responsibility, at a minimum, pertains to the portfolio of a firm's policies and programs that are beyond the requirements of extant law (Griffin & Prakash, 2014). CR initiatives may include:

- Paying wages beyond the legal minimum,
- Providing health care benefits,
- Educational opportunities for employees,
- Philanthropic donations,
- Community investments, and
- Pollution abatement (Griffin & Weber, 2006; Matten & Crane, 2005; Miller & Guthrie, 2011; Potoski, 2011).

Scholars suggest going beyond the minimalist "beyond compliance" conception and extending this responsibility to the rather more distal voluntary areas that genuinely involve the corporation in the creation of value and sustainability (Carroll, 1998, 1999). As for today the world acknowledges the wider responsibilities of corporations especially in the midst of climate change and resource depletion, unequal wealth distribution, corruption, cultural hegemony, and human rights violations. There is an increasing imperative to engage industry, the professions, policymakers, and academia in a sustained debate concerning the role of corporations in society (Dillard & Murray, 2013).

Corporate sustainability and responsibility (CSR) have come a long way in explaining the role of business in society and frame society's expectations of businesses (Blowfield & Murray, 2008). One aspect that distinguished corporate responsibility from the earlier ideas was its focus on the company rather than on the individual entrepreneur. In its earliest form corporate responsibility began as a focus on the role of business leaders, and how they managed their companies with a view to society and how

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