# Chapter 3
# Responsible Management in the CSR 2.0 Era

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## ABSTRACT

*Many authors and professionals claim that the vast majority of firms have failed to be good corporate citizens. Even some academics indicate that modern Corporate Social Responsibility (CSR) has malfunctioned to address the issues this philosophy claims to be concerned about. Nevertheless, another group of scholars claim that CSR should not be considered as an impractical philosophy to improve society's welfare and companies' performance. This new stream of research argues that the field of CSR is ushering in a new era in the relationship between business and society: the CSR 2.0 era. The aim of this chapter is to present the Total Responsibility Management (TRM) approach in order to show how companies can implement CSR issues into their strategies contributing to companies' success and community welfare by managing relationships and companies impacts in this new era.*

## INTRODUCTION

Today, demands for enhanced corporate responsibility come from corporate critics, social investors, employees, activists and increasingly customers who claim to assess corporate responsibility when making purchasing decisions. These demands go beyond product and service quality to focus on areas such as:

- Transparency,
- Environmental standards,
- Labour issues, and
- Supply chain management.

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Corporate social responsibility (CSR) is defined as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (Commission of the European Communities, 2001) (see e.g. Dahlsrud, 2008, for an overview of CSR definitions). Managing stakeholders' relationships and natural resources is becoming the new business imperative (Waddock, Bodwell & Graves, 2002). Following this approach, the concept of CSR is closely aligned with the notion of social license to operate which refers to the level of acceptance or approval by local communities and stakeholders of companies and their operations (World Bank, 2003). Both ideas have evolved recently and are based on the idea that companies need not only government authorization but also social permission to conduct their business (Pike, 2012).

Companies are trying to respond to these demands for accepting corporate responsibility and obtaining social license to operate by developing a number of initiatives to managing the balancing of all these responsibilities. An instance could be the development of social programs to help local communities where companies operate hiring local employees or supporting local business. Additional practices could focus on environmental issues such as:

- The mitigation of the effects of climate change,
- Reduction in the consumption of water, or
- Protection of environmentally valuable habitats.

However, the vast majority of companies fail to be good corporate citizens (Freeman & Liedtka, 1991; Visser, 2010). Some of the reasons given are the existence of selective and compartmentalized programs rather than holistic and systematic approaches at the time of integrating CSR issues into corporate strategies, policies, processes and procedures (Hollender & Breen, 2010) or that executives are unlikely to act voluntarily in the public interest and against shareholder interests (Karnani, 2010).

The aim of this chapter is to present the Total Responsibility Management (TRM) approach in order to show how companies can implement CSR issues into their strategies. The TRM approach is based on managing relationships and company impacts (Waddock & Bodwell, 2007). In reality, companies manage their responsibilities to stakeholders and the natural environment through the operating practices and strategies they evolve to accomplish their goals. Managing responsibilities goes beyond the traditional activities associated with philanthropy, sometimes associated with narrow definitions of CSR and corporate citizenship. In its broadest sense, responsibility management means taking CSR and corporate citizenship as a core part of the way companies develop and implement its business model. From this perspective, managing responsibility means building trusting relationships with key stakeholders and ensuring companies' impacts are positive rather than negative. Managing responsibility therefore means working to reduce the negative impacts of corporate activities and developing beneficial practices with stakeholders so that long-term relationship can be developed.

TRM approaches start with a vision that includes the company's responsibilities to stakeholders and the natural environment (Waddock & Bodwell, 2004). Thus, the firm must manage those responsibilities by articulating them explicitly and developing codes of conduct with specific standards. The first phase also involves determining which values provide the appropriate foundation for a company's stakeholder-related practices and performance. This foundation is often expressed in corporate values or aspirations, codes of conduct or by the adherence to international standards (e.g., UN Global Compact Principles). Firms must then communicate their vision to stakeholders in order to obtain feedback through the interaction with relevant stakeholders. Once, companies have informed their visions they incorporate this feedback

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