International Journal of Business and Management Review
Vol.8, No.2, pp.37-65, March 2020
Published by **ECRTD-UK**
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

COMPONENTS, THEORIES AND THE BUSINESS CASE FOR CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT: *Though the relationship between business and society has been widely studied for decades, there are varying perspectives in the literature of a corporation's responsibility to society, and many corporate managers have struggled with the issue of a corporation's responsibility to a broader range of stakeholders beyond its shareholders. Contemporary advocates of corporate social responsibility (CSR) argue that business organizations have a responsibility not only to their respective shareholders but also to other stakeholders, such as, employees, customers' suppliers, and the community in general, among others. However, a conservative view of corporate social responsibility (CSR) suggests that the only true purpose of a corporation is to generate maximum profits and promote the interests of its shareholders within the law by responding effectively to market demand through the production of goods or services. Though there is no singular universally accepted definition of CSR in the literature, in this descriptive and theoretical research paper, I synthesize the literature and identify many different forms of definitions of CSR from the point of view of various researchers. In this paper, I also attempt to further the theoretical debate about corporate social responsibility (CSR) by highlighting the main components and theories of CSR in the literature. Thereafter, I articulate the business case for CSR or the justification why business executives may be motivated to allocate resources to engage in CSR activities. I conclude this paper by outlining its contributions.*

KEYWORDS: competitive advantage, corporate citizenship, corporate social responsibility, social contract, shareholder theory, stakeholder theory, synergistic value creation

INTRODUCTION

The relationships between business organizations and society have been widely studied for decades with outcomes being influenced by the prevailing economic paradigm at a specific point in time .Over the past sixty years, corporate social responsibility (CSR) has grown from a narrow and often marginalized notion into a complex and multifaceted concept, one which is increasingly central to much of today's corporate decision making. Though the idea that business has duties towards society, and more specifically towards identified constituents (i.e., the stakeholders), is widely acknowledged today, it is only since the 1950s and 1960s that society's expectations dramatically changed, that is, increased (Carroll, 1999; Lantos, 2001).

In the literature there are varying perspectives on corporate social responsibility (CSR**),** each with their own agenda; while some managers and researchers emphasize management responsibilities towards all stakeholders, others argue that companies should actively contribute to social goals, and yet others reject a social responsibility of business beyond legal compliance. Some regard corporate social responsibility (CSR) as a concept that provides a framework for defining the mission and vision of a business organization, as well as for expressing the extent of its obligations or accountability. In one of its popular modern usage, CSR is said to pertain to policies and programs aimed at benefitting the different stakeholders of an organization, and these stakeholders include, shareholders, employees, customers, suppliers or contractors, and the community in which it operates, among others. The goal of CSR for firms is to produce higher standards of living and quality of life for the communities that surround them and still maintain profitability for stakeholders. The demand for socially responsible corporations continues to grow, encouraging investors, consumers, and employees to use their individual power to negatively affect companies that do not share their values.

Policymakers, the general public, and even corporate leaders, agree that companies of all types must also be responsive to the needs of the communities in which they do business. Advocates of Corporate Social Responsibility (CSR) such as Stigson (2002) argue that "it is clear that society expects much more from companies than simply a well-made product or a reliable service at the right price" (p. 24). There has been a significant increase in interest in Corporate Social Responsibility (CSR) in recent years (Young and Thyil, 2009; Park and Lee, 2009; Gulyas, 2009; McGehee et al, 2009) and it is now regarded to be at its most prevalent (Renneboog et al, 2008) representing an important topic for research (Burton and Goldsby, 2009). Some corporate leaders now see CSR as part of their strategic management program, while others see it as a source of innovation (Allen & Husted, 2006). Today, many scholars and analysts are recommending a more strategic approach to the corporate social responsibility (CSR). Numerous ranking firms now rank organizations on the performance of their corporate social responsibility (CSR), and, even though sometimes the methodologies used in the rankings are disputed and questioned, these rankings attract considerable publicity, and tend affect the organizational brand image as well as organizational bottom line. As a result, CSR has emerged as an inescapable priority for business leaders in every country. Not only is society expecting organizations to be good and responsible corporate citizens, it is also becoming less and less tolerant of firms that fail to address their social responsibilities. CSR can no longer be ignored, especially by medium-sized and major corporations alike, and evidence that it has become a pressing topic is found in many corporate boardrooms around the world today.

Not only has corporate social responsibility (CSR) received academic attention in recent years but it is becoming a mainstream issue for many organizations, as governments, the media, social activists and employees are increasingly becoming adept at holding organizations to account for the consequences of their activities. Recent academic contributions show a renewed debate about the justification and impact on society of CSR, with strongly contrasting views (Dunfee, 2006; Heath, 2006; Henderson, 2005; Marens, 2007; Reich, 2007; Rodin, 2005; Sacconi, 2006; Utting, 2007). Society's expectations of business have increased in recent years (Turker, 2009a). Recent corporate scandals have attracted public attention and highlighted once more the importance of CSR (Angelidis et al, 2008; Evans and Davis, 2008). In the face of high levels of insecurity and poverty, the backlash against globalization, ozone depletion and mistrust of big business, there is growing pressure on business leaders and their companies to deliver wider societal value (Jenkins, 2006). This is heightened by more extensive media coverage coupled with advances in information technology, in particular the internet, which has allowed rapid and widespread exposure of alleged corporate infractions in even the most remote parts of the world, such as the widely publicized Shell Oil spills in Nigeria in 2017 and Nike's exposure of Sweatshop labor conditions in its subcontractor operations in Asia in 1996.

Though the CSR concept is still lacking a universally accepted definition, my aim in this theoretical research is to investigate and provide a distillation and definition of CSR in the literature for over sixty years from the perspectives of various CSR researchers. In this paper, I also explore the nature of corporate social responsibility with an eye toward understanding its four main components parts or the four kinds of social responsibilities that constitute total CRS, which are depicted in a pyramid of corporate social responsibility, providing a framework for understanding the evolving nature of the firm's economic, legal, ethical, and philanthropic performance. Also, in this paper, the four major or mainstream theories of CSR as well as their conceptual bases of each theory in the literature are explored and discussed. Finally, in this paper, I synthesize the literature and theorize the four general types of CSR business cases for potential bottom line benefits and for value creation that might be beneficial to managers who may wish to be attentive to CSR to attain improved performance and achieve sustained competitive advantage.

DEFINITIONS OF CORPORATE SOCIAL RESPONSIBILITY

The idea behind corporate social responsibility (CSR) is the recognition that firms do have ethical obligations and that they must also respond pragmatically to social pressures. The range of appropriate responses has, however, expanded dramatically over the past several decades. Although the debate on the relationships between business and society, and the implied responsibilities, has been on-going for decades, there is still no consensus on a commonly accepted definition of CSR (Carroll, 1991; Jones, 1995; 1999; McWilliams and Siegel, 2001). CSR still lacks a common ground which is accepted by the majority and a necessary development to assert legitimacy, credibility and value of research on the social and environmental responsibilities of business towards society (Angelidis and Ibrahim, 1993; Lantos, 2001; Ougaard and Nielsen, 2002). The idea that business has a responsibility to a broader range of stakeholders beyond its shareholders is acknowledged by researchers and academics but efforts at arriving at a universally accepted definition for corporate social responsibility (CSR) has been elusive for decades.

In I960, Keith Davis suggested that social responsibility refers to businesses' decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations McGuire (1963). Carroll (1979) providing some substance to the argument that CSR involves going beyond the law argued that a definition of social responsibility, if it is to fully address the entire range of obligations business has to society; it must embody the economic, legal, ethical and discretionary categories of business performance. In 2003, Amnesty International - Business Group (UK), issues a report stating, companies have to recognize that their ability to continue to provide goods and services and to create financial wealth will depend on their acceptability to an international society which increasingly regards protection of human rights as a condition of the corporate license to operate.

In 2003, The World Business Council for Sustainable Development (WBCSD) issued a statement defining CSR as, business' commitment to contribute to sustainable economic development working with employees, their families, the local community, and society at large to improve their quality of life. Also, in 2003, CSR Europe issued a statement stating, Corporate Social Responsibility is the way in which a company manages and improves its social and environmental impact to generate value for both its shareholders and its stakeholders by innovating its strategy, organization and operations. Thus, academics and practitioners have therefore been striving to establish an agreed-upon definition of the concepts of CSR for decades to no avail. This may be partly due to the fact that people within and outside the field, notwithstanding the issue of literary translation, employ, promote and defend different interpretations that have emerged over the past several decades.

Though social activist groups and others throughout the 1960s advocated a broader notion of corporate responsibility, it was not until the significant social legislation of the early 1970s that this message became indelibly clear as a result of the creation of the Environmental Protection Agency (EPA), the Equal Employment Opportunity Commission (EEOC), the Occupational Safety and Health Administration (OSHA), and the Consumer Product Safety Commission (CPSC), (Carrol, 1991). These new governmental bodies established that national public policy now officially recognized the environment, employees, creditors and consumers to be significant and legitimate organizational stakeholders.

The notion that CSR includes ethical responsibilities was cemented by Carroll's Four-Part Model of Corporate Social Responsibility from 1979, which probably has become the most established and accepted model of CSR. Carroll (1979) stated 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. Carroll later revised this definition slightly and replaced discretionary expectations with the term philanthropic. Finally, intending to use a more pragmatic language, Carroll (1981) once again revised his definition: "The CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen" (Carroll, 1991, p.36). Irrespective of the wealth of literature on the subject, corporate social responsibility remains a broad, complex, and continually evolving concept that encompasses a variety of business ideas and practices, but still lacks a universally agreed upon definition. Table 1 below introduces several varying definitions of CSR from academic researchers over the past several decades.

TABLE 1: Definitions of Corporate Social Responsibility

Definition	**Author**
[CSR] refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.	Bowen (1953)
Social responsibility in the final analysis implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms.	Frederick (1960)
There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.	Friedman (1962
Social responsibility, therefore, refers to a person's obligation to consider the effects of his decisions and actions on the whole social system.	Davis and Blomstrom (1966)
Social responsibility implies bringing corporate behavior up to a level where it is congruent with the prevailing social norms, values, and expectations of performance.	Sethi (1975)
The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time.	Carroll (1979)
Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract.	Jones (1980)
The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities.	Wood (1991)
CSR is about how companies manage the business processes to produce an overall positive impact on society.	Baker (2003)
CSR are actions that appear to further some social good, beyond the interest of the firm and that which is required by law.	McWilliams & Siegal (2001)
CSR is any concept concerning how managers should handle public policy and social issues.	Windsor (2006)
CSR refers to the problems that arise when corporate enterprise casts its shadow on the social scene, and the ethical principles that ought to govern the relationship between the corporation and society.	Eells & Walton (2006)

THE COMPONENTS OF CORPORATE SOCIAL RESPONSIBILITY

For corporate social responsibility (CSR) to be accepted by conscientious business. executives, it should be framed in such a way that the entire range of business responsibilities are embraced. It is suggested in the literature that four kinds of social responsibilities constitute total CSR: economic, legal, ethical, and philanthropic. Furthermore, these four components or categories of CSR might be depicted as a pyramid (Carrol,1991). Carroll (1991) providing some substance to the argument that CSR involves going beyond the law argued that a definition of social responsibility, if it is to fully address the entire range of obligations business has to society; it must embody the economic, legal, ethical and discretionary categories of business performance. In a four-part conceptualization of CSR included the idea that the corporation has not only economic and legal obligations, but ethical and discretionary (philanthropic) responsibilities as well (Carroll 1979). In support, Aupperle *et al*., (1985) found CEOs viewed their social responsibility as falling into each of the four categories proposed. Carroll's framework has been utilized by a number of writers and researchers and remains popular within the field (Burton and Goldsby, 2008). Carroll (1991) later suggests that these categories might be depicted as a pyramid (Figure 1 below). In essence, an organization is regarded as socially responsible if it operates profitably, complies with the law, engages in ethical behavior and gives back to society through philanthropy.

Hemphill (2004) summarizes these four components of CSR as striving to make a profit (economic), obey the law (legal), be ethical (ethics) and be a good corporate citizen in its relationship with stakeholders (philanthropic). According to Windsor (2001) economic and legal responsibilities are socially required, ethical responsibilities are socially expected, and philanthropy is socially desired. The point is that for the concept of CSR to be regarded as legitimate, it has to be all encompassing and address the entire spectrum of obligations an organization must be expected to discharge to society, thus, economic, legal, ethical and philanthropic responsibilities. It is upon this four-part perspective that the pyramid is based. The pyramid of CSR is intended to portray that the total CSR of business comprises distinct components that, taken together, constitute the whole. A stakeholder model is represented by the pyramid of CSR where the required and discretional responsibilities of businesses to different stakeholders are depicted.

Though the components have been treated as separate concepts for discussion purposes, they are not mutually exclusive and are not intended to juxtapose a firm's economic responsibilities with its other responsibilities (Sweeney, 2009). A consideration of the separate components in the pyramid helps a business executive see that the different types of obligations are in a constant but dynamic tension with one another. The most critical tensions, of course, would be between economic and legal, economic and ethical, and economic and philanthropic (Sweeney, 2009). The traditionalist might see this as a conflict between an organization's drive for profits versus its concern for society, but it is suggested here that this is an oversimplification (Sweeney, 2009). A CSR or stakeholder perspective would recognize these tensions as organizational realities, but focus on the total pyramid as a unified whole and how the firm might engage in decisions, actions, and programs that simultaneously fulfill all its component parts. To be sure, all of these kinds of responsibilities have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place. Each of these four components deserves closer consideration.

***Economic Responsibilities*:** The pyramid portrays the four components of CSR, beginning with the basic building block notion that economic performance undergirds all other organizational activities. Economic responsibilities are placed at the base of the pyramid to illustrate that the economic responsibility of the firm is the bedrock foundation for business (Carroll, 2004) and represents its fundamental responsibility (Schiebel and Pochtrager, 2003). Other responsibilities cannot be achieved in the absence of economic performance (Hutton et al, 1998; Windsor, 2001). Historically, business organizations were created as economic entities designed to provide goods and services to societal members (Carroll, 2004). Before an organization business can give back to society, it must first be sustainable. Sustainability includes making a profit for shareholders, paying its employees an appropriate wage, paying all business taxes and meeting all other related financial obligations. Corporations can show economic social responsibility by being transparent with all stakeholders (including employees) regarding the financial status of the business. Profit motivation was established as the main incentive for entrepreneurship, and to be profitable, an organization must minimize cost, maximize sales and make sensible strategic decisions. Before it was anything else, the business organization was the basic economic unit in societies worldwide. As such, an organization's principal role for existence was to produce goods and services that consumers needed and wanted to make an acceptable profit in the process. It came a time when the profit motive for businesses got transformed into a notion of maximum profits, and this has been an enduring value ever since. All other business responsibilities are predicated upon the economic responsibility of the firm (to make a profit or maximum profits), because without this motive individuals would have no incentive to start or invest in businesses. Corporate social responsibility begins with being profitable.

***Legal Responsibilities*:** The second layer in the pyramid is legal responsibilities which is also required by society. Legal responsibilities require an organization to abide by the laws of society. Organizations anywhere in the world are required to operate in compliance with the law because the law is society's codification of acceptable and unacceptable behavior. The law mirrors what society regards as accepted or unaccepted. The laws of society typically constitute the most objective and readily accessible guide for distinguishing between permissible and impermissible behavior. They do this by specifying those activities which are viewed as undesirable and violate society's standards of morally acceptable behavior (Wokutch and Spencer, 1987). Society has not only sanctioned business to operate according to the profit motive; at the same time a business is expected to comply with the laws and regulations promulgated by federal, state, and local governments as the ground rules under which business must operate (Carroll, 1991). The depiction of legal responsibilities as the next layer of responsibilities in Figure 1, portray their historical development, but they are appropriately seen as coexisting with economic responsibilities as fundamental precepts of our free enterprise system. Legal responsibilities reflect a view of codified ethics in the sense that, they are comprised of basic notions of fair operations as established by our lawmakers. The consuming public are more likely to buy products and utilize services from companies they trust and an important part of building that trust is for a business to obey and abide by the laws that regulate business. Additionally, paying required taxes timely, adhering to labor laws and compliance with laws allowing inspections are all examples of an organization's legal social responsibility. It may sound basic, but not being attentive to legal obligations can lead to an organization being sued and the publication such lawsuit can hurt the organization's reputation, and an organization with impaired reputation would likely suffer a decline in business.

Ethical Responsibilities: Next is an organization's responsibility to be ethical. At its most fundamental level, this is the obligation to do what is right, just, and fair, and to avoid or minimize harm to stakeholders (employees, stockholders, consumers, the environment, and others). Although economic and legal responsibilities embody ethical norms about fairness and justice, ethical duties embrace those activities and practices that are expected or prohibited by society even though they are not codified into law (Carroll, 1991). Ethical responsibilities are distinguished from economic and legal responsibilities in the sense that ethical responsibilities are not required but expected of businesses by society. To assert ethical leadership, businesses must avoid questionable practices or operate above the minimum standard of the law. Ethical duties require that businesses abide by moral rules which define appropriate behaviors in society; they entail acting in a moral manner, doing what is right, just and fair; respecting people's moral rights; and avoiding harm or social injury as well as preventing harm caused by others. Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what shareholders, consumers, employees, and the community at large regard as fair, just, or in keeping with the respect or protection of the moral rights of stakeholders. Ethical responsibilities also include an organization paying employees a living wage and ensuring that the companies the organization works with and buy materials and supplies from are also abiding by all labor laws. In addition, an ethical organization should ensure that the firm does not cause negative environmental impact in the community.

Philanthropic Responsibilities: Finally, an organization is expected to be a good corporate citizen. This is captured in the philanthropic responsibility, wherein business is expected to contribute financial and human resources to the community and to improve the quality of life. Philanthropy encompasses those corporate actions that are in response to society's expectation that businesses be good corporate citizens (Carroll, 1991). Philanthropic responsibilities stand at the top of the pyramid; to be a good corporate citizen and improve the quality of life for societal members is the aim of these responsibilities. To some extent the philanthropic responsibilities are desired and expected by the society. Philanthropy is more discretionary or voluntary on the part of businesses even though there is always the societal expectation that businesses provide it (Carroll, 1991). These activities are purely voluntary, guided only by an organization's desire to engage in social activities that are not mandated, not required by law and not generally expected of business. They include such things as providing a day care center for working mothers and providing charitable donations (Maignan and Ferrell, 2000). A firm's discretionary responsibilities generally entail voluntary social involvement, including activities such as contributions to support the community by providing programs or engagement in volunteerism, actively engaging in acts or programs to promote human welfare or goodwill. Additional examples of philanthropy include, business contributions of financial resources or executive time to the arts, education, or the community, or a loaned-executive program that provides leadership for a community's United Way campaign.

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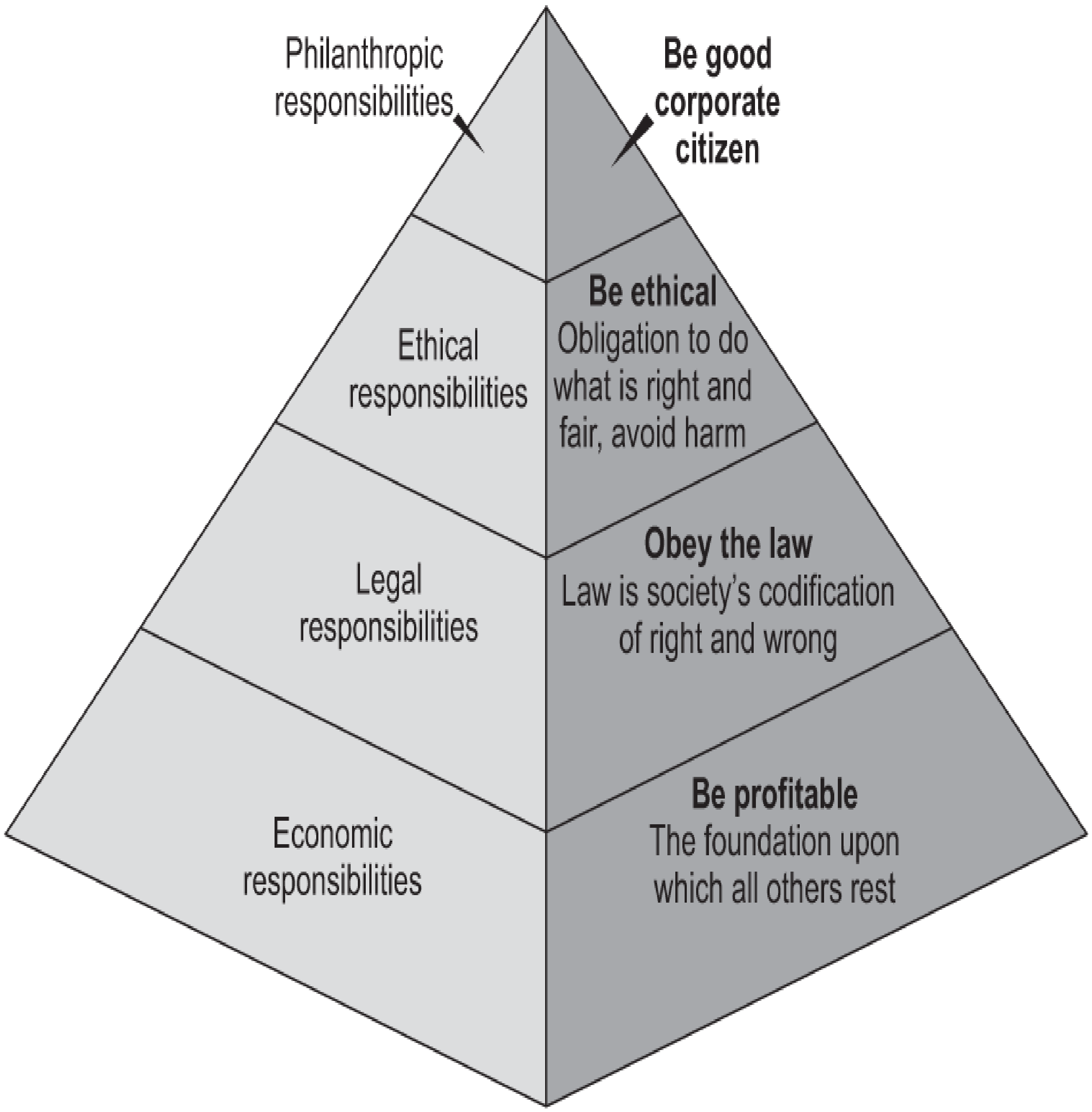

Figure 1: Pyramid of Corporate Social Responsibilities (CSR)

Source: Adapted from Carroll (1991); Hemphill (2004) and Windsor (2001)

THEORIES OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

In a study, Garriga and Mele (2004) distinguish four groups of CSR theories, considering their respective focus on four different aspects of the social reality: economics, politics, social integration and ethics. The first one focuses on economics, because the organization is seen as a mere instrument for wealth creation, while the second group focuses on the social power of the firm and its responsibility in the political arena associated with its power. The third group focuses on social integration, and include theories which consider that business should integrate social demands. The fourth and final group of theories focuses on ethics, including theories which consider that the relationship between business and society should be embedded with ethical values.

The literature therefore recognizes four major theories of Corporate Social Responsibility (CSR) or four theories about the responsibilities of business in society, which can be considered contemporary mainstream theories, namely: Corporate Social Performance (CSP), Shareholder Value Theory or Fiduciary Capitalism, Stakeholder Theory and Corporate Citizenship (Crane, *et al.,* 2008). The distillation of these four theories provide organizational managers with guidelines of what their responsibilities are to various constituencies and what they should do to maintain appropriate behavior in society. The analyses of these four mainstream theories of CSR as well as their conceptual bases below should provide management of an organization a framework to personalize relationships with names and faces, as well as means for diagnosing, analyzing, and prioritizing an organization's relationships, and strategies.

Corporate Social Performance (CSP): Corporate Social Performance is a theory grounded in sociology and has evolved from several previous notions and approaches. In one of its prominent versions, Corporate Social Performance is understood as "the configuration in the business organization of principles of social responsibility, processes of response to social requirements, and policies, programs and tangible results that reflect a company's relations with society" (Wood, 1991b, p. 693). In order words, improving corporate social performance "means altering corporate behavior to produce less harm and more beneficial outcomes for society and their people" (Wood, 1991a, p. 68). Carroll, who first introduced the concept of 'corporate social performance' applied in his 'Pyramid of Corporate Social Responsibility' that, understanding the 'economic responsibility' is to do what is required by global capitalism, 'legal responsibility' is to do what is required by global stakeholders, 'ethical responsibility' is to do what is expected by stakeholders, and 'philanthropic responsibility' is to do what is desired by global stakeholders (Carroll, 2004). This theory maintains that business, apart from wealth creation, also has responsibilities for social problems created by business, or by other causes, beyond its economic and legal responsibilities. This includes ethical requirements and discretionary or philanthropic actions carried out by business in favor of society.

In order to determine specific responsibilities, many authors insist on the importance of paying attention to social expectations regarding the firm's performance and concern for social needs (Crane, *et al.,* 2008). Among other arguments for assuming CSR, it is stressed that business has power and power requires responsibility. It is also emphasized that society gives license to business to operate and, consequently, business must serve society not only by creating wealth, but also by contributing to social needs and satisfying social expectations towards business (Davis, 1975). It also emphasizes the risk to which a company would be vulnerable if its performance was contrary to the expectations of those people who constitute the company's social environment (Davis, 1975). In a positive sense, corporate reputation is also related to the acceptance of the community where a company is operating (Lewis, 2003). Nevertheless, the long-term economic consequences for the organization, which are not always easy to evaluate, are not the main consideration for many authors, who point out that assuming social responsibilities is not considered primarily an economic question but a social and ethical matter: being responsible for doing the right thing.

Conceptual bases for Corporate Social Performance (CSP): The CSP model presented by Wood (1991b) is one of the most representative within this theory. It is a synthesis which includes: (i) principles of CSR, expressed on three levels: institutional, organizational and individual; (ii) processes of corporate social responsiveness, and (iii) outcomes of corporate behavior. The 'Institutional Principle' is also called 'the Principle of Legitimacy' and its origin is in Davis (1973). Davis presented interesting arguments based on ethics (human values and responsibility), social legitimacy (what society considers responsible), and a pragmatic vision of business through considering the irresponsible use of power. He began his approach by emphasizing that responsibility goes with power, and business has power which has social impact, so consequently, business has to assume corresponding responsibility of power (Davies, 1973). "Business needs social acceptance and because society changes, evidence suggests that the continued vigor of business depends upon its forthright acceptance of further socio-human responsibilities" (Davies, 1960, p.76). Sethi (1979) argues that corporations, like all other social institutions, are an integral part of a society and must depend on it for their existence, continuity and growth. Society has granted tremendous power and freedom to corporations with the expectation that they will use that power to effectively serve society's needs (Sethi, 1979). In the long run, if business is to maintain its position of power it must accept its responsibility to society (Davis, 1967). Curran (2005) refers to this as social permission theory, which holds that corporations exist and act by permission of society at large. In essence, corporations are obliged to consider all possible stakeholders because they make up society at large and these stakeholders were the ones who gave corporations permission to do business in the first place.

Davis formulated 'the power-responsibility equation' in these terms: "social responsibility of businessmen arises from the amount of social power they have" (1967, p. 48). This equation goes along with the 'Iron Law of Responsibility', which states that, "those who do not take responsibility for their power, ultimately shall lose it" (Davis, 1967, p. 50). Finally, Davis applied these ideas to business by saying: "Society grants legitimacy and power to business, so in the long run those who do not use power in the manner in which society considers responsible will tend to lose it" (Davis, 1973, p. 314).This means, if organizations use their powers in ways that are not consistent with society's expectations, they will eventually face increasing externally imposed controls over their behavior, which would result in society circumscribing those powers. Thus, the institution of business exists only because it performs valuable services to society and perceptions that a firm is longer performing valuable services may result in the organization losing such power. Wood (1991a) understood the 'Organizational Principle Responsibility' following Preston and Post (1975, 1981), who proposed the public responsibility principle, that is "widely shared and generally acknowledged principles directing and controlling actions that have broad implications for society at large or major portions thereof" (Preston & Post, 1975, p.56). According to Wood (1991) 'the Principle of Managerial Discretion' implies that managers are moral actors, who are obliged to exercise such discretion, within the very domain of CSR, as is available to them, towards socially responsible outcomes. In order words, this principle implies that: "because managers possess discretion, they are personally responsible for exercising it and cannot avoid this responsibility through reference to rules, policies or procedures" (Wood, 1991*b*, p.699). Within the 'Process of Corporate Social Responsiveness', (Wood (1991b) includes 'environmental assessment', adapting the organization to its environment in order to survive, 'stakeholder management', analyzing stakeholder relationships and processes in order to manage interdependences and relations correctly, and 'issues management', which includes external issues, such as public-private partnership, community involvement, social strategies, etc. and internal issues such as corporate ethical programs, corporate codes of ethics, etc. Thus, in accordance with these views, business should adhere to the standards of performance in law and the existing public policy process. At the core of the 'Public Responsibility' approach lies the idea that business and society are two interpenetrating systems, the interdependence between social institutions. Considering that business and society are interpenetrating systems, firms should be socially responsible, because they exist and operate in a shared environment as members of society.

Shareholder Value Theory (SVT): Shareholder Value Theory (SVT) or Fiduciary Capitalism holds that, the only social responsibility of business is making profits and, as the supreme goal, increasing the economic value of the company for its shareholders (Crane, *et a*l. 2008). "To maximize shareholder wealth, management must generate, evaluate, and select business strategies that will increase corporate value" (Morin, Jarrel, 2001). Referred to as classical (Karake, 1998; Rugimbana *et al*, 2008) or fundamentalist (Curran, 2005) theory, shareholder theory holds that the firm is (and should be) managed in the interests of the firm's shareholders (Cochran, 1994). According to this theory the purpose of the company is to provide return on investment for shareholders and thus corporations are seen as instruments of creating economic value for those who risk capital in the enterprise (Greenwood, 2001). Shareholder theory represents the classical approach to business, according to this theory a firm's responsibility rests solely with its shareholders (Cochran, 1994). Corporate expenditure on social causes represents a violation of management responsibility to shareholders to the extent that the expenditure does not lead to higher shareholder wealth (Ruf *et a*l., 1998). Any activity is justified if it increases the value of the firm to its shareholders and is not justified if the value of the firm is reduced (Cochran, 1994). This theory is precise, makes sense in a mechanistic way and provides clear guidelines for managerial behavior (Mudrack, 2007). According to Levitt (1958) such an approach enhances the long-term survival and success of the firm. Adherents of this view consider CSR as a threatening concept to shareholder profit maximization. According to this theory, the sole constituency of business management is the shareholders and the sole concern of shareholders is profit maximization. This view holds that, other social activities that organizations could engage in would be acceptable if they are prescribed by law or if they contribute to the maximization of shareholder value.

Generally, shareholder value-oriented theory goes along with the Agency Theory (Jensen & Meckling, 1976), which has been dominant in many business schools in the last few decades. In this theory, owners are the principal and managers are the agent. In relation to Agency Theory, the conventional argument is that company managers and shareholders are involved in an agency relationship. The managers, acting as agents to their clients (the shareholders), have a responsibility to pursue their clients' best interest (Moore, 1999). In relation to shareholder theory, this implies that organizational executives are in fiduciary relationships with shareholders and are obliged to adhere to the objective of maximizing long-term shareholder value. The latter bear fiduciary duties toward the former, and are generally subject to strong financial incentives in order to align their economic interests with those of the shareholders, and with the maximization of shareholder value. Shareholder theory is the theory that underlies neoclassical economic theory, primarily concerned with shareholder utility maximization. This approach, which currently is presented as shareholder value-oriented, usually takes shareholder value maximization as the supreme and only reference for corporate governance and business management.

***Conceptual bases for Shareholder Value Theory (SVT*):** The Noble laureate Milton Freidman (1962) is the earliest proponent of this view. He wrote, with his wife Rose Friedman: "In such an economy, there is one and only one social responsibility of business - to use resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud" (Friedman and Friedman, 1962, p. 133). "A corporate executive is an employee of the owners of the business and therefore he has a direct responsibility to his employers and his responsibility is to conduct the business in accordance with the owners' desires which generally will be to make as much money as possible" (Friedman, 1970, p.162). Friedman repeated and completed this approach by writing in a New York Times Magazine in 1970 that: "the only one responsibility of business towards society is the maximization of profits for the shareholders, within the legal framework and the ethical custom of the country" (1970). Friedman (1970) further argued that, extending the social responsibility of a business beyond profit-making initiatives contradict the principle of a free-market economic system and forcing businesses to serve the community through philanthropy is akin to totalitarianism. According to Friedman (1970) corporate spending on CSR is not only irresponsible but it is illegal and involves theft of shareholder funds. Friedman (1970) did state that, the only acceptable reason for engaging in CSR was if it is motivated by self-interest and for the purpose of promoting the organization's interests, thus, if CSR contributes to corporate profit making then it is fully acceptable. Accordingly, the shareholder value theory represents the classical approach to business as an organization's responsibilities rest solely with equity owners, thus, an organization must be managed in the singular interest of shareholders. According to this theory, the purpose of an organization is to provide maximum return on investment for shareholders and thus, corporations are seen as instruments of creating economic value for those who risk capital in the organization. Accordingly, the sole constituency of business management must be the shareholders and the sole concern of shareholders must be profit maximization.

Moore (1999) justifies Shareholder Theory on the basis of Property Rights and Agency Theory. Sternberg (2000) strongly defends property rights, and argues that owners are legally entitled to the (residual) fruits of their financial investments and any other use is unjust. Property Rights posit that shareholders own a firm by virtue of owning equity shares and moreover, that they wish to maximize the value of those shares. Managers who fail to maximize shareholder wealth are violating a moral property right by spending, if not stealing shareholder money (Philips, 2004).

Vol.8, No.2, pp.37-65, March 2020

Published by ***ECRTD-UK***

Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

According to Sternberg (1996) owners organized (or alternatively purchased) the firm and are constitutionally entitled to the residual fruits of their investment, otherwise the organization is by definition a 'not-for-profit'. Organizational managers, acting as agents to their clients (the shareholders), have a responsibility to pursue their clients' best interest (Moore, 1999). The conventional wisdom is that, shareholder value theory in relation to agency theory, implies that company managers and shareholders are involved in an agency relationship, therefore organizational managers are obliged to always adhere to the objective of maximizing long-term shareholder value, for such is the primary reason for the existence of an organization.

Stakeholder Theory: In contrast the Shareholder Theory, the Stakeholder Theory takes into account the individuals or groups with a stake in the claim on the organization. In a very general sense, stakeholders are groups and individuals who benefit from or are harmed by corporate actions (Crane, *et al.* 2008). Stakeholders are commonly defined as all actors that have an interest in the operations of a company because they are affected by it (Clarkson, 1995; Holme and Watts, 2000). Post (2002) defines stakeholders as individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities and that are therefore its potential beneficiaries and/or risk bearers. From this point of view, only the responsible behavior of a company in its normal business operations qualifies as CSR (Marsden, 2001) and support for external social projects, for example, does not. From this perspective, the notion of CSR means that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract (Jones, 1980). Stakeholder theory has emerged as an alternative to shareholder theory (Spence *et al*., 2001). The term stakeholder explicitly and intendedly represents a softening of (if not a fundamental challenge to) strict shareholder theory (Windsor, 2001). This theory recognizes the fact that most, if not all firms have a large and integrated set of stakeholders (Cochran, 1994) to which they have an obligation and responsibility (Spence *et al.*, 2001). According to Goodpaster (1991) the term stakeholder has been invented as a deliberate play on the word shareholder to signify that there are other parties having a stake in the decision making of the modern corporation in addition to those holding equity positions (Carson, 2003). The resources provided by groups of stakeholders to an organization can include social acceptance as well as more obvious contributions such as capital, labor and revenue. Stakeholder theory essentially challenges the notion that shareholders have a privilege over other stakeholders, such as, customers, employees, creditors, vendors and the community at large . So, in essence stakeholder theory is a rhetorical response to the dominant shareholder theory that asserts that organizational managers should only focus on maximizing the economic interests of shareholders.

The development of stakeholder theory has been identified as a major factor contributing to the rise of this CSR perspective (Henderson, 2001). The relations between a company and its stakeholders are central to this perspective (Crane *et al.*, 2008). Stakeholder engagement, in some form or another, is invariably considered a central aspect of all CSR management. From this point of view, only the responsible behavior of a company in its normal business operations qualifies as CSR (Hayes and Walker, 2005; Marsden, 2001) and support for external social projects, for example, does not. A company is supposed to have a certain responsibility towards each type of stakeholders (Boatright, 2000) and CSR is largely defined in negative terms, emphasizing what a company should not do (Jenkins, 2005). Management's challenge is to decide which stakeholders merit and receive consideration in the decision-making process (Crane *et al.*, 2008). In attempts to balance its CSR responsibilities to society, an organization must invariably consider the duty it owes to a number of stakeholder groups in any given instance such as, shareholders, consumers, employees, suppliers, community and social activist groups clamoring for management's attention Stakeholder theory was first presented as a management theory. "The stakeholder concept provides a new way of thinking about strategic management - that is, how a corporation can and should set and implement direction" (Freemen, 1984, p.6). By paying attention to strategic management executives can begin to put a corporation on the road to success (Freeman, 1984). However, stakeholder theory is also a normative theory which requires management to have a moral duty to protect the corporation as a whole and, connected to the aim, the legitimate interest of all stakeholders. In Evan and Freeman's words: "management, especially top management, must look after the health of the corporation, and this involves balancing multiple claim of conflicting stakeholders" (1988, p.151). In the stakeholder theory, the corporation ought to be managed for the benefit of stakeholders: its customers, suppliers, owners, employees, and local communities, to maintain the survival of the firm (Evan and Freeman, 1988). The decision-making structure is based on the discretion of top management and corporate governance, and frequently it is stated that such governance should incorporate stakeholder representatives (Crane, *et al.*, 2008).The power of stakeholders may arise from their ability to mobilize social and political forces as well as their ability to withdraw resources from the organization. How do managers sort out the urgency or importance of the various stakeholder claims? Two vital criteria include the stakeholders' legitimacy and their power. From a CSR perspective their legitimacy may be most important. From a management efficiency perspective, the power of various stakeholder groups might be of central influence on organizational decision-making.

***Conceptual bases for Stakeholder Theory*:** The stakeholder concept is scarcely new (Preston and Sapienza, 1990). According to Freeman (1984) the origin of stakeholder in management literature can be traced back to 1963, when the word appeared in an internal memorandum at the Stanford Research Institute, in which stakeholders were defined as "those groups without whose support the organization would cease to exist" (Freeman, 1984, p. 31). However, Preston and Sapienza (1990) argue that the stakeholder approach or its basic philosophy can be traced much further back. During the depression of the 1930s General Electric Company identified four major groups as stakeholders: shareholders, employees, customers and the general public. Similarly, in 1947, Johnson & Johnson listed their strictly business stakeholders as customers, employees, managers and shareholders (Clarkson, 1995; Lorca and GarciaDiez, 2004). The argument that organizations are responsible to a broader spectrum of stakeholders beyond shareholders is at the heart of CSR. The term stakeholder, closely related to stockholder, was meant by Freeman to generalize the notion of stockholder as the only group to whom management needs to be responsible (1984). The purpose of the firm is to serve as a vehicle for coordinating stakeholder interests (Evan and Freeman, 1988). In other words, the purpose of the organization is related to the interests of different individuals or groups who affect or are affected by activities of the organization. Stakeholder can be taken in two senses: in a narrow sense, the term stockholder includes those groups who are vital to the survival and success of the corporation; in a wide sense this includes any group or individuals who can affect or is affected by the corporation (Freeman and Reed, 1983). Thus, stakeholders are identified by their interests in the affairs of the corporation and it is assumed that the interests of all stakeholders have intrinsic value (Donaldson and Preston, 1995). Accordingly, the purpose of the organization according to this theory is related to the interests of different individuals or groups who affect or are affected by activities of the organization. The stakeholder theory basically shares the same convictions as the shareholder theory regarding democracy and market economy principles, however, on other points they are quite divergent; but based on the stakeholder theory, an organization is seen as an abstract entity where a variety of interests converge rather than as a set of contracts.

Since Freeman's (1984) seminal work on the topic, stakeholder theory has become embedded in management scholarship and in managers thinking (Mitchell and Agle, 1997; Rowley, 1997; Metcalfe, 1998). According to Donaldson and Preston (1995) the idea that corporations have stakeholders has become commonplace in the management literature, both professionally and academically. Langtry (1994) argues that the stakeholder concept has become widely used as a strategic management tool. Providing support for this argument, Halal (2000) cites a survey undertaken during the period of 1995-1997 which obtained responses from 540 managers describing the extent to which common stakeholder practices are used in the respondent's company. It found that 86% of respondents said their company strived to cooperate with important stakeholders and 85% claimed that the company's primary goal was to serve the interests of important stakeholders, including making money for shareholders. Recent studies provide similar findings; Agle and Mitchell (2008) found through a study of 100 of the Fortune 500 companies, that only fourteen of ten companies espoused the 'pure shareholder' focus of value maximization for shareholders. Evan and Freeman (1988) base the legitimacy of the stakeholder theory on two ethical principles, respectively called by these authors: 'Principle of Corporate Rights' and 'Principle of Corporate Effects'. The former establishes that the corporation and its managers may not violate the legitimate rights of others to determine their future, while the later focuses on the responsibility for consequences by stating that the corporation and its managers are responsible for the effects of their actions on others (Evan and Freeman, 1988). Donaldson and Preston (1995) argue that property rights must be based upon an underlying principle of distributive justice. All the critical characteristics underlying the classical theories of distributive justice are present in stakeholder theories, and they include the normative principles which support the contemporary pluralistic theory of property rights and provide the foundation for stakeholder theory (Donaldson and Preston (1995). It is obvious that, accepting the basic stakeholder framework, different authors have used different ethical theories to elaborate different approaches to the stakeholder theory, so organizational leaders must recognize that the stakeholder theory as a legitimate CSR theory worth paying attention to.

Post (2002) believes that effective stakeholder management is a critical requirement for sustaining and enhancing the wealth creating capacity of the organization. Jones (1995) suggests that stakeholder management is a source of competitive advantage, as contracts between organizations and stakeholders will be on the basis of trust and cooperation and therefore less expense will be required in monitoring and enforcing such contracts. Clarkson (1995) argues that failure to retain the participation of a primary stakeholder group will result in the failure of that corporate system and its ability to continue as a going concern. The risks to stakeholders are not only financial exposure but employment and career opportunity, the quality of products and services and environmental impact (Post et al, 2002; Lorca and Garcis-Diez, 2004). Effective stakeholder management is in the best interest of stakeholders and is imperative and critical to the effective functioning of any organization, because adverse stakeholder action can imperil an organization's ability to continue as a going concern and if an organization ceases to continue as a going concern, employees lose their jobs and often their retirement packages and health benefits and retired employees and their families also lose their retirement and health benefits.

Corporate Citizenship: For decades numerous business leaders have been involving their organizations in philanthropic activities and donations to the community where their organizations operated, and this has been recognized and understood as an expression of good corporate citizenship. To be a good corporate citizen includes actively engaging in acts or programs to promote human welfare or goodwill and to be a good global corporate citizen is related to philanthropic responsibility, which reflects global society's expectations that business will engage in social activities that are not mandated by law nor generally expected of business in an ethical sense (Carroll, 1991). However, since the 1990s and even earlier this concept has expanded from its traditional meaning, and the language of corporate citizenship (CC) has frequently been used as equivalent to CSR (Wood and Logsdon, 2002 and Matten et al., 2003). While CSR is more concerned with social responsibilities as an external affair, corporate citizenship (CC) suggests that business is a part of society (Crane *et al.*, 2008). This linguistic change (from corporate social responsibility to corporate citizenship) contains profound change in normative understanding of how business organizations should act in respect to stakeholders (Logsdon and Wood, 2002). Similarly, Windsor (2001) thinks of corporate citizenship as a managerial movement that effectively substitutes a different conception, as well as language, for responsibility. For their part, Moon et al. (2005) suggest that corporate citizenship is a metaphor for business participation in society. Corporate citizenship pertains to an organization's responsibilities to society at large**.** Corporate citizenship involves the social responsibility of organizations and the extent to which they meet legal, ethical, and economic responsibilities, required and expected of business. The goal is for businesses to produce higher standards of living and quality of life for the communities that surround them and still maintain profitability for stakeholders. Corporate citizenship is growing increasingly important as both individual and institutional investors are increasingly seeking businesses that have socially responsible orientations such as, environmental, social, and governance practices.

Conceptual bases for Corporate Citizenship: -The term 'corporate citizenship' was introduced in the 1980s into the business and society relationship mainly through practitioners (Altman and Vidaver -Cohen, 2000; Windsor, 2001). However, the idea of the firm as citizen had already been floated by several pioneers in the CSR field, including McGuire (1963) and Davis (1973). "Social responsibility begins where the law ends. A firm is not socially responsible if it merely complies with the minimum required of the law, because this is what a good citizen would do" (Davis, 1973, p.313). Eilbirt and Parket, in the 1970s, sought a better understanding of what social responsibility really meant, using the expression 'good neighborliness', which is not too far from being a good citizen. Eilbert and Parket explained that "good neighborliness entails two meanings: first, not doing things that spoil the neighborhood and, second, the commitment of business, to an active role in the solution of broad social problems, such as racial discrimination, pollution, transportation, or urban decay" (1973, p. 7).

The term 'citizenship', is at the core of the 'corporate citizenship' concept, and the notion of citizenship evokes individual duties and rights within a political community, however, it also contains the more general idea of being part of a community. Although, corporate citizenship is sometimes related to social expectation, it is mostly adopted from an ethical perspective (Crane, *et a*l. 2008). The first principle of business ethics is that the corporation itself is a citizen, a member of the larger community and inconceivable without it. "Corporations like individuals are part and parcel of the communities that created them, and the responsibilities they bear are not the products of argument or implicit contracts, but intrinsic to their existence as social entities" (Solomon, 1992, p.184). Citizenship, fundamentally, is about the relationships that a company develops with its stakeholders, and being a good corporate global citizen, basically, is respect for others, at the same time, this involves building good relationships with stakeholders and that such citizenship is the very same thing as doing business well (Waddock and Smith , 2000). The term 'citizenship', is at the core of the 'corporate citizenship' concept, and the notion of citizenship evokes individual duties and rights within a political community, however, it also contains the more general idea of being part of a community.

Parry (1991) introduced a distinction between three views of 'citizenship': minimalist, communitarian, and universal rights. In the minimalist view of citizenship, citizens are merely residents of a common jurisdiction who recognize certain duties and rights. The communitarian view embeds citizens in a particular social context, where the rules, traditions, and culture of own community are highly significant, along with the participation in such a community. The universal human rights perspective of citizenship is based on the moral assumption of rights as necessary for the recognition of human dignity and the achievement of human agency (Parry, 1991). Logsdon and Wood (2002), the main proponents of 'Global Business Citizenship' started their theory by analyzing the concept of 'citizen' and then considering possible meaning of 'corporate citizen' and then 'business citizenship'. According to Logsdon and Wood (2002, p. 86) "Business citizenship cannot be equivalent to individual citizenship - instead it derives from and is secondary to individual citizenship". Wood and Logsdon (2002) think that, although business organizations can be seen from any of these perspectives only 'Global Business Citizenship' theory seems to them to be suitable for business operating in a global arena. According to Logsdon and Wood (2002), Global Business Citizenship (GBC) is a set of policies and practices that allow a business organization locally or globally to abide by a number of universal ethical standards, (called hypernorms), to respect local cultural variations that are consistent with hypernorms, to experiment with ways to reconcile local practice with hypernorms when they are not consistent, and to implement systematic learning processes for the benefit of the organization, local stakeholders, and the larger global community (Crane, *et a*l. 2008). Thus, according to the GBC theory, a global business citizen can be a local or a multinational corporation that responsibly implements ethical duties to individuals and societies across national and international cultural borders.

One may wonder which of these four theories is the best, but the answer may depend on what one is looking for. A good normative theory needs a good philosophical foundation, which must encompass a correct view of human nature, business, and society, and the relationship between business and society. All these four theories can be used to explain what organizational executives are in practice doing, but most of them can be viewed as normative theories explaining what organization leaders should do to discharge their duties and obligations to stakeholders and to maintain appropriate behavior in society.

THE BUSINESS CASE FOR CORPORATE SOCIAL RESPONSIBILITY

The business case for CSR is concerned with the following question: what tangible benefits would a firm reap from engaging in CSR initiatives? Thus, what justifies the allocation of resources by the business managers to advance a certain socially responsible cause? It is believed that if it can be demonstrated that businesses actually benefited financially from a CSR programs designed to cultivate such a range of stakeholder relations, the thinking of the shareholder theory championed by the arguments of Friedman (1962) would somewhat be neutralized. A second impetus to research on the business case of CSR is more pragmatic. Even though CSR came about because of concerns about businesses' detrimental impacts on society, the theme of enhancing profits and increasing shareholder value while simultaneously improving society has always been in the minds of early proponents and practitioners of CSR, so with the passage of time and the increase in resources being dedicated to CSR pursuits, it be natural that questions would begin to be raised about whether CSR makes economic sense, and if there is evidence that CSR activities improve business value and also improve society, that would make a lot of sense and be accepted by everyone.

A necessary step towards advancing a robust business case for CSR is a close exploration of the fundamental underlying assumptions of dominant approaches, so that we can move beyond the stalemate between economic or ethical models of CSR (Driver, 2006), and build a more nuanced business case for virtue (Vogel (2005). There is therefore the need to a build a compelling business case for CSR that address the growing necessity for organizations to be become more engaged in creating value on multiple fronts, that focus on models of value creation and the various dimensions that underlie this construct.

In the following section, I present findings from the literature focusing on the business case for CSR which are organized in four general types of business cases, each embodying a proposition for value creation: *cost and risk reduction; competitive advantage and profit maximization; reputation and legitimacy and synergistic value creation*. Each of these business cases for CSR is theoretically described in terms of focus of the approach, the topics of empirical studies and theory papers that distinctly characterize each type as well as the underlying assumptions about how value is or can be created and defined in each domain. The following discussion and analyses show why organizational managers may have a variety of reasons for being attentive to CSR**.**

Cost and Risk Reduction: Th focus of this approach is that an organization chooses to engage, or not, in CSR related activities in order to reduce costs and risks to the firm. Cost and risk reduction justifications contend that engaging in certain CSR activities will reduce the firm's inefficient capital expenditures and exposure to risks. A number of areas of inquiry typify this general approach to building a business case for CSR, including: the *trade-off hypothesis*, the

International Journal of Business and Management Review
Vol.8, No.2, pp.37-65, March 2020
Published by *ECRTD-UK*
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

available funds hypothesis or *slack resources theory*, and *enlightened value maximization* (Crane *et al.*, 2008). Each of these hypotheses can be regarded as embodying a view of value creation as some form of trading interests among social, environmental, and economic concerns.

The trade-off hypothesis, which most explicitly displays this view of value creation, was polemically defined by Milton Friedman (1962, 1970), who made clear distinction between what he considered to be the real obligation of corporate executives; to work solely in the interests of the firm's owners, customers, and employees, and to eschew any urge toward diverting funds to improving the general social good. Friedman's (1962, 1970) succinct libertarian view set a firm dichotomy in the debate between fulfilling fiduciary duties and social responsibility, and established a benchmark statement on the negative trade-off view of CSR and costs to the firm; by increasing social performance for reasons of managerial whimsy, firms incur unnecessary costs and reduce profitability - a view supported in a few subsequent studies in CSR (Kedia and Kuntz, 1981; Lerner and Fryxell, 1988). Some studies under this approach have identified an inverted U relationship which suggests that there is an optimal level of environmental and social performance, beyond which the corporation in incurring costs and reductions in profitability (Salzmann *et al*. 2003; Lankoski, 2000). The available funds hypothesis or slack resources theory also assumes a trade-off view of CSR and financial performance by suggesting that when organizations are enjoying superior financial performance, or have slack resources, they are able to dedicate additional resources to CSR activities (Waddock and Graves, 1997). The trade-off hypothesis or slack resources theory addresses primarily discretionary responsibilities and the implication is that, organizations perceive CSR as an additional cost and thus, can afford to pursue such activities only when they are not in a situation where they need to minimize costs.

A focus on enlightened value maximization implies that long-term value maximization occurs through the appropriate management of trade-offs between stakeholders (Jenson, 2002). Managerial decision trade-offs are driven by the 'agency solution', that is, the alignment of managerial interests with those of company owners through executive compensation weighted with stock options (Crane *et al.*, 2008). High incentive plans can lead to the managerial opportunism hypothesis, which identifies the potential for executives to reduce social and environmental spending, even when funds are available, in order to maximize personal compensation linked to short-term financial performance (Aklhafaji, 1989; Posner and Schmidt, 1992; Preston and O'Bannon 1997). Instrumental stakeholder management (Berman *et al.*, 1999; Quinn and Jones, 1999) describes how the firm is affected by stakeholder relations with a view to risk and cost reduction through trading off stakeholder concerns in the firm's decision-making process. Firms view stakeholders as part of the environment to be managed, rather than as driving corporate strategic decision (Berman, *et al*., 1999), and attention to stakeholder concerns helps to reduce corporate risk by avoiding decisions that will push stakeholders to oppose the organization's objectives (Bowie and Dunfee, 2002). Establishing trusting relationships with key stakeholders is seen from this perspective as having the potential to significantly lower costs of the firm (Wicks *et al.*, 1999; Godfrey, 2005). A focus on developing CSR standards and auditing CSR practices is a focus of the risk management approach aimed at building confidence among stakeholders (Kok *et al*., 2001); research that presents a 'trading' managerial view positions CSR as separate from and secondary to economic performance (Adams, 2002) and strategic

International Journal of Business and Management Review
Vol.8, No.2, pp.37-65, March 2020
Published by *ECRTD-UK*
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

management (Dick-Forde, 2005). How firms respond to expressions of morality in markets is influenced by a desire to avoid consumer boycotts, liability suits, increased labor costs, and short-term losses in market capitalization (Bowie and Dunfee, 2002). Under a cost and risk reduction perspective of the CSR business case, the primary view is that, the demands of various stakeholders would likely present potential threats to the viability of the organization, and that corporate economic interests are served best by organizational managers' efforts at mitigating those threats through a threshold level of social or environmental performance. CSR activities directed at managing community relations may also result in cost and risk reductions. For example, building positive community relationships may contribute to the firm's attaining tax advantages offered by city and county governments to further local investments. In addition, positive community relationships decrease the number of regulations imposed on the firm because the firm is perceived as a sanctioned member of society.

Competitive Advantage and Profit Maximization: In this general case, CSR initiatives are often aimed strategically at conferring competitive advantage on an organization over rivals in an industry. A number of topics relate to this area of focus, including: *the supply and demand theory of the firm*, *base of pyramid* approaches, a *natural resource-based view* of the firm, including *stakeholders for competitive advantage* (Crane *et al.*, 2008). What is common to these perspectives is the characterization of value creation occurring through the organization adapting to its external context in order to optimize firm competitive advantage in the respective industry.

The supply and demand theory of corporate CSR takes an adaptation perspective toward the external environment by suggesting that firms will supply only the level of environmental and social performance that is demanded of them, with a view to profit maximization (McWilliams and Siegel, 2001; Anderson and Frankel, 1980; Freedman and Jaggi,1982). Base of the pyramid approaches (Hart and Christensen, 2002; Prahalad and Hart, 2002) examine how multinational firms might adapt to global drivers for change, such as population growth and poverty, in order to capitalize on the 'fortune at the bottom of the pyramid' (Prahalad and Hart, 2002). Similarly, adaptations of the traditional resource based view of strategic management (Barney, 1991) are the 'natural resource base view' (Hart 1995), natural capitalism (Lovins *et al*., 1999) and the sustainable value framework (Hart and Milstein, 1991) that challenge managers to adapt to global drivers of change using an appropriate set of 'sustainable lenses' that allow a firm to segment shareholder value creation strategies.

Competitive advantage is best understood in the context of a differentiation strategy; in other words, the focus is on how firms may use CSR practices to set themselves apart from their competitors. In line with the resource base view, social and ethical resources and capabilities are conceived in this approach as internal organizational resources that build competitive advantage by enabling a strategic adaptation to the external environment (Hillman and Keim, 2001; Petrick and Quinn, 2001). Approaches advocating stakeholder inclusion in strategy-making (Hart and Sharma, 2004; Mitcell *et al.*, 1997; Ogden and Watson, 1999) also take an adaptation perspective toward creation of investor value. Competitive strategic positioning is the focus of Porter and Van der Linde's (1995) view of CSR as a competitive driver to be resourced by the firm. Social investments in a competitive context (Porter and Kramer, 1994, 2002) or strategic philanthropy

(Bruch and Walter, 2005) also fall under this approach where firms elect to engage in philanthropic efforts that are supported by the core competencies of their organizations, adapting to stakeholder expectation in order to generate sustainable performance with regard to stakeholder needs and their competitive advantage. Thus, adaptive approaches to building a business case for CSR focus on building organizational competitive advantage through strategically orienting and directing firm resources toward the perceived demands of its stakeholders. In such situations, stakeholder demands may be viewed by firm managers less as constraints on the organization, and more as opportunities to be fully leveraged for the benefit of the firm. Firms strategically manage their resources to meet these demands and exploit the opportunities associated with them for the benefit of the firm. This approach to CSR requires firms to integrate their social responsibility initiatives with their broader business strategies.

Reputation and Legitimacy: The business case built on this domain is geared on exploiting CSR activities to enable value to be built through gains in organizational reputation and legitimacy. Corporations may also justify their CSR initiatives on the basis of creating, defending, and sustaining their legitimacy and strong reputations. A firm is perceived as legitimate when its activities are congruent with the goals and values of the society in which the business operates. In other words, a business is perceived as legitimate when it fulfills its social responsibilities. Frames of inquiry associated with this view include *license to operate*, *social impact hypothesis*, *cause-related marketing*, and *socially responsible investin*g (Crane *et al.*, 2008). These approaches are characterized by a focus on value creation by leveraging gains in reputation and legitimacy made through aligning stakeholder interests for the long-run interest of the organization.

License to operate concepts can be linked to Davis's (1973) 'iron law of responsibility' with the idea that a business organization is a social entity that must exercise responsible use of power, or risk having it revoked, and thereby lose control over its own decision making and external interactions (Sethi, 1979). This is in line with legitimacy theory which is based upon the notion that business operates in society via a social contract where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and its ultimate survival (Guthrie and Parker, 1989). Thus, organizations will do whatever they regard as necessary in order to preserve their image of a legitimate business with legitimate aims and methods of achieving it. Social impact hypothesis (Cornell and Shapiro, 1987; Pave and Krausz, 1996; Preston and O'Bannon, 1997) focuses on the importance of alignment by suggesting that failure to meet stakeholder needs has a negative impact on firm reputation and thus suggests that the costs of CSR activities are much less than the potential benefits. Other studies focus on the positive link between a firm's corporate social performance and reputation (Turban and Greening, 1997). Social cause-related marketing highlights the alignment of stakeholder and firm interests by linking corporate philanthropy and marketing, showcasing socially and environmentally responsible behavior of the firm in order to generate reputational gains (Drumwright, 1996; Varadarajan and Menon, 1988). Studies on ethical purchasing behavior and green consumerism, an extension of consumer sovereignty arguments that have been employed to model citizenship behavior in political markets (Haigh and Jones 2006), consider how a strong product brand or reputation acts as a marketing differentiation strategy for firms that can impact financial performance through enhancing reputation (Smith, 1990; Bhattacharya and Sen, 2004; Brown and Dacin, 1997).

In a 2016 Neilson survey, 56% of participants said, a brand being known for its social value was a top purchasing driver, and 53% of participants said, a brand with community commitment was a leading purchasing driver. Companies can certainly enhance their reputation and legitimacy through the disclosure of information regarding their performance on different social and environmental issues, sometimes referred to as sustainability reporting. It is likely that, many individuals be will willing and glad to pay a premium for goods and services, knowing that part of the profits will be channeled towards social causes near and dear to them. Both the social impact hypothesis and the legitimacy theory can be related to the social identity theory, because just as very qualified and selective job seekers may place a high premium on their self-image and may be hesitant to align and identify themselves with an organization with negative CSR reputation, so would some selective purchasers of consumer products and services be unwilling to patronize products or services from a firm with a negative CSR reputation. Therefore, it is important for all organizations to get involved in CSR activities (such as, being environmentally friendly or engaging in socially responsibility activities or investing in community development projects) to enhance their legitimacy and reputation both before job seekers and the consuming public.

Socially responsible investing (Barnet and Solomon, 2003) and ethical investing (Mackenzie and Lewis, 1999) emphasize an alignment between a potential investor's ethics and expectations of corporate social performance, suggesting a relationship with reputation and market value. Studies on the attractiveness of corporations as prospective employers (Waddock *et al.*, 2002; Riordan et al., 1997 Turban and Greening, 1997) emphasize the alignment between a firm's reputation in the area of CSR and its ability to attract talent. In an important empirical study of this phenomenon, Turban and Greening (1997) demonstrated that "a firm's CSR may provide a competitive advantage in attracting applicants" (p. 658). Reputation and legitimacy is also the focus of intrinsic stakeholder approaches that compare the approach a firm uses to interact with one stakeholder group, and its effects on stakeholder group's perception (Calton and Lad, 1995; Jones, 1995). Ostlund (1977, p. 38) found that both top management and operations managers rated the argument "it is in the long-run self-interest of the business to get directly involved in social issues" as the most important argument in favor of CSR. This can be explained by the arguments that CSR acts as a tool to attract (Gatewood *et al*., 1993; Turban and Greening, 2000), motivate (Brammer et *al.*, 2007), and retain (Chatman, 1991) a talented workforce; attract customers (Ruf *et al.*, 1998); enhance the firm's reputation (Lancaster, 2004); or reduce costs through the efficient use of environmental initiatives (Roberts and Dowling, 2002). Firms develop a competitive advantage by being perceived by job seekers as great places to work. The brand image concept certainly applies to consumers and job seekers alike. Organizational involvement in CSR activities certainly can enhance an organization's product brand image and recruitment brand image in the eyes of both consumers and potential job seekers. Enhanced organizational recruitment image through CSR activities can also motivate employees to work hard and improve organizational productivity and profitability.

Isomorphic pressure for social responsibility is explored for its role in motivating CSR where an organization might gain first mover advantage and reap the rewards of reputational gains with dominant stakeholders (Bansal and Roth, 2000) or within industry-specific CSR initiatives (King and Lenox, 2000). The potential performance benefits granted through enhanced legitimization from corporate CSR disclosures (Gelb and Strawser, 2001; King and Lenox, 2001) is another area of inquiry in this general type of business case for CSR. Supply chain pressures on firms to seek social or environmental certification in order to support legitimacy (Cashore, 2002) is another topic area that supports a business case for CSR through concerns with impact on firm reputation. In summary, these topics and studies organized under an aligning perspective, focus on building competitive advantage by enhancing the reputation and legitimacy of the organization through firm CSR initiatives and since many educated consumers and job seekers seek out firms with CSR initiatives and high CSR rankings before deciding to purchase products or apply for jobs, the more firms engage in CSR activities, the better it would be for firms to enhance both their product brands and organizational attractiveness in the eyes of product buyers as well as job seekers.

Synergistic Value Creation: The focal point of this approach is in finding win-win outcomes by seeking out and connecting stakeholder interests, and creating pluralistic definitions of value for multiple stakeholders simultaneously. Synergistic value creation arguments focus on exploiting opportunities that reconcile differing stakeholder demands. In other words, with a cause big enough, they can unite many potential interest groups. Topics gathered under this approach to the business case for CSR include: *positive synergy* or *virtuous circle*, *sustainable local enterprise networks*, *value-based networks*, and *societal learning* (Crane *et al*,. 2008). A focus underlying these approaches is the view that creating connections between stakeholders by relating common interests will open up heretofore unseen opportunities for multi-point value creation for the organization.

Positive synergy or the virtuous circle approach (Pava and Krausz, 1996; Preston and O'Bannon, 1997) highlights positive gains generated through combining slack resources and good management. The sustainable local enterprise networks (Wheeler *et al*., 2005) model emerged from examining 50 case studies of successful and self-reliant sustainable enterprise-based activities in developing countries, resulting in virtuous cycles of reinvestments in human, social, financial, and ecological capital. The value-based networks conception (Wheeler *et al.*, 2003) describes how communities and social networks united by a sense of what is valuable create new opportunities for mutual gain. The concept of the triple bottom line of sustainability (Elkington, 1998) emphasizes synergies that can emerge for organizations, environment, and societies through integrating efforts across these domains. The win-win perspective on CSR practices aims to satisfy stakeholders' demands, while allowing the firm to pursue financial success to enhance organizational bottom line. By engaging its various stakeholders, cultivating positive relationships with them and satisfying their demands, the organization finds opportunities to enhance its profits with the consent and support of its stakeholder environment.

Societal learning is defined as articulating new paradigms that can alter the perspectives, goals, and behaviors of social systems larger than particular organizations (Brown and Ashman, 1998). Of the three types of learning - single, double and triple loop (Argyris and Schon, 1978) - societal learning deals with triple-loop learning (rethinking the rules of the business and society relationships), although it often is stymied at double-loop learning (reflection on how to play the current game better) (Waddell, 2002). Approaches advocating synergistic value creation are focused on seeking opportunities to unearth, relate, and synthesize the interests of a diverse set of stakeholders, broadly conceived (such as, investors, creditors, customers, suppliers, the community, and employees) which together can help organizations secure sufficient resources to expand the size and scope of the organization resulting in increased profitability (Crane *et al*,. 2008). By exploiting opportunities that create pluralistic definitions of value for multiple stakeholders, organizations can connect and reconcile differing stakeholder interests and demands through strategic collaboration, which may result in organizational expansion and increased profitability.

The win-win perspective on CSR practices aims to satisfy stakeholders' demands while allowing the organization to pursue financial success. By engaging its stakeholders and satisfying their demands, the corporation finds opportunities for profit with the consent and support of its stakeholder environment. Perhaps the most important intellectual breakthrough regarding modern conceptions of a business case for CSR is that, socially responsible activities can, and should, be used to enhance organizational profitability. The corollary is that most, if not all, economic decisions should also be screened for their social impact. Economic returns and social returns should not remain quarantined in isolated units. Organizations that successfully pursue a strategy of seeking profits while solving social needs may well earn better reputations with their employees, jobseekers, customers, governments, media, etc. This can, in turn, lead to enhanced profits for organizational stakeholders.

DISCUSSION

The purpose of writing this paper is to theoretically highlight and articulate the importance of CSR and provide corporate managers impetus for pursuing CSR. There are several contributions to this paper. Though CSR is lacking a universally accepted definition, the first contribution of this paper is, I synthesize the literature and articulate various differing definitions of CSR by identifying key characteristics of the concept from the perspectives of various CSR researchers**.** The different definitions of CSR may help managers identify with at least one definition which may be compatible with their own conceived notion of CSR and suitable for their organizations and may use such definition as a template for initiating CSR activities within their organizations.

The second contribution of this paper is, the four main component parts of social responsibilities that constitute total CSR are depicted in a pyramid and thoroughly explained, giving managers a framework for understanding the evolving nature of an organization's economic, legal, ethical and philanthropic performance. The implementation of these responsibilities may vary depending upon an organization's size, management's philosophy, corporate strategy, industry characteristics, the state of the economy, and other mitigating conditions, but the four component parts provide managers with a skeletal outline of the nature and kinds of CSR and in frank and action-oriented terms, managers should realize that their businesses are called upon to, be profitable, obey the law, be ethical, and be good corporate citizens. A consideration of the separate components in the pyramid should help managers see that the different types of obligations are in constant but dynamic tension with one another. Though a traditionalist manager might regard the CSR pyramid as a conflict between a firm's drive for maximum profits versus its concern for societal needs, a reasonable manager would recognize these tensions as organizational realities, and focus on the total pyramid as a unified whole and how the firm might engage in decisions, actions, and programs that simultaneously fulfill all its component parts.

The third contribution of this paper is, the four mainstream theories of CSR (Corporate Social Performance, Shareholder Value Theory, Stakeholder Theory and Corporate Citizenship) as well the conceptual bases for each are highlighted and elaborated on. These theories of CSR are articulated in distinct ways to guide managers who may wish to reconcile their obligations to their shareholders with those to other competing groups claiming legitimacy and recognition. These analyses provide management not only a language and way to personalize relationships with names and faces, but also some useful conceptual and analytical concepts for diagnosing, analyzing, and prioritizing an organization's relationships and strategies. These theories can be understood as normative theories showing managers what their responsibilities are to various constituencies and what they should do to maintain appropriate behavior in society.

The fourth and final contribution of this paper is, I articulate the business case for CSR, thus, what justifies the allocation of resources by business managers to advance certain socially responsible causes. This gives managers a theoretical grounding of the four main types of business arguments for CSR. Specifically**,** I outline that CSR activities would influence organizations' corporate image, cultivate positive product brand recognition, enhance recruitment branding, attract and retain top-tier employees, enliven employee morale and motivate them to work harder; these potential benefits from CSR should guide managers accordingly. It is hoped that, my elaboration on the four types of business cases for CSR would bring awareness to managers of large and medium-sized organizations alike of the important benefits that can accrue to their organization by engaging in CSR activities and appropriately guide and encourage managers to allocate resources and initiate CSR activities in their organizations as may be necessary.

CONCLUSION

In this paper I summarize various definitions of CSR and highlight the four main components of CSR (economic, legal, ethical and philanthropic responsibilities) or a corporation's responsibilities to society, explicitly stating which responsibilities are expected, required and desired of a business organization by society. In simple terms, the four component parts of CSR provide managers with important information that society and the law expect, require or desire businesses to be profitable, operate in compliance with the law, operate ethically and be good corporate citizens. Next the four main theories of CSR and their conceptual bases are documented and discussed, providing managers with the necessary information to guide them of how to discharge their duties to various constituent groups and maintain the right behavior in society. Finally, four business cases for CSR (reducing cost and risk, gaining competitive advantage, developing and maintaining legitimacy and reputational capital, and achieving win-win outcomes through synergistic value creation) are outlined and discussed, equipping managers with justifications for investing in CSR activities, which can yield immensurable benefits to organizations. It is therefore obvious that, today CSR is an imperative for corporations, as the law and society require, expect or desire organizational involvement in CSR activities, and such can result in enhanced organizational profitability and sustained competitive advantage. So, in conclusion, I argue in this paper that organizations should not just consider CSR expenditure as an expense, but rather as an investment.

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