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Business, Management and Economics,
Volume 4

Corporate Social Responsibility in the 21st Century

Edited by Muddassar Sarfraz

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Published in London, United Kingdom

Corporate Social Responsibility in the 21st Century
http://dx.doi.org/10.5772/intechopen.100863
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First published in London, United Kingdom, 2023 by IntechOpen
IntechOpen is the global imprint of INTECHOPEN LIMITED, registered in England and Wales, registration number: 11086078, 5 Princes Gate Court, London, SW7 2QJ, United Kingdom
Printed in Croatia

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library

Additional hard and PDF copies can be obtained from orders@intechopen.com

Corporate Social Responsibility in the 21st Century
Edited by Muddassar Sarfraz
p. cm.

This title is part of the Business, Management and Economics Book Series, Volume 4
Topic: Business and Management
Series Editor: Taufiq Choudhry
Topic Editor: Vito Bobek and Tatjana Horvat

Print ISBN 978-1-80356-164-6
Online ISBN 978-1-80356-165-3
eBook (PDF) ISBN 978-1-80356-166-0
ISSN 2753-894X

IntechOpen Book Series

Business, Management and Economics

Volume 4

Aims and Scope of the Series

This series will provide a comprehensive overview of recent research trends in business and management, economics, and marketing. Topics will include asset liability management, financial consequences of the financial crisis and covid-19, financial accounting, mergers and acquisitions, management accounting, SMEs, financial markets, corporate finance and governance, managerial technology and innovation, resource management and sustainable development, social entrepreneurship, corporate responsibility, ethics and accountability, microeconomics, labour economics, macroeconomics, public economics, financial economics, econometrics, direct marketing, creative marketing, internet marketing, market planning and forecasting, brand management, market segmentation and targeting and other topics under business and management. This book series will focus on various aspects of business and management whose in-depth understanding is critical for business and company management to function effectively during this uncertain time of financial crisis, Covid-19 pandemic, and military activity in Europe.

Meet the Series Editor

Prof. Choudhry holds a BSc degree in Economics from the University of Iowa, as well as a Masters and Ph.D. in Applied Economics from Clemson University, USA. In January 2006, he became a Professor of Finance at the University of Southampton Business School. He was previously a Professor of Finance at the University of Bradford Management School. He has over 80 articles published in international finance and economics journals. His research interests and specialties include financial econometrics, financial economics, international economics and finance, housing markets, financial markets, among others.

Meet the Volume Editor

Dr. Muddassar Sarfraz is an assistant professor in the School of Management, at Zhejiang Shuren University, PR China. He completed a post-doctoral fellowship in business administration at the Business School of Hohai University, PR China. He has worked as a researcher and lecturer at various institutes and lectured on business research methods, business management, corporate social responsibility (CSR), business strategy, and strategic management. He has also attended several conferences as a keynote speaker at the national and international levels. He has published more than 120 papers in foreign authoritative journals and academic conferences at home and abroad. Dr. Sarfraz is an associate and guest editor for numerous journals and an editorial board member for several others. He is also a member of the British Academy of Management, Chinese Economists Society, World Economic Association, and American Economic Association, and a Pakistan ambassador of the International MBA program of Chongqing University, PR China.

Contents

Preface

Increasing global challenges and worsening climate conditions have initiated a debate regarding the progressing ecological issues. Today, accelerating climate change has made people fearful about the deteriorating environment. In this regard, corporate social responsibility (CSR), considering different factors (e.g., social development, ecological business practices, human rights, business ethics, and stakeholder involvement), has emerged as a fundamental tool for ensuring a cleaner and more sustainable environment. It has become the prime driver of sustainability (i.e., environmental, economic, and social) and ecological welfare.

This edited volume on CSR is a collection of seventeen chapters. It is a provocative publication that constitutes the emerging discussion on CSR principles. The foundation of CSR may differ for different business ethics fields and, as such, this book discusses CSR from multiple perspectives. The book highlights the following topics:

- The strategic significance of CSR principles, sustainability, and governance
- Global challenges faced during CSR implementation
- Role of stakeholders in CSR implementation (i.e., employers, government, board of directors, and firms)
- The impact and outcome of CSR on firms' output (e.g., innovation, profitability, performance, competitive advantage, and human resource management)

Chapter 1: "Corporate Social Responsibility: The Ethics of Legitimacy" discusses how over the past years, the winds of change have blown, particularly among business leaders regarding CSR activities. This chapter explains the dynamics of ethics in legitimacy concerning CSR prospects in maintaining business sustainability engagement.

Chapter 2: "Perspective Chapter: Rethinking CSR Strategies in the Era of COVID-19" explains the significance of CSR business strategies and their impact in the era of COVID-19.

Chapter 3: "From Corporate Social Opportunity to Corporate Social Responsibility" illustrates how companies have evolved over the years, thus making stakeholders think about CSR differently. This topic acts as a practical workshop by realizing the value of business social activities.

Chapter 4: "CSR Policies in Different Countries: A Comparative Analysis" discusses the role of national governments and their goals concerning CSR impact. Today's countries are creating high-end value by synthesizing the phenomenon of CSR.

Chapter 5: "Perspective Chapter: Sustainability and Corporate Innovation" emphasizes embracing sustainable development by improving environmental imperatives and innovation. It explains how firms can sustain themselves in today's world by significantly contributing to stakeholders' interests in a cleaner environment.

Chapter 6: "CCSR Reporting and Blockchain Technology" examines the significance of blockchain value on an organization's social and ecological expectations.

Chapter 7: "CSR and Corporate Lobbying: From an Environmental Perspective" illustrates the relationship between CSR and corporate lobbying and calls for stakeholders to improve their activities to ensure a cleaner environment.

Chapter 8: "Perspective Chapter: The Environmental, Social, and Governance (ESG) Investment and Its Implications" explores the importance of financial planning. It begins with the historical roots of investment management and then highlights the importance of environmental, social, and governance investment in the CSR principle.

Chapter 9: "Toward a Better Understanding of Green Human Resource Management's Impact on Green Competitive Advantage: A Conceptual Model" illustrates how green human resource management (GHRM) helps to achieve a competitive advantage with green HR practices, knowledge, and commitment.

Chapter 10: "Green Human Resource Management: An Exploratory Study from Moroccan ISO 14001 Certified Companies" illuminates the significance of GHRM in improving environmental performance. It spreads awareness of green HR strategies, policies, and practices by exploring their impact on the environment of Morocco.

Chapter 11: "Reimagining Corporate Social Responsibility in the Idea of University Education as the Public Good" addresses the constraints of universities regarding the new height of CSR. It explains the link between CSR and the university as a public good and specifies the actor-driven transformative ways of embracing CSR.

Chapter 12: "Responding Creatively to Faulty Corporate Social Responsibility Practices: The Case of Nigeria's Niger Delta" presents the latest understanding of the CSR concept in light of Nigeria's Niger Delta. It cites the most significant importance of Nigeria's CSR practices in increasing oil wealth.

Chapter 13: "Corporate Social Responsibility: A Case of the Provision of Recreational Facilities" highlights the role of the government in improving firms' activities. It illustrates the value of government policies in altering firms' CSR activities and improving recreational facilities.

Chapter 14: "CSR and Female Directors: A Review and Future Research Agenda" analyzes the role of gender diversity in gaining sustainability.

Chapter 15: "Does Board Structure Matter in CSR Spending of Commercial Banks? Empirical Evidence from an Emerging Economy" discusses the valuable role of the board of directors in CSR expenditure. Stakeholders are continually demanding more

information about CSR. This chapter discusses CSR spending and related factors such as firm size and profitability.

Chapter 16: "Corporate Social Responsibility and Social Report: A Case Study in the Basque Country" examines how many companies have shifted from the traditional interpretation of CSR to the true meaning of CSR by playing a social and ecological role.

This book has been designed to help researchers, organizations, stakeholders, field beneficiaries, and readers navigate and understand the dynamic nature of CSR.

Numerous people have contributed to the success of this book. I wish to thank all those who supported this project with their helpful comments. I am most appreciative to the chapter authors for their excellent contributions.

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Chapter 1

Corporate Social Responsibility: The Ethics of Legitimacy

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Abstract

Organizations are consistently optimizing their opportunities to advance their goals, advantages, and relevance in the global market landscape; among the options utilized in the advancement of such strategic intent are the tool of corporate social responsibility (CSR) as a strategy in social-economic engagement. Notwithstanding the universal applicability of CSR and its benefits to organizations, its engagement still raises subtle curiosity as to the ethics of gaining legitimacy from stakeholders. Hence, this chapter seeks to qualitatively (narrative literature review methodology) explore the dynamics of ethics in legitimacy quest through CSR and makes postulation on the prospect of CSR in sustaining business engagement. The study postulates that the prospect of CSR in its ethical navigation to legitimacy is one in which the government will eventually exercise some level of control and regulations; this is because the organizational quest for legitimacy will no longer be linked to the exclusive consolidation of their economic interest, but may intermediate with other mediating agendas that are of interest to the government and national sovereignty. Hence, an evolving conceptualization of CSR engagements, as organizations begins to explore the avalanche of opportunities they can influence as non-primary actors in sectors that are beyond their economic interest.

Keywords: corporate social responsibility, ethics, dynamic capability theory, legitimacy

1. Introduction

Corporate Social Responsibility (CSR) is a critical tool for stakeholder integration and connotes organizational engagements that span beyond operational and legal necessity to express environmental and social concerns [1, 2]. Its nature is enshrined in the quest to portray an organization as a viable partner for societal progress and impresses the organization as a strategic player with a long-term interest in the business and social landscape. The objective of CSR is triggered as a strategic intent of the managerial cadre that fosters their interest of strategic relevance in the host or operating society; hence, relatively influences the perception of the active and passive players in their stakeholders' environment.

Organizations are factually profit-oriented enterprises; irrespective of this vested economic quest, CSR is deployed as a pro-social goal engagement that aligns a balance

between organizations' economic, legal, environmental, and social objectives. The essence of CSR is captured in its topical discourse as a global organizational practice that has gained significance in academia and industry. This is evident in its correlation to the development, advancement, and sustainability of organizational immediate and strategic interests which gains them acceptance amongst stakeholders [3, 4].

Heath and Palenchar [5] note that the quest for CSR as a renowned organizational construct was initiated when stakeholders questioned organizations' legitimacy. Hence, stakeholders questioned the sustainability of organizations' practices and their influence on labour, society, and the environment; they likewise pressured stricter legislative policy and control. In response to these pressures, the engagement of CSR was initiated by organizations to deflect the pressure from aggrieved stakeholders, and also as a recurrent proactive practice to deter future pressures [5, 6]; hence, CSR as a passive and active strategy relatively gained organizations some legitimacy.

In topical times, CSR is progressively been enshrined in organizational strategy; regardless of its generalized impression on an organization's connectedness to its society, Michael Jensen and Milton Friedman amongst others have questioned CSR motive [7]. The unresolved curiosity is anchored on the rationale for the utilization of CSR [8, 9], and the price to which organizations are willing to offer in attaining legitimacy from their host or operating society. How ethical is this price for legitimacy and the impression organization is aiming to achieve? Organizations are consistently optimizing their opportunities to advance their goals, advantages, and relevance in the global market landscape; amongst the options utilized in the advancement of such strategic intent is the tool of CSR as a passive or active strategy in social engagement. Notwithstanding the universal applicability of CSR and its explicit benefits to organizations, its engagement still raises subtle curiosity as to the ethics of gaining legitimacy from organizational stakeholders.

This paper aims to explore the dynamics of the ethics in legitimacy quest through CSR and makes postulation on the prospect of CSR in sustaining business engagement. The study contribution is anchored on making a narrative exposition on the dynamics of ethics in legitimacy by organizations' CSR engagement, exploring the study objective in the context of the dynamic capability theory, and postulating the prospects of CSR in its ethical navigation to legitimacy.

The articulation of the study objective will be ideologically discussed with the following headings; progression of CSR, legitimacy for organizations, CSR critic analogy, CSR and legitimacy, implication of legitimacy gap, "loss/abandonment phase" of legitimation, dynamic capability theory perspective on CSR, empirical review, conclusion and prospect. The study utilized a narrative literature review methodology; it offers more potential opportunities and insight for systematic comprehension and speculation than other quantitative review approaches and enables a theoretical structure and context for a study.

2. Progression of CSR

Howard Bowen in 1953 made a proposition titled "Social Responsibilities of the Businessman," which became an explicit initiation into the articulation of social responsibility [10]. Articles on CSR in the 1950's mostly focused on conceptualizing the manager's function as a trustee for the society, balancing resource allocation amongst rivalries, and organizational philanthropy [11]. Irrespective of these concepts, scholars also argued that organizations' engagement should be narrowed to the

exclusive optimization of shareholders' interest, hence being strategically prudent in allocating, utilizing, and optimizing resources [12].

The 1960s experienced an increased recognition of CSR relevance; this was evident via industrial, civil, and academic interest that questioned organizational practices in line with equality, legality, sustainability, and social norms. The focus on CSR interest in this era was streamlined to the social responsibilities of an organization. The interrelation between organization and society especially as it concerns resources (land, capital, manpower, etc.) is inseparable; hence, organizations relatively owe society certain responsibility that goes beyond organizations' economic interest [13, 14]. Organizations should be socially responsive to the interest of their host society, and the influencing consequence of their operations in society.

In responding to societal interest and influence, organizations need to conceptualize the theme of CSR and the rationale, techniques, and benefits inherent in its engagement; hence, this became the focus of CSR in the 1970s. A relative shift was also conceptualized from CSR to CSP (Corporate Social Performance); hence the 1970s explores themes on organizational social responsibility, responsiveness, and performance in considering the social environment [15–18], and recalibrating organizational effort to align to beneficial social expectations and obligations.

The 1980s experienced the articulation of CSR structures, techniques, and models streamlined for assessing operational CSR perspectives for decision making [19–21].

The global appeal to comprehending CSR and ensuring sustainable development of its engagement was established in the 1990s' [22, 23]. As organizations cross national boundaries for their economic interest, globalization of CSR engagement and standardization or relative flexibility in its engagement becomes relevant in addressing the unique social dynamic of their social environment irrespective of the potency of the policy directive and regulatory framework of the host society.

The 2000s' witnessed the exploration of strategic insight into comprehending the influence of CSR on the various dimensions of the organization's environment. Hence diverse studies explored the influencing roles of CSR on organizations' internal and external variables and mediating factors [23, 24].

3. Legitimacy for organizations

Organization legitimacy connotes congruence's between an organization's policy and operational value system and the host or operational society value system [25–27]. Legitimacy is established on the value proposition and establishment of a society in which organizations operate, hence, any actual or perceived discrepancy between the value system of an organization and the society it operates in, results in a proportionate or escalated threat to organizational legitimacy. Hence organizational legitimacy establishes the practical assumption that the activities of an organization are suitably aligned to its operating or host society's value orientations and establishments. Legitimacy is anchored on the collective societal value system and not individual value orientation.

The quest for legitimacy is propelled by the perception of it being a strategic resource that enables the smooth operation of organizational activities and productive engagement with stakeholders. Legitimacy as an indispensable resource can be optimized with regard to the quality, relevance, capacity, and sensitivity of its engagement; nonetheless, the prerogative for confirming organizational legitimacy is bestowed by society. This denotes that regardless of the strategies deployed by an

organization in influencing their perception, the actual confirmation of legitimacy is enshrined in the host or operating society's perception and interpretation of organizations' activities and interests. Hence, organizations are deliberate in effecting strategic consultation and collaboration on areas of mutual benefits and visibility to promote the chances of being accepted by the host society.

Organizations' legitimacy may be confirmed by the host or operation society even though its operations and CSR activities are incongruent with the societal value system; this occurs when the society fails to accurately perceive and interpret the organizations' activities [26]. The confirmation of acceptance is a recurrent process, howbeit a mostly informal activity; hence, the quest for organizational legitimacy is mostly activated and sustained through a continuously deliberate organizational engagement with its stakeholders, and majorly on the consent of the stakeholders in the host or operating society.

Having established the re-current protocol for sustaining a confirmed legitimacy, organizations' management is questionably creative in engaging juxtaposed strategies that question the ethics of legitimacy [27, 28]. This is reinforced by the intangible nature of legitimacy; hence management may explore relative manipulative or impactful strategies to create a CSR organizational profile to further its explicit interest.

Deegan [27] posits that the host or operating society's disapproval or withdrawal of legitimacy for an organizations' operation is subtly evident in the boycotting of the organizational value propositions (i.e. products), withdrawal of access to some factors of production (i.e. land, labour, etc.), lobbying for more stringent government tax and regulation, etc.

4. CSR critic analogy

Organizations from the purview of the institutional economic theory are constitutionally legal entities, hence not actual personalities; therefore as artificial personalities, they possess artificial responsibilities which are streamlined to the economic interest of their shareholders [7]. This questions the activities of organizations in engaging in CSR which is not purely an economic activity that directly optimizes shareholders' economic benefits in the organization; better put it begs the question of the rationale for engaging a legal construct (i.e., organization) to execute social responsibilities not captured in the contract that establishes its legality [2].

Friedman [2] in addressing the acclaimed influence of CSR on the host or operating society questioned the competence of organizations' management in choosing which societal issues to advocate and the techniques of promoting such advocacy. This further questions the ethics of appropriating organizations' economic resources belonging to the principals/shareholders/owners (via lowering profits), employees (via reduced wages), and customers (via increased prices) for advancing societal issues. Nonetheless, the practitioners of CSR do not articulate it as a cost but as the activation and deployment of valuable competence and resources that enhance and sustain the performance of an organizations' posterity in the environment they function [8].

Friedman's [2] postulations are anchored on the differentiation between the role of an agent (organization management) and the principal (owner); hence, the role of the agent is the optimization of the principals' explicit interest in a manner that observes legal and ethical protocol; except explicitly stated by the principal, CSR

should not be engaged with exception to the point where its engagement is directly correlated to the optimization of the principals' objectives. Alternatively, Jensen [29] contends that ultimately organizations' long-term social responsibility is the optimization of organizational value; hence, stakeholders' interests are considered to the extent they align to the maximization of organizations' core shareholders' objectives (i.e. profitability). Conclusively, Friedman and Jenson are projecting that in situations where there is no explicit inclusion of CSR to the organizations' objectives by the shareholders, managements' engagement in CSR activities is only necessary and legitimized to the extent that such engagement is anchored on optimizing shareholders' interest. Ultimately, the contention for the validity of engaging in CSR activities is established on answering the extent to which such activities positively enhance an organization's goal attainment and viable posterity; empirically, studies on this correlation have resulted in contradictory findings [21, 30–33].

4.1 CSR and legitimacy

The advancement of organizations in the achievement of their core objectives eventually gives them visibility beyond their economic scope; they eventually gain political and social visibility as they optimize their value proposition, gain market share, and become significant in their industry. The above gives them relatively high bargaining and lobbying pressures to address social and political issues by leveraging on their advanced economic advantage. The quest for organizations to be socially and politically relevant is rationalized by the need to consolidate their economic advantage, and the need to relatively predict and control their environment especially as it concerns their goals. Social, environmental, and political visibility does not necessarily result in economic power but is capable of influencing economic issues [7].

This visibility by organizations are relatively checked and regulated by policy enacted by the government, but this process in most cases is limited by bureaucratic protocols, hence another viable and much organic check on the gained visibility of organizations is their host and operating society, and in today's business world, the global society.

The regulation of the continuous visibility of organization by government policy is relatively effective, and in most cases without a valid political will by the elected, the lobbying pressure of these organizations dilutes the enactment of potent policies and laws that accurately checks the excesses of organizational visibility. In the situation where these policies and laws are highly potent, an effective implementation may become an issue; hence, organizations yield unregulated influence that defines the political, social, environmental, and economic scope of the society they operate and define the engagement of these variables according to the organizations' interest. This is made worst when the organizations that have gained these visibilities are foreign organizations, whose interests will be defined by their home society. The question then is to what extent is an organization ethically and socially responsible in a host society without explicit or weak policy and regulation. Arguably, host or operating societies without explicit or weak policy and regulation may not effectively determine nor confirm the legitimacy of such organizations in their environment. Hence, such societies are mostly in the survival mode of nation-building.

Alternatively, the organic structure of a society is capable of being much more potent in handling and addressing social, environmental, and economic issues than the apparatus set up by the government. This is mostly seen in societies where resources (i.e. natural) are obtained in crude forms. This is triggered mostly because

the host or operating society is directly affected by the neglect of such organizations to be socially and environmentally responsible for the consequences of their economic engagement in such society. Hence such host society actively and consciously articulates the defaults of such organization and the possible remedies that could re-align the organization to gain legitimacy. Where such organizations fail to negotiate and reach a consensus as to the valid remedies that addressed their neglect, such host society may reinforce their disapproval via boycotting of the organizational value propositions (i.e. products), withdrawal of access to some factors of production (i.e. land, labour, etc.), lobbying for more stringent government tax and regulation, address press conferences, etc. [27].

Organizations that are intentional about their gaining legitimacy are strategically deliberate about their collaboration and involvement with stakeholders, and Gray et al. [30] observe that such organizations may deplore the following strategies in advancing, sustaining or repairing the acceptance of their legitimacy by the host society, and they include; full disclosure on changes in organizations engagement and performance (i.e. effective in addressing legitimacy gap that arose from performance failure in the organization), influence organizations' perception by the society without altering organizations engagement and performance (i.e. effective in addressing legitimacy gap that arose from societal misconception of organizational engagement), deflect society's focus on conflicting issues via the promotion of related positive activities (i.e. effective in addressing legitimacy gap that arose from manipulations), and influence via educating the society on having a realistic expectation about the organizational performance (i.e. effective in addressing legitimacy gap that arose from unrealistic societal expectation from the organization).

4.2 Implication of legitimacy gap

Studies have revealed that a legitimacy gap connotes a misalignment between the societal expectation of organizations' engagement and the actual organizations' engagement. Hence, the operation of an organization in its host community is non-compliant with the presiding societal value establishment [25, 27, 34–36]. The misalignment that generates the legitimacy gap is mainly categorized into two.

First, societal values evolve, and this evolution is mainly enshrined in having a value system that is relevant and sustainable in addressing topical issues, and also establishing values that close explicit or implied loopholes. Consequently, when the value systems of societies evolve, organizations' engagement should reflect those realities in their engagement; hence, when organizations are not streamlining their engagements to reflect the current societal value system, and insist on observing the old societal value system, a legitimacy gap arises. The implication of an evolved value system denotes that society evaluates and calibrates organizational engagements by different parameters that reflect the priority of such society and the roles those organization engagements play in influencing such priorities, hence organizations face a considerate legitimacy gap when there is a misalignment between societal value system expectation and actual organizational value system. Organizational responsiveness to evolved societal value systems should also be time-sensitive; when organizations' response is slower to the dynamics of the evolving society value system, there arises a gap in legitimacy. The legitimacy gap also occurs when an organization does nothing in complying with society's value system. Organizations also experience a legitimacy gap when they fail to fully disclose their engagement activities and their synchronization with the present societal value systems; hence, the host society

operates with the notion that there is no compliance because such disclosure was not effected by the organization. Organizations should disclose relevant stakeholders' information to promote the principle of cooperation and collaboration, hence, getting society informed of its alignment to their value system and ultimately closing the legitimacy gaps.

Secondly, some organizations' management may have been involved in certain engagement whose practices are not disclosed but has the potential to negatively affect the organization's reputation and legitimacy. When such organizational engagement (i.e. organization shadows; potential disruptive organizational engagement that is not known to the public) are disclosed, it presents a threat to the legitimacy of the organization to its host or operating society. The possibility of such disclosure may be triggered by the activities of media personnel, disgruntled employees or management staff, corporate espionage, activities of competitors, whistleblowers, activities of pressure groups, independent audit operations, etc. the disclosure of organizational shadows has a significant potential to generate a legitimacy gap.

Organizations are advised to ensure commensurate compliance with societal social values, and ensure their activities are ethical and consistent with social and legal considerations. Hence, organizations who have encountered a legitimacy gap may deplore the following strategies in addressing a legitimacy gap; Ashforth and Gibbs [37] posit that organizational strategies for handling legitimacy are typified into substantive management techniques (denotes a tangible change in organizational goals, procedures, structure, and protocol for societal engagement), and symbolic management techniques (denotes portrayal of organizational behavior to impress a position aligned to societal expectation and values). These strategies have been stratified with regard to the demands of the organization in its quest for legitimacy [26–28, 37, 38]. As organizations are in different phases of the quest for legitimacy, the strategies they deplore to achieving this quest could be stratified into gaining, maintaining, or repairing its legitimacy.

In gaining legitimacy, the organization usually operates in new territory or are the first movers in their industry, hence the need to consciously navigate their social compass in aligning to the societal value system and relevantly engaging stakeholders to promote goodwill and acceptance. In gaining legitimacy, organizations deliberately position themselves as partners in social progress and long-term players in the social affairs of the host or operating societies; hence, by engaging in areas of mutual benefits they invariably promote their economic interest. Gaining legitimacy requires organizational pro-activeness, strategic involvement, and collaboration with relevant stakeholders.

In maintaining legitimacy, organizations need to consolidate previous efforts and strategically pioneer new techniques of remaining relevant to their stakeholders. Maintaining legitimacy demands that organizations are strategically conscious of their environment and its influence on their operations, this enables them to proactively address issues as they arise, hence ensuring that society's perception of their activities is favorable. Organizations whose value proposition in the market is largely accepted in line with their high investment in legitimacy alignment will need to invest more in maintaining their legitimacy, compared with organizations whose value propositions are not vested in their legitimacy status.

In repairing legitimacy, organizations deplore reactive measures in responding to the legitimacy gap between the organization and societal social systems. Repairing legitimacy demands a high level of disclosure and accountability from the organization, and a willingness to widely consult with stakeholders on ways to redeem their legitimacy status in society.

4.3 "Loss/abandonment phase" of legitimation

Organizations in their quest for legitimacy, and having deplored strategies to gain, maintain or repair legitimacy may get to a point where they analyze their engagement protocol and their interaction with society in line with a benefit analysis and may conclude that there is no value inherent in their continuous involvement in establishing legitimacy for their business activities and engagement, and hence, decides to not engage in legitimacy activities; this is known as a "loss/abandonment phase." Hence, when a "loss/abandonment phase" occurs, it connotes that an organizations' management has not discerned any advantage or value for continuous engagement of legitimacy practices, and therefore terminates their legitimation activities [27, 39].

The cause of a "loss/abandonment phase" amongst other things may be triggered by misalignment with societal value systems and organizations' value propositions, continuous disagreement with relevant stakeholders, and unrealistic cost of gaining, maintaining, or retaining legitimacy.

Irrespective of the cause for a "loss/abandonment phase," such organizations face the challenge of increased government taxes and operating costs, high cost of attracting and retaining quality employees, reduced consumer demand, tougher regulations, high interest on capital, and higher marketing coast, as a result of the society not giving its legitimacy status to the organization [27, 38].

4.4 Dynamic capability theory perspective on CSR

Dynamic capability connotes an organizations' capacity to incorporate, create, and restructure internal and external resources/competence/advantages to tackle environmental dynamics [40]. Hence, "dynamic" denotes the competence to use tangible and intangible resources (i.e. CSR) to actualize congruence with the dynamic organizational environment (i.e. society). "Capabilities" denotes the organizations' ability to strategically align organizational resources and strategies (i.e. CSR) to changing organizational environment. Zollo and Winter [41] posit that dynamic capability is a structured and learned pattern of integrating advantageous resources by which organizations methodically create and modifies processes and culture to actualize the effectiveness of operations in its environment.

The dynamic capability is anchored on the postulation that organizational competence in dispensing its resource (i.e. CSR) to strategically align (i.e. in a manner that is unique and distinct from competitors) to its environment (i.e. societal values), will gain market acceptance and competitive advantage (i.e. legitimacy) [40, 42]. Hence, an organization's ability to incorporate and be at par with the dynamics of societal values, creates organizational culture that is proactive in advocating the evolving demands of societal value, and restructure organizational norms to conform with societal value creates, gains, and sustain objective legitimacy for their operation in the host society, and subsequently ensure acceptance in the market landscape; nonetheless, organizations inability to subscribe to the above assertions may deny them legitimacy.

Teece et al., [40]; Zollo and Winter [41]; Mahoney [43] further assert the following; first, that the dynamic capability is continuously relevant in organizational life, and not just in responding or reacting to the organizations' environmental dynamics; hence, aligning to positive societal norm should not be on a need basis. Also, that focus should be on the organizational procedural routine and not just competence; hence, an organization in advancing CSR activities should ensure their processes or

operating routine conform to societal values, and not just on the values offered or competence possessed. Finally, developing strategic dynamic capability is a learning process that organizations can acquire and optimize in social processes to gain legitimacy.

5. Empirical review

While CSR has been studied in relation to other variables that influence organizational affairs and goals, there is a paucity of studies that directly link CSR with legitimacy, and some studies are reviewed below;

Stratling [7] conducted a study on "the legitimacy of corporate social responsibility." The study sought to analyze how energy organizations legitimize their CSR engagement in their annual and CSR reports. The study deployed a qualitative methodology and concludes that managers agree that CSR can result in a positive benefit to an organization's long-term financial performance and that organizations should engage in CSR for legitimizing their existence, processes, and relevance. This study aligns with the position of this paper, which establishes that the motives for organizations' engagement in CSR activities amongst other things must be factors that advance their objectives (i.e. financial and non-financial).

Mahmud [44] examined "legitimacy theory and its relationship to CSR disclosures: A literature review." The study provides a literature review-based analysis in achieving its objective of establishing a relationship between legitimacy and CSR disclosure. The study discovered most organizations pursue legitimacy via symbolic management and engage CSR to legitimize their presence to continue advancing the organizational interest. This further connotes that most organizations only optimize CSR in areas that advance their strategic interest, hence, relatively aligns with the position of the present study.

Nielsen and Thomsen [45] investigated "Reviewing corporate social responsibility communication: A legitimacy perspective." The study sought to investigate the function of legitimacy in CSR communication. Literature and directed content methodology/analysis were deployed for the study. The study found that CSR activities aligned with stakeholders' values build and maintain legitimacy. This also is in line with the position of this paper.

Lock and Schulz-Knappe [46] examined "Credible corporate social responsibility (CSR) communication predicts legitimacy: Evidence from an experimental study." The study aimed to investigate the CSR credibility in establishing legitimacy. The study utilized an online experimental approach methodology and found that credible CSR websites produce legitimacy. This study also aligns with the position of this paper.

Rendtorff [47] examined "The concept of business legitimacy: Corporate social responsibility, corporate citizenship, corporate governance as essential elements of ethical business legitimacy." The study aimed to examine corporate social responsibility, corporate governance, and corporate citizenship in relation to business legitimacy. The study was qualitative and found that corporations align their values with their stakeholders to ensure legitimacy. This position also aligns with the postulation of this paper.

Bachmann and Ingenhoff [48] in their study titled "Legitimacy through CSR disclosures? The advantage outweighs the disadvantages." The study aimed to ascertain the extent to which CSR disclosure possesses an effect on corporate

legitimacy. The study discovered that CSR disclosure had a positive effect on corporate legitimacy. This position also aligns with the postulation of this present study.

6. Conclusion and prospect

Organizations express their intentions explicitly through their goals, visions, mission, values, etc.; these organizational intentions (goals, visions, mission, values, etc.) are enriched with value propositions that seek to provide solutions in exchange for economic benefits. In actualizing these organizational intentions, organizations utilize strategies that avail them the opportunity to continually be relevant in their competitive landscape, enlarge their market share, and possibly lead their industry in optimizing the actualization of their intent.

Over time, the essence of profit optimization for the exclusive benefit of shareholders has been reviewed by third-party actors (stakeholders) who hold organizations to a higher standard that seeks to redefine organizations' intention to include elements that promote the interest of stakeholders (i.e. especially host society) interest, with a ripple effect of positively influencing the organizations' impression before its stakeholders, which translate to an approved legitimacy status and eventually favorable operational terms offered to those organization from their stakeholders.

Irrespective of the argument for or against the involvement of organizations engaging in CSR, organizations are entities with the capacity to independently take actions. Organizations naturally seek resources from their host society and are expected to reciprocate via the engagement of beneficial and sustainable practices that aligns with the societal value system, as well as promote the positive advancement of the society. Alternatively, organizations may possess an advanced or superior value system and independently initiate CSR as a strategic path-finder and responsible partner in promoting social issues; hence, such organizations are proactive in generally advancing fairness, progress, and social development. Irrespective of the motive for the engagement of CSR by organizations, organizations primarily as legal entities anchored on economic interest usually establish how their involvement in CSR will eventually advance their primary economic interest to ensure the sustainability of such CSR engagement.

Theoretically, this study advances a detailed theoretical discourse and knowledge enrichment for a direct association between CSR and the ethics of legitimacy. The paucity of studies that have established this direct link makes this study a beneficial tool for advancing the knowledge base on the topic and also raises the curiosity for further discourse on the research theme. Also, its exploration within the purview of the dynamic capability theory further draws a niche for the study and fortifies the study's relevance in offering strategic insight into the association between CSR and the ethics of legitimacy.

The study's practical implication is anchored on the strategic and applicable understanding it offers to organizations' management, whose adoption of its precepts provides sufficient potential for advancing organizational strategic intent which aligns with societal values and promotes their legitimacy.

The prospect of CSR in its ethical navigation to legitimacy is one in which the government will eventually exercise some level of control and regulations; this is because the organizational quest for legitimacy will no longer be linked to the exclusive consolidation of their economic interest, but may intermediate with other mediating

agendas that are of interest to the government and national sovereignty. Hence, an evolving conceptualization of CSR engagements, as organizations begin to explore the avalanche of opportunities they can influence as non-primary actors in sectors that are beyond their economic interest.

Conflict of interest

The authors declare no conflict of interest.

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Chapter 2

Perspective Chapter: Rethinking CSR Strategies in the Era of COVID-19

Maha Elkateb, Ouidad Yousfi and Abdelwahed Omri

Abstract

A growing call for green initiatives made companies implement corporate social responsibility (CSR) into their business activities ethically or strategically to gain legitimacy and present an environmentally responsible public image. In this regard, the problem of greenwashing has emerged even during the pandemic: companies disclose positive communication to ensure business legitimacy even when they are applying irresponsible business practices. Their CSR strategy is responsive: businesses have implemented CSR activities to comply with environmental and social legislation and the stakeholders' pressure. In the other hand, other companies have undertaken more strategic CSR models to achieve long-term competitive advantages combining the ethical and business orientations. They consider CSR as a differentiation process. They reviewed their CSR strategies, as a core of the corporate strategy, to align social commitments and business objectives. For instance, the pandemic has driven many businesses to rethink the founder lines of their CSR strategies, in order to avoid social crisis and create strategic benefits. Within this framework, this chapter aims to shed light on the effect of strategic CSR on corporate performance and businesses practices during the pandemic. It assesses the key factors that can improve the implementation of socially and eco-friendly sustainable practices to be more resilient toward potential crisis.

Keywords: CSR, strategic CSR, strategization, financial performance, COVID-19, greenwashing, corporate reputation

1. Introduction

The unpredictable COVID-19 pandemic has highlighted several fragilities in the business environment and caused an instability among the global financial system. Many explanations could be provided such as the weakness of "the supply chains, labor markets, credit quality and liquidity" according to Chartered Financial Analyst Institute [1].

This pandemic has engendered a genuine global economic crisis [2] that is quite similar to post great depression of 1930s. In this regard, the global gross domestic product (GDP) was expected to decline by 3% in 2020 (the International Monetary Fund IMF, April 2020), and a drop of the world trade by between 13% and 32% [3].

In the same vein, Zhang et al. [4] analyzed the volatility of financial markets. They have demonstrated an instability and an increasing uncertainty, particularly in risky

businesses after by the pandemic. They seem to have significant effects on investor psychology and their behavioral decision-making, which have caused a sharp stock price decline [4]. For instance, the Taiwan stock market's weighted stock price index plummeted by 4.19% with a drop among all the industries. Particularly, the travel industry marked a sharp decline in order of 11.30% in January 2020 [5].

However, despite its substantial impact on the financial markets, it was an opportunity to test the vulnerability and the resilience of the business models. It was also an opportunity to rethink the enterprises' behaviors, plans, and actions to face potential crises related to biodiversity loss and climate change [6]. For instance, GD Sharma et al. found an increasing interest in sustainable investment during the pandemic period and even in the post-pandemic era [7].

According to UBS Global (2020), sustainable investing strategies have shown better financial outcomes than conventional ones as many investors have preferred to undertake sustainable investments to cope with the post-pandemic consequences. Also, most people have become more concerned about the social and environmental consequences of their consumption decisions. Hence, Sayekti [8], Zhao [9], Sharma et al. [7] considered the sustainable investment a preferred form of investment and a clear winner during the pandemic. In response to the pandemic, the European Parliament recommitted to the European Green Deal, which is a set of policies introduced in December 2019 that aims to make Europe climate-neutral by 2050. It is also trying to build post-COVID-19 economic stimulus packages around the goals of the Green Deal. All these initiatives stress the urgent need to commit to a more sustainable corporate social responsibility (CSR) in a more integrated recovery process.

In this regard, Zhao [9] claimed that sustainability-oriented investments became a necessity to manage the corporate goals and revise the risk management of the companies for potential future crises in a way that decreases the inequality among the wider society. Hence, the responsible practices should surpass the philanthropic responsibility by setting practical factors; they are likely to guarantee an organizational readiness to promote an inclusive business model. It establishes the core to strategize the CSR practices and specially to respond to the critical challenges caused by the pandemic.

Khan et al. [10] have claimed that firms with strong ratings on material sustainability issues have better future performance than firms with inferior ratings on the same issues. In contrast, firms with strong ratings on immaterial issues do not outperform firms with poor ratings on these issues. Finally, firms with strong ratings on material issues and concurrently poor ratings on immaterial issues have the best future performance.

To integrate a strategic CSR and get financial outcomes from CSR practices, the strategic aspects of CSR must be involved into the core business activities [11]. Actually, the financial crisis of 2008–2009 has highlighted this important link between CSR investments and the financial performance. Specifically, the firms practicing intense CSR earned stock outcomes about four to seven percentage points higher than firms ignoring the CSR practices [12]. In general, the concept of CSR is no longer considered as exclusively a moral or social responsibility to respond to the stakeholders' needs. It evolves to an integrated strategic process adopted to increase the financial performance, the reputation, and customer relationships [13]. This concept has developed at the macro-level as well as the corporation level by involving the social and economic issues [14].

In contrast, the response to the crisis has revealed many irresponsible corporate behaviors such as the dismissal of employees; Disney, for instance, stopped paying 100,000 workers while the remuneration of its director was USD 65.6 million in 2018 and USD 47 million in 2019. In fact, the problem of greenwashing has emerged even

during the pandemic in order to acquire social legitimacy, build better relationships with stakeholders, and create a green brand image.

Recently, Yin and Jamali [15] examined within the framework of strategic CSR whether Multinational Companies Subsidiaries (MNCs) in the emerging market of China are generating profits while satisfying the local stakeholders' needs and acknowledging the obligations of the parent company. Their findings provide evidence that MNCs in China are creating a social and economic value simultaneously [15]. On the other hand, Yu and Liang [16] tried to explore the determinants of strategic CSR; they concluded that product market competition does not contribute to the implementation of CSR strategically, while corporate reputation and customer awareness impact the engagement in strategic CSR positively [16]. Similarly, Vishwanathan et al. have determined four attributes that intervene in the positive association between CSR and corporate financial performance (CFP) and thus, identify the strategic CSR [17]. Besides, several Governance dimensions such as board gender diversity, the presence of foreign directors, age diversity lead to more socially responsible initiatives [18].

Moreover, Yousfi and Loukil [19] debate the aspects of CSR strategies, which are divided into strategic CSR and passive CSR, the former can be explained as the socially responsible activities that go beyond the usual CSR principles and common practices. The latter includes defensive, charitable, and promotional CSR strategies that aim to satisfy the stakeholders' basic needs [19]. Besides, Maury [20] determined the main business strategies (prospector and growth strategies) through which CSR can generate a better corporate performance. The prospector strategy focuses on the innovation, which explains the importance of this process to attain a strategic CSR [20]. Within the framework of COVID-19, Bae et al. [21] have examined the stock market returns of CSR companies and its resilience toward this pandemic in the American market. They have concluded a positive association during the crisis in a condition of consistent and genuine CSR [21].

Hence, there is a need to better overcome the narrow view on CSR and better understand what is exactly essential to simultaneously realize profits and guarantee a social legitimacy, otherwise, gain a social and economic value [22], by determining the factors through which CSR can be qualified as strategic [23].

Thus, the strategic CSR is an important trend worthy of being investigated to be able to differentiate between strategic behavior and greenwashing.

This chapter aims to distinguish between sustainable CSR strategies and those that seek compliance and purpose-washing. It assesses the factors able to promote the conceptualization and strategization of CSR that are likely to drive a win-win behavior.

The remainder of this chapter is organized as follows: section 2 presents the relevant theories of strategic CSR to determine the key elements that distinguish the strategic CSR from other practices. We define the greenwashing to better encounter this issue and define the classification of greenwashing and the elements that can deter this issue, in the section 3. Finally, last section makes conclusion.

2. The determinants of strategic CSR

2.1 Definition of strategic CSR

The concept of CSR was defined as a structure of pertinent standards, programs, and strategies associated with economic, legal, ethical, and organizational aspects in compliance with communities' expectations to generate a social good [24]. It can combine more

key areas such as: ethics, governance, transparency, business relationships, financial outcomes, community collaboration, product quality, employment rights, better workplace, conservation of natural resources, and respect of environment [25].

Several motivations encourage companies to engage in socially responsible activities, five fundamental ones were mentioned by Weber [26]: CSR has a positive impact on the corporate reputation and on the level of employee commitment. It could boost the sales, increase market share, and attenuate the systematic risks [26]. Besides, according to Polonsky and Jevons , the possible reasons to adopt CSR practices involve: boosting the financial performance, contributing to market value, guaranteeing a more general positive impact on societal stakeholders, keeping good relationship with customers, and improving product quality [27].

However, this concept still ambiguous and presents different types of implementations among the companies such as strategic and responsive CSR.

In this regard, Nijhof and Jeurissen [28] claimed that combining economic dimension with social aspects is essential in order to implement the CSR pillars and especially the ethical principles in the decision-making. It encourages the managers to intervene in social standards in the business model and make this model sustainable and grounded on a real social engagement [28]. In fact, this process is likely to enhance the CSR strategization and the implementation of strategic CSR [29].

Actually, to take dynamic social decisions while generating financial outcomes, recently, Yin and Jamali [15], Vishwanathan et al. [30], Yu and Liang [16] tried to explore the determinants of the strategic CSR, seek how to create positive profitability from the resources and capacities available in the firm, and emphasize the strategic relationship between the CSR and the value creation. In this regard, Lee and Lu [5] compared the impact of the COVID-19 on the "CSR companies' stock price and non-CSR companies' stock price." Their findings demonstrate the resistance of the sustainable companies toward the pandemic, which were less affected by the pandemic and more able to recover faster from the crisis' outcomes. However, the industry category intervenes in the link between CSR and stock price and makes the COVID-19 affect the stock market differently [5].

For instance, the banking and insurance and aviation industries illustrate better financial performance in the context of non-CSR companies.

Besides, Yin and Jamali [15] studied the design of CSR implemented in China by Multinational Companies Subsidiaries. They aim to assess whether they take into consideration the strategic CSR, apply responsible practices in the host emerging countries, respond to the local stakeholders' needs, and guarantee a resident legitimacy or just acknowledge the obligations of the parent company and ignore the socially responsible activities in the host countries. By using a semistructured interview method between June 2012 and July 2014 and categorizing the data into thematically relevant categories based on NRBV, Burke et Logsdon, porter et Kramer, stakeholder theory [15].

Their findings reported that Multinational Companies Subsidiaries in China adopt the CSR engagement strategically to develop social credibility, avoid the green skepticism, and create an economic value for the companies. Nevertheless, these findings are inconsistent and inconclusive. Jamali [29], for instance, demonstrated that Multinational Companies Subsidiaries in Lebanon are neglecting the needs of local stakeholders and the CSR approaches are generally oriented to respond to home stakeholders' needs and disconnected from the local requirements. Besides, incorporating organizational structure, leadership dynamics, firm size, and contextual factors may impact the MNC subsidiaries' CSR approaches and intervene in promoting a dual outcome financially and socially [31].

Hence, strategic CSR corresponds to the highest level of commitment and implies a more global implementation of CSR within a company, whereas (2) reactive CSR is mainly governed by external constraints.

Strategic CSR is a relevant and promising research area [32]. Furthermore, the scarcity of studies concerning the channels that lead to strategic CSR [33] drive us to identify these determinants and to explore why organizations reveal different levels in terms of CSR strategies.

Integrating CSR activities into the core business operations and balancing between the needs of shareholders and other stakeholders drive to economic and social value and enhance the competitiveness; this approach is called strategic CSR. On the other hand, Hlioui and Yousfi [34] and Yousfi and Loukil [19] have shown that strategic CSR drives more pioneering socially responsible initiatives than responsive CSR and leads to more sustainable financial performance as well as more socially and environmentally responsible innovation. They define the strategic CSR as an active and dynamic strategy not just limited to the basic stakeholders' needs and reporting standards, it encourages the company to innovate socially, organizationally and to create new processes and products. They claimed that a scare number of studies have focused on differentiating between responsive and strategic CSR [19].

Thus, in order to go beyond the narrow view on CSR, generally associated with ethical practices, more studies should be conducted to review the design of sustainability among companies and to identify the channels that are likely to drive it.

2.2 Relevant studies related to the strategic CSR

To understand better the strategic CSR, we tried to gather all the relevant studies and theories related to this concept to shift from "explicitly normative and ethics-oriented studies to implicitly normative, strategic- and performance-oriented research" [35]. These theoretical frameworks can be complementary according to Yin and Jamali [15].

We start by the first theoretical model, the stakeholder theory published by Freeman [36], which emphasizes the importance of taking into consideration the stakeholders' expectations while undertaking practices that create wealth for shareholders, simultaneously. In this regard, Garriga and Melé [37] claimed that CSR is a strategic instrument permitting to involve the companies' responsibilities toward the communities into business activities to generate economic profits, acquire social compliance, and promote a greater legitimacy [37]. Moreover, Donaldson and Preston distinguished between the concept of stakeholders, the stakeholder model, stakeholder management, and stakeholder theory [38]. In the conventional approach, companies must satisfy the interests of stakeholders equally. However, recent research explores the importance of addressing the interests of powerful stakeholders before those of regular stakeholders. For instance, Yunus et al. provide evidence on the role of government, media, and creditors in the adoption of carbon management strategies in Australia [39]. On the other hand, Haddock-Fraser and Tourelle studied the positive impact of customers on the disclosure of environmental information particularly related to climate change [40].

Actually, the stakeholders who are more considered powerful are institutional investors and customers [41], because they have a strong ability to direct the orientation of companies toward the socially responsible activities and the Sustainable Development Goals (SDGs). Hence, the presence of these actors can be considered as a key factor to promote the implementation of CSR practices.

The second model is the natural resource-based view (NRBV) introduced by Hart [42] to analyze the link between the natural resources and corporate innovation, specifically how it could deal with the environmental issues and increase competitive advantages. According to Hart [42], the resource-based theory did not take into consideration the interconnection between corporation and its external environment. Hence, he identified three strategic factors to implement the NRBV: pollution prevention, product stewardship, and sustainable development. Each of these is likely to drive different environmental actions. Pollution prevention aims to eliminate the pollutants from the chain supply and decrease the hazardous waste to generate lower costs and better efficiency. Product stewardship seeks to integrate the environmental issue into the product life cycle by using convenient materials and setting environmental management principles. On the other hand, the sustainable development strategy is not limited to the environmental dimension and includes economic and social issues [42]. Despite the involvement of these external elements, Hart [42]'s NRBV model is limited and focuses only on the environmental factors. Hence, it is substantial to consider a study that implements the CSR broadly involving different stakeholders' needs.

The third model that can explain the strategic CSR is proposed by Burke and Logsdon [43], who presented five strategic dimensions as a core of the business activities: centrality (the adequacy of social activities with the firm's mission and objectives), proactivity (the ability to be visionary and "anticipate emerging economic, technological, social or political trends in the absence of crisis," voluntarism (making decisions in the absence of external requirements), visibility (practicing CSR activities in compliance with the stakeholders' needs), and specificity (the ability to derive economic benefit from CSR activities). Voluntarism, centrality, and proactivity are based on the CSR planning and positioning. The remaining dimensions are focusing on the economic benefits of the CSR commitment [43]. This model was widely discussed: for instance, Husted and Allen [44] tested the Burke et Logsdon's model [43] drawn on a sample of 110 large Spanish companies. They showed that visibility, appropriation, and voluntarism, unlike centrality and proactivity, have the most influential effects on corporate innovation [44].

The fourth theoretical framework provided by Porter and Kramer [45–47] differentiates between strategic CSR and responsive CSR. It considers citizenship practices as a key factor to generate value creation and improve the strategies and capacities [45]. They have claimed that the combination of strategic CSR and the core business competencies leads to a competitive advantage, which is called "the shared value." It is a requirement to increase the firm success [46]. Porter and Kramer [47] believe CSR strategies should be rethought considering both economic and social value. Creating shared value is therefore an opportunity to increase business income.

In fact, moving beyond tensions and trade-offs, Porter and Kramer [47] argue that shared value can be created by reviewing products and services through the value chain (e.g., cost reduction) and through cluster development [47]. By taking a strategic approach, companies can select the activities they have in the value chain, the necessary resources to devote to being socially responsible as well as choose those activities that will strengthen their competitive advantage [46]. For instance, in Nestlé, CSR programs are central to the core business of the company. In order to ensure the highest-quality ingredients for the company's chocolate, Nestlé works with all members of its global supply chain to spread best agricultural practices and technology, especially in underdeveloped countries. These practices result in sustainable development, supplier loyalty, and high-quality chocolate [46].

The fifth theoretical framework is suggested by Vishwanathan et al. [30], who studied strategic CSR by defining pillars to integrate it into the core of business strategies and therefore contribute to financial performance. Based on the causal approach of Goertz, which defines the most relevant attributes moderating the interaction between two concepts [48]. They have determined the most relevant causal attributes controlling the relationship between strategic CSR and financial performance. Hence, four mechanisms have been defined: reputation enhancement, risk mitigation, innovation capacity, and stakeholder reciprocity, in order to qualify CSR activities as strategic and guarantee a financial performance [17].

1. Improving reputation: Zerbini indicated that reputation is considered a strategic factor that could be enhanced through the application of strategic CSR [49]. Moreover, Axjonow et al. claimed that CSR permits a good reputation, which promotes competitiveness and guarantees business legitimacy [50].

   Firm reputation and brand value can also complement a differentiation strategy. If the advantages created through CSR investments resist competition, a CSR strategy may create sustainable competitive advantages that can generate sustained abnormal future profitability.

2. Stakeholder reciprocity: According to Liang and Renneboog, companies no longer seeking value maximization and increased profits as their sole objective [51]. Tantalo and Priem argue that strategic CSR activities should create shared value for different stakeholder groups [52].

3. Risk mitigation: to decrease corporate risks, Cui et al. demonstrated that ESG disclosure decreases the information asymmetry [53].

4. Improving innovation capacity: Cegarra-Navarro et al. showed that promoting innovation is included in the CSR mechanisms and generates a financial performance [54]. Besides, the implementation of strategic CSR standards builds a sense of belonging in the workplace: it encourages employee creativity and productivity [55]. Therefore, it motivates employees to work and innovate through individual initiatives [56]. Similarly, Ioannou and Hawn considered that undertaking sustainable CSR initiatives is "building a sustainable competitive advantage in the long term through synergistic link of financial principle as well as environmental and social principles" [57].

The sixth model is set up by Yu and Liang [16], who assessed the level of strategic CSR through three new dimensions that are pace, relatedness, and consistency by referring to Tang et al. [33]. The pace detects whether the CSR is involved into the business activities conveniently and rapidly [58, 59]. Based on the path dependency theory, which is "a central construct in organizational research, used to describe a mechanism that connects the past and the future in an abstract way," consistency in the implementation of CSR will help firms accumulate and absorb CSR knowledge, develop complementary resources in a regular manner. According to Vermeulen and Barkema [60], consistency in CSR engagement indicates that a firm involves itself with CSR activities in a systematic and regular manner. Finally, the relatedness of a CSR engagement strategy refers to the similarities in the resources, skills, and knowledge required by the different CSR dimensions in which a firm engages.

Hence, relatedness is used "to measure the degree of relatedness among different aspects of CSR" and whether companies can generate social performance and financial performance from additional activities [61] and to examine whether the companies are maintaining positive stakeholders' relationships they have used the aspect called consistency.

This model has highlighted the importance of the stakeholder's implicit demands, which are not explicitly claimed in any contract such as the promises of favorable work conditions, to implement a strategic CSR. Besides, they have illustrated the crucial role of customers in the strategic orientation of CSR, the conscious consumerism or customer awareness enforces the companies to adopt strategic CSR into their business practices to keep a positive relationship with the customers. Moreover, building a solid corporate reputation is a key element to maintain a strategic position and apply sustainable practices.

Hence, this study sheds light on the aspects that impact firm's corporate visibility, for instance, customer awareness and stakeholder's implicit demands and which promote the strategic CSR orientation.

According to Yu and Liang, the corporate reputation, the customer awareness, and the consideration of stakeholders' implicit have a significant impact on the level of strategic CSR [16].

Briefly, the anterior studies tried to define the key elements of strategic CSR; however, few researchers have determined the factors contributing to strategize CSR during crisis. Hence, based on the previous theoretical framework, we review the main features of strategic CSR that promote its implementation among business practices.

2.3 The characteristics of strategic CSR

Generally, the strategic CSR can be characterized as follows:

First, strategic CSR is a process reflecting the interactional link between the stakeholders' needs and the firms' objectives and practices. In fact, firms meeting stakeholders' requirements are setting objectives compliant with these requirements, which generates CSR practices and social advantages.

The relationship between corporations and stakeholders is based on the communication strategy that takes into consideration the influence of CSR on the stakeholders' well-being [62]. Lima and Greenwood have compared the benefits of two corporate communication strategies to reach CSR objectives [63]. For instance, communication strategies or "stakeholder responsiveness strategy" [64]. The most ordinary kind of CSR communication is to highlight the practices of companies for the public interest, mainly when the company causes damages so the CSR practices and its communication is considered as reactive answer to potential constraints, it can be called stakeholder information strategy [65].

On the other hand, the stakeholder engagement strategy [66] is based on the stakeholder perspective. Modern companies are setting more and more interactive relationship with stakeholders to achieve more than corporate self-interests [66]. Moreover, stakeholder involvement must be reported as a corporate sustainability standard to define the social responsibility level, which reflects the social value generated through the implementation of strategic CSR.

Besides, Lim and Greenwood [63] found that each kind of CSR communication strategies is contributing to reach financial objectives and social goals; however, the CSR communication grounded on stakeholder involvement has more pronounced effects on the fulfillment of CSR objectives [63].

Similarly, Park and Ghauri have explored powerful stakeholders' groups significantly impacting CSR initiatives in small and medium enterprises, in emerging countries [67]. They found that consumers are the most powerful actors as they are likely to drive companies to undertake more responsible activities. The managers and the local communities play an important role, too. These stakeholders can be considered as the most dominant and noteworthy actors influencing the engagement of companies in CSR initiatives. One explanation that has been tested by Du et al. is that consumers can change their products to find a green product associated to socially responsible company [68]. This is consistent with the fundamental influence of consumers' attitude toward the lack of CSR activities and its important effect on the corporate profitability and growth. On the other hand, many businesses can use CSR activities as a way to influence customers' behavior. Accordingly, the responsible engagement could influence the customers' behavior [69].

In fact, by using a specific CSR communication strategy to attract the consummation of green products, customers contribute actively to the growth and profitability of the firm. Simultaneously, these actors associate the products with the company ethics and practices of the company, which forces firms to adopt more strategic CSR practices [69].

Another important actor impacting CSR initiatives is the presence of institutional investors. It is highly argued that institutional investors have the ability to direct the orientation of companies toward the socially responsible activities and to respect the Sustainable Development Goals (SDGs).

After, the introduction of environmental and social legislation, socially responsible investment is no more a choice for investors, but it is mandatory in the United States, for instance. This kind of investment contributes to a low long-term risk on the investment and better corporate reputation, which guarantee the long-term prosperity of the firm. Similarly, in the United Kingdom, the institutional investors involve the socially responsible investments into their assets to respond to the legal and social constraints [70]. Hence, the presence of institutional investment could impact positively the implementation of sustainable practices.

Second, adopting strategic CSR should generate social and financial outcomes. Actually, to pursue a strategic orientation, the mechanisms of strategic CSR must be integrated into the core business activities in order to boost the internal value chain activities of companies and accelerate its external competitiveness [17].

Hence, the shift from an announced strategy to an operational strategy (strategy as practice and interactive model) is an important key element of the strategic CSR. In this case, CSR can be adopted to help companies realize their strategic, economic, and social objectives, this process is called strategization [71].

Moreover, Maury [20] found that combining the strategic CSR with the convenient business strategies, notably, growth and prospector strategies can contribute to enhance financial performance and competitive advantage. They have claimed that socially responsible investment (SRI) is linked to an economic profit under the condition that CSR initiatives are involved in the right business strategies [20].

Recently, Kong et al. [72], Maury [20] confirm that companies implementing prospector strategy are more engaged in the sustainability practices since, it makes the firm acquire more intangible resources than other business strategies [72]. In fact, the prospector companies seek to launch new products and explore new markets in the context of decentralized structure. They promote flexible technological and management innovations. Accordingly, the CSR itself can be considered as a feature of this innovation. Besides, strategic CSR promotes considerably this aspect. On the other hand, defensive CSR strategy focuses on economies of scales with limited efforts to explore new markets in a centralized structure that does not contribute to the promotion of CSR initiatives.

However, acting irresponsibly and neglecting CSR standards is a serious problem for the companies because it can reduce the financial outcomes and impact the corporate performance negatively. Thus, as claimed by Garriga and Mele , CSR can be considered a fundamental aspect to reach economic objectives and guarantee the survival and growth of firms [73]. Besides, associating business activities to CSR practices may change firms' values [74]. In fact, behaving in a socially responsible way contributes to decreasing the operating expenses and enhances, therefore, the financial performance [75]. Ensuring sustainable corporate growth can be achieved by responding to the stakeholders' needs and implementing CSR actions [76]. The adoption of CSR is a signal of the presence of firms' value and the consideration of stakeholders' expectations.

Third, engaging in CSR practices strategically aims to enhance image quality to gain legitimacy the stakeholders' eyes. Consumers concerned about CSR could buy more products from socially responsible companies, which improves their financial performance [77, 78]. Besides, CSR practices increase employees' involvement and loyalty, which improves employees' work conditions. This virtuous circle enhances the financial performance progressively [79].

In this context, several studies have highlighted the crucial role of corporate reputation to make CSR practices enhancing the financial performance. For instance, in the context of Twain companies, Lai et al. emphasized the mediation role of reputation between CSR and brand performance [80]. As well as for Australian firms, Galbreath and Shum found that reputation is enhancing the benefits generated from CSR initiatives [81]. Similarly, Saeidi et al. confirmed that CSR initiatives could boost the financial outcomes through specific channels such as the reputation and customer satisfaction [82]. Hence, the reputation can be strongly associated with the company's level performance [83].

Lately, Singh and Misra argued that corporate reputation can be explained with the social identity theory [84], as Turban and Greening claimed: CSR initiatives enhance the corporate reputation, which makes stakeholders identify themselves with the company and make the employees more attracted [85]. In fact, firm reputation is described as a set of conceptual features collected from its past actions and drive stakeholders to draw a forecast on its future profitability and differentiate the company from their rivals [86]. It is recognized as an important intangible asset that can be maintained or destroyed CSR benefits [87]. This asset makes the company attracting more customers and investors, which reflects the capacity of the firm to consider the stakeholders' interests. Furthermore, similarly to the impact of the quality product on the corporate reputation, the CSR engagement has a valuable impact on the notoriety of the business activity among the resident community [88]. Hence, several prior studies have revealed the positive effect of the CSR on the corporate reputation by highlighting its link to the customers' behaviors [80] or by illustrating its influence on the employee commitment.

Accordingly, Nguyen et al. [89] stated that as a result of the CSR engagement, corporate reputation can progressively increase and improve, therefore, the business revenue, build a competitive advantage, and generate an enhanced corporate performance. They studied the impact of CSR on corporate reputation and the mediating role of the latter concept on the relationship between ethical leadership and firm performance. They found a positive connection between the four concepts. They identified a positive impact of CSR on the corporate reputation. In fact, the orientation toward strategic CSR can improve the corporate reputation among the employees and the local community, which could increase the business revenues [89].

Hence, the connection between CSR and corporate performance is pertinent in order to avoid negative social and economic externalities that can occur if the company does not respect the legal and regulatory requirements [90].

Besides, a positive link between corporate reputation and firm performance was identified. Moreover, the firms implementing CSR approaches into their business strategies make the firm gain a good reputation and thus, generate performance financially and socially notably by retaining customers and building a competitive advantage [91].

Singh and Misra [84] have studied the moderating effect of corporate reputation on the association between CSR and organizational performance, they have found a positive impact of CSR on organizational performance, and this relationship is moderated by the corporate reputation. In fact, the firms with a better reputation are more pressed to adopt CSR strategy. In fact, stakeholders' perception of corporate reputation and the efforts undertaken by the business, especially among the local community and customers, defines reputation-CSR-organizational performance association. They conclude that managers have to consider the customers, employees, and community requirements, when defining CSR strategies and the organization objectives. In fact, CSR could be a perfect instrument to direct the company toward the organizational performance in the context of European multinational firms located in India and corporate reputation moderates the link between CSR toward customers, employees, and community, which strength this association [84]. Hence, the CSR engagement builds a better image based on authentic principles oriented toward stakeholders.

Companies must come across all these interconnected aspects when designing their CSR strategy to be able to achieve a better financial performance. Briefly, three basic characteristics have been recurrent in the above discussion: the involvement of stakeholders' expectations into the core of business activities, the enhancement of corporate reputation and financial performance. We notice, however, that they have been examined separately. It would be interesting to construct a general proxy for strategic CSR based on theoretical frameworks mentioned in order to promote the strategization of CSR.

2.4 Strategization of CSR

The CSR strategy must be well studied theoretically to overcome the philanthropic and simplistic views of CSR. It is a differentiation that can be a business objective or a strategic planning implemented into the corporate strategy [89].

To strategically incorporate CSR activities into the core practices of businesses, we rely the Jarazabkowski's model [92]. It defines the strategization as a process by which a strategy is integrated into the organizational behavior and the culture of the company. In fact, Jarazabkowski [92] set strict circumstances to qualify an activity as strategic, such as these activities must be goal-oriented, firstly.

Besides, Jarzabkowski's model of strategization revolves around the triangular interplay and reciprocal influence between management and the organizational community and strategy, the following features are all verified for the case of CSR practices because, strategic CSR aims to generate social and economic value by intervening all the stakeholders' expectations into the CSR initiatives in a studied way, which prove its capacity to be strategized [93].

Also, the theoretical framework of Vishwanathan et al. [17] is more integrative and includes common aspects with the other previous models such as the reputation. Hence, the factors that can determine the strategic orientation of CSR are customers' awareness, the presence of powerful stakeholders, the enhancement reputation, the empowerment of innovation, and the risk mitigation [17]. However, to the best of our

knowledge, they have set up the theoretical framework of what should be a sustainable CSR strategy without being tested empirically, yet.

Hereafter, we define the greenwashing, determine its types and the main factors that can reduce this problem.

3. Understanding and reducing the greenwashing behavior

3.1 Definition

To distinguish between the sustainable companies and the "greenwashers," we delimit the concept of greenwashing. In fact, the Coronavirus pandemic has had an enormous impact on employees and companies around the world. Despite the relevance of some responsible business practices, many companies manifested irresponsible behaviors during the crisis. For instance, Amazon signed in September 2019 a climate pledge fund and hired 175,000 new workers in the United States, to overcome the absence of many workers, during the pandemic without doing much to decrease the risks related to the COVID exposure. This example of bad employment conditions and practices of Amazon during the pandemic emphasized the irresponsible business practices of some companies that diffuse a positive communication and good corporate image to the stakeholders. In fact, in order to acquire social legitimacy, build better relationship with stakeholders, and create a green brand image, the problem of greenwashing has significantly emerged even during the pandemic.

The Concise Oxford English Dictionary (2018) defines greenwashing as: "Disinformation disseminated by an organization so as to present an environmentally responsible public image; a public image of environmental responsibility promulgated by or for an organization, etc., but perceived as being unfounded or intentionally misleading." Besides, Yu et al. consider the "greenwashers" as companies that reveal a transparent public image and disclose a big quantity of ESG information; however, it has a poor ESG performance [94].

3.2 Types of greenwashing

According to Siano et al., the greenwashing can be classified into two classes: decoupling or "symbolic management" [95]. The decoupling or "sin of fibbing" is determined by TerraChoice as the false disclosure of the companies regarding their sustainable actions. The symbolic management is based on an attention deflection: it refers to obscuring irresponsible business practices or selecting the data disclosed or diffusing an ambiguous communication [96].

Yu et al. identified three types of greenwashing [94]:

- The first type of greenwashing consists of manipulating disclosure to promote the company and overestimate its real environmental performance [97]. Indeed, companies adopting "greenwashing" try to hide their poor environmental performance by disclosing large amounts of environmental data to mislead their stakeholders. According to Radu and Francoeur, environmental performance is positively associated with its environmental disclosure [98]. On the other hand, by studying US electricity distribution companies, Kim and Lyon found that companies can choose to less communication about their environmental achievements, which is called a strategy of "brownwashing" [99].

- The second type of greenwashing is selective disclosure aimed at misleading investors. Some researchers define greenwashing as companies selectively declaring positive environmental information but hiding negative information [97].

- The third type of greenwashing simply focuses on product-level greenwashing rather than firm-level greenwashing [100]. For instance, Testa et al. assert that strategies focusing on product quality positively influence the adoption of certifiable environmental management systems (EMS) such as in ISO 14001 and EMAS, which have become common practices for greening businesses in many industries [101].

Generally, the greening strategies can be classified into substantive strategies and symbolic strategies; the former is explained as the implementation of the sustainable practices, the latter refers to discrepancy between the positive communication and the application of responsible actions [102]. The substantial greening strategies have a positive impact on the environmental and economic performance of new firms and reflect the attempt of new firms to acquire sustainable business models to establish positive stakeholders' relationships. The symbolic strategies can destroy the companies' reputation and harm its profitability [102].

Hence, to reduce the greenwashing behavior, Yu and Chen [94] studied the key elements that can eliminate this concern. Their findings demonstrate the importance of the responsible ownership (intuitional investors) to avoid the problem of greenwashing among corporations. In fact, ownership structure influences CSR issues and responsible investment globally [94]. Hence, studying it from different angles such as the diversity in the ownership structure can lead to a better CSR disclosure by identifying the owners' categories who are concerned about CSR. Also, whenever the number of owners increases, the controlling actions are more valuable and contribute to the corporate performance. This could explain the positive effect of the total ownership concentration on the firm performance.

Previous studies show that investors are more and more aware of their important impact on the social community, nowadays. However, it depends on the investor category: governmental investors are more concerned about the stakeholders' interest and act in the favor of the reputation of the company, generally.

Besides, the institutional investors notably, the hedge funds and the private equity, always owning a major part on the firm's capital make them prudent in the decision-making and attentive about the corporate responsibility issues. For example, Brickley et al. [103] argue that institutional stockholders having large power and asymmetric information advantages tend to be more actively involved in firms' decisions than other stockholders. By exercising substantial voting power, institutional investors have the ability to influence a firm's operational decisions [104]. In fact, empirical research also provides evidence that institutional ownership may be positively related to voluntary disclosure of CSR. For example, El-Gazzar [105] argues that firms with high level of institutional ownership are related to a high level of voluntary disclosure. Boone and White [106] find that a higher proportion of institutional ownership helps to increase the firm's information disclosure and enhance the transparency of the firm.

Their prior objective is to obtain better profits by decreasing the financial risk. Moreover, the presence of the foreign investors among the ownership structure can be a reason for adopting new approaches that take into consideration the long-term advantages, which explains the approval of the CSR approaches. Besides, Abrahamson and Park reveal that companies supervised by their investors and boards are disclosing more extra-financial data [107]. Furthermore, the Ben-Amar et al.

drawn on Canadian companies show that the board effectiveness has a positive impact on the carbon disclosure quality [108]. More recently, Nofsinger et al. have shown that the presence of institutional investors' holdings promotes the two potential drivers of investment decisions, which can be considered complementary: the social standards and the economic motivations [109].

3.3 CSR disclosure and firm performance

The CSR disclosure is the communication of the firm's practices about the consequences of their activities on their workforce, community, and the environment [110]. Besides, according to Bowman [111], Laskar and Maji [112], Platonova et al. [113], Pham and Hiền [114], it reflects the firm behavior regarding CSR, firms can act proactively by exceeding the mandatory requirements and the stakeholders' predictions concerning the CSR disclosure or just acting reactively by complying with the stakeholders' demands [115]. They have illustrated the link between CSR disclosure and firm performance by considering the moderation effect of corporate reputation and "CEO integrity." As the CSR disclosure can reveal approximately the level of CSR initiatives adopted, the authors have founded a positive association between these two variables, explained by two theoretical bases, stakeholder theory and legitimacy theory [115]. Besides, prior studies show that firms with good performance are more likely to engage in more CSR activities and disclose their CSR activities to avoid regulation [116].

Generally, taking into consideration the stakeholder theory makes the company avoid making decisions damaging the stakeholders' well-being and directing the company toward the main corporate goals. Besides from the legitimacy perspective, behaving ethically makes the company gain its legitimacy in the eyes of local communities, the investors, and the other stakeholders.

First, based on previous studies, corporate reputation is an immaterial asset that creates competitive advantage and financial outcomes, this concept is guaranteed by adopting CSR practices and ESG disclosure, which, in turn, affect the firm performance positively. Hence, the corporate reputation can contribute to reduce the greenwashing.

Besides, the companies that are cross-listed are less submitted to greenwashing, cross-listed firms are scrutinized more closely when their shares are listed on external stock exchanges. As cross-listing means that a company has its shares listed on at least one international stock exchange in addition to its home country. Cross-listed firms may have less incentive to greenwash in ESG issues and try to avoid irritating external stakeholders. The presence of independent directors, for example, Cuadrado-Ballesteros et al. claimed that a higher percentage of independent directors impact the level of CSR positively [117]. However, Chintrakarn et al. [118] showed that higher percentage of independent directors induce a significant reduction in CSR investment. Moreover, during the pandemic, the CSR engagements has decreased due to the presence of the independent directors [118].

The convenient environment with less corruption and more civil and political rights more scrutiny and pressure from the public can also lead to more reliable corporate disclosure in ESG issues. All these aspects can have an impact on the level of corporate social responsibility (CSR) information disclosure [94].

Hence, previous studies confirm that stakeholder theory makes company disclose more CSR information to provide positive signal on their CSR performance. We believe that corporate reputation can contribute positively to CSR performance. However, the presence of independent directors may impact the CSR disclosure negatively especially during crises.

Despite the amount of studies on greenwashing channels and effects even during sudden events, very few studies have focused on the elements decreasing the misleading disclosure holistically. More studies should be conducted to analyze these issues and to identify the appropriate policies to handle them.

4. Conclusion

The COVID-19 health crisis obliges the companies to maintain a level of social commitment that aligns CSR involvement with the core business objectives.

The adaptation of CSR to the pandemic is therefore essential by thinking of the changes in responsible approaches, a great challenge to avoid a social crisis requires the integration of CSR at the heart of the company's overall strategy. After analyzing different theoretical approaches of the strategic CSR and greenwashing, we believe that an integrative view can lead us to distinguish between sustainable companies and the "greenwashers" through the extraction of common key aspects on the different models. We believe that the model of the Viswanathan model, customer awareness, scrutiny from institutional investors can differentiate between firms adopting sustainable models and those applying the greenwashing concept especially in the most drastic crisis periods, the examples of good practices during the COVID-19 pandemic should encourage national governments to make the necessary decisions regarding the development of CSR and the implementation of the Sustainable Development Goals.

Finally, we think that the characteristics mentioned in this study to review the design of CSR and the factors that can impact the adoption of CSR especially in the wake of crisis are studied in the context of France; hence, future research can study broadly this concept in other contexts for a broad sample. Another avenue for further research would be to examine the impact of strategic CSR on the stock market returns during the COVID-19 and in the post-crash period to examine whether this strategy drives a better resilience.

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Chapter 3

From Corporate Social Opportunity to Corporate Social Responsibility

Brian Bolton

Abstract

During the early 2020s, business leaders have been faced with the confluence of multiple challenges, the likes of which they had never seen before: the Covid-19 pandemic, systemic racism and the continued escalation of the climate crisis. These challenges forced companies to search for new ways to create value for their investors and other stakeholders; these challenges forced business leaders to think differently about the role that their companies play in the broader society. As we think about how business leaders balance these short-term opportunities and long-term strategies, it is critical that they realize that he level of social responsibility expected by society has risen significantly in recent years. Companies need to move beyond seeing social dynamics as short-term opportunities and incorporate them into long-term strategies. In this study, we offer 6 rules for moving forward and for turning short-term social opportunities into long-term strategic value creations. Business leaders need to focus on offering products, services and relationships that help their stakeholders improve their lives. In doing this, we rely on both academic studies and case studies to show how moving beyond corporate social opportunity and towards value creation through social responsibility is the key to long-term corporate success.

Keywords: ESG, CSR, corporate social responsibility, corporate social opportunity, value creation, strategic finance, stakeholder theory

1. Introduction

During the past few years, business leaders have been faced with the confluence of multiple challenges, the likes of which they had never seen before: the Covid-19 pandemic, systemic racism and the continued escalation of the climate crisis. These challenges forced companies to search for new ways to create value for their investors and other stakeholders; these challenges forced business leaders to think differently about the role that their companies play in the broader society.

Of course, corporations will have an enormous impact on what happens in the broader society in the days ahead. The past few years have been very chaotic - but they are in the past. The business opportunities we experienced in the past may or may not be the same opportunities we see in the future. Companies need to develop systems and strategies that are capable of creating economic value in the future, regardless

of the societal opportunities and challenges that come their way. Companies need to move beyond seeing social dynamics as short-term opportunities and incorporate them into long-term strategies.

Business leaders are paid to ensure that their companies survive in the short-term while attempting to thrive over the long-term. But getting this balance right, especially in times with enormous social turbulence, is never easy. As we think about how business leaders balance these short-term opportunities and long-term strategies, it is critical that they realize that he level of social responsibility expected by society has risen significantly in recent years. Some companies used to pursue corporate social opportunity (CSO) thinking about how companies engage with significant social shocks over the short-term. These actions are symbolic and empty gestures. The key to creating long-term economic value will be thinking beyond these short-term opportunities and developing strategies that align with what matters to stakeholders. In this study, we offer 6 rules for moving forward and for turning short-term social opportunities into long-term strategic value creation.

Milton Friedman [1] famously said that the only corporate social responsibility any business has is to maximize profits. But how does any business maximize profits? Alex Edmans [2] shows that profits are maximized but connecting a strategy with a what stakeholders are willing to pay for. Bielak et al. [3] show that employees are the stakeholder group that has the greatest influence on how a firm engages with social shocks and societal expectations. Other research, including Schiller [4] and Dai et al. [5], focus on the role that customers play in forcing firms to have more sustainable and socially responsible supply chain. Stakeholders matter, over both the short term and the long term. Anat Admati [6] warns that stakeholder influence can be muted if government regulations and social structures are not conducive to firms addressing such social shocks. And, Gillan et al. [7] provide empirical evidence that firms which have more embedded corporate social responsibility and ESG cultures have lower costs of capital, suggesting that investors and other stakeholders see the value in firms investing in environmental, social and governance imperatives. The challenge for firms is to get the balance right between short-term social opportunities – which may lead to fleeting profitability – and long-term responsibilities – which should lead to long-term and sustainable economic value creation.

This is a conceptual study aimed to help business leaders better understand their role in the decision-making process and what they need to do to ensure their business can survive in the short-term and thrive in the long-term. Doing so requires their business offering products, services and relationships that help their stakeholders improve their lives. We also connect various research streams - from stakeholder theory to resource dependency theory to Milton Friedman's perspective on social responsibility - to show how academics can think about their own research and where it fits in the broader literatures on social responsibility and value-creation. In doing this, we rely on both academic studies and case studies to show how moving beyond corporate social opportunity and towards value creation through social responsibility is the key to long-term corporate success.

2. Corporate social opportunity vs. corporate social responsibility

Where does economic value come from? That's not a rhetorical question; but it is a question that we – as both academics and business leaders – frequently take for granted. Yet, through the social and economic tumult of 2020, many business leaders

were forced to try to answer that question. The Covid-19 pandemic and related shutdowns put many companies out of business and left many others scrambling for a strategy to survive through the crisis. At the same time, business leaders were working to design strategies to address the Black Lives Matter and other social justice movements around the world, while also dealing with the short-term and long-term effects of a worsening global Climate Crisis. The historic economic shocks of 2020 shed a bright light on where economic value comes from: economic value is created by people working to create a better life, greater wellbeing and greater opportunity for themselves and their loved ones. More simply, economic value is created by people.

Economic and social shocks can present business leaders with short-term opportunities to connect with people and to create economic value. Companies that are agile and able to adapt to these new opportunities will benefit the most. For entrepreneurs, agility and adaptability – or organizational improvisation – can be extremely valuable in being able to quickly turn a short-term shock into the start-up's long-term strategy [8]. The same mentality applies to companies of all sizes. And when the shocks are so intense, such as the pandemic-related shocks of 2020, business leaders feel like they have to capitalize on every fleeting opportunity. But what if these opportunities do not align with their missions, strategies and resources? What if the businesses cannot strategically improvise? Should the companies still pursue them because they seem good opportunities?

A recent study by the U.S. Federal Reserve studied business closures during the Covid-19 pandemic [9]. In an average year 7.5% of all businesses close. During the first year of the pandemic, business closures were approximately one-quarter to one-third higher than normal. This increase was dominated by "Other Services" (barber shops and yoga studios) and "Leisure & Hospitality." However, there were some industries that experienced lower than typical closure rates during the pandemic, including grocery stores, take-out restaurants, electronics stores and arts, entertainment and leisure. Why? What did companies in these industries do differently? Perhaps it was as simple as being essential and providing both needs and wants in safe and efficient ways. But maybe it's not that simple.

We present an approach that business leaders can use to think beyond these short-term opportunities and stay committed to their long-term missions and strategies – which is especially useful in times of turbulence and uncertainty. Since the beginning of 2020, business leaders have seen many chances to take advantage of these windows of opportunity and (perhaps) realize some short-term profits; we know that the time perspective regarding windows of opportunity is particularly critical for entrepreneurs and small businesses [10]. But what happens when those windows close? What happens if the company does not have the resources to effectively leverage those opportunities?

Corporate social responsibility is generally thought of as creating value in ways that satisfy legal obligations and society's prevailing conventions [11]; we use the term "corporate social opportunity" to refer to these windows where business leaders think they can follow a social movement to create economic value. Corporate social opportunity is distinct from corporate social responsibility because it has a short-term focus and may be disconnected from the strategic intent of any corporate actions. Corporate social opportunities are frequently symbolic and empty gestures, aimed at following moments of economic and social chaos, but are not part of longer-term strategy or movement.

During the summer of 2020, as the Black Lives Matter and anti-racism movements were growing around the world, many businesses announced new initiatives

and positions focused on diversity, equity and inclusion. But what has been done since then? The concern, obviously, is not with business leaders wanting to address systemic racism, both within their companies and within society. The concern is with the authenticity of these initiatives [12]. Business leaders know there is a lot to do in this area; but are they genuinely intent on building the infrastructure and developing the strategies necessary to address racism over the long-term [13]? Are they willing the make the necessary financial investments; or are they looking capitalize on short-term emotions? A similar analogy can be made about corporate initiatives to buy carbon offsets, rather than to actually reduce carbon emissions, in order to (appear to) address the Climate Crisis. In environmental circles, we have referred to such actions as greenwashing for decades; our term "corporate social opportunity" includes greenwashing, but also includes empty gestures about fighting racism, investing in essential employees, caring about employees and their mental health and any other fleeting words that do not have the necessary financial and strategic investments behind them.

In scholarly research, we frequently separate financial and strategic investments, even though we innately appreciate how interconnected they are. We explicitly connect financial, strategic, corporate social responsibility, leadership and entrepreneurship perspectives in order to provide more relevant policy and practical lessons. We use the foundations of stakeholder theory to consider the decisions that individuals are constantly making regarding short-term costs and long-term benefits as they work to create better lives. But then we expand on that to show how an inclusive stakeholder theory perspective can help business leaders understand their role in decision-making and what they need to do to ensure their business can survive in the short-term and thrive in the long-term. Where does economic value come from? Economic value comes from people working to improve their lives; for businesses, economic value comes from offering products, services and relationships that help their stakeholders improve their lives.

3. Strategies for creating economic value

In the words of Larry Fink, CEO of BlackRock, one of the world's largest investment managers, "climate risk is investment risk" [14]. We could say the same about other macro risks: social risk is investment risk, governance risk is investment risk and leadership risk is investment risk. This connects directly to our central argument: that corporate managers need to move beyond capitalizing on short-term corporate social opportunities and focus on embracing their stakeholders' values and working to create strategies that lead to long-term economic value creation [15]. Financial and economic value are only created when leaders realize the benefits that come from managing climate, social, leadership and other macro risks.

But how do we do that? What are some strategies and best practices that we can employ? We offer the following 6 rules for moving forward and for turning short-term social opportunities into long-term strategic value creations.

1. Create Positive Externalities – Economists frequently talk about externalities in only negative ways, such as the pollution imposed on a community by one single factory; the entire community pays the costs for the factory's benefits. But positive externalities exist, too. If I invest $1,000 in my home's front garden, it may increase the value of my home and of my neighbors' homes by much more

than that initial $1,000. Businesses can create positive externalities, too. Think of Starbucks paying for its associates to attend college; think of UPS drivers only making right turns. These are (relatively tiny) short-term investments that can have (relatively large) long-term benefits.

2. Embrace New Stakeholders –At any given time, no company will ever know if they are maximizing economic value. They think they know who their stakeholders are and what their profits are; but could the profits be higher? Can we embrace new stakeholders who will create even greater profits for us? In the United States, fewer than 20% of corporate directors are women and fewer than 5% of CEOs are women. Given that 40–60% of most companies' stakeholders may be women, what do these leadership demographics say about inclusion and representation? Do the female customers and employees feel respected? Many companies have increased the number of women serving as directors and many companies have created Director of Diversity positions in recent years. These are necessary but not sufficient investments for embracing new stakeholders. The real test will be whether those new stakeholders are integrated with the strategies and operations of the firm over the long-term, instead of extracting value from certain stakeholders.

3. Ignore Sunk Costs – The investments we made in the past are in the past. As we decide what strategies and investments to make for the future, we only care about the incremental, future cash flows associated with any investment. Maybe we have to pay $1 million to shut down a project in order to move forward with a project that will create $5 million. The corollary to ignoring sunk costs is to focus on opportunity costs. What opportunities are we sacrificing by not moving forward? Think of ExxonMobil being one of the last global energy producers to begin investing in non-fossil fuel source of energy. Think of Ford and General Motors ignoring investing in hybrid technology during the early 2000s. Think of any automobile manufacturer not going all-in with electric technology during the 2010s and 2020s as Tesla has. The opportunity costs of avoiding the future can be quite significant.

4. In Business, Nothing is Intangible – In business, everything has economic and financial value. We are either creating value or we are destroying value. Leadership, communication and organizational design may seem intangible but, they all have a significant impact on a company's finances. So do many other seemingly intangible aspects of business that directly affect that how employees perform their work: morale, respect, trust and culture. Every decision has economic and financial impact and it's up to each organization's leadership to ensure that all decisions move the organization towards its mission. Thinking any business issue is intangible is myopic and dangerous.

5. Culture Matters – Culture can be a very powerful positive externality. In business, culture can be defined as programmed behavior. Culture can be influenced and managed (McNulty, 2016). Sometimes this programming is active, sometimes it is passive (e.g., one company may have an explicit dress code, whereas another may not have a dress code but all employees choose to wear a similar outfit anyway). Culture is a function of the people, systems and institutions within any organization or community. The behavior that becomes programmed within

any organization is a function of the choices made by the leadership of the organization. And it is the behavior of an organization's people that will determine how effectively and efficiently it achieves its mission, creates social welfare and maximizes economic value. Economic value is created by culture. And all too often, economic value is destroyed by culture.

6. Profits Only Happen Because of People and the Planet – For years, people, planet and profit have been referred to as "the 3 Ps" that determine a company's success; these are the three factors we see in triple-bottom line accounting. People and the planet are inputs, resources essential for the company's operations; profits are the result of how effectively and efficiently the company employs human and natural resources in its operations. No company has ever made a profit without people or the planet. We learned this in 2020: without customers and employees, and with limited ability to employ natural resources during the pandemic lockdowns, many companies lost their profits and had to rely on loans and government subsidies to survive, thus borrowing on a future that may or may not come. The year 2020 gave us a painful reminder that we get to decide how we embrace people and the planet as we move into the future.

The foundation for creating positive externalities and embracing new shareholders represent the company's impact and operations. These tactics will be closely aligned with the company's underlying mission. The foundation for ignoring sunk costs and knowing that all investments and actions have tangible economic impact is the firm's strategy. A SWOT analysis or similar strategic plan can identify the internal resources and external factors that will dictate the cash flows and economic impact of the company's actions into the future, independent of what may have happened in the past. And the foundation for appreciating that culture matters and that profits happen because of people and the planet is the company's authenticity [16]. Culture is an evolving dynamic, framed by leadership, that influences stakeholders' actions; a company's people and relationship with the environment determine the company's profits [17]. Myopic greenwashing, propaganda and riding social opportunities are empty gestures that will destroy firm value in the long-term; being authentic with communication, incentives and investments is the only way to align corporate mission with economic value-creation [18].

4. Inspiration for value-creation

4.1 Literature and history: Milton Friedman debates

It may be cliché to have a discussion around corporate social responsibility and aligning strategy with purpose by addressing Milton Friedman's 1970 position that a company's only corporate social responsibility is to maximize profits [1]. But, given the multiple economic and social challenges of 2020 – not to mention the 50-year anniversary of Friedman's article – this perspective needs to be understood. Friedman wrote his article in response to the many calls for businesses to focus on social issues – and not just profits – following the social and environmental challenges that erupted during the 1960s. Friedman contends, that in open and free markets, shareholders can invest in philanthropic or social causes that are important to them individually, but it is not a CEO's role to make such investment on

behalf of the shareholders. Importantly, Friedman does explain that it is perfectly appropriate – or, responsible – for CEOs to make such investments if the shareholders demand such and doing so maximizes profits.

We do not mention Friedman to agree with him or to disagree with him; many brilliant people have disagreed on the appropriateness of Friedman's perspective over the years. Alex Edmans has generally defended Friedman's perspective as suggesting that "it is legitimate for a company to focus on increasing profits because the only way it can do so, at least in the long term, is if it treats stakeholders seriously" [2]. Anat Admati argues that allegiance to Friedman's perspective can produce enormous damage to society because it is built on assumptions that do not exist in reality and Friedman's rules of the game "become meaningless without effective enforcement, with the ultimate outcomes reflecting little if any 'social responsibility'" [3].

We will not settle this debate here. We mention Friedman to lay out the foundation for how we believe corporations should address social opportunities and strategies. Directly or indirectly, Friedman's perspective is a foundation of the agency theory [19]. Agency theory recognizes both the separation of control and the conflicts of interest that arise when principals hire agents to serve the principals' interests. The key to a successful principal-agent relationship is aligning the interests of the agents with the objectives of the principles. Many critics of agency theory argue that the focus on agents serving the myopic needs of the principals overemphasizes short-term profits at the expense of long-term value creation, because doing so maximizes the rational self-interest of the agents. Hart and Zingales [20] advocate moving from shareholder wealth maximization towards the more shareholder welfare maximization because shareholders are pro-social humans who (may) care about more than just money. In the short-term, there can be a significant difference between shareholder wealth and shareholder welfare, as markets may be slow (or unable) to accurately price-in both the positive and negative externalities that result from corporate actions.

We know that small businesses and entrepreneurs have much higher business failure rates than larger businesses do [9]. On average, approximately 15% of businesses with fewer than 5 employees fail in a given year; the rate is closer to 30% for such small firms that opened during 2020–2021. Many of these firms do not suffer from principal-agent conflicts, as the managers are frequently also the owners. But small businesses are particularly vulnerable to economic whims and may be tempted to capitalize on short-term opportunities. If those opportunities align with their mission, strategy and resources, then those short-term social opportunities can become long-term purpose and profits. But what if they are not so aligned? What is the company sacrificing by chasing fleeting social opportunities? What happens when the current window of opportunity closes and a new issue arises? Resources – human, financial and natural – are limited and using limited resources to chase a fleeting moment is likely to have long-term, negative consequences. The key to turning short-term opportunities into long-term profits is to authentically align their investments in these new opportunities with their long-term mission and strategies [21].

4.2 Examples from the early 2020s

The Covid-19 pandemic obviously created many challenges for businesses of all sizes. We saw the disastrous consequences most vividly with start-ups and small businesses; while some entrepreneurs saw the social and economic shocks as opportunities to create a new venture, creating a sustainable business was particularly

challenging during 2020 [22]. But, during 2020 and 2021, we know that business leaders were faced with the confluence of multiple challenges, the likes of which they had never seen before: the Covid-19 pandemic, systemic racism and the continued escalation of the Climate Crisis. As 2021 progresses, we know that the business opportunities we experienced in the recent past may or may not be the same opportunities we see in the future. Companies need to ignore sunk costs. Companies need to develop systems and strategies that are capable of creating economic value in the future, regardless of the societal opportunities and challenges that come their way.

Businesses exist to create economic value. Of course, there are many ways to define economic value. Some companies may view economic value in purely financial terms; some may view economic value as relating to broader social welfare; others may view economic value in more specific and personal terms, such as a third-generation family business owner wanting to pass the business down to the fourth and fifth generations. In competitive markets, the dynamics that lead to financial value, to broader social welfare and to family business succession become the same. Those dynamics relate to people and resources; economics is the science of allocating resources to be used by people. However, many companies are not focused on how to use social dynamics to create value for people. Companies that fail to focus on the social dimension are failing to focus on their future.

For many people around the world, the dominant economic event of 2020 was the Covid-19 pandemic and how it affected health, wealth and relationships. For others, the Black Lives Matter movement and devastating climate crisis were the dominant economic and social events of 2020. These events combined to make 2020 a most unique year. And a unique example can help us understand how these different social issues may be more connected than they at first seem. During the year 2020, American electric vehicle-maker Tesla saw its stock price increase by 743%. Tesla's market capitalization was more than double the combined market value of Ford, General Motors, Toyota and Honda. Why?

Of course, nobody knows why. But we do know (or assume) that stock prices represent the present value of expected future cash flows and value-creation. Stock prices are a bet on the future of a company. Tesla's corporate mission is "to accelerate the world's transition to sustainable energy." Since becoming a listed company in mid-2010, 2020 was Tesla's only profitable year; and 2020 gave the company 4 of its 10 profitable quarters since mid-2010. Maybe Tesla's stock price performance in 2020 was a result of newfound profitability and investors updating their forecasts and narratives about the company's future.

But perhaps the 743% stock price appreciation was directly a result of the economic, social, governance and environmental challenges the world faced in 2020. Perhaps these events illuminated Tesla's unique strategies and competitive advantages – and those are the factors that investors were updating in their forecasts and narratives. If we accept that that the Covid-19 pandemic was (at least indirectly) a result of our increasingly globalized business worlds and lifestyles, the narrative of business success in the future may include the costs and benefits of our business relationship with the natural environment. As business encroaches on the natural world, we increase the probability of the natural world fighting back and presenting us with ever more challenges we were not prepared to deal with. In order to prevent another Covid-19 and another 2020, we may need to change our preparedness for dealing with another deadly virus or our relationship with nature. Thus, an investment in Tesla might represent a bet on us changing our relationship with the natural world and how we use our natural resources.

We are not pretending that Tesla's 2020 stock price appreciation was entirely driven by Covid-19 related enlightened expectations of a changing world. There are many other factors that could have driven investors towards the stock: more effective leadership, more efficient production, greater access to recharging stations. We know that Tesla's mercurial CEO, Elon Musk, has the potential to affect the company's stock price negatively or positively with a simple tweet or interview.

But what may have changed in 2020 is investors gaining a greater appreciation for the role that environmental, social, leadership and strategic factors play in each company's success. During 2020, these factors each became significantly more important to individual stakeholders and the societal institutions entrusted to serve individuals' values. And some investors expect Tesla to deliver on aligning our values with the world we want in the future. Investors like to talk about ESG investing, looking at the ways that Environmental, Social and Governance issues; but we generally only consider one of the 3 letters at a time when we analyze each company. We rarely consider a company's combined E, S and G dimensions. Tesla, however, may be one of the few companies and investments where we really see the E, the S and the G in ESG being integrated.

5. Frameworks for value-creation

5.1 ESG principles

As discussed above with respect to Tesla, the events of 2020 increased investors' focus on ESG – or environmental, social and governance – factors that drive corporate value. The term ESG has been part of the business vernacular for nearly two decades; it was introduced in 2004, in a report titled "Who Cares Wins" by the United Nations' Global Compact and the International Finance Corporation as an investment strategy for asset managers [23]. Since then, it has evolved from being a filter for investors to being a focal point for corporate strategy, as corporate leaders have worked to integrate the tenets of ESG into their long-term visions. But what does this really mean? And how have ESG principles been put into practice?

The "Who Cares Wins" report stated that its purpose was to "better integrate environmental, social and governance issues" into both investment and corporate strategies. However, this integration has never happened. Investors, managers and leaders see the terms environmental, social, governance as independent ideals. They focus on one at a time. Managers do regularly account for E, S and G issues in their investment decisions, but full integration of the relationships and synergies between the ideals has never happened [24]. Many of us have been expecting a paradigm shift in how leaders think about and invest in ESG, but there is still a long way to go before businesses fully scale and integrate the interconnected elements of ESG to create economic value [25].

The 2000s were the decade of the G in ESG. Following the corporate governance scandals of Enron, Parmalat, WorldCom and others, corporations focused on increasing the transparency and independence of their governance structures. In the U.S., two major pieces of regulatory reform – Sarbanes-Oxley in 2002 and Dodd-Frank in 2010 – provided guidance on improving the G in ESG. And markets responded. The number of independent directors on boards increased considerably (from just over 50% in 2000 to nearly 80% by 2020) and shareholders felt they had greater ability to monitor and influence corporate decisions (such as through "Say on Pay" votes, encouraged by Dodd-Frank).

The 2010s were arguably the decade of the E in ESG. Following the Global Financial Crisis, many governments realized that they needed to envision new drivers of innovation and growth. In the U.S., the American Recovery and Reinvestment Act of 2009 provided substantial subsidies for businesses to invest in renewable energy programs and infrastructure. For this first time since the U.S. government began subsidizing energy in the early 1900s, renewable energy investments were incentivized more than fossil fuel investments. And the markets responded. Walmart became one of the world's largest buyers of photovoltaic systems. Tesla and its mission "to accelerate the world's transition to sustainable energy" grew out of this legislation. And companies around the world – including Unilever, Nike, ING, Nestle, Danone and others – became missionaries for connecting customers' environmental values to corporate profits.

While it is still early in the decade, the multiple challenges of 2020 and 2021 suggest that the 2020s may be the decade of the S in ESG. The Covid-19 outbreak and the many, divergent attitudes that arose regarding how best to address the pandemic, the continued impact of Black Lives Matter, the resurgence of MeToo, the mental health, data privacy, and relationship issues of a locked-down society and many other potential social issues suggest that we will continue to face new and more complex challenges than we have ever seen before. Companies need to find ways understand how social factors drive value-creation.

The challenge is that this idea can quickly become abstract when trying to quantify social value. Estimating the return on investment on the installation of solar panels or understanding how investors value transparency can be measurable aspects of ESG; understanding how respect, empowerment, equity and inclusion create value is far more complicated. But we know that investing in empowerment, equity and inclusion can lead to greater representation, stronger commitment and higher productivity, all examples of positive externalities that lead to improved cash flows and profits.

But that complexity does not mean that corporate leaders should ignore it. Nothing a business does is intangible; everything has economic impact. As we see the social dimension become more prominent in business strategy, we may begin to see the three ESG factors become integrated. Covid-19 has had disproportionate impacts on certain populations – elderly, immuno-compromised, front-line workers – as a result of the G and the S interacting. The climate crisis around the world has exposed inequities, vulnerabilities and environmental racism that has existed for centuries, as a result of the E and S interacting. These dynamics are not going to moderate until we integrate the E, S and G into corporate strategies that extend beyond the current opportunity. People, the S, will always be the source of revenue for every business and will always be the source of executing any corporate strategy. One key to integrating these seemingly disparate dynamics may be to effectively create novel partnerships between stakeholders rather than traditional business transactions [25, 26]. Short-term partnerships can become long-term relationships if the businesses are able to authentically integrate stakeholders' values into the strategic plans [27]. So far, the 2020s have made it clear that integrating the broader social dynamics with corporate strategy for their unique stakeholders is more essential now than ever.

5.2 Social responsibility and stakeholder welfare

In theory, economic value-creation and financial profits come from the same place, making it unnecessary to settle any debates about the accuracy of Milton Friedman's arguments. But where do profits come from? Simply, profits are the result

of revenue increasing or relative costs decreasing. Revenues come from customers; costs are paid to employees, suppliers, governments, partners and investors. Let us assume that all of these people are rational and they only engage with a business because such engagement makes their life better, however they choose to define 'better'. Revenues only increase when the company provides products and services that customers choose to buy; costs only decrease because the employees, suppliers, investors or others choose to charge the company less, presumably because the company is making their life better in some way independent of the cash compensation that shows up on the income statement.

- Would customers be willing to pay more for a seemingly inferior product that comes with superior customer service?

- Would suppliers accept less cash in exchange for a long-term contract?

- Would employees accept lower wages in exchange for on-site childcare?

We know the answers to all of these questions: they might. Questions such as these fit within the realm of stakeholder theory (or even social identity theory). Stakeholder theory never attempts to identify which stakeholders are most important; it merely suggests that all stakeholders are important and it's up to managers to determine which stakeholders create the most value for each firm [28]. Shareholders are certainly important stakeholders; they provide financial capital so the firm can invest in people, projects and growth. If the return on their investment is less than what they require, they will take their money elsewhere; if the return on their investment is greater than what they require, they will invest more. Shareholder capital is a critical resource that can be used to increase profits, which will only happen if the company is improving stakeholder welfare.

Hart and Zingales [20] argue that corporations can scale social investments in ways that individual investors cannot and corporations can be more effective at pursuing pro-social objectives than government entities, in part because corporations are more immediately affected by individuals' preferences. Where corporate managers may be expert in designing marketing strategy or financial policy, many issues of ethics or social policy are a matter of individual shareholder well-being and not managerial expertise. Zingales and Hart [20] do not address stakeholders other than shareholders, but it's easy to extend their argument to all other stakeholders. Do managers, directors and owners incorporate the welfare of all stakeholders when setting corporate policy? Of course, they do this all the time. For example, any marketing professional will tell you that their job is to "create customer value." Could any company maximize shareholder welfare without creating customer value? In the same sense, no company can maximize profits without also optimizing its relationships with people and the planet; all of these dimensions are interconnected and interdependent.

5.3 Stakeholders: The creators of economic value

One lesson that business leaders were reminded of during 2020 is that all stakeholders matter. Many hospitality firms, restaurants and other entertainment companies went bankrupt as their customers stopped giving them money. Employees were classified as "essential" if their work was immediately required for the short-term

execution of the company's business. And the importance of efficient supply chains came into full view as we all worried that we may never have another opportunity to buy toilet paper, hand sanitizer or disinfectant. Amazon's stock price increased by 117% during 2020. Can we infer that this means Amazon's stockholders benefited more than Amazon's customers, employees or suppliers? No, we cannot. What would have happened to these non-shareholder stakeholders if Amazon had not done its job throughout the year? Where would customers have gotten our toilet paper, hand sanitizer and disinfectant? The 117% stock price appreciate was the result of Amazon creating economic value for all stakeholders, not just the measure of creating financial value for shareholders. For Amazon, and many other companies, embracing new stakeholders was the key to their ability to survive and thrive and 2020.

In the context of CSR or CSO, maximizing profits is only possible if companies satisfy the values and needs of their stakeholders. Society's values represent the economic decisions that individuals make based on what they value, on what is important to them. Government institutions are responsible for taking care of the most basic of these values; but governments can be slow, inefficient and too easily influenced [18]. During 2020, the role that businesses served in helping individuals satisfy their values and needs became ever more important. Companies in certain industries, such as travel and hospitality, were devastated by the pandemic and related restrictions. Others that were able to satisfy our most basic values (like Amazon), our needs (like Zoom) and our wants (Etsy) created enormous amounts of financial value – because they created enormous amounts of value for individual people. Amazon's stock price rose 117% during 2020; Zoom's stock price rose 396% during 2020; Etsy's stock price rose 302% during 2020. Are these examples of companies capitalizing on short-term social opportunities created by the pandemic? Perhaps. But, while they aren't perfect, stock prices should be forward-looking. Stock prices should not reflect what any company was able to do in the past, but rather they should reflect what the companies are expected to do in the future. Stock prices will always ignore sunk costs; business leaders need to do the same.

6. Creating economic value

6.1 The business case for integrating the E, the S and the G in ESG

The 6 strategies provided in Section 2 above provide some general perspective on turning short-term social opportunities into long-term strategic value creation. Each of these rules or perspectives can be incorporated into the aforementioned ESG framework for deriving value through environmental, social and governance dimensions. But frameworks and ideals may not be enough to convince your CFO and investors that investing in ESG will improve firm value. The story you tell and how you justify investing in ESG is critical. We have identified 6 drivers of economic value that may help corporate leaders make the business case for investing in environmental, social and governance initiatives.

1. Market Access – Clearly identifying new product, geographic or labor markets that can generate new revenues or lead to lower relative expenses.

2. Operating Efficiency – Making investments that can lower operating expenses is perhaps the most quantifiable driver of the business case for ESG. But investing

in people and culture can also lower turnover, increase inclusion and increase productivity.

3. Innovation – How can we utilize new technologies to create economic value? Can we create those new technologies ourselves? External forces and evolving stakeholder preferences will always present opportunities to innovate; businesses must have the courage to invest in those opportunities.

4. Risk Management – People, safety and other risk management tools can be enormous sources of value creation through ESG. Think of opportunity costs: what are the costs of not making certain investments? Avoiding many costs creates economic value.

5. Regulatory Mandate – In 2020, we saw the devastating confluence of public health, social inclusion and environmental factors. In response, we have seen, and may continue to see, increased regulatory pressures on companies to invest in ESG. This is not new (such as quotas on the number of women serving on boards of directors, incentivized investments in renewable energy, and adopting the United Nations' Sustainable Development Goals as country-specific goals). Companies that align their strategies with such regulatory initiatives are likely to benefit the most over the long-term.

6. Reputation Enhancement – As customer and stakeholder preferences evolve, they will look to businesses to provide value in different ways. Companies that align strategies with stakeholder preferences will improve their brand and reputations the most. When Walmart invests in solar energy, is cost reduction the only goal? Surely these investments improve many people's perception of Walmart's values as a company – which can directly create economic value for Walmart. And there's nothing wrong with that.

These 6 drivers of economic value are key to turning a short-term opportunity into a long-term movement. The examples in **Table 1** show how we can use these business case drivers to tell the economic story of the social events that dominated 2020 – and will continue to dominate economic growth throughout the 2020s.

6.2 Economics, wellbeing and 2020

It is worth remembering that "economics" is not about money; economics is about resources and allocating society's natural and human resources in optimal ways. Money is merely a currency that helps us to establish an exchange rate for trading different resources. Having 100 luxury vehicles does not matter if we cannot trade them for dinner, housing or some type of utility. We like money because it enables acquiring resources that are important to us; but it should be those resources that we ultimately want, not the pile of money.

When Covid-19 became a pandemic in early-2020, many societies around the world went into lockdown to limit the possible spread of the virus. And when the societies went into lockdown, much economic activity stopped. For a few months, most developed economies were in an odd stage of suspension; we were not producing much, individually or collectively. We had become completely dependent on integrated economies that relied on trading resources with others to meet our daily needs.

	#BLM black live matter & social justice	**#MeToo gender inclusion & gender equity**	**#ClimateAction natural resources & the environment**
Market access	Selling products and services in communities and regions that you have previously ignored; inclusive leadership teams provide innovative vision and perspectives; new investors; flexible work arrangements.	Selling products and services in communities and regions that you have previously ignored; inclusive leadership teams provide innovative vision and perspectives; new investors; flexible work arrangements; on-site childcare.	Creating products and platforms that will shape the future of natural resource relationships; new partnerships lead to new product and geographic markets; new investors.
Operating efficiency	Broader and more inclusive supply chains lead to lower costs; enhanced corporate culture decreases employee turnover costs and improves productivity.	Broader and more inclusive supply chains lead to lower costs; enhanced corporate culture decreases employee turnover costs and improves productivity.	Natural resource scarcity will increase energy costs from traditional sources; pivoting to innovation and renewables lowers costs over the long-term; enhanced corporate culture decreases employee turnover costs and improves productivity.
Innovation	New products, services, marketing, partnerships, leadership & corporate culture.	New products, services, marketing, partnerships, leadership & corporate culture, flexible; on-site childcare.	New products, services, marketing, partnerships, leadership & corporate culture.
Risk Mitigation	Inclusive vision is less likely to be myopic; value chain becomes more resilient to shocks.	Inclusive leadership focuses on the long-term, taking fewer short-term risks.	Resilient supply chains lead to fewer price shocks.
Regulatory mandate	Board diversity goals, equal employment requirements, stakeholder preferences.	Board diversity goals & quotas, equal employment requirements, stakeholder preferences.	Lower taxes, higher subsidies, greater grants & partnerships.
Reputation enhancement	Diverse representation in management and leadership builds long-term trust; long-term trust among all stakeholders grows brand, revenues and opportunity.	Diverse representation in management and leadership builds long-term trust; long-term trust among all stakeholders grows brand, revenues and opportunity.	Visionary leadership & diverse investments build long-term trust; long-term trust among all stakeholders grows brand, revenues and opportunity.
Example companies	Lowe's, Apple, Nike	Nestle, Danone, Natura	Unilever, ING, Tesla, Ford, Firmenich

Table 1.
This table shows how the six business case drivers can be applied to three of the most significant social movements. Guidance is provided as to how managers can implement these drivers and how other stakeholders can benefit from these drivers. Examples of companies using these drivers to address these social movements are provided.

Economic growth, or an increase in the resources we have to allocate among society's citizens, depends on coordination between different people to trade resources. But economic growth also depends on production that utilizes natural and human resources to create more valuable and useful resources. All of this stopped when Covid-19 hit. And,

just over a year since Covid-19 first changed our lives, societies are still trying to figure out how to adjust our actions to best grow our micro- and macroeconomies.

- When should schools re-open? How should schools re-open?
- Will work-from-anywhere become permanent? Is it safe to return to the office?
- When can I travel again? When can I see my family again?

Figuring out how businesses proceed involves an assessment of the short-term and long-term benefits and consequences of any decision. This is the implicit decision everyone makes every time they make a personal or business decision. When we buy milk or eggs at the market, we are implicitly saying that having those items makes our lives better more than having the money we needed to buy them (and, similarly, more than the labor, effort or other resources we gave up acquiring the money needed for the milk and eggs). This discussion of trade and resource allocation is simple because we think we know the precise costs of such decisions and we know how much we benefit from those decisions. But most decisions in life – especially those involving communities of people – are rarely this simple and easily understandable. We do not want our children and teachers to get sick (or worse), but what is the loss to society over the next 20+ years if we sacrifice 10–20% of our children's education today? Nobody knows the answer to this question.

Yet this question is typical of the types of economic decisions that business, community and government leaders will be forced to make in the future. Is this an issue of corporate social responsibility? Is this an issue of increasing profits? Is this an issue of creating economic value? Of course, it is all of the above. Every decision any business ever makes is all about people, society, prosperity, well-being and money. Businesses choosing to strategically invest in people and society will continue to determine the prosperity and well-being that we see in the future, just as it always has.

7. From corporate social opportunity to corporate social responsibility

The turmoil of 2020 presented many challenges for companies as they tried to create economic value; but the events of 2020 also presented many corporations with social opportunities that might lead to economic value creation. We refer to this as corporate social opportunity, or how companies respond to economic and social shocks in the short-term. Examples of corporate social opportunity include adding women to a board of directors in response to the #MeToo movement, creating a new Chief Diversity Officer in response to Black Lives Matter or football teams around the world paying respect to health care workers who led the fight against Covid-19, without a long-term strategy that integrates those actions.

To be sure, capitalizing on corporate social opportunities is not necessarily wrong or bad; that's not the issue. The issue is more about authenticity, strategy and impact. Do the female directors have the same power, authority and ownership as the longer-serving males or do they just meet a quota? Is the Chief Diversity Officer granted all of the power and resources she needs to exert true change and leadership or is the creation of the position just for public relations? And what message are those football players if, a few hours after paying respects at the beginning of a match, they are posting photos of a house party that is clearly violating all of the Covid-19 protocols that

the health care workers want us to follow? What is the message they send when they stop kneeling before matches?

From a strategic perspective, corporate leaders need to anticipate and plan for what they will do when the next social moment impacts their business models. Will they abandon these previous efforts and choose to ride the momentum of this window of opportunity? Doing so may create very short-term profits, but potentially at the expense of long-term strategy and at the expense of many valuable stakeholder relationships. Corporate social opportunity is a more expansive application of greenwashing to a broader universe of environmental, social and governance issues – and it can destroy enormous economic value.

CSO views opportunities through a short-term narrow window, while CSR is more embedded into a company's long-term strategy, culture and operations. Thus, the crux of our argument is that while it may be tempting for companies to capitalize on short-term opportunities instigated by social shocks, true and sustainable economic value is created over the long-term through a company's strategy, culture and operations.

Thinking and acting beyond corporate social opportunity is important for all firms, but it most critical for entrepreneurs and small businesses who have severely constrained resources and limited time – where being successful in the short term may be the difference between success and failure of the business. The costs of wasting resources to chase fleeting moments are magnified for small businesses. But so are the benefits of authentically integrating the dynamics of stakeholders and mission into strategic plans. What will these businesses lose if they do not authentically develop strategic plans that integrate the needs and desires of all stakeholders into their strategies? For too long, businesses have ignored the S in ESG as a unique creator of economic value. But we know that all economic value comes from people and how businesses enhance their lives and their wellbeing. Focusing on creating value for stakeholders will continue to be the secret to surviving future economic shocks that arise from social movements.

8. Discussion and conclusion

Corporate social responsibility is not a choice. All economic value ever created by any firm has been generated through its stakeholders. These stakeholders – people – all have individual preferences and values. These stakeholders, including customers, employees, investors and suppliers, only choose to work with any firm because that firm creates value for them or makes their life better. When enormous shocks to the social landscape occur, such as Covid-19, Black Lives Matter or MeToo, every firm is forced to rethink how it engages with stakeholders and how it will create value.

Some business leaders will view these shocks as opportunities to capitalize and extract rents. This is very dangerous; these windows of opportunity will soon close. Business leaders need to focus on long-term strategy and not just short-term opportunity in order to survive, thrive and maximize value. Peloton is the perfect example of a company struggling to see beyond the short-term Covid-19 opportunity; Tesla is an example of a company incorporating the confluence of environmental, social and governance issues into its long-term strategy.

In this chapter, we have offered practical solutions for business leaders to use to develop such a long-term strategy. We have provided six rules that all leaders should follow move beyond short-term opportunities towards long-term social

responsibility: ignore sunk costs, embrace new stakeholders, nothing is intangible, culture always matters, focus on creating positive externalities and profit only happens because of people and the planet. To help operationalize these rules, we have provided 6 drivers to the business case for investing long-term that can be directly connect to the firm's income statement and cash flows: investing in CSR and ESG can create new market access, can improve operating efficiency, can help mitigate cash flow risk, can address regulatory mandate, can lead to innovation and can enhance the firm's brand and reputation. Following these 6 rules and building a strategy around these business case drivers will be the key to creating value through social dynamics.

So far, the decade of the 2020s has been the decade of the S in ESG; as the Social component of an ESG philosophy becomes more and more important, business leaders will need to think more creatively about how to create value in the future. The key to success will be to focus on the long-term and not be infatuated with short-term windows of opportunities. When these windows close, profits will cease and economic value will go away. By following the frameworks, rules and business case drivers outlined in this chapter, business leaders can move beyond a view of short-term corporate social opportunity and towards a strategy of long-term corporate social responsibility.

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Chapter 4

CSR Policies in Different Countries: A Comparative Analysis

Anupama Goel and Himangshu Rathee

Abstract

This chapter discusses the policies pertaining to CSR and their implementation in different countries in comparison to Indian CSR. Precise mandate of CSR is to achieve better management of all the stakeholders and to ensure greater accountability. It may be based upon philanthropy or inclined towards transparency, ethics or community good. Environment, social and economic dimensions are the foremost priorities of almost all the nations, but main focus areas vary depending upon the national history, policies, laws etc. along with people's preferences. The implementation of CSR is also affected by the active or passive role being performed by the government. The thrust of the chapter will be to analyse the role of the government, its goals, priorities and policies, which go in a long way to impact CSR. The legislative mandate of CSR and its implementation in India will be analysed specifically, in comparison to USA and Norway, which have better CSR rankings than India. Keywords: CSR, policies, implementation, government, ranking.

Keywords: corporate social responsibility (CSR), comparison, policy, government, India, USA, Norway

1. Introduction

Corporate Social Responsibility (CSR) ensures commitment of corporates to humanity. It is not in a charitable sense but a responsibility owed for the resource use. CSR as a coinage of legal vogue is relatively of recent provenance. As an operable concept, one cannot set finger on a definite date. It is understood to have a rough conceptualization as a business concept in 1914 when Fredrick Goff, a reputed banker established Cleveland Foundation with the objective of accepting donations from multiple sources and utilize it for philanthropic purposes [1, 2]. According to [3], the concept of CSR takes road in Rome where the ancient laws prescribed for asylums, homes for poor and old etc. This concept of social responsibility of corporations he posits was adopted in the English Law in the Middle Ages. The Crown substantialized corporations as vehicles of social development. This role of social development via corporations was then exported to the Crown's colonies. Even before Romans, and the English systems, in India, the ancient texts, that is, the Vedas prescribed the concept of CSR although not in several and clear words. In [4], the Vedic texts are interpreted to point towards core CSR principles. Vedas mention that the economic structure

should be developed on the basis of 'Sarva loka hitam', which means 'wellbeing of all the stakeholders'. The ecosystem of businesses forms a big part of large economic structure and, if viewed from the Vedic perspective, it underlines the implicit social commitments that the businesses must espouse. With the pinnacle advent of 'age of industrialization' in the mid and late nineteenth century, new challenges for small business and labour market cropped up. To sooth the challenges, businesses introduced and began creating workplace value for the labourers in form of better working conditions [5].

The introduction of the term CSR surfaced in 1950s to chalk out the boundaries of the corporations. It was during this decade of 1950–1960 when academic scholarship gained traction for attempting to start CSR research on a social level of analyses [6]. The research provided necessary impetus for a structured system of CSR. CSR Policies of different countries are modelled on different considerations, viz., philanthropic, ethical, legal, and economic or an amalgam of these. The aim of the chapter is not to lay down a detailed map on theoretical considerations of CSR policy, rather the aim is to study the nature of CSR policies in select countries. It is imperative to know the content of the CSR policy not only from the standpoint of practical pondering and deliberations. It is equally be-telling of the government's commitment to hold the corporations socially accountable. It has been briefly informed above that CSR like activities were majorly mandated through laws or government's/Crown's diktats. Placed alternatively, some external authority was required to make the businesses socially responsible. The first question that passes the mind appertains to how the business is made socially responsible? The answer though may appear to be simple by way of regulation but saying so would be far from the truth, both in theory and practice. The current research also aims to unravel the complexities that underlie in the drafting of CSR Policy. A CSR policy may be explicit, or prevail purely in practice. Again, the nature, and scope such policy varies according to several domestic considerations. For the purpose of examining, it in fair manner, comparative analysis is used. Further, the functional utility of the research lies in CSR policy reform.

The previous studies in CSR Policy reform exhibit a gap in comparative studies in CSR legal policy. In fact, it is still in its nascent stages and is labelled as an "emergent field" [7]. As correctly pointed out in [8], empirical studies produce non-comparable results owing to different operational definition of CSR. The studies in the comparative CSR field have a lot to offer from a legal policy reform perspective but have been not opted for frequently. In this light it becomes important to have a glance through the existing literature in the mentioned context. It is not intended to be a comprehensive survey of the literature. The literature points towards the growing trend of inter-country CSR study for the purposes of cross-country learnings and policy reform. No findings of the previous studies could be compared to the present study in lock, stock and barrel since the three countries selected form a unique set of analysis for comparison. Factoring this caution in mind, a brief literature survey would be helpful in establishing the gap that the required study intends to fill, in particular, and the utility of cross-country comparisons in general.

In [8], different types of comparative studies for CSR outlined which replace the unit of analysis for comparison. It posits the comparisons could be legal or institutional. The former centres on the governmental policy of CSR, while the latter on various stakeholders involved in the CSR across countries like investors, employees, top management etc. The illustrative examples are majorly drawn from the West which serves as a shortcoming [8, 9]. Later academic scholarship began becoming inclusive with comparing the west with the global south countries, for instance,

with South Africa [10]. The findings of the study confirm that CSR activities depend on the socio-political settings of a country at least when UK and South Africa were compared [10]. In 2016, a breakthrough scholarship emerged that focused on multiple countries CSR policies [11]. It however missed on India and Norway as countries of study. In order to plug the scholarly gap, the current research studies US, Norway and India's CSR policies.

In order to facilitate a systematic enquiry, the chapter is divided in four parts. The first part is the introduction itself; the second part delves into government's role in CSR promotion generally. The next part forms the main thrust of the chapter where CSR policy of different countries are analyzed. The last part comprises of conclusion and suggestions for reforms. Comparative CSR could be in terms of continents, region like European Union or SAARC, institutions, or stakeholders. Inter-country comparisons still less picked unit of study.

Before moving on to next part, a few clarifications merit mention. First, it is impossible to be exhaustive on CSR policy of different countries but being illustrative would suffice the understanding. Second, commitment of government is assessed in terms of nature of CSR policy. Third and a related point, there may be other parameters to assess the role of government towards CSR but policy pursual on any given matter is reflective of the commitment in the strongest, thus policy is considered to be reflective of the degree of government's commitment to CSR. Fourth, all comparisons would be arbitrary depending on the perspective and points of comparison. The countries selected for CSR policy comparison are on the basis of CSR rankings [12]. These countries as the readers will see in the following parts also exhibit eclectic approaches to CSR policy. Authors have used qualitative-doctrinal approach to research.

2. Role of government in CSR

There is a fundamental knot in understanding the governmental role in CSR fuelled by the belief of CSR being purely voluntary. The untying of knot involves answering a few pressing concerns circling around why the government should establish regulatory regime for CSR or what benefit does CSR regulation bring to the society? The answer is complex drawing from multiple standpoints which may often be cross-cutting. The factors responsible for governmental intervention to regulate CSR can be broadly classified into two, deliberate, and involuntary institutional factors.

2.1 Deliberate considerations

Government opts to control and regulate CSR for it considers it to be prudent for a variety of reasons. These reasons weigh in for the regulation of CSR through state's arm. CSR as conceptualized here compliments the government's efforts juxtaposition its substitution.

2.1.1 Promoting social-welfare goal

First, the government indulge in CSR regulation because it coincides with the policy broader objectives of a nation [13]. For instance, Part IV of the Indian Constitution charts out Directive Principles of State Policy (DPSP). DPSP enumerate the socio-economic justice promises that India has made to its citizens. All Indian

policies ought to take directional drive towards the goal of DPSP realization [14]. For example, Article 38 directs that "the State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life". Article 41 lays down the role of the state as provider of work, education, and assistance in cases of unemployment, old age, and disablement, and in other cases of undeserved want.

That apart, states in India have been banking on CSR related activities to fulfil promises of welfare state. In Night Shelter Matters [15], civil and human rights of homeless and destitute persons under Article 21 (right to life and personal liberty) were broached before the Indian Supreme Court. Various states in India were directed to file affidavits before the Supreme Court on the steps undertaken to alleviate the misery of shelterless persons. State of Andhra Pradesh in its affidavit submitted that assistance of philanthropic organizations and corporations as a part of their CSR activities in the development of night shelters.

In PDS Matters [16], the Central Vigilance Committee which was tasked to ensure food grains distribution to the 150 poorest districts in India recognized the role of CSR initiatives towards the fulfilment of this goal. It recommended the setting up of community kitchens under the CSR Programme to serve cooked foods in the areas where people cannot afford food grains even at a subsidized price.

2.1.2 Recognition of transnational CSR

Second, having a form of regulation even though soft-regulation is perceived as conducive to global modernity. Corporations going global is a self-evident reality. To make themselves apposite to the socialization of markets, CSR is exhibited transnationally. For a host of reasons this calls for governmental intervention. It can assist the corporations in their efforts to better realize CSR. The bearing of regulation is especially acute in developing nations where the corporates can deliver cost-free education, health services, and other labour rights to the workers and their families [17]. All of this is to be understood in the backdrop of absence of global CSR framework, and labour conventions chiefly fastened the responsibility to the states. Governmental intervention can fix this international policy lacuna to certain extent and simultaneously share the responsibility of labour welfare.

2.1.3 Investors priority towards socially relevant businesses

Third, the CSR policy interventions have permanently altered the ways in which business routines were conducted. The stakeholders now look for socially relevant business and assess the difference that business corporations are making on social and environmental fronts [18]. It is widely recognized that social-impact efforts create real value for all stakeholders. The USA stands as a towering example to this fact. After 2010, a growing number of investors are seeking information on labour policies, carbon footprint, gender representation in the board room etc. [19].

2.1.4 CSR as a system of co-governance

Fourth, CSR has activated a system of co-governance. The welfare areas which hitherto were the exclusive domain of government are now being shouldered by the corporates [20]. Society's governance is no longer a monolith under the government

but is under a new tripartite governing arrangement mediating the relationships amongst the state, corporates and the civil society. CSR policy in this context lays down the ground rules for corporations.

2.2 Involuntary institutional factors

A pre-discursive CSR policy concern via government instrumentation may be posed, 'Can a government function without CSR policy in the era of globalization?', even theoretically. The answer is hotly debated from all sides. Afore-mentioned reasons for governmental intervention delineate the role of CSR in protection of certain valuable human rights that a state actor guarantees to the citizens. Even if one assumes the standpoint that the entire gamut of welfare activities can be insulated from the corporations, the million-dollar quagmire regarding transnational nature of corporations remains a sitting concern. The state cannot regulate corporations to their international reach and stretch. Taking these and more theoretical and practical considerations that germinate from the role of corporations in contemporary today, a class of political CSR scholars are pressing to view corporations as an important political actor.

2.2.1 Corporations as promoters of human rights

Political actor role of corporations, the scholars argue entail facilitating, and implementing certain civil, political and socio-economic rights which a citizen is legitimately expecting for the state. A level ahead expansion of this paradigm of corporations as political actors put forth the means to social ends as carrying equal importance. It is a considerate view that the corporations should have stakeholders' consultation in discharging the mandate of CSR [21]. The entire set-up is not within a loosely hanging system based on pure volunteerism but is run within the four corners of legal policy of a nation state.

2.2.2 Corporations and popular legitimacy

The policy regulation notwithstanding non-mandatory nature is generally understood to be complied by the corporations especially the top business tycoons. These CSR compliances are believed to increase the societal acceptance of the corporations in absence of an electoral process legitimizing their existence [22]. According to [23] there are two types of legitimacy, input and output. Input legitimacy, in principle, refers to involvement of stakeholders in setting CSR standards. Output legitimacy is oriented towards the capability of the government or corporations to realize the expectations of the citizens. It is submitted that a sound CSR policy should be a combination of input and output factors. However, output factors require some further detailing due to the contextual relevance. If the government places a particular social issue on the fore-front, it is submitted that it has a potential of 'bandwagon effect' [24]. It implies that once a specific initiative gains societal relevance which may be deliberately brought to the fore by the government, a large number of corporations may direct its CSR initiatives towards it. The government here uses its popular appeal to exert soft pressure on corporations. The corporations on their end experience the competitive pressure. Needless to mention, there is no fixed standard to assess the performance of this proposition in objective terms. The normative appeal of the proposition lies in its inherent rationality.

The policy of government towards CSR requires separate enumeration to assess the governmental commitment to CSR. Studying the CSR policy of different countries involves only a broad overview of those policies. It excludes specific Public-Private Partnerships which may be labelled as CSR in some countries. It is so because such partnerships operate more in relation to specific contracts than as a general matter of policy.

3. Comparative analysis of CSR policies

In the above part one is familiarized with the 'why' of governmental involvement in CSR policy. This part compares the CSR policy of India with Norway, and USA. As mentioned in the first part, Norway and USA are chosen for comparison with India on the basis of the rankings. Some more elaboration is required which justify the countries selected for the CSR policy comparison. The head of Norway, King Harald mentioned close culture attraction to India [25]. It adds to the fact of increasing in flux of corporate investment in India by Norway which makes her one of the biggest investors to India in Northern Europe [26]. Selection of Norway as a country for comparison may serve two additional purposes. First, since the investments from Norway to India are on an upwards trajectory, the Norwegian companies will need to be appraised of Indian CSR policy and a comparison would only facilitate to deepen and smoothen the compliance with Indian CSR policy. Second, Norway would be a representative of working a CSR policy in civil law system. On a bird's eye view, it enables the reader to appreciate the differences and synergies between CSR policies in a civil law system, here, Norway, and a common law system like India and USA.

USA is selected for comparison on two further grounds. First, USA has maximum FDI in India, reflecting the presence of American corporation in India. It makes it the biggest non-Asian country to invest in India. Otherwise, it is only second to Singapore as of 2021 [27]. Second and a simpler reason for selection of USA as a comparator is for her being a strong representative of a common law system. India is the base country with which USA and Norway are compared. India is opted as the base country again for two key reasons. First, the authors are from India and have a sufficiently better understanding of CSR policy of India. Second, the comparison can provide useful insights to revamp Indian CSR policy.

3.1 Indian CSR policy

The umbrella Company Law in India is, Companies Act, 2013 (CA, 2013) which statutorily introduced the concept of CSR in India. Its predecessor Companies Act, 1956 did not provide for CSR. However, the Ministry of Corporate Affairs introduced Voluntary CSR Guidelines in 2006 which reproduces core principles of CSR including care for all stakeholders, respect for human rights, worker's rights and welfare, social and inclusive development etc. For implementation under the 2006 guidelines, companies were afforded with a free hand to earmark funds for CSR and activities. The 2013 Act makes a stark shift to a mandatory CSR regime. It makes discharge of CSR by the companies inescapable if it fulfils certain financial soundness criteria as per Section 135 of CA, 2013. Accordingly, CSR is mandatory in India if a corporation fulfils any one of the three enumerated criteria. First, the net worth of the corporation is at least rupees 500 crore or more. Second, its turnover is 1000 crores or more. Third, net profit of the corporation is rupees 5 crore or more. The corporations which

cross any of these three mentioned limits incur a mandatory obligation to incur at least 2% of its average net profits for the immediately preceding three financial years. The CSR expenditure has a couple of legal riders. The amount spent on CSR initiatives cannot be taken by the corporation as expenses for the purposes of the business or profession. Moreover, there are no tax exemptions on CSR per se. The direction of spending qua CSR is vested in the corporation. It must constitute a committee of the Board of Directors comprising of three or more directors and this committee will lay down the CSR policy of the corporation. The corporations that spend on CSR as per its CSR policy are required to maintain the record of the same on an annual basis in its annual report. Additionally, the corporations must give preference to the local areas around where it carries it operations. All of this is required to be disclosed on the corporation's website. Failure to comply with the prescribed CSR spending has to be justified by the Board in their CSR report [28].

Section 135 was amended in 2019 to make corporations toe the line of CSR. The amendment is pecuniarily and personally punitive. Pecuniary punitiveness requires transfer of the un-utilized funds to one of the funds mentioned in schedule VII of CA, 2013 within 6 months from the end of the financial year. If the CSR funds are tied to a continuing project, the un-utilized amount is required to be transferred to an unspent CSR account within 30 days from the end of financial year and is required to be spent within 3 years. If still the funds remain unspent after the lapse of mentioned period of 3 years, the amount is required to be transferred to one of the funds mentioned in schedule VII. The schedule enumerates several social-welfare activities, example given, eradication of hunger, poverty or promotion of education or gender equality etc. Violation of this provision may invite a fine ranging from rupees 25,000 to 25 lakhs; or it involve a personal punitive penalty where every defaulting officer may be punished with imprisonment up to 3 years; or both [29].

In addition to the legislation, the government also passed CSR Rules, 2014 which were amended in 2021. The rules minutely chart out the working of CSR mechanism in India. Dealing with all the aspects of all these rules is subject of another research work, some important points deserve a fair announcement. First, the definition of CSR under the rules is an exclusive one. It states CSR to mean activities done by the corporations in pursuance of Section 135 of CA, 2013. Rule 2(d) of CSR Rules, 2021excludes routine business activities; any activity undertaken outside India except for training of Indian sports; direct or indirect contribution to political part under Section 182 of CA, 2013; activities benefitting employees as mentioned in Section 2(k) of Code on Wages, 2017; sponsorship activities by corporations; and activities which the corporates are bound to perform by virtue of law [30].

The rule reveals inherent role that India ascribes to CSR. India contemplates role of corporations as co-partners in deliverance of social-welfare measures. Recall, as discussed in the first part, during early modern times, welfare of employees qualified as a socially responsible behaviour of the corporations. The 2021 CSR rules make it categorically definite that it is not by specifically excluding employee benefits from the definition of CSR. The claim is further buttressed by schedule VII of CA, 2013 which lays down broader agendas that can be traced to socio-economic promises made in nature of DPSP under Part IV of the Indian Constitution. For instance, Article 45 of Constitution of India, 1950 provides a progressive obligation on the state for free and compulsory education for all children till they complete 14 years of age. Schedule VII of CA, 2013 also lists spending on education as one of the CSR activities. The corporations in India cannot divulge CSR spending to activities of the kind which are alien to Schedule VII. This clarification was issued by Ministry of Corporate Affairs

(MCA) in its General Circular No. 21/2014 [31]. It goes on to substantiate the mandatory role of corporations that Indian government ascribes to them in socio-economic development of the country.

The CSR activities through rule making power can be extended to suit the felt needs of the Indian society. For instance, in 2020 MCA notification number 526(E) extended the routine business of companies engaged in research and development activity of COVID-19 related vaccine, drugs and medical devices for three financial years, 2020–2021, 2021–2022, and 2022–2023 with certain conditions relating to separate disclosure of such activities in the companies' annual reports, and mandatory partnership with one of the organizations mentioned in item (ix) to Sch. VII of CA, 2013 [32]. Further a series of amendments were introduced in the Sch. VII during the period 1st April, 2020 to 31st March, 2021 to encourage the flow of funds of companies towards national issues. Contributions made to Prime Minister's Citizen Assistance and Relief in Emergency Situation Fund, Central Armed Police Force, Central Paramilitary veterans and their dependents including windows are also counted in CSR activities now. Moreover, contributions to Public Funded Universities and autonomous bodies under Department of Science and Technology, Department of Biotechnology etc. that conduct research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goas also qualify for CSR [32, 33]. These recent amendments exhibit the India's stance on CSR which is sensitive to the prevailing currents of the society. The Indian CSR's official website acknowledges the public-private partnership through CSR in transforming India [34].

3.2 Norwegian CSR policy

Gro Harlem Brundtlan, three times Norway's Prime Minister (1974–1979) and before it, once was the Environment Affairs Minister hard pressed for Norway to be a leading role model in CSR. This ethical approach of Norway has deeper historical roots than Brundtlan's leadership. The Hague movement of Norway influenced the businesses in early 19th century. The movement mooted for carrying business with an appeal to the higher purpose- God. For instance, one of the important tenets of the movement was fair treatment to the employees [35]. The movement can still find reverberations in Norway's approach to CSR.

The Norwegian state is immensely involved in CSR since it is engrossed in business through direct or indirect ownership of big corporations. It entails that the corporations voluntarily assist the local communities in which they operate. This may be so without pasting the label of CSR [35]. Such a system coupled with Norway's welfare and egalitarian values culminates to strong sentiment for society [36]. In 2007, Norway organized an international conference on CSR and sustainable development. The outcome was a report on CSR in a global economy where Norway affirmed that its corporations in home and foreign should maintain strong CSR process [37].

The dominant driver of CSR ecosystem in Norway is its culture. This culture has marked its presence in several legislations that ensure socially responsible behaviour by the corporations. For instance, Gender Equality Act, 1978 intends to achieve the salutary of aim of promoting gender equality and improving the position of women in education, employment and cultural and professional advancement. Likewise, The Pollution Control Act, 1981 provides for participation of corporations in EU Eco-Management and Audit Scheme to assess corporations' environmental performance. There are several other legislations handling important issues of CSR in piece-meal yet poignant manner. Human Rights Act, 1991; Greenhouse Gas Emission Trading

Act, 2004; Labor Market Act, 2004; The Social Welfare Act, 2009 and examples of legislation galore [37].

The principal enactment that prescribes CSR disclosures is Accounting Act, 1998 (AA, 1998). It provides for mandatory disclosures of CSR activities undertaken by the corporations. AA, 1998 was amended in 2013 by the Norwegian Parliament to strengthen the disclosures. It requires big business corporations to supply information regarding the steps undertaken by them to integrate considerations qua human and labour rights, social issues, environmentally friendly practices, and anti-corruption business strategies. The quality of disclosure must be such that it enables one to understand the corporation's development, results, position and consequences of its activities [38]. Big corporations are businesses that satisfy at least two of the three conditionalities. First, the corporations have a sales revenue of 70 million NOK or more. Second, the balance sheet total is 35 million NOK or more. Third, there are 50 or more full-time employees in the financial year [39].

This is not to dispel the role of Small and Medium Enterprises (SMEs) in Norway. As brought up at the beginning of this segment, Norway has a strong culture of CSR. Despite absence of legal obligation, the SMEs in Norway find out practical ways to integrate CSR element in their business strategies. SMEs either pay close attention to the environmental impact of their products or focus on human rights obligations in consultation with the stakeholders. This becomes more so important when the number of legally defined big corporations in Norway is just around 2%. Role of SMEs then becomes central to Norway's performance in CSR [37]. It can be inferred that Norway's business culture rather than legal framework plays an important role in its CSR engagement.

However, the data available reflects a need for concrete CSR policy in Norway. There are weak CSR monitoring and enforcement mechanisms in the country. As per a 2009 study, only 10% companies are in compliance with environmental reporting law, and only half of the companies abide by the legal provisions on working conditions and gender equality. The key reason as the study suggests is lack of monitoring on compliance by the Norwegian authority. The law is equally facilitating by vagueness of the words. For instance, the AA, 1988 requires 'information 'that could cause a not insignificant impact on the external environment' [40]. The companies may use the loophole present and categorize their practices as causing insignificant harm on environment and thereby evading the reporting requirements.

3.3 American CSR policy

The US economy has been fairly unregulated. The labour and capital operate relatively on free market forces. It implies there are lesser state provisions for the US. There is no hard law that insists the corporations to spend a specific amount on CSR activities. The main legitimating factor for US corporations to do CSR is the legitimate expectation of people. This expectation in fact is popularly proclaimed as the propeller of CSR in the US. In 1971, the Committee for Economic Development expressed the concept of social contract between businesses and the society. The businesses are able to operate because of public consent, therefore they owe a duty to constructively serve the society. There are three duties appended to the corporations as per the social contract. First, to supply jobs and promote economic growth through businesses. Second, the business should be run fairly and honestly to the employees. Third and most important, businesses should involve themselves in bettering the community and environment in the vicinity of their operations [41].

Charactering feature of US CSR policy is its voluntariness in societal engagement notwithstanding absence of legislation mandating it. The stated voluntariness in CSR activities has compelled scholars to view corporations as citizens which are to help other citizens [42]. However, there are soft pressures which are created by the government for corporations to be socially responsible. There are in place policies and voluntary checks that include soft laws where the large corporations have to report their CSR related activities. There are government agencies which use CSR initiatives to guide the corporations in human rights, labour and other social and environmental issues. A good exemplar of the same is US Bureau of Economic and Business Affairs which has a CSR team. The main function of it is to promote responsible business practices and inculcate sustainable development and simultaneously ensuring economic security. It provides corporations necessary support to engage in human rights, women's rights, local economy affairs, industrial relations etc. [43].

The aforementioned facilities are available to facilitate corporates as good citizens. In addition, like Norway, there is fragmentary legal framework to ensure good and socially responsible behaviour by the corporations. For instance, Patient Protection and Affordable Care Act, 2010 and the Health Care and Education Reconciliation Act, 2010 were introduced to combat bad practices of insurance companies like policy revocations on mere technicalities, premium loadings etc. This made insurance companies more socially responsible. Bureaucratic set up is also used to ensure socially responsible behaviour. A case on point is of US Bureau of Energy Resources which promotes use of clean energy sources [43]. The US CSR work is mainly driven by people's expectations and further assisted and buttressed by the government and to a lesser extent by legislation.

The US has marked an upward trajectory in reporting the CSR activities done by it. Still and all, those reports may not disclose an accurate scene since only a few reports are audited [44]. Despite CSR activities, the US is adversely affected on climate change count. Environmental Lobbyists are pressing for a stringent environmental policy change and compliance by the companies [45].

3.4 Comparison of India with Norway and US

CSR policies across the three studied jurisdictions stemmed from different concerns and accordingly took shape. The role of government in respective jurisdictions can be assessed from the historical roots that CSR policies have. The Indian policy can benefit from the learnings of US and Norway. It is not to suggest that the US or Norway CSR policies are unblemished but slightly better than what India has.

3.4.1 Sentiment of CSR policy

Sentiment underlying a CSR policy framework is of utmost relevance since it directs the future of the policy along those sentiments. India's sentiment that ignited the mandatory CSR in 2013 was to co-partner businesses in the national development agenda [46]. When one views Section 135 of CA, 2013 and CSR Rules, 2014 as amended in 2021, it can be safely inferred that the government intends that CSR should be performed by big companies as a partner in socio-economic development. This is oriented towards calculated policy direction of the government after due deliberations. The intrinsic motivation to give back to society is less.

Norway situates its policy within the business culture, it is a part and parcel of the way of business conduction in Norway. This is due to a range of reasons beginning

from presence of government in direct or indirect ownership of businesses, believing in service of higher purpose and so on. This cultural ecosystem encourages SMEs to undertake CSR activities even though it is not mandatory.

USA's is at the far end of the CSR policy laxity. CSR activities are based on a social contract between the corporations and the society. Interestingly, the contract does not mention government as a party. Likewise, is the policy. Corporations actively pursue CSR activities because of societal expectations. This is mediated by few legal interventions as discussed above where the government is mainly a facilitator to corporations for doing CSR. Norway and USA are operating more on involuntary institutional forces rather than the deliberate policing by the state. It is further suggested that US and Norway needs to tighten the monitoring mechanisms of CSR compliance to ensure genuine deliverance.

3.4.2 Regulatory framework

One of the common features in USA and Norway is their fragmentary CSR policy framework. Instead of having a dedicated law towards CSR, it is fragmented across multiple statutory requirements for corporations. Norway's AA, 1998 still makes space for some disclosure and mandatory requirements of CSR but US has no mandatory CSR provisions.

Since Norway treats CSR as an integral part of running a business, the government is heavily involved in action of CSR. In USA, having regards to the general public pressure, the corporations generally perform CSR activities even though the law does not mandate it.

India stands in stark contrast. In India CSR is mandated through CA, 2013 and CSR Rules, 2014. In case of non-performance of CSR, depending on the situation the funds would either be earmarked for CSR activities in the following year or would have to transfer to one of the activities enumerated in Schedule VII of CA, 2013. This clips away not only the regulatory arbitrage that the corporations may otherwise would have found, but also reduced the space with the government to encourage CSR as a culture. Section 135 of CA, 2013 only mandates bigger businesses to perform CSR and the government cannot increase the role of SMEs in CSR, for any such step may fall foul of law, that is, Section 135 and be struck down.

4. Conclusion and suggestions for reform

In this chapter, authors have investigated the comparative perspective of CSR. In doing so, a crisp preliminary incursion was made into the interest of government in intervening in CSR matters and policy. A government may shape CSR policy in a way to co-partner the role of corporations in socio-economic development of the country or it may have to promote CSR owing to involuntary factors of political considerations like people's legitimate expectation.

Different countries adopt several approaches to foster a congenial climate for CSR. India has made CSR mandatory through law subject to certain qualifications. The US has no particular hard law mandating CSR performance by the businesses. Norway's approach sits in between India and USA. She has statutorily mandated CSR by big corporations but simultaneously CSR is also encultured as a routine of doing business. India can learn a few lessons from Norway and US. First, the government should start organizing seminars to raise corporate consciousness about CSR and

provide incentives to SMEs for conducting CSR activities. It would go a long way to create a CSR culture and encourage sustainable practices by businesses. Second, the government should actively monitor CSR activities to ensure compliance. The current system relies on self-discipline and honesty of the corporations without any external checks. Third, the current rules do not allow corporations to spend on CSR activities that run beyond 3 years. The rule should be made flexible to allow the corporations to invest in multi-phased projects stretched over years. This flexibility is available in the US and Norway where no specific time prescriptions for CSR projects. Fourth, local community should be made part of the CSR activities for a meaningful stakeholder consultation, in case the projects are being undertaken in those communities. Fifth, specific rules should be laid down with regard to making Public-Private Partnership projects as a part of CSR.

Globalization has made the world a single big market place with businesses playing a pivotal role in the economies of the world. That apart, they also are now creating value for sustainable environment and better life by pitching to stand for specific social concerns via CSR route. The system of CSR should be so synchronous and smooth that it encourages businesses and provide maximal space for pursuing good social practices.

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Chapter 5

Perspective Chapter: Sustainability and Corporate Innovation

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Abstract

Sustainable development is one of the prominent goals promoted by the United Nations (UN) and identifies innovation as one of the important elements. Therefore, sustainable development is a combination of both developmental and environmental imperatives through innovation, implying a new way of science incorporating the technology integration and social philosophy. This chapter discusses how sustainability creates business opportunities and be counted toward the future investment for the firms. It is the path leading from creative thinking and corporate innovation. Thus, the relationship between corporate innovation and sustainability plays a vital role for firms to gain competitive advantages such as gaining value creation, creating cooperation value with the stakeholders, tapping into new markets and customer segments, and creating a transformational solution. Firms can be sustainable not only by profit maximization, but also address the maximization of the interests' stakeholders by not causing any impact on nature and environmental resources.

Keywords: corporate innovation, innovation performance, sustaining innovation, text-based corporate innovation, sustainability

1. Introduction

Many studies recently examine the relationship between sustainability and corporate innovation specially focusing on the idea of promoting innovation as well as ensuring its sustainable development. While innovation is considered as a core business process, it is fully receiving increasing attention for firms in all; on the other hand, sustainability is considered a way to do business without having damaging effects on the environment, economy, and society. Kiron et al. [1] have conducted the global executive survey on sustainability in 2012 and demonstrate that sustainability is a key driver of innovation. Michelino et al. [2] show an important link between innovation and sustainability in the pursuit of environmental, economic, and social development. To accurately measure and assess both sustainability and corporate innovation is not an easy work to do. Given the fact that businesses nowadays are facing serious challenges including pandemics and other major disruptions such as technology disruption, the process of doing both assessments becomes even more complex and difficult to do. An imperative research need is to develop science-driven

frameworks for conducting both systematic sustainability assessment (SA), and innovation measurements [3]. Huang [3] suggests that it is important to conduct a fundamental study on the sustainability dimensions of technology innovation and develop systematic methodologies and effective tools for technology inventors, especially in its early development stage, is critical. Complexities to measure sustainability come with implementing sustainable practices; for example, when management develops its own a sustainability plan, they must ensure that their business can adapt to evolving regulations on time as well as publicities are becoming aware of the firms' sustainability practices. To be certain to have sustainability in business and creating wealth for all stakeholders, all corporations need to have the long-term balance among the economic, environmental, and social dimensions and gain environmental protection, economic growth, and social stability.

Conventionally, many researchers regularly count on research and development (R&D) expenditures and patent investment as innovation indicators [4–6], which these measurements have some serious weaknesses as they do not fully capture the nature and scope of innovative output [7]. While R&D expenditures measure observable input, it fails to capture the quality of innovation output [8]. Even though, patent can only measure innovation output with respect to intellectual properties, but it cannot resolve one of the serious problems of being inability to consider other aspects of innovation output such as a new marketing method, a new organizational method in business practices, workplace organization, or external relations. This is because such innovation aspects of output are not patentable [9, 10]. Due to the limitation of the existing corporate innovation indicators, new innovation indicators are designed to overcome the limitation and weakness of R&D expenditures and patent investment as innovation indicators. New innovation survey has created and already widespread used is Community Innovation Survey (CIS) survey and Smith [11] have summarized 2002 onward journal publication using CIS data. Nowadays, there is a new novel measure of corporate innovation not from the survey but adopted from the textual descriptions of firm activities by financial analysts. Bellstam, Bhagat and Cookson [6] developed this text-based corporate innovation indicators using a textual analysis of analyst reports of S&P500 companies, which allows us to see the big picture that the organization is trying to achieve through easily accessible analyst reports. It is of great important for investors and shareholders to understand what promotes innovation investment in their owned firms. Emphasizing that investment in innovation bares risk, but it can also improve business opportunity and lead to shareholders' sustainable benefit in the long run. Moreover, this textual-based measure of innovation incorporates many aspects of intellectual investment and captures the topic of R&D, patent, and non-patented practices, which is deemed beneficial to the firm.

Kiron et al. [1] explain innovation connects corporate sustainability with business profits. A previous literature reports a positive linkage between innovation and a range of various positive performance outcomes [12]. Innovation is also a key element in assisting firms to gain competitive advantage [13], expand market share [14], and improve performance [15]. Firms can be sustainable not only by profit maximization, but also address the maximization of the interests and value-added of various stakeholders by not causing any impact on nature and environmental resources. This chapter elaborates on the research gap and problem of the assessments for both technology and innovation assessments versus sustainability assessments, especially when we are experiencing major disruptions including trade war as well as pandemics starting in 2019.

2. Corporate sustainability

According to the United Nations World Commission on Environment and Development, sustainability is defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs. The practice of sustainability recognizes the ability to support as well as integrate economic development, social development, and environmental protection with the assumption of having limited resources and employing them conservatively and wisely with a careful view to long-term priorities and consequences of how to use these resources. Business sustainability also known as corporate sustainability is the management and coordination of environmental, social and financial demands, and concerns to ensure responsible, ethical, and ongoing success. In today's rapidly changing world and considering a values-driven approach, it is very important to incorporate sustainability when developing business strategies because it is vital to a company's long-term success. A lot of organizations are integrating sustainability into their business strategy. In a recent McKinsey survey, 70% of respondents said their companies have a formal governance of sustainability in place. Spiliakos [16] shows that the goal of a sustainable business strategy is to make a positive impact on environment, society, and economy. These organizations monitor the impact of their operations to ensure that short-term profits don't turn into long-term liabilities. Many successful organizations participate in sustainable business practices such as optimizing supply chains to reduce greenhouse gas emissions, relying on renewable energy sources to power facilities, using sustainable materials in the manufacturing process, etc.

The UN-level Sustainable Development Goals (2015–2030) address the global challenges, including poverty, inequality, climate change, environmental degradation, peace, and justice. Beyond helping curb global challenges, sustainability can drive business success. Several investors today use environmental, social, and governance (ESG) metrics to analyze an organization's ethical impact and sustainability practices. Yilmaz [17] shows that as firms perform better in the pillars of sustainability, they have a lower perceived riskiness resulting in a lower cost of capital. Eliwa et. al. [18] show the evidence of lending institutions rewarding firms in 15 EU countries for their environmental, social, and governance (ESG) performance and disclosure in terms of lowering their cost of debt capital. Sze et. al. [19] empirically examine the financial impact of Environmental, Social, and Governance (ESG) practices on firms in emerging markets. Their results confirm (1) sound ESG practices by corporates could have a long-term cost reduction effect on their debt funding; (2) the effect on cost reduction is more evident for firms in high greenhouse gas emission sectors and during market turbulence; and (3) the country-level ESG performance plays a role only since the adoption of the Paris Agreement in 2015. Their findings and evidences highlight the role of capital providers in encouraging firms to engage in a holistic approach to sustainability, and firms should actively engage in environmental and social initiatives and improve their governance mechanisms. However, it is worth to mention that in time of economic policy uncertainty (EPU), firms with high corporate innovation are likely to face a pronounced increase in cost of financing, which leads to reduce firm value. Hall and Lerner [20] suggest that in the time of EPU, financing corporate innovation tends to be costlier because of the high uncertainty of investment outcomes. Denlertchaikul et. at. [21] show empirical evidence that in times of greater uncertainty, it is more difficult to value corporation innovation.

However, the future direction of sustainable business concerns economic values, environmental policy, and stakeholder engagement for business opportunities.

Therefore, many companies invest billions of dollars every year in sustainability activities. According to Morningstar Direct dated in June, 2019, US sustainable funds attract 8.9 billion US dollars, which is greater than the value of inflows for the whole of 2018 at 5.5 billion US dollars. Many large mutual funds and ETFs, commanding billions of dollars, exercise investments strategies based on sustainability. More recently, according to Morningstar during 2021's First, Second, and Third quarters, sustainable fund flows keep reaching New and New Heights. Stankiewicz [22] says that most of the new options available to investors were launched with sustainability mandates, but firms also occasionally change the investment strategies of existing funds to target sustainability. Murugaboopathy and Maan [23, 24] report that an increase in the number of sustainable products across the globe, market appreciation, and positive inflows continued to drive global sustainable fund assets upward. Thus, the importance of sustainability cannot be overemphasized. Nevertheless, it is still vital that integration of sustainability into functional work doubles the likelihood that a company will report financial value from these efforts. The idea of sustainability is often broken down into three pillars: economic (profits), environmental (planet), and social (people). In business, sustainability refers to doing business without negatively impacting those areas as a whole. As environmental, social, and governance issues have become ever more important influencers of customer and employee expectations, many companies have tightened their embrace of the sustainability programs that address those issues. The online McKinsey Global Survey in 2017 concludes that nearly 90% of participants representing the full range of regions, industries, tenures, company sizes, and functional specialties say that their companies are pursuing sustainability programs as well as elevating the importance of diversity and inclusion. While the first top reason for implementing a sustainability agenda is better alignment between an organization's practices and its goals, missions, or values, the second top reason is to build, maintain, and improve firm's reputation.

In addition, the survey also looks at the influence of key trends on the organizations' commitment to sustainability. Those respondents indicate that advances in sustainability-related technologies, as well as safety and security concerns, are the top reasons these organizations have increased their commitment. Business sustainability strategies can involve in the following examples such recycle technologies, big data and advance analytics, and renewable sources of energy. From the surveys, the top of wider adoption of sustainability-related technologies is for those companies that have greatly increased their use of energy-efficient equipment, and more innovative ones, such as digital platforms for stakeholder engagement. Therefore, it is worthwhile to highlight the importance that the company innovates considering the three dimensions of sustainability - social, environmental, and economic along with well-designed financial planning through the lens of sustainability and with a deeper knowledge of financial analysis, financing, valuation, risk assessment, and sustainable investments.

3. Sustainability assessment methodologies

Sustainability assessment methodologies are determined to measure sustainability performance. Sustainability development indicators (SDIs) are commonly used to measure firm performance as well as improve performance based on information on declining trends related to the three dimensions of economic, environment, and

social aspects, which may have impact on corporate sustainability. In addition, SDIs help in providing information to decision-makers to formulate strategies and communicate the achievements to all stakeholders. Spohn [25] identifies two distinctive main approaches depending on its framework and SDI selection process. There are (a) the "top-down" approach (framework and the set of the SDIs defined by experts and researchers) and (b) the "bottom-up" approach (framework designed and the SDI selected by various stakeholder participants.

Singh et al. [26] explain, compare, contrast various sustainability indexes as well as summarize the following frameworks of sustainability assessment tools.

1. The Pressure State Response (PSR) PSR-framework of 1998 OECD is based on the concept of cause-and-effect phenomena and defines the impact of human activities, which exert "pressures" on the environment and result in change in the quality and the quantity of environment conditions. (the "state")

2. The Driving Force Pressure State Impact Response (DPSIR) model is an extension of the PSR framework and has been adopted by the European Environmental Agency (EEA) and the European Statistical Office in 1997.

3. The Lowell Center for sustainable production (LCSP) indicator framework primarily focuses on the environmental, health, and safety aspects of sustainable production.

4. The hierarchical structure of the global reporting initiative (GRI) framework adopted by the United Nations Environment Program (UNEP) in association with the United States nongovernmental organization, Coalition for Environmentally Responsible Economics (CERES). They launch the Global Reporting Initiative (GRI) in 1997, and the GRI uses sustainability reporting on three dimensions, which are social, economic, and environmental.

5. The United Nations Commission on Sustainable Development (UNCSD) devised a framework focusing on assessing the performance of government toward sustainable development goals with its framework comprising four dimensions, which are social, environment, economic, and institutional. They are broken down into 38 sub-indicators and 15 main indicators.

6. The Institute of Chemical Engineers (IChemE) sustainability metrics formulated by The Institution of Chemical Engineers (IChemE) covering three dimensions of environment, economic, and social to assess the sustainability performance of process industry.

7. The Wuppertal Institute framework of sustainability defined by the United Nations Commission on Sustainable Development (CSD). It addresses the four dimensions of social, environment, economic, and institutional.

Recent study by Huang [27] suggests that technology disruption and pandemics especially Covid-19 have caused an unprecedented shock to everyone. Its negative effects allow most of industries for huge transition to much more sustainable and resilient industries, which provide us research opportunities in sustainability science and engineering.

4. Corporate innovation

Innovation is the key to firm survival, the study of processes that support innovation is of great interest to practitioner and researchers. Organization for Economic Co-operation and Development (OECD) reports that innovation can influence long-term economic growth. There have been many innovation surveys (most of them are done in 2003) in different sectors both public and private, but there is no international standard providing definitions that apply in these sectors. This is a substantial gap, which prevents the analysis and understanding of innovation in the whole economy and how innovation in one sector is influenced by activities in others. Therefore, the benefit of using a general definition of innovation is that innovation can be measured in a consistent way in all sectors. These indicators can be used to inform policy development and for monitoring and evaluation of existing policy.

Later, the 2018 Oslo Manual [28] is rewritten to provide new definition of innovation, which facilitates international comparability and provides a platform for research and development on innovation measurement. The general concept of innovation is the implementation of something new to meet a given objective. Innovation can commonly refer to either the notion of process of innovation (what is done by a subject) or the notion of outcome (what comes out). In this 2018 manual, both must be relevant and are able to be measured. While the process view conceptualized as innovation activities, the outcome view conceptualized as innovations. Therefore, it is important to have the international standard definitions of innovation because the common definitions must be applicable to every sector and employed by every potential user. Using the same definitions in all sectors would support coherence of data and consistency of analysis. However, to quantify, measure innovation, and make comparison across sectors are still difficult to do. Next section discusses how to measure or quantify corporate innovation.

4.1 Measures of corporate innovation

Innovation can create the economic and social impacts of inventions and their ideas depend on the diffusion and uptake of related innovations. Its measurement implies commensurability and innovation requires implementation, either by being put into active use or by being made available for use by other parties, firms, individuals, or organizations. Meaning that there would be at least some levels of the innovation that are qualitatively similar so we can try to quantify them and make comparison. Moreover, innovation is a dynamic and pervasive activity that occurs in all sectors of an economy. These dynamic and complex activities and relationships represent significant challenges for measurement. Precise definitions of innovation and innovation activities are required to measure innovation and its subsequent economic outcomes. In fact, and unfortunately, it is not easy to quantify and to measure because for some aspects of innovation, its characteristics cannot do the exact measurement of key innovation process and outputs. Smith [11] suggests that innovation measurement should be primarily derived from the management and economics disciplines. Management perspectives on innovation cover how innovation can change a firm's position in the market and how to generate ideas for innovation. Economic perspectives examine why organizations innovate, the forces that drive innovation, the factors that hinder it, and the macroeconomic effects of innovation on an industry, market, or economy. Current major established indicators used for innovation analysis fall into three board areas of indicator use in science, technology,

and innovation (STI) analysis. Innovation indicators are Research and Development (R&D), Patent Application, and bibliometric data. In addition to those three classes of indicators, there are additional indicators other researchers have used. For example, Saviotto [29] and Saviotti [30] use techno metric indicators exploring the technical performance characteristics of products. In 2003 World Economic Forum, many consultants developed synthetic indicators of innovation for scoreboard purposes. Nevertheless, the following discussion focuses on research and development (R&D) and patents using the OECD's Frascati Manual [31] since bibliometric data are related primarily to scientific publication and citation rather than innovation.

Even though R&D expenditure and patent tend to be common innovation proxies, both of these measures are still subject to serious limitations when we use them as proxies for corporate innovation. First, although the number of patents is commonly used by a large number of scholars because it has the advantage of being easy to quantify, some of the innovation outputs are not patentable [9–11]. Examples of innovations that are not patentable are improved production processes, new marketing techniques, and improved service. Thus, it fails to capture all the corporate innovation output. On the other hand, R&D expenditure is seen as input of innovation, but it fails to capture the quantity and quality of innovation output [8]. This is because some innovation projects may fail and do not contribute to firm innovation. So, in order to clearly overcome these limitations and problems for R&D expenditure and patent, many researchers have attempted to find new indicators to measure corporate innovation such as innovation survey or texted-based innovation index, etc. Next sections discuss innovation proxies from commonly used one to new innovation measurements.

4.2 Research and development (R&D) indicators

The commonly used proxies of corporate innovation are research and development expenditures (R&D) [4, 5]. *The Frascati Manual* 2015 is the key OECD document for the collection of R&D statistics known as *the Standard Practice for Surveys of Research and Experiment Development*. The institutional classification in the Frascati Manual 2015 is also recommended for innovation data for international comparison purposes. This OECD's Frascati Manual is one of a range of activities that can generate innovations, or through which useful knowledge for innovation including creative and systematic work undertaken in order to increase the stock of knowledge and to devise new applications of available knowledge. R&D activities must meet five criteria, which are novel, creative, address an uncertain outcome, systematic, and transferable and/or reproducible. R&D comprises basic research, applied research toward a specific practical objective, and experimental development to produce new products or processes or to improve existing products or process. By definition, Research and Development (R&D) is an innovation activity, and there is an intention for innovation. That is, all types of R&D investments that are carried out or paid for by business enterprises are considered by definition as innovation activities of those firms. R&D expenditure data can be collected as the intramural and extramural R&D expenditures. Intramural R&D expenditures are all current expenditures plus gross fixed capital expenditures for R&D excluding depreciation costs on capitalized R&D or physical assets used in R&D. Extramural R&D expenditures cover the purchase of R&D services from other parties. The OECD Frascati Manual attempts to discover a way for measuring one key dimension of science, technology, and innovation (STI) so that R&D investment is systematically encouraged and monitored around the world.

However, policymaking nowadays is still largely focused on what is easier to measure. There is, therefore, an urgent need to capture how ideas are developed and how they can become the tools that transform organizations, local markets, countries, the global economy, and the society.

Although many indicators of innovation exist, R&D is still widely considered to be the main key driver of innovation. However, with a strong highlight on R&D, a firm ignores the great variety of other available methods of innovation. Arundel et al. [32] emphasize on that the capacity for innovation of manufacturing firms with little or no R&D activities is likely to be systematically underestimated. That is, those firms do not possess any or few R&D investments, the lack of R&D resources can be easily considered a firm's weakness regarding these firms' capacity for innovation. Santamaría et al. [33], Barge-Gil et al. [34]; Kirner et al. [35] show that non-R&D-intensive firms are not less innovative or competitive per se compared with their R&D-intensive counterparts. Kirner et al. [35] and Som [36] document that those firms simply do not often pursue a first-mover strategy, and they tend to focus to a greater extent on customer- and market-driven innovations.

4.3 Patent data

Besides using R&D expenditure as a proxy for corporate innovation, another commonly used innovation proxy is patent activities [4, 5]. Iversen [37] defines patent as a public contract between an inventor and a government that grants time-limited monopoly rights to the applicant for the use of technical invention. The OECD Patent Statistics Manual [38] defines the characteristics of patented inventions as well as is periodically revised to take into account new challenges and developments. Its method is to identify the technical expertise in emerging technologies and analyses publicly available patent application data containing information on the technological fields of relevance to the invention as well as unstructured information on the nature of the claims. In general, the patent system gathers information about new technologies into a protracted public record of inventive activity, which provides striking advantages as an innovation indicator. Examples are patents granted for inventive technologies with commercial promise. The major sources of paten data are the records of the US Patent Office and the European Patent Office. Patents also have weaknesses since they are an indicator of invention rather than innovation. They spot the emergence of new technical principle, not a commercial innovation. In addition, it is obvious that the patent indicator misses many non-patented inventions and innovations. Some types of technology are not patentable. Example is when new business formulae on the internet. Can we consider this new business model is able to be patented? Therefore, the understanding is that not all technological development activities result in patentable inventions, and firms do not seek patent protection for all of their inventions.

4.4 Innovation survey indicator: European Commission implements the Community Innovation Survey (CIS)

The European Commission implements the Community Innovation Survey (CIS is a harmonized survey of innovation in enterprises coordinated by Eurostat and currently carried out every 2 years in EU member states and several European Statistical System (ESS) member countries). CIS is an innovative action in a number respect. First, it is an attempt to collect internationally comparable innovation measures. Second, it collects data at a highly disaggregated level and makes it available to

analysts. CIS collects data on two types of product innovations, three types of process innovations, four types of organizational innovations, and four types of marketing innovations referred to Oslo Manual 2018 [28]. As known, Community Innovation Survey (CIS) is the survey-based indicators carried out in all EU member-states. However, is this CIS survey really the best to use for innovation indicators? Is it justified? Next section discusses the most recent innovation indicator known as the texted-based corporate innovation index.

4.5 Texted-based corporate innovation indicators

The texted-based corporate innovation index is constructed from a textual analysis of analyst reports of S&P 500 firms, which fit into a topic modeling tool called the Latent Dirichlet Allocation (LDA) method of Blei, Ng, and Jordan [39]. It draws content from a common set of 15 topics on the text of a large corpus of analyst reports and then measures the level of a firm's corporate innovation by the intensity with which analysts write about the innovation topic. The topics are selected based on the word distribution that has the smallest Kullback-Liebler divergence with a benchmark innovation textbook. The selected topics are considered a reliable innovation proxy, both qualitatively and quantitatively. The examples of the words used are service, system, technology, product, and solution. Qualitatively, the words selected are the words that analysts usually use to describe firm innovation. Quantitatively, the topic correlates strongly with patents among the patenting firms.

Bellstam, Bhagat, and Cookson [6] demonstrate that the text-based corporate innovation index not only strongly correlates with patenting efficiency but also captures innovation activities by firms that do not generate patents. Recently, the textual analysis method had gained popularity and is used by many researchers when conducting empirical research (for example, [40–42]). Textual-based measure of innovation incorporates many aspects of intellectual investment. It captures the topic of R&D and patents, as well as non-patented practices, which is deemed beneficial to the firm. Another important advantage of the text-based innovation index is that it can be computed for firms that do not disclose their R&D expenditure. Text-based innovation allows us to see the big picture of the plan that the organization is trying to achieve through analyst reports, which are easily accessible. Thus, the obvious advantage of the text-based innovation index is that it can capture innovation for firms that do not patent and R&D. Another important advantage of the text-based innovation index is that it can be computed for firms that do not disclose their R&D expenditure. Moreover, many researchers lately when conducting empirical research on corporate innovation use the textual analysis method. This method has recently gained popularity among many researchers and recent studies (for example, [43–48]).

It is of great importance for investors and shareholders to understand what promotes innovation investment in their owned firms. Emphasizing that a long-term investment in corporate innovation bares high risk, but it is an action to enhance benefits to the shareholders in the long run. Therefore, it is not overstated to mention that innovation is one of the key factors that boost the performance and growth of the firm, especially for those technology firms where innovation plays a major role for the firm to thrive. Previous literature reports a positive linkage between innovation and a range of various positive performance outcomes [12]. Innovation is also a key element in assisting firms to gain competitive advantage [13], expand market share [14], and improve performance [15]. Next section discusses the linkage between innovation and performance outcomes.

5. Linkage between innovation and positive performance outcomes

The effect of corporate innovation on firms' performance is widely examined in the literature. Many theoretical and empirical studies document that corporate innovation tends to improve firm performance [49–51]. For example, studies found that an increase in corporate innovation will lead to the following effects on firm; increase firm profitability [52], positive impact on firm's profit margin [53], increase firm's market value [54], increase in firm's intangible assets [55]. Thus, corporate innovation is generally perceived as a crucial key factor in firm performance and firm growth. This fact is reflected through the significant increase in research and development investments among US firms since the 1970s [56]. In many studies, innovation is regarded as intangible assets [55–57]. Examples of intangible assets are intellectual capital, human capital (the value of employee training, morale, loyalty, knowledge, etc.), and process-related capital (the value of information technology, production processes, etc.) [56]. Empirical studies show that intangible asset in the form of intellectual capital contributes to the lower cost of capital and creates value-added to the firm and therefore is positively associated with firm performance [58, 59]. The reason is that intangible asset is considered as the firm's strategic resource, able to create value-added for the firm. For example, the know-how, goodwill, and trademark help the firm to strengthen its competitive advantage putting the firm in a better position in utilizing the existing resources [60]. Innovation helps firms to achieve competitive advantage and enhance firm's productivity [61]. Consequently, this not only lowers the firm cost of production and improves the firm's competitiveness, but also eventually helps to improve firm performance [6, 62]. Stewart [59] showed that firm's performance depends on the ability of its resources to create value-added. A study done by Tan et al. [63] confirmed these results. Using data from 150 publicly traded companies in Singapore, Tan et al. [63] showed that intellectual capital is positively associated with the current firm's financial performance. Thus, it is generally believed that an innovation-orientated firm is likely to have better firm performance than a firm that is not innovation-driven.

Despite the numerous findings on the positive association between corporate innovation and firm performance, some studies argue that the high cost of innovation investment may outweigh the benefits [64]. This is because the innovation development process requires a huge amount of capital investment while taking a substantial risk. Additionally, the process involves firms repeatedly making mistakes and failures, such that the lessons learned can be applied to improve product and service; therefore, only firms with sufficient capital and accumulated profit will be able to handle investment failure [65]. In short, investment in innovation is risky and challenging due to its uncertain outcomes, exacerbating the information asymmetry and conflicts of interest with financers [66]. Consequently, the firm faces financial constraints. Thus, it is possible to argue that due to the nature of innovation consisting of high uncertainty, high-risk nature, and high cost of investment, the favorable effect of corporate innovation on firm performance is reduced.

6. Sustaining innovation

Traditionally, it has been assumed that the primary purpose of a firm is to make a profit and to increase its value in the long run. Recently, it has become widely recognized that firms will take their responsibility not only toward their shareholders but

also toward other stakeholders. The World Bank Council for Sustainable Development defines sustainability as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." Sustainability also focuses on the survival and well-being of all related stakeholders. Therefore, sustainable firms should consider environmental, social, and governance issues and integrate them into their operations and processes.

Innovation is "any practices that are new to organizations, including equipment, products, services, processes, policies and projects" [67]. Khazanchi et al. [68] suggest that innovation is one of major relevance for companies, as it can be the source of additional revenues from new products or services, which can help to save company costs or improve the quality of existing processes. Therefore, the management team needs to have innovativeness as a positive attitude toward changes of introducing new products to the market, or opening up new markets, through combining strategic orientation with innovative behavior and process. Hult et al. [69] suggest that innovativeness seemed to be useful in helping firms to compete with their competitors with those new products. Thus, innovativeness is a key attitude in any management teams to be innovative, thus coming out with new ideas for the competitive advantage and durability of their firms. Due to substantially changes in world environment as well as technology disruption, the production and consumption patterns have been rapidly changed over the past decades. In order to survive and not be disrupted, many companies believe they would urgently need to transform their organizations. In addition, this major change is also leading to transformations in society and in the environment, and creating demands and constraints for companies, so that competitiveness is increasingly related to the adoption of innovation management that includes sustainability.

Therefore, those management teams must realize the importance of adopting sustainable innovation practices to minimize negative social and environmental impacts resulting from their activities and, consequently, to achieve higher corporate performance. Therefore, sustainable innovation is simply the creation of something new that improves firm performance and its valuation in the three dimensions of sustainable development: social, environmental, and economic. Such improvements are not limited to technological changes and may relate to changes in processes, operational practices, business models, thinking, and business systems [70]. The adoption of sustainable innovation practices can affect business performance. Many studies show some evidence to link the results of investments in sustainable innovation to business performance (For example, [71, 72]). Hansen et al. [73] observe that sustainable innovation is a device that covers both sustainability issues and the inclusion of new customer and market segments, thus adding a positive value to the firm's global capital. In addition, Aguilera-Caracuel et al. [74] suggest sustainable innovation can contribute to business sustainability, since it has a potential positive effect on a company's financial, social, and environmental performance. Nidumolu et al. [75] document that success is related to the fact that sustainability is perceived as a new innovation frontier for large organizations. Successful large companies reconcile sustainability with innovation and achieve their competitive advantage, because they redefine products, technologies, processes, and business models, and still reduce costs, by using less inputs; and new processes and products also generate additional revenues or allow the creation of new businesses. Klewitz and Hansen [76] document that small and medium-sized enterprises are increasingly recognized as fundamental for sustainable development. Zee et al. [77] and Robinson and Stubberud

[78] observe that large companies are more inclined to produce green products and services while small businesses tend to have higher levels of environmental awareness and a greater belief in the importance of sustainability.

7. Conclusion

Innovation is the key to firm survival and important for firm long-term business success as well as it can also influence long-term economic growth. Firms innovated successfully have typically been rewarded with high growth, big profits, and easy access to the new markets. Most organizations look at corporate innovation as a major and significance for all companies since innovation can be the source of additional revenues from their new products or services. Also, innovation can help to save firm costs or improve the quality of existing processes. The commonly used proxies of corporate innovation are patent activities and R&D expenditure. However, both of these measures are subject to serious limitations when used as proxies for corporate innovation because some innovation projects may fail and do not contribute to firm innovation. Adopting new innovation proxies is what many researchers are doing currently and new proxies' examples of are Community Innovation Survey (CIS) carried out in all EU member-states, or most recently a novel text-based innovation index constructed by Bellstam, Bhagat, and Cookson [7]. The obvious advantage of using the text-based innovation index is that it can capture innovation for firms that either they do not have patent and R&D expenditures or they do not disclose their R&D expenditure. Therefore, the text-based innovation can overcome the limitations imposed by the other innovation proxies.

Sustainability assessments and measurements are very complex appraisals. There exist various types of sustainability indicators and framework for a variety of systems and applications as well as numerous sustainable development indicators. Future studies are recommended on the assessment information aggregation, which leads to both an accurate design framework and a suitable formation of complex sustainability performance indices, especially with the current and unprecedented shock around the world. For example, the negative effects of the COVID-19 pandemic start to recede, many industries must work collaboratively in order to change their strategies in order to make their transitions smoothly as well as to still gain their business sustainability. These unpredicted circumstances may help create a supportive number of research opportunities in sustainability fields to improve existing sustainability assessment as well as to develop powerful decision analysis and decision-making methodologies to facilitate in reshaping technology innovations.

Notes/thanks/other declarations

Suwongrat Papangkorn is a corresponding author and is also C2F postdoctorate researcher. This project is funded by National Research Council of Thailand (NRCT): N42A650683.

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Chapter 6

CSR Reporting and Blockchain Technology

Pattarake Sarajoti, Pattanaporn Chatjuthamard, Suwongrat Papangkorn and Piyachart Phiromswad

Abstract

Blockchain technology is a public ledger that stores data in a chain of blocks which can radically improve the quality of our records from "records that might be trustworthy" to "records that trust is absolute". This chapter explores one area that blockchain technology can radically transform but has not yet received significant attention. We evaluate the suitability of applying blockchain technology for corporate social responsibility (CSR) reporting. We demonstrate that blockchain technology is suitable in the context of CSR reporting since there is a strong need for an immutable common database shared among various stakeholders with potential trust issues. We also argue that blockchain technology does not completely eliminate existing trusted third parties such as governments, international organizations that provide CSR reporting standards, major CSR reporting assurance companies and major CSR infomediaries. In particular, blockchain technology can be used as a platform that integrates all traditional trusted third parties, transforms their functions, and reduces their drawbacks for advancing CSR reporting. We also demonstrate that a permissionless public blockchain would be the most suitable structure.

Keywords: blockchain technology, CSR reporting, immutability, anonymity, transparency, smart contracts, decentralized autonomous organization

1. Introduction

Blockchain technology has the potential to radically transform most, if not all, sectors. Blockchain technology has been considered one of the pillars of the Fourth Industrial Revolution by the World Bank [1]. At its core, blockchain technology revolutionizes the way we record data. Since the dawn of human civilization, our ability to "record" something from drawing in caves to important writings has been considered one of the most important inventions in human history. The ability to record something allows us to store and pass on knowledge and information from generation to generation. Blockchain technology will be considered another major milestone in human civilization since it will allow us to radically improve the quality of our records from "records that might be trustworthy" to "records that trust is absolute".

In this chapter, we will explore one area that blockchain technology can radically transform but has not yet received significant attention which is the application of

blockchain technology for corporate social responsibility (CSR) reporting. The main objective of this chapter is to answer the following research question: Is blockchain technology suitable for CSR reporting? With the growing interest in blockchain technology, people are interested in applying blockchain technology for CSR reporting. A growing number of articles produced by top international accounting firms such as EY (Ernst & Young Global Limited) and PwC (PricewaterhouseCoopers) as well as international organizations such as the World Economic Forum (WEF) and the Organization for Economic Co-operation and Development (OECD) advocate the use of blockchain technology for CSR reporting [2–5]. Examples of benefits discussed in these reports include enhancing trust and auditability, standardizing CSR reporting, reducing cost, improving speed and efficiency as well as real-time monitoring of CSR performance. For scholarly research, there are only a few studies that examine the role of blockchain technology in CSR reporting. Nikolakis et al. [6] developed the Evidence, Verifiability, and Enforceability (EVE) framework to demonstrate how blockchain technology can enhance sustainability in global value chains by algorithmically enforcing hard law and soft law. Bakarich et al. [7] used exploratory content analysis to examine the role of blockchain technology in enhancing CSR reporting and CSR assurance. They argue that blockchain technology improves sustainability by incorporating traceability ("tracking") and immutability (reliable "custodial support") into existing CSR reporting, which is largely done in a voluntary manner.

However, it is still an open question regarding the suitability of applying blockchain technology for CSR reporting. The reason is that even if it is possible to apply blockchain technology for CSR reporting (anything that is associated "recoding" can be done via blockchain technology), it might not be "suitable" as existing CSR reporting methods might be more suitable (or only slightly less suitable) to perform this activity. The application of blockchain technology for CSR reporting will likely to happen when there are clear and impactful benefits when blockchain technology is being used over existing methods. This issue has not been examined in the existing literature. To fill this literature gap, this chapter will answer the above research question by using the ten-step decision path of [8]. Pedersen et al. [8] proposed a decision path which can be used to investigate whether blockchain technology is suitable for a certain application as well as providing a concreate rational on the suitability or unsuitability of a blockchain application. A previous study that is close to own work is [9]. Pizzi et al. [9] used the idea journey framework of [10] which can be used to trace and evaluate a journey of an idea from inception to adoption. It can also be used to examine "how and when" an idea might get stuck at a certain phase or "looping" between phases and never reach the idea implementation phase. They used this framework to trace and evaluate the journey of using blockchain technology in sustainability reporting based on a case study of a major Italian bank. Thus, this work complements our work in filling the above literature gap from a different perspective.

We found that blockchain technology is suitable in the context of CSR reporting as there is a strong need for an immutable common database shared among various stakeholders with potential trust issues. We also argue that blockchain technology does not completely eliminate existing trusted third parties such as governments, international organizations that provide CSR reporting standards, major CSR reporting assurance companies and major CSR infomediaries. We argue that blockchain technology can be used as a platform that integrates all traditional trusted third parties, transforms their functions, and reduces their drawbacks for advancing CSR reporting. We also demonstrate that a permissionless public blockchain would be the most suitable structure.

This chapter proceeds as follows. First, we provide a brief review of CSR and CSR reporting. The purpose of the review is to highlight the limitations of current CSR reporting. Next, we will discuss the basic concepts of blockchain technology as well as its benefits. Next, we discuss our research methodology to determine the suitability of blockchain technology in CSR reporting in which we use the ten-step decision path of [8]. Then, we present our findings. Finally, we present our discussions, limitations, and conclusions.

2. What is CSR and CSR reporting?

In this section, we review literature related to CSR and CSR reporting to highlight the limitations of current CSR reporting which will play an important role in determining the suitability of blockchain technology in CSR reporting.

Having an agreeable definition of CSR is an important step to advance scholarly research which will provide directive guidance to corporates on what they should do (CSR activities), how to measure their progress (CSR performance) and what they should report (CSR reporting) in order to advance social responsibility. There are several attempts to define CSR. According to Carroll [11], the work of Bowen [12] in 1953 has been considered as the "Farther of Corporate Social Responsibility". Bowen [12] defined CSR as the "obligations of businessmen" to do things that are consistent with desirable "objectives and values of our society". This definition has laid down the foundation that corporates must focus on their effects on society rather than focusing only on profit. A work by Johnson [13] further elaborated the parties that corporates are responsible for which includes "employees, suppliers, dealers, local communities, and the nation". This idea has latter become consistent with the stakeholder approach of [14] which postulated that corporates cannot exist without the support from their stakeholders which consist of customers, governments, suppliers, creditors, communities, investors, managers, employees, shareholders, and more. Davis [15] highlighted that responsible corporations are those that accomplish social benefits beyond "the minimum requirements of the law". Eilbirt and Parket [16] is one of a few early works that suggested that CSR is associated with many different types of activities which laid down the foundation for subsequent works that attempt to advance the classification of CSR activities. Carroll [17] defined CSR as "the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time".

Still, after years of development, an agreeable definition of CSR has not yet been established. There are four reasons why having a precise and universal definition of CSR can be extremely difficult, if not impossible according to Sheehy [18]. First, there is no universal agreement on what exactly is constituted as "all harms" that are socially irresponsible or "all good deeds" that are socially desirable. Our society might have consensus about "some" of the harms and "some" of the good deeds. But having a precise and universal definition of all harms and all good deeds might be impossible. Furthermore, these harms tend to arise together as components of a basket that consists of things that are socially desirable. For example, producing electricity or driving on the road can damage our environment from their carbon emissions but we (society) need electricity and transportation to further advance our society.

Second, there is no universal agreement on which harms should be addressed (or which good deeds should be promoted) as well as by "how much" they should be addressed. It is still a debatable matter whether all socially undesirable things (assume

that we are able to define them) must be addressed or if it is "socially desirable" to address only some of them. For example, there are many production activities that emit carbon dioxide into the atmosphere. Which of these activities do we need to address? Do we need to address all of them or only some of them? Furthermore, another question that complicates this issue is how much do we need to address them. Do we aim for absolute zero carbon emission for a specific production activity or some small level of carbon emission?

Third, there is no universal agreement on who should be responsible for addressing each harm (or promoting each good deed). One of the most controversial but extremely influential statements against CSR was from the Nobel laureate Milton Friedman [19]. He argued that the main responsibility of corporates is to produce excellent products and services to deliver the highest return to shareholders. Even though this view (the view that corporates should focus only on pleasing shareholders) has already lost its strength, but the idea that corporates might not be the most efficient agents to address some socially undesirable matters is still very much valid. There could be some matters that should be addressed by governments, nongovernmental organizations (NGOs) or nonprofit organizations.

Fourth, there is no universal agreement on who should define CSR. An entity that has the power to define CSR or CSR's agenda will have a great deal of opportunity and power to shape the global business landscape to be whatever this entity desires. These problems in defining CSR will further complicate researchers in their attempt to define and advance CSR reporting.

CSR reporting is an activity of companies that attempt to communicate the impact of their business operations on social and environmental issues to stakeholders [20]. CSR reporting is a subset of non-financial reporting (NFR) which includes integrated reporting, Sustainable Development Goals (SDG) reporting, Global Reporting Initiative (GRI) reporting, Greenhouse Gas (GHG) reporting, and others [21]. Recently, there has been increasing pressure from various stakeholders demanding firms to release information beyond their financial information both on a voluntary as well as on a mandatory basis [22]. Several countries (such as Australia, China, South Africa, United States, and the European Union) have started to require some companies (usually listed companies) to disclose information regarding their social and environmental impact [21].

However, CSR reporting is still in its infancy, especially when compared to financial reporting [23, 24]. Tschopp and Huefner [23] provided a comparative analysis between CSR reporting and financial reporting which can be used to identity several limitations of current CSR reporting. A major issue with current CSR reporting is the lack of comparability of CSR reports as companies have discretion to choose their preferred reporting standards as well as what to be included in their reports [21, 23, 25]. The lack of comparability of CSR reports reduces the value of CSR reports because stakeholders will find it more difficult to use information from CSR reports for decision making. It is important to note that major progress has been made towards resolving this issue by the GRI who created and popularized the GRI standards which are considered the most widely used sustainability reporting standards in the world. According to the Survey of Sustainability Reporting from KPMG [26], 73 percent of the world 250 largest companies use GRI standards. Still, it is evident that this practice is common only for very large companies since, according to the same report, nearly half (46 percent) of the largest 100 firms in 52 countries do not use GRI standards or do not report on their sustainability performance at all. Furthermore, companies tend to use GRI principles only vaguely as well as use them

to report only favourable information [27]. There are several studies that examined and found "greenwashing" which is an attempt that companies use NFR such as CSR reporting to manipulate stakeholders' perception about non-financial activities [22, 27]. Finally, several studies found that weak governance such as small board size, a lower percentage of independent and female directors, and frequency of board meetings is associated with a lower quality of CSR reports [28–32].

3. What is Blockchain technology?

Blockchain technology is a public ledger where transactions (i.e., digital data) are stored in a chain of blocks [33]. What makes storing transactions in a chain of blocks special is the immutability property that will be created once transactions are structured in this way. To see this, let us compare blockchain technology with the traditional way of storing data. Traditionally, data is stored separately and independently. For example, transaction A will be stored in folder A while transaction B will be stored in folder B. An obvious problem with storing data this way is that someone could tamper with data in each folder (e.g., replace transaction B with transaction B* and store it in folder B) and there is no way to know about this.

Blockchain technology will store data in a radically different way. First, transaction A which will be considered as the first transaction will be stored in block A (for blockchain technology, folder will be called "block"). The first block is usually called the genesis block. Next, a unique "fingerprint" or "digital signature" of transaction A which is called a "hash" value will be created. A hashing function is a function that transforms input data of any arbitrary size (e.g., transaction A has 20 words) into an output with fixed size values (e.g., 64 digits of numbers). Next, this "fingerprint" of transaction A is being stored together with transaction B in block B. This process will continue (fingerprint of transaction B will be stored together with transaction C in block C and so on and so forth) as long as there are new transactions to be recorded. An obvious advantage of storing data using blockchain technology is that tampering with recorded data is (almost) impossible. Suppose someone replaces a recorded transaction B with a false transaction B (e.g., B*), this tampering can be detected because the fingerprint of transaction B that has already been recorded together with transaction C will be different from the fingerprint of transaction B*. This is the immutability property that will be created once data are being stored using blockchain technology. To further enhance this immutability property, data recorded in the chain of blocks can be distributed over a large network of computers (i.e., making multiple copies instead of keeping the data at a centralized storage location) which also verifies the authenticity of each new block (i.e., mining) before being added to the network. The more the data is recorded in the distributed and decentralized chain of blocks, the stronger is the immutability property. This is the key reason why blockchain technology will radically improve the quality of our records from "records that might be trustworthy" to "records that trust is absolute".

Other than the immutability property, blockchain technology can be structured to provide other benefits. First, blockchain technology can be structured such that the identities of people who participate in the blockchain network (senders, receivers, and validators) are concealed. Anonymity can have several benefits especially in the context of CSR reporting. First, anonymity makes it impossible for dishonest external entities to interfere or manipulate the actions of anonymous agents in the blockchain network. Second, anonymity makes it impossible for agents in the blockchain

network to collude together and act dishonestly for their personal benefits beyond the reward they receive from the blockchain network.

Second, blockchain technology can be structured to allow smart contracts. A smart contract is a self-executable computer program stored in a blockchain network for executing terms of a contract [34]. The fact that a smart contract is a self-executable computer program allows it to perform various automation activities. A notable feature of smart contracts is that it allows the existence of decentralized autonomous organizations [34]. Participants in a decentralized autonomous organization are anonymous and perform tasks according to a pre-specified smart contract recorded on a blockchain network. Once certain conditions of the tasks are met (e.g., tasks are completed), smart contracts will reward the participants for their services (e.g., by automatically sending cryptocurrency to the participants).

Third, blockchain technology can be structured as a public blockchain (permissionless public blockchain) in which anyone can participate or a private blockchain (permissioned public blockchain) in which only the selected participants can participate. A major advantage of the public blockchain is that it can leverage the power of the "crowd" effectively either for strengthening the immutability property of the blockchain network or for gathering a large number of people to perform some common tasks as in "crowdsourcing".

4. Methodology: the ten-step decision path

Blockchain technology has several drawbacks and might not be suitable for all applications. Technically, as blockchain technology is a new way of recording information, any existing database can be converted to a blockchain database. However, as argued concretely by Pedersen et al. [8] every database is not suitable for converting into blockchain databases. Thus, Pedersen et al. [8] developed a ten-step decision path which can be used to determine the suitability of any blockchain technology application. They argued that they developed this framework based on years of consulting experience in both the public and private sectors. They validated their framework by conducting interviews with representatives from a Danish maritime shipping company as well as the Danish Maritime Authority which regulates the shipping industry of Denmark. Below, we discuss the ten-step decision path in more detail.

The first step is to determine whether there is a need for a shared common database. It is important to recognize that not all databases are needed to be shared. For example, private information does not need to be shared. Proprietary information or a trade secret (which might be discussed and recorded intentionally or unintentionally in a meeting minute) is a clear example of information that companies do not want to share. Another important factor to be considered is the demand for a shared database. For some information, there is a low or infrequent demand. This kind of information does not need to be shared. Another important aspect of the first step is the need to share "the same" data. This will be important when consistency of data is crucial for using this database. For example, medical records of patients that can be shared among hospitals must be exactly the same in order to prevent misdiagnosis which could result in serious injuries, illnesses, or even death.

The second step is to determine whether there is more than one party that needs to engage with the database. In some contexts, several parties, rather than one, are needed to interact with the database to enhance the value derived from the database. For example, financial transactions recorded in cryptocurrency such as bitcoin need

one party to create the data and another party to validate (i.e., miners) the data. In some cases, the party that creates the data is one party, and the party that uses the data is another party (e.g., companies create CSR reporting to be used by potential investors). A benefit of blockchain technology in this context would be to use the decentralized feature of blockchain technology to distribute work to the right parties to enhance the value derived from the database.

The third step is to determine whether different parties have conflicts of interests which could create trust issues. According to the trust triangle model [35], there are three factors which are the determinants of trust. The first factor is third-party enforcement, which includes laws and regulations. The second factor is related-party enforcement, which includes market forces and reputational capital. The third factor is first-party enforcement, which includes ethics, integrity, and culture. Thus, in a situation when all three factors in the trust triangle are missing, the benefits of blockchain technology can be significant as blockchain technology can be a third-party enforcement that can completely transform a trustless system into a trustful system.

The fourth step is to determine whether it is possible and desirable to avoid using a trusted third party which normally arises to reduce or eliminate the trust issues discovered in the third step. As blockchain technology uses a decentralized network to record data, it can eliminate the need to use a centralized third party. In some situations, it is not possible to avoid using a trusted third party, such as when it is required by laws or regulations that a certain trusted third party must be used (e.g., applying for a VISA or work permits). In this case, it is not possible to use blockchain technology. Also, in some situations where a centralized trusted third party can effectively reduce or eliminate the trust issues better than using blockchain technology (since blockchain technology does have several drawbacks such as high energy usage, damaging the environment, and high latency such as in bitcoin), using blockchain technology will not be suitable in this case.

The fifth step is to determine whether the rules for accessing the database by different parties are the same or not. If all the parties have the same access rights, then blockchain technology is not suitable because a typical relational database such as MySQL would be enough to develop a shared common database among different parties with potential conflicts of interest. However, if it is desirable to give different parties different database access rights such as one party creates the data, one party validates the data, and one party uses the data, then it is suitable for using blockchain technology.

The sixth step is to determine whether the rules for transacting are frequently changed in a way that these changes cannot be anticipated or not. As blockchain technology is algorithmic in nature, all transactions are executed automatically by preprogramed codes. When changes to the rules for transacting are frequent, the costs for commencing these changes can be significant. Furthermore, some types of rules are not possible to be changed. An obvious example is a set of rules in a smart contract that have already been recorded on the blockchain.

The seventh step is to determine whether there are significant benefits from having an immutable database. Immutability occurs when it is impossible to change the recorded data. There could be several benefits from having an immutable database. First, an immutable database enhances the auditing process by ensuring that the data used for auditing is the original recorded data. Data tampering is a frequent problem that can arise in various contexts ranging from tampering with survey data [36], medical data [37], and even officially announced data [38]. Second, an immutable database can be used to encourage desirable behaviors. A study by Piza et al. [39] who

conducted a systematic review using meta-analysis of 40 years of research relating to the effect of closed-circuit television (CCTV) on crime prevention found a compelling support that CCTV works. If people know that they are being watched and their actions will be recorded, it is less likely that they will act in an illegal manner. Thus, if immutability adds significant benefits to users of the database, then blockchain technology is suitable. However, if the benefits are small or negligible such as when small errors in the data are acceptable (e.g., for calculating statistical averages), then blockchain technology is not suitable.

If a blockchain application passes through the seventh step, then blockchain technology is suitable for this application. The eighth to tenth steps are intended to determine what kind of blockchain architecture is the most suitable for the current application. The eighth and the ninth step determine whether public access to the database is required or not. The eighth step focuses on the write eligibility (i.e., who can write to the database) while the ninth step focuses on the read eligibility (i.e., who can read from the database). If the public is required to write and read from the database, then a permissionless public blockchain is required. Finally, the tenth step is used to determine whether a permissioned private blockchain or a permissioned public blockchain is required. If the decision regarding who is eligible to read or write to a database is decided within an organization, then a permissioned private blockchain is required. Otherwise, this blockchain application requires a permissioned public blockchain architecture.

5. Findings: is Blockchain suitable for CSR reporting

In this section, we use the ten-step decision path [8] to determine the suitability of blockchain technology for CSR reporting.

5.1 Do we need to have a shared common database for CSR reporting?

Yes, we need to have a shared common database for CSR reporting. The main purpose of CSR reporting is to communicate the CSR performance to all the stakeholders of a company. Thus, there needs to be a common database that serves this purpose. According to a report by EY [2], 78 percent of investors use information from CSR reporting (in the form of ESG disclosure) to make investment decision which is a clear and strong indicator that investors need to have access to CSR reporting. In a similar manner, O'Rourke and Ringer [40] found that consumers also use information related to the sustainability of companies to make purchasing decisions. Bai and Sarkis and Khan et al. [41, 42] argued that as the global demand for sustainability increases, companies are increasingly searching for sustainable suppliers.

Another major benefit of having a common database is that it can reduce the inconsistency and ambiguity that can arise when there are multiple databases (which are likely to use multiple standards) for CSR reporting. Pucker [25] argued that, unlike financial reporting that follows strict and common standards governed by a third-party enforcer (i.e., the Securities and Exchange Commission), most large companies can choose at their discretion which CSR reporting standards to be used, which information to be reported and whether to have a third party verify their reports or not. Pucker [25] concluded that the key reason why CSR reporting does not lead to true progress is that CSR reports are "nonstandard, incomplete, imprecise, and misleading. As mentioned above, the adoption of GRI standards which are considered the

most widely used sustainability reporting standards in the world by various corporations is a clear indicator that we need a common database for CSR reporting. In reality, there are other CSR reporting standards such as another two major CSR reporting standards from AccountAbility standards (AA1000 Series) and Global Compact's Communication on Progress (COP) from the United Nations as well as "hundreds of domestic CSR reporting guidelines, principles, regulations, and standards" [23]. Even though blockchain technology does not directly solve these issues (i.e., there could be multiple blockchain platforms for CSR reporting which will not address these issues), it can be designed properly to mitigate these issues.

5.2 Are multiple parties involve in CSR reporting?

Yes, there are multiple and "should be more" parties involved in CSR reporting. Several parties that are involved with the current CSR reporting are as follows. Companies are responsible for producing CSR reports. Various stakeholders such as consumers, investors, suppliers, and regulators are the users of CSR reports. Various international organizations such as the GRI, the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) are responsible for developing standards for companies to use in producing CSR reports voluntary. Governments in various countries, such as Australia, China, South Africa, United States, and the European Union are responsible for regulating the CSR reporting of (some) companies. Various CSR reporting assurance services are responsible for ensuring the reliability and credibility of CSR reports made by companies based on certain standards. Various infomediaries such as CSRwire which is a news media focusing specifically on CSR related news and CSRHub which is an organization that provides data about ESG ratings for corporations around the world are responsible for collecting and dissimilating information about CSR activities and performance to all relevant stakeholders. Dubbink et al. [43] defined an infomediary as an informational intermediate organization that acts as a broker of information. The main role of an infomediary is to disseminate information to all involved parties as well as controlling, verifying, and translating information received from companies. Thus, it is evident that there are multiple parties involved in CSR reporting.

Furthermore, there should be more parties involved in CSR reporting which could occur by adopting blockchain technology in CSR reporting. One important party that can be involved with CSR reporting is "the crowd". According to the work of Ghezzi et al. [44] which provides a systematic review of crowdsourcing literature, a unified definition of crowdsourcing as proposed by Estellés-Arolas et al. [45] is that "crowdsourcing is a type of participative online activity in which an individual, an institution, a non-profit organization, or company proposes to a group of individuals of varying knowledge, heterogeneity and number, via a flexible open call" for undertaking some task voluntary. Crowdsourcing is a form of open innovation. Crowdsourcing leverages the power of the "crowd" to perform some tasks to achieve some common objectives. These objectives can range from information gathering, ideas generating, decision making via voting or producing some goods and services. One of the most evident examples of crowdsourcing is the Wikipedia website which relies on crowdsourcing to create an online encyclopedia that is generally considered as the "biggest" and "best" encyclopedia in the world.

Several advantages can be realized when crowdsourcing powered by blockchain technology is used to perform some existing CSR reporting activities. Unlike traditional crowdsourcing, in which all data related to crowdsourcing activities are

recorded and verified by a centralized entity, blockchain crowdsourcing will record and verify crowdsourcing activities through a decentralized blockchain network without relying on a centralized entity. Blockchain crowdsourcing can be a powerful platform that uses the power of the crowd to gather valuable information that can enhance CSR reporting. Blockchain crowdsourcing can be used to collect information about CSR performance from direct observers. People who experience socially acceptable or unacceptable activities firsthand can report evidence of these activities (e.g., taking a photo or recording a video of evidence) to the blockchain crowdsourcing platform for verification. The verification process is done in a decentralized manner by various anonymous individuals. This can significantly enhance the reliability of the verification outcome and reduce the chance that the verification process will be interfered with and manipulated by someone who has the "power" to do so.

5.3 Are these multiple parties have trust issues?

Yes, these multiple parties have trust issues. First, companies that create CSR reports have incentives to use these reports for business benefits. For example, companies might use CSR reports to gain access to financial resources or increase customer satisfaction [46–49]. Diouf and Boiral [27] found that companies tend to produce CSR reports that use GRI principles only when these principles lead to favourable information. Mahoney et al. [50] found evidence of greenwashing in standalone CSR reports in which companies exaggerate their social and environmental performance in order to be viewed as a "good corporate citizen."Boiral [51] found that 90 percent of significant negative events were not reported even when companies follow GRI principles. Michelon et al. and Hopwood [22, 52] found that companies use CSR reports for legitimacy or symbolic purposes which is an attempt to create a legitimate "brand image" that can reduce external pressure on other socially undesirable activities. Pérez [53] found that CSR reporting can be used to enhance corporate reputation. Thus, it is evident that companies do have a conflict of interests with other stakeholders when CSR reporting is being considered.

Second, there could be a conflict of interests among agents in each party. It is possible that agents in each party (such as managers or employees) might commit fraud in CSR reporting for their own personal benefits. Managers or employees in a company that produces CSR reports might receive benefits from committing fraud in CSR reporting which include career advancement, higher compensation, building a personal reputation and avoiding penalties from personal misconducts. Managers or employees in an organization that develops reporting standards might be influenced by some companies or some political parties since any entity that has the power to define CSR or CSR's agenda will have the power to shape the global business landscape for the benefits of this entity [18]. It could be argued that the presence of various CSR reporting standards globally and especially locally is a result of some influential individuals' attempt to shape CSR or CSR's agenda in their own desirable ways [23]. Managers or employees in an organization that provides CSR reporting assurance services might be bribed to produce favuorable assurance reports for some companies. Managers or employees in an infomediary might be rewarded financially for providing favuorable CSR information for some companies. Finally, government officers might be corrupted and neglect their duties for personal benefits.

According to Karpoff [54], corporate fraud should be viewed as an umbrella that includes all kinds of corporate misconduct which can include falsifying (intentionally reporting falsified information), misreporting (intentionally delaying reporting),

misrepresentation (intentionally making false statements based on facts), and others. Corporate fraud can have several damaging effects on the fraud firms as well as on society. According to Reurink [55] who examines financial fraud, which is one kind of corporate fraud, the negative effects of corporate fraud are the deterioration of shareholders' wealth, destroying corporate reputation, reduction in sales and revenue, higher borrowing costs and other negative externalities on employees, suppliers, creditors, non-fraud firms, governments and society. To understand why misconduct occurred, it is common to use the fraud triangle framework (see [56] and references therein). Based on the fraud triangle framework, there are three factors that incentivize people to commit fraud which are i) pressure for committing fraud (economic or emotional incentives), ii) opportunity for committing fraud successfully and undetectably and iii) rational for committing fraud (i.e., how one justifies to oneself why committing fraud is acceptable).

Kurpierz and Smith [57] developed the greenwashing triangle by expanding on the fraud triangle. The three factors that incentivize people to commit greenwashing are i) pressure for being environmentally friendly, ii) greenwashing opportunity in the context of CSR reporting and communication, and iii) rational why greenwashing is acceptable. According to a report by KPMG [58], there has been increasing pressure for corporates to strive for a higher CSR performance. There are both personal and organizational benefits to achieving a higher CSR performance. Personal benefits include higher executive compensation and career advancement of employees who are responsible for the associated CSR performance. Organizational benefits include better financing conditions, higher stock prices due to investors' preference towards sustainable investing, and improved corporate reputation. As CSR reporting is still in its infancy, has multiple reporting standards, and is produced voluntarily, these factors increase greenwashing opportunity as they allow people who produces CSR reports to exercise their own discretion, may be dishonestly, for their own benefits [23, 57]. Finally, there are two misconceptions that provide rationale for people to think that greenwashing is acceptable. These misconceptions are 1) thinking that greenwashing is similar to advertising and 2) thinking that the financial benefit of greenwashing outweighs its cost. In sum, these strongly suggests that multiple parties who are involved in CSR reporting have trust issues.

5.4 Is it possible and desirable to avoid a trusted third party in CSR reporting?

Several parties including international organizations that develop reporting standards, companies that provide CSR reporting assurance services, CSR infomediaries and governments are multiple trusted third parties that help resolve trust issues for CSR reporting. The companies that produce CSR reports can also be viewed as a trusted third party as these companies are supposed to truthfully collect CSR performance information on behalf of all stakeholders. We think that it is not possible and it is not desirable to completely avoid all these trusted third parties. However, we think that it is possible and desirable to use blockchain technology as a platform that integrates all traditional trusted third parties, transforming their functions, and reducing their drawbacks for advancing CSR reporting.

A major drawback of a centralized intermediary is that the data that it records and verifies is being done by a few identifiable agents which can be manipulated. It is undeniable that having a favourable information in a CSR report can have large financial consequences for some corporations and all individuals involved. Therefore, the pressure to commit fraud in this case can be large. Blockchain technology, on the other

hand, relies on decentralized and anonymous agents to record and verify all activities in the blockchain network which makes it significantly more difficult for an agent to commit fraud. A concept in the blockchain technology literature called decentralized autonomous organization (DAO) is relevant for this purpose. According to Wang et al. [59], decentralized autonomous organization is defined as an "organization that can run on its own without any central authority or management". This organization is run based on rules (i.e., codes and smart contracts) and a consensus group decision-making mechanism operated under a tamper-proof blockchain technology.

Blockchain technology does not have to be used to completely remove all intermediaries and all their functions. On the other hand, and especially in this context, we think blockchain technology can be used to replace and transform some functions of existing intermediaries in order to achieve maximum benefits. Governments, the international organizations that develop CSR reporting standards, major CSR infomediaries, major CSR assurance companies and large organizations (or some combinations of them) could work together to initiate and develop a blockchain platform for CSR reporting. Companies will submit their individual CSR activities to the blockchain network along with proof-of-evidence associated with each activity which will be recorded and verified by decentralized and anonymous agents. Existing CSR assurance companies can incorporate blockchain technology into their existing services by playing a leading role in initiating and managing these decentralized and anonymous agents. Other stakeholders or "the crowd" who experience socially acceptable or unacceptable activities of any companies firsthand can be encouraged to participate and report these activities to the blockchain network along with proof-of-evidence (e.g., taking a photo, recording a video of evidence, or any method that employees in a CSR assurance companies use) to be verified as discussed above. Blockchain crowdsourcing can be used to help advance our development in defining CSR and developing CSR reporting standards by gathering consensus (via voting mechanism) regarding what are constituted as harms (or good deeds), which harms (or good deeds) should be addressed, who should be responsible for addressing each harm (or each good deed), and who should be allowed to define CSR. Various international organizations that develop CSR reporting standards or governments can play a leading role in using blockchain crowdsourcing to gather consensus to advance CSR reporting. CSR information of any company can be accessed by all stakeholders by interacting with the blockchain network with low or zero transaction fees. Finally, the CSR information of any company can be disseminated objectively using smart contracts designed by existing major infomediaries. These smart contracts will make automatic announcements to relevant stakeholders when some conditions are met (such as a significantly negative CSR event has occurred).

5.5 Are these multiple parties have different access rights?

Yes, these multiple parties "should" have different access rights. Companies that are responsible for producing CSR reports will have the right to submit information to the blockchain network. Other stakeholders or "the crowd" who experience socially acceptable or unacceptable activities of any company firsthand will have the right to submit information to the blockchain network. Decentralized and anonymous agents that work under a decentralized autonomous organization structure will have the right to write verified CSR activities to the blockchain network. Any stakeholder (or anyone) will have the right to read information about the CSR activities of any company in the network.

5.6 Are rules for CSR reporting changed frequently?

Unfortunately, yes, rules for CSR reporting are being developed as CSR reporting is still in its infancy, especially when compared to financial reporting [23, 57]. However, several international organizations that develop CSR reporting standards such as the GRI who created and popularized the GRI standards, AccountAbility, who created AccountAbility standards (AA1000 Series), and the United Nations who created the Global Compact's Communication on Progress (COP) have laid an important foundation for developing and advancing CSR reporting which should make the guidelines and principles for CSR reporting be relatively more stable compared to the past.

5.7 Are there benefits from having an immutable CSR reporting database?

Yes, there are significant benefits from having an immutable CSR reporting database. As discussed above, if people know that they are being watched and their actions will be recorded permanently, it is less likely that they will act in an unacceptable manner [39]. Similarly, as blockchain technology can be used to record CSR related misconducts publicly and immutably, they could be used to deter CSR related misconducts using the same logic.

As sustainability gains more attention among the business community worldwide, there is a growing pressure that everyone wants to look "green". Greenwashing is an example of CSR reporting misconduct, which is defined as a claim, an implication, or a suggestion from a corporation to make itself appears to be environmentally friendly when it is not [57]. A work by de Freitas Netto et al. [60] provides a systematic review of greenwashing literature to categorize various concepts and forms of greenwashing. First, greenwashing can arise in the form of selective disclosure which occurs when companies withhold negative environmental information and/or promote false positive environmental information. Second, greenwashing could be used to "decoupling" underperforming environmental protection performance of a company. In other words, greenwashing can be used to make people forget or lose attention to negative environmental performance. Third, greenwashing can be used to target the environmental practices of a company and/or a specific product or service of a company. Fourth, greenwashing can broadly be classified into claim greenwashing and executional greenwashing. For claim greenwashing, there are several characteristics of "deceptiveness" of a claim which include its ambiguity, its omission of important facts and trade-offs, and its outright false statement. For executional greenwashing, this is a greenwashing that does not use any claims but "manipulates" the environment to affect people believe. An example would be using a green colour or a picture of nature when communicating about a product or a service to make people think that it is an environmentally friendly product or service when it is not.

There are several ways blockchain technology can be used to discourage misconduct. First, blockchain technology can be used to "demystify" and create permanent and immutable public records that correctly inform people about "the current and past" CSR performance of most (or all, if possible) corporations. Imagine a decentralized autonomous organization that acts as "a truth teller" in which all stakeholders can access and obtain the most unbiased information about the CSR performance of all corporations. In particular, this decentralized autonomous organization can be designed (via codes, consensus mechanisms, rewarding systems, and smart contracts) such that each anonymous agent (i.e., each node in the network) is encouraged to

produce CSR claims that are complete (i.e., not half-truth), evidence-based, and unambiguous as much as possible. In fact, the jobs and tasks of these anonymous agents in this decentralized autonomous organization will be quite similar to the current jobs and tasks of workers in traditional intermediaries (such as workers in a CSR assurance company). But unlike the traditional intermediaries in which some of their executives or employees might act dishonestly for their personal or corporate benefits, this decentralized autonomous organization does not have an opportunity (of course, depending on the size and structure of the blockchain network) to do such a thing.

Second, blockchain technology can be used to create permanent and immutable public records that inform people about "the current and past" CSR misconducts of most (or all, if possible) corporations. Even though major corporate misconduct or scandals are regularly highlighted by the news media, blockchain technology can be used to radically revolutionize the traditional "truth-telling" functions of the traditional media. First, the traditional media can be influenced or sanctioned by the government or people with "power". Suppose there was a CSR misconduct which is done by the government or corporates with strong political and/or financial power. It is likely that the traditional approach to truth-telling might be severely restricted in this case. On the other hand, the truth-telling that is powered by blockchain technology can be significantly more effective depending on the size of the blockchain network and how well it has been structured. For the government or corporates with political and/or financial power to be able to influence the truth-telling entities that are powered by blockchain technology, they need to know who they need to approach (which will be impossible given that people in each node in the blockchain network are anonymous) as well as they need to approach a lot of them (e.g., 51 percent consensus rule). Second, the decentralized nature of the blockchain network allows the power of the "crowd" to be utilized more effectively. Some people might have specific and rare information or evidence that otherwise would be inaccessible using the traditional truth-telling approach. In fact, the current social media (such as Facebook and Twitter) have already started to play this important role for quite some time. The blockchain technology will be a platform that takes the truth-telling function of social media to the next level. Third, as the blockchain network is algorithmic, it can leverage the increasing computational power (of modern CPUs, GPUs, or even cloud-based quantum computers) to collect, verify, and disseminate important information or facts to millions of people in real time.

5.8 Is public access to CSR reporting database required?

Yes, public access to the CSR reporting database is required. Companies will submit their individual CSR activities to the blockchain network. Other stakeholders or "the crowd" who experience socially acceptable or unacceptable activities of any company firsthand will also submit these activities to the blockchain network. Decentralized and anonymous agents will verify and record data on the blockchain network. All stakeholders will be able to access and read CSR information on the blockchain network. Therefore, a permissionless public blockchain would be the most suitable structure.

6. Discussions and conclusions

Blockchain technology is a public ledger that stores data in a chain of blocks which can radically improve the quality of our records from "records that might

be trustworthy" to "records that trust is absolute". The most important advantage of blockchain technology over traditional ways of recoding is its immutability property. Data recorded in the blockchain network (with a large number of people participating) is almost impossible to be tampered. Furthermore, blockchain technology can be structured to provide other benefits. First, blockchain technology can be structured such that the identify of people who participate in the blockchain network (senders, receivers, and validators) are concealed. Second, blockchain technology can be structured to allow smart contracts. Third, blockchain technology can be structured as a public blockchain in which anyone can participate. Public blockchain can leverage the power of the "crowd" effectively, either for strengthening the immutability property of the blockchain network or for gathering a large number of people to perform some common tasks, as in "crowdsourcing".

In this chapter, we will explore one area that blockchain technology can radically transform but has not yet received significant attention which is the application of blockchain technology for CSR reporting. Our objective is to determine whether blockchain technology is suitable for CSR reporting or not which is still an open question as blockchain technology will be suitable only when there are clear and impactful benefits when blockchain technology is being used over existing methods. To accomplish this, we use the ten-step decision path of [8]. Pedersen et al. [8] proposed a decision path which can be used to investigate whether blockchain technology is suitable for a certain application as well as providing a concreate rational on the suitability or unsuitability of a blockchain application.

We found that blockchain technology is suitable in the context of CSR reporting as there is a strong need for an immutable common database shared among various stakeholders with potential trust issues. We also argue that blockchain technology does not completely eliminate existing trusted third parties such as governments, international organizations that provide CSR reporting standards, major CSR reporting assurance companies and major CSR infomediaries. We argue that blockchain technology can be used as a platform that integrates all traditional trusted third parties, transforms their functions, and reduces their drawbacks for advancing CSR reporting. We also demonstrate that a permissionless public blockchain would be the most suitable structure.

We acknowledge that there are several limitations to our study. First, we focus on a single framework from [8] to determine the suitability of blockchain technology in CSR reporting. Almeshal and Alhogail [61] provided a review of several suitability evaluation frameworks for blockchain technology. It would be interesting for future studies to examine the suitability of blockchain technology in CSR reporting using multiple frameworks. Second, we provide rationales for determining the suitability of blockchain technology in CSR reporting at each step of the decision path based on evidence and arguments from existing literature. It would be interesting for future studies to reexamine the suitability of blockchain technology in CSR reporting by using the ten-step decision path as an instrument in a focused group of practitioners or CSR experts.

Acknowledgements

We would like to thank National Research Council of Thailand (NRCT) for providing funding for this research (N42A650683).

Notes/thanks/other declarations

Piyachart Phiromswad is a corresponding author. This project is funded by National Research Council of Thailand (NRCT): N42A650683.

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Chapter 7

CSR and Corporate Lobbying: From an Environmental Perspective

Ouidad Yousfi, Islem Mbarek and Abdelwahed Omri

Abstract

In this chapter, we analyze the association between CSR and corporate lobbying. Specifically, we study the impact of CSR and corporate lobbying from an environmental perspective on firm performance in the event of environmental misconduct. We further investigate whether these two policies enhance firms' performance and give response to the call for action from their stakeholders and society, or they are just used to cover firms' dirty activities and help them appear cleaner in the market.

Keywords: social responsibility, environmental misconduct, corporate lobbying, firms' value

1. Introduction

Hardly a day passes without news of corporate wrongdoing and misbehavior. Unethical actions by corporations, including employees' safety faults, bribery of officials, scandals, and environmental damages, continue to happen.

Corporate misconduct is considered as a serious phenomenon, which presents a high level of danger in many fields such as the economy, health and safety in the workplace, environmental protection, human rights, and others. Despite the growing awareness of ethical responsibility and the clear penalties and regulations associated with corporate misbehavior, these actions continue to occur.

In recent years, companies are becoming more aware of social and environmental sustainability, and there has been a global movement toward more sustainable ways of working. However, corporate disasters still happen.

Environmental catastrophes are something that every company deals with, including oil spills, industrial explosions, fires, gas emissions, and pollution. These disasters could happen accidentally, or they could be something that happened due to human irresponsibility, which could be prevented if they were paying enough attention.

Nonetheless, following a disaster, companies will have to do their best to overcome the catastrophic situations they made. As these disasters can have serious consequences, companies will need to clean up their mess and rebuild trust with the public by being more responsible and considerate toward the environment.

Environmental disasters are not always predictable because accidents do happen, but it is very difficult to protect the company's image if the disaster could have been prevented. For example, if there is a major fire that was caused due to negligence, the firm could receive backlash from the public. A fire may not only affect the business, but it could also destroy other businesses and harm the environment through air pollution.

A concrete example of an environmental disaster is BP's 2010 major oil spill in the Gulf of Mexico, which is considered as one of the worst companies that caused environmental disasters ever. Not only was this damaging to the ocean environment, but it also had a negative impact on the company's reputation. The company not only lost money from losing its product in the ocean, but it received a lot of backlash and loss of consumers. It is essential for companies to take immediate remedial action in case of an environmental disaster.

Along with the BP disaster, The Niger Delta incident should be mentioned too. During the period of 1970 to 2000, there were over 7.000 oil spills and over 13 million barrels of oil. Explosions were frequent, with the largest one until date, killing more than 1.000 innocent people in 1998. The major convict in the pitiable state of the Niger Delta is Exxon Mobile, which has till date escaped the trials. Local indigenous groups have sprung to action against numerous refineries and have resorted to bombing and firing in the region, to warn the companies to avoid the Niger Delta.

Over the last two decades, the whole globe is becoming more aware and concerned about environmental protection around the world because of the occurrence of some serious environmental accidents, generating negative impacts on health and ecosystems [1].

Undoubtedly, environmental accidents affect firms' value [1, 2], increase political costs, and bring reputation penalties [3], which could be reflected in the market response to these environmental events [1].

According to that, firms can manage potential environmental exposure by pursuing corporate social responsibility (CSR) initiatives or by engaging in political lobbying with the aim of influencing environmental laws [4]. Scholars have broadened a lot of attention to CSR, which is considered as an important phenomenon [5, 6] mostly due to the increasing focus on the environmental aspects [7].

In the present age, environmental protection is considered to be as one of the most important and debated political issues. In recent decades, there have been an increasing number of scientific studies addressing the gravity of the situation of our planet, and the growing awareness toward environmental damages caused by pollution raised large political support for a more environmentally friendly economy and strict environmental regulations [8].

Recently, scholars have broadened great attention to corporate environmental responsibility [3, 9], but the evidence on the economic value of pursuing CSR is still far from conclusive [10–12].

Specifically, there has always been a debate about whether CSR increases firm value [13–15] or presents agency problems that drain shareholder resources and reduce productivity [16, 17].

In contrast to CSR, which includes changing firm behavior, corporate lobbying constitutes an alternative strategy aimed at changing policy proposals to benefit firms or industries in the case of environmental misconduct [18–20].

In this chapter, we will be discussing the relationship between CSR and corporate lobbying in the event of environmental misconduct and their effect on firm

performance. Our chapter is organized as follows: Section (2) presents the effect of CSR on firm performance. Then, we analyze the impact of corporate lobbying in Section (3).

2. Corporate social irresponsibility also matters

Recently, research on firm performance and corporate social performance (CSP) has broadened to concurrently evaluate corporate social irresponsibility (CSI) with corporate social responsibility (CSR) [21].

A company's corporate social performance (CSP) includes both the good side through corporate social responsibility (CSR) initiatives and the negative side through corporate social irresponsibility (CSI) incidents [21].

CSR has been widely acknowledged as a highly desired firm action that not only benefits communities but also helps firms achieve better firms value [22, 23].

Until recently, researchers have begun to expand their understanding of the impact of CSR activities on firms' value by including CSI, as an opposing counterpart [11, 24].

Therefore, some companies promote CSR, others have little or no engagement in CSR, and other companies focus on avoiding CSI to avoid any harm [25].

Recently, corporate environmental responsibility (CER) has attracted great managerial and social attention [9] and it's been the center of interest to many researchers alike [26–29].

CER includes corporate practices related to managing and using natural resources, production activities, disposing of waste, environmentally friendly products, recycling, and pollution prevention and control [30]. In other words, CER is referring to how companies undertake their responsibility to minimize and manage the negative impact of their operations and activities on the environment [31, 32].

In the following, we aim to investigate the effect of the environmental dimension of CSR on firms' value, and whether firms' can manage potential environmental exposures by engaging in environmental activities to overcome the misconduct and harm made and enhance their economic value.

2.1 What does CSI refer to?

According to previous researchers, corporate social irresponsibility or misconduct is understood to describe corporate behavior that reasonable stakeholders consider irresponsible. It is related to whether the company conducts harmful activities that benefit a few but causes substantial net harm to other stakeholders [33].

Therefore, companies found to be involved in CSI may have serious dangerous consequences for the environment, employees, communities, and other social entities [34].

Corporate misbehavior does not seem to generate positive implications for the firm. Research has shown that consumers are now more aware of environmental issues [35]. When consumers become aware of socially irresponsible behavior, their positive identification of the company is interrupted. Since consumers are no longer interested in the company or no longer buying products [36], their identities become negative [36], resulting in a loss of income. This negative perception of the firm may likewise harm its reputation and brand [37].

CSI may additionally undermine the environmental supportiveness of stakeholders due to the fact that the CSI can endanger communities, as in the case of BP's oil spill. Environmental supportiveness is vital for first-rate corporation performance, and if lost, can lead to increased pressures in handling relationships with the community, public, government, or other social groups [38].

This pressure may eventually be transferred to channel members, partners, and agencies within the business network [39].

Unfortunately, due to the negative effects of corporate misconduct, the ability of the firm to attain high incomes will be reduced like its shareholder's value.

Accordingly, stakeholder theory conceptualizes CSI as a contradictory force to CSR that causes negative stakeholder perceptions and connections and leads to negative firm consequences in the form of costly lawsuits, costs related to negative firm reputation, sales revenue losses, increased capital costs, and increased financial risk [35, 40].

Otherwise, the corporate social performance also initiates social responsibility that interacts with social and environmental concerns to overcome the harm made [41].

In the interest of managing the firm's reputation, companies can focus on their environmental, community, and social responsibility to highlight their ethical, social, and environmental performance [42].

Fombrun [43] emphasized that corporate reputation brings tangible benefits to the organization, such as greater product prices, lower capital and labor costs, and increased employee loyalty. Similarly, Fombrun and Van Riel [43], according to previous studies, declared that "a corporate reputation is a collective representation of a firm's past actions and results that describes a firm's ability to deliver valued outcomes to multiple stakeholders." We can assume that reputation provides organizations with multiple strategic advantages.

Therefore, stakeholder theory suggests that CSR strategies enhance shareholder value through improving stakeholder relationships [44], thereby harmonizing corporate environmental responsibilities with value-maximization goals [45] and generating a favorable firm image [46, 47]. However, prior research has produced mixed evidence on the relationship between CSR and firm value [48].

On the one hand, relevant CSR has been associated with higher market valuation [13, 49], higher returns rating from investment activities [14], easier access to financing [50], and lower cost of capital [51–53].

On the other hand, other researchers have found that firm valuation has not improved [54] or it has been related to lower financial performance [17, 55]. In addition, Lys, Naughton, and Wang [56] argued that CSR does not cause superior firm financial performance; on the contrary, firms that expect finer future performance signal their expectations by improving their CSR engagements.

Moreover, consistent with the view that CSR constitutes a form of agency problem, previous studies have linked CSR policies to executive narcissism [56], political ideology [17, 18, 57], and lower manager–shareholder interest alignment [58]. Overall, the empirical evidence on the economic value of following CSR is far from conclusive [10, 12, 54].

From the perspective of environmental CSR, previous researchers documented a negative market reaction to environmental misconduct and infractions [3]. Some studies propose that environmental initiatives increase firms' financial performance [11], whereas other studies have found that the impact of sustainability priorities on company performance is either neutral [59, 60] or negative [61].

In the same line, Karpoff, Lott, and Wehrly [3] assumed that firms pay substantial legal penalties and suffer corresponding market value losses following violations of environmental regulations. Consequently, investments that reduce toxic firms' exposure to the risk of losses arising from environmental accidents, lawsuits, and fines can create value for all shareholders by lowering expected costs of financial distress, financing costs, and underinvestment [62, 63].

Hence, scholars shed light that reputational capital could enable a firm to avoid consumer boycotts knowing that customers are now more aware of environmental issues [38] and access capital from green investors [51, 64].

According to Godfrey [65] and from a competitive perspective, CSR provides an "insurance-like protection" against negative shocks caused by corporate social irresponsibility (CSI), by taking advantage of the goodwill of stakeholder groups [15, 66].

For example, Hong and Liskovich [67] found that firms with better CSR engagements incur more lenient financial penalties for bribing foreign officials than firms with poor CSR.

3. Why we should think of corporate lobbying to enhance both financial and social performance?

While in the previous section, we interrogate the effect of corporate environmental responsibility (CER) as a strategic policy used by companies in the events of environmental misconduct, it is also necessary to analyze the impact of corporate lobbying, as a technique introduced by firms' to affect their value. While lobbying was more a matter of a few individuals attempting to influence others through various means, the activity has today found various ways to grow and evolve in a legal way.

Lobbying refers to the political activities that special interests, including corporations, are engaged in to influence legislators at different levels of the government. It has a long history in the United States and is protected by the Constitution as a basic right of "freedom of speech."

At the federal level, lobbying is defined as "any communication made on behalf of a client to members of Congress, congressional staffers, the President, White House staff and high-level employees of nearly 200 agencies, regarding the formulation, modification, or adoption of legislation" (The Center for Public Integrity). It is regulated by the Lobbying Disclosure Act of 1995.

Recently, researchers start to investigate the relationship between corporate lobbying expenditures and shareholder value. While some studies conclude that lobbying activities generally increase the firm value [68–70], other studies provide evidence that lobbying activities are associated with decreases in firm value [71, 72] or are not associated with firm value [73].

A study conducted by Aggarwal, Meschke, and Wang [74] and Skaife [75] suggested that firms could incur lobbying expenditures as a strategic investment intended to generate future benefits for firms and their shareholders. Alternatively, lobbying expenditures could be symptomatic of agency problems, whereby managers personally benefit from the political power and influence associated with lobbying activities, at the expense of shareholders.

Lobbying represents an alternative strategy that "aims to change policy recommendations to benefit the company and/or industry" [19]. Prior research found that lobbying can build political capital and enhance company's value [76] by increasing firm's reputation [19, 70].

Based on previous studies, political lobbying is associated with better access to finance, and/or lower taxation, government bailouts, higher market returns, more government contracts, greater market share [77], lower takeover risk, and preferential awards of government contracts and investments [4].

It is found that political power and connections significantly affect firm value [78–80]. According to the latest work by Vidal, Draca, and Fons Rosen [81], firms' are prepared to pay higher fees for lobbying activities for people with power like politicians believing that these connections can enhance a firm's value.

One of the most controversial and debated issues in the main time is the environmental protection. Over the past few decades, huge numbers of scientific research have evaluated the earth's condition, and consumers are becoming more conscious of the environmental harm caused by polluting firms, which may lead to a decrease in incomes due to consumers' boycotts and government penalties, and consequently a decline in shareholder wealth.

As an example, firms that are involved in lawsuits, controversies, or scandals such as Enron, WorldCom, Phillip Morris, and Halliburton, spent heavily on lobbying. Previous research found that lobbying decreases the risk of companies suffering from fraudulent compliance actions [82, 83] and labor lawsuits [19]. Lobbying allows companies to use its power to "capture" value in the political field to defend acquired positions and/or to create new market opportunities and decrease monetary penalties [82, 83].

4. Conclusion

Our study examines the role of corporate environmental responsibilities and corporate lobbying in the event of corporate misconduct.

In recent years, environmental protection has received increasing attention in both economic research and practical management fields. Going beyond, business activities and taking care of the environment can bring firms benefits. Now companies have realized that business activity in an environmentally responsible way is not only a legal duty but also a responsibility.

Over the past few years, shareholders increasingly require companies to become more environmentally aware and responsible. Hence, companies are now using different policies to manage their environmental exposures and enhance their value. The main objective of this study is to extend the recent research on CSR and corporate lobbying. In this chapter, we attempt to investigate whether a firm's corporate social responsibility and corporate lobbying efforts enhance a firm's performance in the events of environmental misconduct. On the one hand, we study the impact of corporate misconduct on firm value. Then, we shed light on the engagement of companies in corporate social responsibility to overcome the losses caused by their irresponsibility. On the other hand, we investigate the relationship between corporate lobbying and firm performance.

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Chapter 8

Perspective Chapter: The Environmental, Social, and Governance (ESG) Investment and Its Implications

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Abstract

Investment management has been an important part in a long-term financial planning for investors around the world. Traditionally, investors aim to maximize the risk premium relative to the riskiness of the investment subjected to certain goals and constraints such as the time horizon, risk appetite, and consumption behavior. Recently, investors, both retail and institutional investors, have shown significant interests in sustainability especially on the environmental, social, and governance, which is often referred to as ESG investments. Studies on ESG investing are unable to reach consensus. We will review literature related to ESG investing in order to identify key limitations that obstruct advancements in this field. In particular, key limitations that we have identified involve the issues of data inconsistencies and the choice of benchmarks, among others. Furthermore, this chapter identifies areas for future research that address these limitations and thus should advance research in this field.

Keywords: investment, sustainability, ESG

1. Introduction

Sustainable investing has received interests from both public and private sectors around the world for decades. Generally, it refers to the investment processes that integrate investing with factors that are perceived to have positive impacts to the environment, to the societies, and to the world at large. These factors are often referred to as the environmental, social, and governance (ESG) factors. In addition, companies around the world have paid a significant focus on creating activities and investment decisions that meet these objectives. The ESG activities have often been measured and cited in the companies' annual reports. Not only that, several stock indexes are also commonly constructed relative to the ESG ratings, for example, the S&P 500 ESG Index, while constructed similarly to the S&P 500 Index, is an index designed to measure the performance of securities that meet the ESG criteria. The number of companies that report ESG data has also increased significantly. According to Amir

and Serafeim [1], there were fewer than 20 companies that reported ESG data in the 1990s. On the other hand, there were about 9000 companies that issued and reported sustainability and ESG data in 2016. Using survey data, they found that the most frequent motivation as to why ESG information was used was related to investment performance, followed by client demand, product strategy, and ethical consideration, respectively. ESG market size has also expanded tremendously as well. Bloomberg reported on July 21, 2021 that ESG assets are on track to exceed $50 trillion by 2025, which will represent more than a third of total global asset under management.
The implications and contributions of ESG investment have widely been examined. However, the consensus regarding the advantages and disadvantages of ESG investing has yet been reached. In this chapter, we will explore the ESG investment and its implications in several dimensions, by reviewing literature related to the relationship between ESG information and firm performance. Possible areas that lead to the inconclusive of the ESG effects on investments will also be discussed, along with the direction of future studies that should advance the studies in this area.

The rest of the chapter is organized as follows. Section 2 presents the relevant ESG investment literature. Section 3 discusses the inconsistencies in examining the impacts of ESG investments. Section 4 concludes.

2. Literature review on ESG investments

2.1 ESG investment and equity markets

2.1.1 Positive implications of ESG investing

Markowitz [2] has set a seminal framework of the modern portfolio theory (MPT) in how investment decision can be made based on the risk and return trade-off. Even though MPT was introduced more than 60 years ago, it is still an important foundation in the financial world until today. MPT allows investors to make investment and asset allocation decision by considering the rates of return, volatility, and importantly how the assets' returns move together. An important implication of MPT is that the volatility of the portfolio of multiple assets generally would be smaller than those of individual assets combined through diversification. On the other hand, the exact impacts of ESG information on financial performance are still unclear, and the findings about the relationship between ESG information and investment performance are still inconclusive [3]. It has long been a debate as to whether socially responsible investing and ESG information have any effects on risk and return trade-off and importantly on diversification.

Specifically, market participants are also interested to know whether ESG information would be transmitted to the companies' stock prices and their performance. Gasser et al. [4], based on Markowitz's portfolio selection theory, propose a modified model that incorporates a social responsibility measure into the analysis. By examining more than 6000 international companies including stocks that are rated relative to the social responsibility criteria, they find that when investors' objective is to maximize the social impact of their investments, the expected returns are statistically and significantly lower. However, when the portfolio is optimized relative to the social responsibility and risk, it yields a higher social responsibility rating than the portfolio that is optimized relative to just the risk and return. Several studies have also found positive effects of ESG investment on portfolio's return (e.g., see [5–7]). In particular, Ashwin Kumar et al. [8] examined 157 listed and 809 non-listed companies on the

Dow Jones Sustainability Index. They find that for companies that incorporated ESG factors, their stock performances exhibit lower uncertainty, while at the same time provide higher returns. The finding demonstrates that efficient investment strategies could be obtained for stocks that have high ESG performance.

Even though we have witnessed tremendous amounts of fund flows into sustainable investment assets in recent years, the proportions of sustainable investing, however, are still concentrated in developed markets such as in the European and the US markets. The proportions of sustainable investing assets in the emerging markets are still significantly smaller [9]. An interesting question is whether the risk and return trade-off, and corporate performance, especially in developing markets, can be enhanced with ESG factors over the conventional investment portfolio is of interests to both corporates and investors. In China, evidence suggests that financial performance can be improved with positive ESG factors (e.g., see [10, 11]). Several studies find that ESG investing in China can beat the market portfolio, and that the risk-adjusted returns are higher for ESG equity index portfolios relative to the reference market indices [12]. Deng and Cheng [13] find similar results. By examining China's A-share listed companies, they find a positive relationship between the improvement of the ESG indices and stock prices' performance. In particular, they find that there is a greater influence of ESG indices on non-state-owned enterprises than for state-owned enterprises. In addition, the ESG factors affect the market values of companies in secondary industry (i.e., processing and manufacturing related) more than that of the tertiary industry (i.e., service industry).

In other emerging economies, Rehman et al. [14] study the integration between ESG and composite indices in Brazil, Russia, India, China, and South Africa, or the so-called BRICS countries. They find that ESG indices are integrated with (equity) indices in BRICS countries. In addition, they observe short-run causality between conventional and ESG equity indices only in Brazil and Russia. On the other hand, a long-run causality between conventional and ESG equity indices exists in the Indian market. Specifically, they find that MSCI ESG equity indices in individual countries show a long-run causality with MSCI composite equity indices of all other BRICS counties, suggesting a flow of information between conventional and non-conventional (ESG) markets across these countries. Sherwood and Pollard [15] analyze MSCI Emerging Markets ESG Indices and non-ESG MSCI Emerging Markets Indices from 2007 to 2016 and find that investments with ESG integration provide significant superior performance. Their findings suggest that ESG emerging market equities could provide investment opportunity for higher returns and lower downside risk than comparable non-ESG equity investments.

ESG investing exhibits positive characteristics during turbulent markets such as during the COVID-19 market shock [16]. Looking back to the year 2020, the market experienced anxiety and uncertainty due to the coronavirus outbreak, and declined, between February and March 2020, by more than 30%. Using Chinese stock market data, Broadstock et al. [17] show that equity portfolio with high ESG performance tends to perform better than low ESG performance portfolio. In addition, they also find that ESG equity portfolio can alleviate financial risk, and this risk mitigation characteristic of ESG portfolio is essentially more pronounced during a financial crisis, such as the COVID-19 market shock. Not only that, during the COVID-19 crisis, evidence from a fund-flow analysis shows that investors preferred to invest in low-ESG risk investments, suggesting that ESG investment is a preferred hedging strategy during turbulent markets [18]. Engelhardt et al. [19] find similar evidence in Europe, where European firms with high ESG ratings exhibited higher abnormal returns and lower stock volatility during the COVID-19 crisis.

Pedersen et al. [20] suggest that ESG factor can also be incorporated into the efficient-frontier portfolio framework allowing investors to weight in the cost and benefit of ESG investing. Their analysis shows that there are benefits of ESG information. The risk-adjusted return, i.e., Sharpe ratio, can be enhanced through the so-called ESG-efficient frontier. They find that for a high level of ESG proxy, the Sharpe ratio can be optimized. However, investors can pay a small cost as in a drop in the Sharpe ratio in order to obtain a higher ESG level. They imply that "ethical goals can be achieved at a small cost." The main question remains. What should investors do when they want to do good and also to perform well with their investment? Cornell and Damodaran [21] suggest that the important factor for an investment success with an ESG focus is to invest in companies that do good before that is priced into the stock price. Otherwise, as evidence has shown, investing in firms that are already known by the market as good firms tends to reduce investor returns. Taken together, this can be implied that because investors demand to invest in good firms, the stock prices are expensive, thus putting a pressure on the returns. To increase firm value through ESG factors, the implemented ESG strategies and actions must yield higher cash flows or lower the uncertainly or both [21]. In addition, it has been shown that there are several factors that affect the ESG information and investment performance, including the type of the industry and the regional differences [22]. Besides, it is important for investors to consider the changes in ESG ratings when making investment decisions since they also affect returns. Despite the fact that increases in ESG rating may lead to positive (although inconsistently and small) abnormal returns, the ESG rating downgrades yield statistically significant negative risk-adjusted returns [23].

Taken together, the evidence from both developed and developing economies suggests that ESG investing may have positive relationship with returns and negative relationship with uncertainty, especially during a period of financial crisis. These are two important beneficial characteristics of ESG information on investments.

Although there have been several studies that examine the relationship between ESG investing and financial performance and found positive results, yet there are also evidences that suggest the conclusions are still premature. In the next section, we will examine studies that find contradictory results regarding ESG investing.

2.1.2 Contradicting findings on ESG investing

In contrast to the positive evidence of ESG investing discussed earlier, several studies, on the other hand, have documented some weaker or even contradicting results. Recently, La Torre et al. [24] examine the performance of Eurostoxx50 companies relative to their ESG commitments. They find that even though there exists a (positive) correlation between the ESG index and stock returns, the relationship is rather weak and also varies from company to company. Although the positive effect of ESG factors has also been found in certain sectors, such as energy and utility, this evidence could rather be explained by their ESG investments, which play a significant role for the sectors' profitability. It has been argued that investors, generally, follow the investment criteria in which corporate financial performance can be assessed through traditional financial variables such as EBITDA and leverage measures. Several studies also find limited relationship between ESG investing and stock performance in specific markets. For example, Landi and Sciarelli [25] examine Italian blue-chip firms and find no significant relationship between ESG assessment and abnormal returns. This can be implied that investors do not incorporate corporate sustainability and social responsibility as a factor in their stock selection process.

They conclude that for Italian blue-chip firms that deploy an ESG corporate strategy, social responsibility should not be considered a reliable financial leverage since there is no relationship between abnormal returns and ESG rating.

It has been suggested that the negative relationship between ESG rating and firm performance may be because of the investment costs required for firms to undertake such ESG activities. Ruan and Liu [26] point out in their study that the firm performance drops by 4.3% for each one level increase in ESG rating of China: Shanghai and Shenzhen A-share, listed companies. Relative to state-owned enterprises, non-state-owned enterprises, especially those that are non-environmentally sensitive companies, face a greater cost pressure on ESG activities. The differences in these enterprises and industry characteristics reflect the discrepancy of ESG cost pressures and thus affect the firm performance differently. In addition, it has been documented that the governance factor, such as board size, independence, and gender diversity, are connected to Chinese enterprises' environmental performance [27]. However, the impact of ESG policies, whether it is a positive or a negative one, may depend on specific geographical locations and industrial specifications. Constantinescu [28] finds that for the selected European companies, only companies in the energy sector exhibit negative correlation between the environmental factor and firm value. On the other hand, there is no significant relationship between the sustainability disclosure and the firm value for companies in the healthcare sector. Similarly, Buallay [29] finds that there is a negative relationship between ESG activities and financial performance in the banking section. Some, however, argue that ESG activities are costs that affect the profits and shareholders wealth, and thus there is no significant impact of ESG disclosure on firm performance, especially in environments in which information asymmetries are significant [30].

In terms of valuation, the firm value is the discounted value of all future cash flows. If everything else remains constant, a lower cost of capital would have a positive effect on the firm valuation. On the other hand, a higher cost of capital would have the opposite effect. A line of research focuses on the effects of ESG activities and the cost of capital. Atan et al. [31], for example, analyze Bloomberg's ESG database during the period between 2010 and 2013 and find that although the combined ESG factor positively affects the cost of capital, there is no relationship between individual ESG factors and the cost of capital. In addition, they find that the combined ESG factors have no impact on the firm profitability and firm value. Similarly, it has been found that environmental disclosure, on the other hand, increases the cost of capital for small and medium-sized enterprises (SMEs). This may be due to the fact that, in contrary to large corporations, SMEs face unique challenges of their own such as limited resources and their ability to access the capital requirements [32].

Giese et al. [33] focus on the relationship between ESG criteria and firm performance and value. Specifically, relative to the ESG information, they examine the firm performance and value through three different channels: (1) a standard discount cash-flow model, (2) the idiosyncratic risk, and (3) the firm valuation. The results show that there are linkage and information transformation of ESG data to the firm performance and value. Firms with improved ESG rating generally will experience a lower systematic risk, resulting in a lower cost of capital and thus a higher firm value. On the other hand, a higher ESG-rated firms often experience a lower firm-specific incident, i.e., a lower idiosyncratic risk. They conclude that "the transmission from ESG characteristics to financial value is a multi-channel process, as opposed to factor investing in which the transmission mechanism is typically simpler and one dimensional."

We have covered different views regarding ESG investing and its implications. The evidence, thus far, could be used to assist investors and corporates to make their investment decision and to design their ESG strategies and policies. The next section will turn to focus on the implications of ESG investing in another market setting, i.e., the fixed income markets.

2.2 ESG investing and its implications: fixed-income markets

In the past decade, there has been a significant interest and demand to invest in sustainable bonds. Several well-known companies, such as Apple and Alphabet, have issued ESG bonds to finance their green and environmentally concerned projects. According to Reuters report on December 23, 2021, global sustainable bonds issuance hits a record high in 2021 with issuance value totaled more than $850 billion or approximately a 60% increase from 2020. An interesting question is how ESG characteristic in fixed-income markets add value to market participants. A study by Polbennikov et al. [34] finds that credit spreads tend to be lower for high ESG-rated bonds; in addition, these bonds also outperform their lower-rated peers. At the country level, it has been found that above and beyond financial ratings, high ESG ratings on sovereign bonds lower the country's borrowing costs [35]. In other settings, ESG ratings also show to have effects on the bond uncertainty. For example, Bahra and Thukral [36] find that ESG information can be used to improve portfolio characteristics such as lowering drawdowns, reducing volatility, and increasing risk-adjusted returns, even though the increase is marginal. Mendiratta et al. [37] find similar results regarding the relationship between ESG information and bond uncertainty. They show that ESG characteristics supplement credit ratings and provide further insights into bonds' risk and returns. Specifically, ESG information is more relevant to bonds with lower credit ratings and to bonds with longer maturities. In addition, ESG information is shown to be negatively correlated with the bond default rate [38].

It has also been found that ESG factors may provide certain benefits during market shocks. Evidence has shown that during a turbulent market, such as the COVID-19 shock in 2020, the correlation between ESG high-yield bond ETFs and conventional high-yield bonds decline, suggesting a potential risk reduction and hedging benefits between the two asset groups [39]. It can be implied that ESG high-yield bonds can be an effective hedging instrument for conventional high-yield bond investments. In addition, ESG high-yield bonds also provided higher returns relative to the comparable conventional high-yield bonds [39]. Naeem et al. [40] find similar evidence that during the market stress, such as the COVID-19 market shock, green bonds provide significant diversification benefits and are able to absorb the turbulent of market downfall. This is also consistent with the evidence that during the COVID-19 pandemic, there were investment preferences in ESG leaders in investment grade bonds over ESG leaders in the equity and high-yield bond markets [41].

The implications of ESG information can also be evaluated through the risk characteristics of the bonds by analyzing the performance of the bonds that have gone through credit rating changes, especially those that have been downgraded. One type of such bonds in particular is angel bonds, which are investment grade bonds that have been downgraded to high-yield bonds. Kumar and Khasnis [42] find that although, in general, higher price pressure due to higher yields and higher probability of bankruptcy are some certain characteristics of fallen angel bonds, ESG-fallen angel bonds nullify some of those negative characteristics and, on the other hand, increase the portfolio's risk-adjusted returns.

Investors also need to be aware that variation in ESG ratings also has impacts on bond characteristics, especially on the bond valuation. Immel et al. [43] analyze green bonds, in which the raised capital is used for projects with climate and environmental benefits. They find that green bonds have a negative premium between 8 and 14 basis points. In addition, there also exists the influence of ESG factors on bond spreads. They show that a one-point increase in the ESG score results in a decline in the spread between 6 and 13 basis points. Other studies find similar, although smaller, negative yield premiums in green bonds and suggest that those negative yield premiums are not large enough to disincentivize investors to invest in green bonds [44]. However, the negative yield premiums in green bonds are not present equally across all types of issuers. For example, evidence shows that green bonds issued by financial institutions provide no yield differential relative to similar non-green bonds [45].

From the above evidence, we have already seen the implications of sustainable or ESG bonds on the risk and return characteristics of the bond itself. Another important dimension of sustainable or ESG bond issuances is its implications on the firm value and especially to the shareholders. Over the past several years, there have been issuances of ESG, especially green bonds worldwide. Many corporations raised capital with green bonds as a way to communicate and signal to the market that they care about the world, and the raised capital would be used in climate-friendly projects. Generally, when firms issue green bonds, stock prices often react positively and the stock liquidity also improves [46]. The cumulative abnormal returns are positive and significant after the green bond issuance announcements [47]. Not only that, the firm's ownership structure also tends to change. For example, after green bond issuance, the proportions of institutional and green ownerships increase [44, 46].

As we have already seen that sustainable and ESG investing have several implications to both equity and fixed-income market, the next section will address existing evidence regarding sustainable and ESG investing in the alternative investment markets.

2.3 ESG investing and its implications: alternative investment market

In this section, we will explore the implications of ESG investing in the alternative investment market such as real estate and private equity (PE). Alternative assets have been a valuable component of a well-diversified portfolio. With a much interest in sustainability and ESG information, investors have turned to focus on the sustainable and ESG components in alternative investment markets. Evidence suggests that ESG scores do have an impact on REIT performance. Aroul et al. [48] find that there is a positive relationship between ESG scores and REIT's operational efficiency and performance. In particular, REITs with high operational efficiency exhibit stronger the relationship between ESG score and operational performance. This is evidence that REITs can improve its value through ESG factors. Eichholtz [49] shows that higher ESG performance leads to narrower REIT bond spreads, the lowering the cost of debt for REITs. This in turn may suggest that there is a positive effect between REIT's uncertainty and income and sustainability practices. In addition, there is also a positive correlation between REITs with high ESG performance and firm value during a period of heightened market uncertainty. Feng [50] finds that in addition to having lower cost of debt, gaining better access to the capital markets, and displaying better financial flexibility, REITs with high ESG disclosure statically have higher market value during a period of market shock, such as during the COVID-19 pandemic. As with other types of entity, managerial issues, such as management

overconfidence, have shown to play an important role in firm performance. For REITs, research suggests that REITs with high corporate governance (G), managerial overconfidence do not have a profound effect on REIT's investment activities [51]. Although there has been evidence of a positive relationship between the ESG information and REITs' characteristics, these positive ESG implications may come with a cost. Studies find that investors often pay premiums in order to access companies with higher ESG ratings, and there is a negative association between overall ESG ratings and returns [52, 53].

Private markets, especially private equity (PE) have received a lot of interests from market participants in the past decade. According to Forbes report on July 8, 2021, PE assets under management are expected to reach $5.8 trillion by 2025. In addition, ESG factors have been increasing incorporated into PE firms' investment strategies. Although it has been evidenced that PE firms exercise ESG factors into investment strategies, mainly as a risk management tool, Zaccone and Pedrini [54] point out that there is still an available dominant for PE firms to enhance their value creations through the integration of ESG factors into their investment decisions. One of such examples was illustrated by Indahl and Jacobsen [55]. Using the case of a Nordic PE firm, they show that the PE firm was able to stand out from its competitors and enhance its financial performance through the integration of ESG approach with their strategies. Although it should be noted that while positive ESG factors have potential to improve financial performance, ignoring responsible policies, or even worse, having irresponsible practices could reduce the firm price even by a larger percentage [56]. In contrary to a prior belief that PE and other shorter investment horizon institutional investors often overlook CSR (corporate social responsibility) and ESG values, it has been found that firm value can be improved with the integration of long-term sustainability supported by CSR in the PE segment [57]. In addition, the benefits of CSR implementation, along with corporate governance (G) policies by PE firms, can be transmitted in the form of financial value onto their investee companies [57]. Specifically, corporate governance (G) has been one important factor that drives PE firms' investment decisions. PE often searches for corporate governance improvement opportunities and invests in firms where the improved alignment between manager and shareholder interests can create financial performance and value [58].

Although the implications of ESG investing have been examined extensively, several studies find that ESG investing provides positive effects to both investors and corporations (e.g., see [8, 13, 15]), but other studies have found contradicting results (e.g., see [25, 26, 28]). Like other empirical studies, the contradicting implications of EGS investing may be due to the differences in the sample selections, time period of the analyses, and methodologies employed. To address these contradictory findings, the next section will try to identify the causes, the effects, and propose some plausible remedies to future research in ESG investments.

3. Inconsistencies in examining the impacts of ESG investments

Although the subject of ESG investing has been examined and researched extensively, we have yet reached the definitive implications of this investment concept. Some studies find that ESG investing often leads to higher returns, while others view this issue differently and suggest that the benefits of ESG investing are being exaggerated. In this section, we will use the framework developed by Kotsantonis and Serafeim [59], which explores four dimensions of inconsistencies in ESG reporting to

explain the contradictory findings of ESG investing discussed in the previous sections. Furthermore, we will use this framework to provide future research direction, which might help to reduce theses contradictions.

3.1 Data inconsistency

Kotsantonis and Serafeim [59] argue that there is a question of whether ESG data accurately capture a firm's performance and suggest that there are evidence of the relationship between economic outcomes and ESG information, even though the data are of poor quality. Generally, researchers examine the relationship between ESG information and firm performance assuming explicitly or implicitly that the firm performance relative to the ESG metric is normally distributed. Companies that perform well will be located toward the upper tail of the normal distribution, whereas the underperforming firms could be found toward the lower tail of the distribution. The first plausible inconsistency lies in the fact that the relationships between company performance and ESG matrices might not be normally distributed. This inconsistency often arises from the ways that companies report their ESG data, and generally these companies report their ESG data in various different ways. This, inevitably, creates problems for researchers when they examine the effect of ESG investment and corporate performance. Kotsantonis and Serafeim [59] demonstrate this problem by using examples of 50 large Fortune 500 companies from various sectors. To report the data on Employee Health and Safety in their sustainability report, these companies measured the data in more than 20 different ways, with different terminology and different units of measure. For example, while some companies use "Accident Rate" to describe Employee Health and Safety, others use "Accidents Requiring Time Off," "Injury Rate," "Lost Day rate," or "Financial Lost Due to Injury," among others, to measure Employee Health and Safety. Besides using different metrics to measure an ESG data (such as Employee Health and Safety), the units of measure are, many times, different. For example, some companies use the unit of measurement in term of "Number," while other companies use "Ratio" or "Percentage" instead. Kotsantonis and Serafeim [59] suggest that these inconsistencies make comparisons among companies to be rather challenging since it is unclear whether these metrics provide measurements of the same thing. The performance data on these ESG metrics might lie on different forms of distribution, rather than being normal, thus making comparison of these ESG data problematic.

To see this issue in a more concrete way, we will illustrate this issue using some studies that have been reviewed in the previous sections. While Kumar et al. [8] find that investors should benefit from ESG investing due to the evidence of lower risk and higher return for high ESG factors from their study; however, study by Landi and Sciarelli [25] documented otherwise. They find no significant relationship between ESG and abnormal returns. If we look closer in each of these two studies, one dimension that we can observe in regard to data consistency or the lack of it is the time periods used in these two studies. In Kumar et al. [8], the data cover a 2-year period, from January 2014 to December 2015. On the other hand, Landi and Sciarelli [25] examine the impact of ESG rating on abnormal return by using data from 2007 to 2015. Obviously, the data examined by Landi and Sciarelli [25] cover a much longer period. Looking closer, we can see that the economies were very much different between the 2007–2013 period and the 2014–2015 period. For instant, starting from the second half of 2007 to the middle of 2009, the world economies experienced the Great Recession observing significant declines in national economies worldwide.

Not only that, in the post Great Recession period, the speed of recoveries among these economies was very much different across regions.

As stated by Kotsantonis and Serafeim [59], another dimension of data inconsistency is the ways the data were measured. As in the case of ESG measurements, there are several different methods to compile ESG data. Zhao et al. [10] find that there is a positive relationship between financial and ESG performances for listed power generation companies in China. It is also interesting to note that, because of the nature of the energy industry, the ESG evaluation index requires a specific ESG assessment and evaluation system. In Zhao et al. [10], the ESG evaluation index is based on the model proposed by the OECD and the UNEP based on the business activities of the power generation group and social development. In addition, the company's ESG will also be normalized based on the actual and standard values comparison principle, whereas the actual values are reported by the power generation companies themselves, and the standard values are determined by the internationally recognized values and global averages with inputs from the experts in the field. Importantly, certain ESG indicators are also industry specific indicators. For example, "Power plant power consumption rate" and "Power supply standard coal consumption" are two indexes, among others, used to construct the index evaluation system and have "%" and "g/kWh" as the units of measurements. Furthermore, they use the non-dimensionalized model to determine the sustainability and evaluation indexes. The comprehensive evaluation index is then calculated as the weighted sum of the sustainability index of the evaluation index.

Constantinescu [28], on the other hand, finds that there is a negative relationship between firm value and the environmental factor in the energy sector. Constantinescu [28] uses the ESG scores obtained from the Refinitiv Eikon platform. According to Refinitiv, their ESG scoring methodology is based on a five-step process flow as follows: (1) ESG category scores, (2) Materiality matrix, (3) Overall ESG score calculation and pillar score, (4) Controversies scores calculation, and (5) ESG Combined (ESGC) score. Broadly speaking, we can see that the ways ESG scores are constructed in Zhao et al. [10] and in Constantinescu [28] are very much different in terms of how each data point is calculated and how the composite or combined ESG is determined. This represents an example of the data inconsistency issue in studies that investigate the relationship between firm performance and ESG information.

In order to remedy this issue, we recommend some future directions for future studies as follows. First, there should be studies that systematically incorporate these factors into considerations and try to identify findings that are robust to different types of measurements. Second, future studies might consider statistically constructing an integrated index from all different measures so that there could be a single consistent measure to capture an ESG performance. Quantitative approaches such principal component analysis may also help to address the data inconsistency issue.

3.2 Inconsistencies in benchmarking

Another source of data inconsistencies is the use of benchmarking. Kotsantonis and Serafeim [59] point out that a crucial point when comparing ESG information among companies, i.e., which companies have better or worse ESG performance, is to look at the definition of performance that leads to the benchmark for the ESG score comparison. As such, in order to determine the company's (ESG) performance, studies often need to look at the ESG performance of a peer group or by using a predefined

level of performance on ESG metrices. Either one of these benchmarking methods could lead to the results that are subjected to the data inconsistency issues.

To overcome this issue, it is important to note that the choice of the ESG scoring systems or peer groups has influences that affect the interpretation of the assessment [59]. We propose that future studies may consider employing methodologies such as machine learning to construct ESG scores with appropriate peer rating from unstructured corporate data. These methods would allow the analysis to be performed systematically by machine at the raw data level, which can reduce human bias and error. On the other hand, focusing on classification or clustering methods such as K-mean clustering should yield results that are robust and are comparable across market environments. For example, Margot et al. [60] demonstrated that using machine learning to classify ESG funds into appropriate groups plays an important role in affecting the return of the constructed portfolio. They found that the machine learning constructed portfolio outperformed the best-in-class approach and the benchmark approach.

3.3 Methods used to impute the data

It is possible that the "raw" data used to construct a certain element of ESG are missing. According to Kotsantonis and Serafeim [59], 50% of top 50 companies in the fortune 500 did not provide information about their health and safety policy. For another related category, 85% of top 50 companies in the fortune 500 did not provide information about their "lost time incident rates and workplace fatalities." However, the final information from various ESG data provider seems to be complete after aggregation and rarely mention about the issue associated with missing observation. Kotsantonis and Serafeim [59] argued that "two different imputed figures can deliver significantly different ESG performance ratings," and inappropriately impute missing data can lead to bias in the associated statistical analyses.

Broadly speaking, missing observations can arise from three types. First, values in a data are "missing completely at random" or MCAR. Little [61] defined MCAR as the missing values in the data that are independent of both observable and unobservable factors. One simply way to understand MCAR is when missing values in the data are generated by a random process. Second, values in the data are "missing at random" or MAR. Little [61] defined MAR as the missing values in the data that are dependent on observable factors but are independent on unobservable factors. One simply way to understand MAR is when missing values in the data are generated by a known process. A key difference between MCAR and MAR is that for MCAR, all analyses (e.g., examining the relationship between ESG performance on some measures of firms' risks or returns) can be performed without any adjustment, and the results will be unbiased. On the other hand, for the case of MAR, all analyses must use some statistical procedures to take into an account the "known" missing process that depends on observable factors. Otherwise, the results from the analyses can be biased. Finally, the last type is "missing not at random" or MNAR. For MNAR, the missing values in the data are dependent on both observable and unobservable factors. In the case of MNAR, all analyses will be biased.

Taking the example from Kotsantonis and Serafeim [59], they showed that using different imputation methods that consist of rule-based approaches (e.g., using average value of an industry) and statistical-based approach (e.g., using regression analysis, predictive mean matching, single imputation, or multiple imputation) can lead to a difference from a real value that can be as large as 8.9%. Thus, missing data

in ESG reporting can be a serious issue not only to the investors who need to know reliable information about ESG scores but also the researchers who need to examine and uncover the relationship between ESG and various measures of returns and risks. We suggest that future studies examining the relationship between ESG and various measures of returns and risks need to incorporate the missing observation issue and use proper statistical methods to control for the "known" nature of gap filling in the ESG data. We also suggest that the ESG data providers must be transparent in reporting how they actually impute the ESG data. Another possibility is that the ESG providers can report two different sets of the data in which one set of data is the "raw data" that does not involve any imputation, which will be suitable for researchers who need to examine the relationship between ESG and various measure of returns and risks, and the second set of data is the "complete data" that does involve imputation, which will be suitable for investors for making investment decision.

3.4 Disagreement among ESG data providers about what should be considered as "ESG"

Even though it is clear what ESG stands for (i.e., "environmental," "social," and "governance"), but there is no clear consensus about the definition and measurement of each ESG component as well as what should be considered as their subcomponents. Sarajoti et al. [62] used the framework of Sheehy [63] to discuss two reasons that can explain the difficulty of developing and achieving a consensus in defining CSR (corporate social responsibility). It can be argued that CSR and ESG are related, but they are not the same concept. Gao et al., [64] argued that CSR focuses on several stakeholders that include customers, regulators, and environmentalists. On the other hand, ESG focuses on a much narrower group of stakeholders. ESG focuses primarily on investors and particularly on the long-term or "sustainable" performance of corporations. In this section, we will use the similar approach as in Sarajoti et al. [62] and Sheehy [63], discuss why it can be difficult and challenging to develop and achieve consensus in defining ESG. The first reason is that there is no universal agreement on what are environmental, social, and governance practices that lead to the best long-term or "sustainable" performance of corporations. As a society, we might have some "rough" agreement on what are good practices in the aspects of environmental, social, and governance such as emitting CO+ or PM 2.5 pollutants is not good, committing fraud is not good, and discriminating against minorities is not good. However, from the perspective of investors, we lack the exact detail on what is good or what is bad for the best long-term or "sustainable" performance of corporations (does it mean emitting PM 2.5 anywhere is bad or just in the city and also "which city?"). Second, we do not have generally agreeable consensus of which "good practices" in the aspects of environmental, social, and governance that investors should focus as well as "how much" of these good practices investors should focus. Clearly, we cannot promote all good practices and discourage all bad practices in the aspects of environmental, social, and governance as these practices could be too many. Thus, it is natural and practical to select and prioritize on a few of these practices when measuring ESG. This is why some ESG agencies end up with different components used in measuring ESG performance. Also, even if we can agree that emitting PM 2.5 pollutants is not good for the long-term or "sustainable" performance of corporations, but "how much" will be considered too much. We suggest that future studies examine the above issues in more detail.

4. Conclusions

As evidenced by massive fund flows into ESG equity funds and other asset classes with ESG focus in the past decades, this chapter reviews several dimensions of how ESG investment strategies affect investment outcomes. Supporting evidence of ESG performance in equity markets has been documented worldwide, both among developed and developing economies. Although it is quite consistent in terms of the risk reduction benefit of ESG investing in equity portfolio, especially during extreme turbulent markets, there have been mixed findings on the effects of ESG investing on the investment returns. This, however, could be explained by the differences in the sample, period of the study, and empirical methodologies used in the studies. ESG factors have also shown to share the similar risk reduction benefit in the fixed income market. High ESG-rated bonds on average have smaller spreads, could serve as an effective hedging instrument relative to certain asset types, especially during a market downfall. In addition, companies' stock prices and liquidity tend to improve after ESG bond issuances. ESG factors have demonstrated to be an important determinant in investments in alternative markets as well. For example, REITs tend to have higher firm value, the higher the ESG rating scores. Moreover, highly ESG-rated REITs perform better than lower ESG-rated peers during extreme market fluctuations such as during the COVID-19 market shock. While most PE firms focus on the risk reduction property of ESG factors, they often see governance improvement opportunities in investee firms and create value through improved alignments among agents' interests.

With the ongoing trend and the increased focus on ESG investing principles, this chapter highlighted the implications and the importance of ESG investing in several market segments. It also provides directions for future research. First, future studies in ESG investing need to address data inconsistencies in more details. Second, benchmarks can play an important role in accessing relationship of ESG performance and portfolio's return and risk. Third, as different ESG data providers tend to use different imputation methods, it is important for these agencies to be transparent about the imputation methods that have been used. Future studies should use appropriate statistical approaches to investigate and address missing observation systematically. Lastly, as ESG focuses primarily on helping investors achieving long-term or sustainable corporate performance, future studies can help uncover the components of ESG that truly lead to long-term and sustainable corporate performance.

Note

Suwongrat Papangkorn is a corresponding author and is also C2F Post-doctorate Researcher. This project is funded by National Research Council of Thailand (NRCT): N42A650683.

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Chapter 9

Toward a Better Understanding of Green Human Resource Management's Impact on Green Competitive Advantage: A Conceptual Model

Hosna Hossari and Kaoutar Elfahli

Abstract

Today, green human resource management (GHRM) has become a key business strategy where HRM plays an active role in the ongoing green movement. Thus, the topic of GHRM is of growing interest among management scholars. However, despite the theoretically important role of GHRM, relatively small number of research has been discovered so far about how GHRM, in companies striving to achieve environmental sustainability, could help them gain a green competitive advantage (GCA). Thus, based on the resource-based view (RBV) arguments, the main objective of this paper is to develop a conceptual model of the relationship between GHRM and green competitive advantage through green knowledge, green values, and green commitment. This model is expected to provide a strategic map that could be utilized by the practitioners and managers so that GHRM implementation can be more effective in contributing to green competitive advantage. Overall, the present article extends knowledge on the resource-based view by contributing to the literature on GHRM and its interactions with the main assets that lead to green competitive advantage.

Keywords: green HRM, green competitive advantage, green commitment, green values, green knowledge, resource-based view

1. Introduction

With the emergent strategic concern of environmental protection, organizations nowadays are expected to be responsible for green management. Thus, strategic HRM as a framework linking elements of HRM with strategic goals and objectives is expected to play a pivotal role in fostering employees' pro-environmental behavior and in achieving sustainability of the overall organizational system (people, environment, and practices) [1, 2].

In this regard, companies strive to develop innovative environmental processes that will have significant implications for management and that are able of making

employees environmentally aware, involved, and highly trained. Consequently, HRM needs to ensure that targeted HRM programs are designed and developed to raise employee awareness of the importance of environmental initiatives, develop the workforce skills as well as engage it in the corporate green goals.

Several businesses have employed a strategic tool known as green human resources management (GHRM) [3]. Masri and Jaaron [4] define GHRM as the use of human resources management practices to reinforce environmentally sustainable practices and to increase employees' commitment to the issues of environmental sustainability. Thus, with companies now changing their business strategies and efforts toward a more environmentally focused agenda; HR must adjust its mandate and expand its scope by incorporating environmental management into its core HR functions [5].

Green HR practices result in different outcomes, such as improved employee moral, stronger public image, increased employee loyalty, increased brand recognition, competitive advantage, increased workforce productivity, and increased employee retention [6].

Despite the previous literature, numerous issues remain misunderstood. Scholars have not given adequate attention to how GHRM contributes green competitiveness of the firm. It presents a major gap for scholars in green management to be filled [7]. Hence, the current study aims to bridge the gap between previous studies by expanding the understanding of how GHRM can lead to a green competitive advantage. This analysis draws on the resource-based view (RBV) and suggests that only companies with advanced personnel management in environmental issues will be able to gain a competitive advantage associated with improved green knowledge, enhanced green values, and environmentally committed employees. This paper is among the first works to deal with such a complex framework that considers the interrelationships among numerous constructs and their effects on green competitive advantage.

The present study argues that companies need to develop a GHRM that possesses both greenness and involvement attributes to improve competitive advantage in the environmentally friendly business era. Besides, one of the key elements for green competitive advantage is knowledge, commitment, and values. By increasing these three assets, workers would actually be conscientious, active, and committed to the company's environmental goals, which further contributes to the corporate environmental activities' success. The primary objectives of this study are:

- Define Green human resources management and Green competitive advantage;
- Emphasize how GHRM can lead to green competitive advantage under the RBV;
- Define green knowledge, green commitment, and green values concepts as well as highlight their role in gaining a green competitive advantage;
- Develop a conceptual model of the relationship between GHRM and GCA advantage through green knowledge, green commitment, and green values.

2. Literature review and hypotheses development

2.1 GHRM

According to Yong et al. [8] activities with a green focus are difficult to initiate as they require systemic change, and any change has to be initiated, implemented, and

accepted by employees. Thus, human aspects are particularly important for environmental management because of the significant challenges that must be overcome by organizations striving to implement a large-scale organizational change [9].

Thus, GHRM is the result of increased efforts to integrate proactive environmental management with HR practices [10]. It is considered as a set of approaches, policies, methods, and strategies that motivate a company's employees to perform green behavior and create an environmentally compatible work environment that is resource-efficient and socially responsible [11].

According to Gohar [12], GHRM is the utilization of HRM guidelines, strategies, and pursuits to encourage sustainable use of resources and prohibit injury arising from environmental concerns within business establishments. Thus, GHRM equips the organization with an environment-oriented workforce that understands, appreciates, and practices green initiatives and maintains its green objectives all throughout the HRM practices to drive sustainable management results [13].

According to Dumont et al. [5], for GHRM to be an impactful force in fostering green employee behavior in the workplace, it is necessary to ensure that the company has recruitment strategies to attract employees who have similar environmental values and beliefs to those of the organization; performance assessment and rewards practices that consider individual environmental performance; and effective training programs that nurture environmental awareness, attitudes, skills, and knowledge.

In addition, GHRM has the ability to encourage employee engagement and participation in environmental practices, which can increase their sense of belonging and pride, and thus motivate them to work harder [14]. These environmentally friendly practices can help the company to develop a good reputation, reduce stakeholder pressure and provide long-term benefits for future generations [14].

As posited by Bombiak [15], it is imperative that companies build green organizational culture through raised ecological awareness and development of environmentally friendly attitudes. This is only possible through environmental education on the conditions and needs of the environment and through the design and implementation of motivation systems that will promote engagement in various forms of environmental activity.

The major goal of GHRM is to educate employees on the intricacies of environmental management, that is, what to do, how it works, and how it benefits the environment. Those actions motivate employees and develop in them a sense of pride in being part of the going green program [16]. Thus, GHRM has been given direct responsibility to develop a green workforce through HR practices such as recruitment, training, development, etc., with benefits reaching the individual employee, the company, the society, the nation, and the global environment [10]. **Figure 1** presents a synthesis of green human resources management practices.

2.2 Green competitive advantage

When a firm can accomplish somewhat a competitor cannot do or has something a competing firm aims for, then this would lead to a competitive advantage [18]. According to Barney [19], a firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitor and when these other firms are unable to duplicate the benefits of this strategy.

In the environmental sphere, Chen and Chang [20] defined green competitive advantage as a condition under which firms occupy some positions about environmental management or green innovation where their competitors cannot copy its

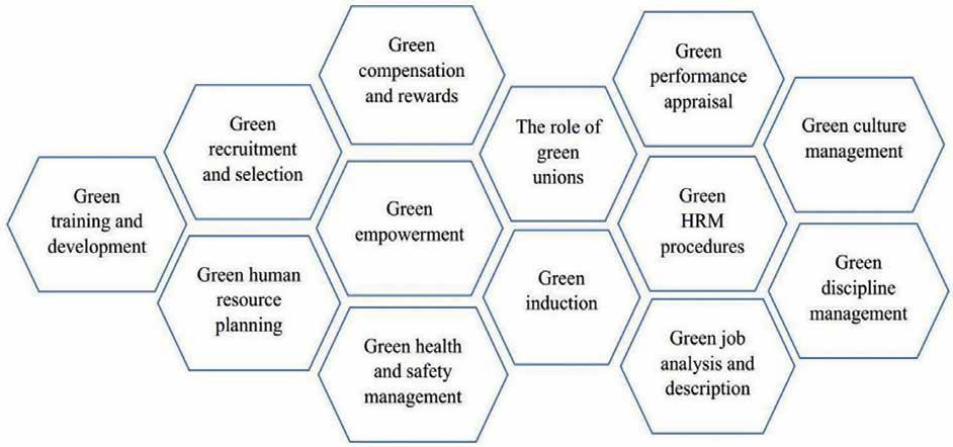

Figure 1.
Adapted from Hossari and Elfahli [17].

success, thus resulting in the organization obtaining sustainable benefits from those successful environmental strategies. Moreover, Muisyo and Ho [7] define green competitive advantage as a situation in which the firm holds a position on environmental management and green innovation that cannot be imitated or copied by competitors, and this consequently plows in sustainable benefits to the firm. Additionally, Kuo et al. [21] defined green competitive advantage as environmental strategies that successfully develop environmental practices that competitors cannot replicate. Thus, green competitive advantage is considered as a combination of factors and capabilities that allow the company to occupy a distinct position in the environmental era.

Although environmental initiatives often come with costs and risk, environmental strategies help companies gain a competitive advantage [22]. Thus, intelligent firms utilize ecological strategies for shaping their green competitiveness [23]. Sarfraz et al. [24] states that organizations incorporate environmental concerns into their operations as it can create a competitive advantage for the company in the long run. Thus, environmental concerns may create opportunities and give competitive advantages to companies [25].

3. The interplay between GHRM and green competitive advantage: theoretical background

According to the resource-based view (RBV), an organization can be described as a combination of human, physical and organizational resources. These resources are valuable and inimitable, and are the primary source of sustainable competitive advantage and sustained high performance [26]. Thus, In the light of RBV, the firm characterizes the resource capability as a vital tool for sustaining performance, subsequently picking up a competitive edge over the other [27].

Aykan [3] points out that the tendency of firms to use valuable and inimitable internal sources to gain competitive advantage further increases the strategic importance of human resources. From the resource-based perspective, human resources are important contributors to firms' competitive advantage because of their rarity, value, non-repetitiveness, and exclusiveness [14].

In this regard, the RBV integrates human resources as sources of a firm's competitive advantage [13]. This theory lays out a rational link between human resources practices and the application of strategies that eventually enhance organizational outcomes, which aids to induce a competitive edge for the firm.

Kuo et al. [21] argue that many firms treat corporate environmental management as an unneeded and ineffective investment and even think that green policies are harming the development of the firm. However, pioneers in environmental management and green innovation will have a "first mover advantage or be recognized as an early adapter," which will provide them with higher green profits, a green image, and a competitive advantage over their competitors. Thus, the RBV suggests that a firm can derive a competitive advantage on the basis of its environmental strategy and its relationship with the natural environment [22].

Scholars believe that GHRM is a very effective tool for developing green human capital, and can deliver green sustainable performance and green competitive advantage [4, 6, 7, 18, 26, 28–39]. For instance, Aykan [3] affirms that companies have to develop and implement environment-oriented strategies to gain sustainable competitive advantage. Thus, the availability of staff with skills and knowledge about environmental protection, together with practices that encourage the setting up of environmental initiatives, are sources of competitive advantage in costs and differentiation among companies [40]. Thus, GHRM integrates environmental management into human resource management to help enterprises achieve green value and create a unique competitive advantage [41].

GHRM is a pre-condition for green management and a critical step for sustainable competitive advantage [3]. Thus, HRM department should manage talented workforces in accordance with the needs of the time to sustain a competitive edge as well as to encourage workers to become engaged in environmental behaviors [42]. In this regard, green initiatives increase the chances of better green management as it aligns employees' goals, capabilities, motivations, and perceptions with green management practices and systems [6]. Thus, companies adopting proactive or advanced environmental strategies, such as GHRM, will be able to gain and maintain a sustainable competitive advantage.

From the discussion above, researchers believe that GHRM is considered as one of the very prominent strategies that eventually determine the green competitiveness of the firm. According to Ojo et al. [33], HRM practices can be considered as a bundle of internal resources for creating unique, valuable, and inimitable employee capabilities through which the organization can sustain its competitive advantage.

In a concrete manner, GHRM utilizes human resources to enhance environmental performance, waste reduction, social responsibility, and competitive advantage via continuous learning and development and by embracing employees' green goals and strategies that are fully integrated with the goals and strategies of the organization [43]. Thus, GHRM has become crucial to improving environmental performance and maintaining a competitive edge [36].

From this perspective, GHRM practices in the form of green recruitment, green training, and green rewards can improve and support environmental performance and create a competitive advantage [39]. Consequently, GHRM practices are essential for achieving environmental performance and sustainable competitive advantage through aligning employee behavior with the organization's strategic objectives [29].

For instance, hiring skilled and creative people leads to a competitive advantage. Specifically, it provides companies with important opportunities in terms of growth, expansion into new business areas, and enhanced profitability levels [13]. Thus, by implementing green activities during the recruitment and selection process, firms can

attract talented, hardworking, skillful employees, which further helps the firms to gain a competitive advantage through attracting talented green profiles.

In addition, providing environmental training and building employees' capacity may improve their skills, motivation, retention, and job-related outcomes, thus improving productivity and profitability [13]. Therefore, by introducing green activities, firms develop and retain green committed employees, and also attract environmentally aware profiles [26].

Overall, GHRM if implemented properly to realize the vision, mission, values, and strategies of environmental programs, will be a business value added to the competitive advantage [18]. Thus, we argue that GHRM constitutes a potential source of green competitive advantage because it provides firms with unique, conscious, engaged, and difficult to imitate workforce. Particularly, we argue that green knowledge, green commitment, and green play a mediating role between GHRM and green competitive advantage. The RBV framework provides a foundation to explain the importance of including environmental practices in HR policies to be competitive.

3.1 Green knowledge

Green or environmental knowledge refers to how much information people have about environmental problems and their ability to consider and assess their effect on culture and environment [44]. Fryxell and Lo [45] define environmental knowledge as a general knowledge of facts, concepts, and relationships about the natural environment and its major ecosystems. They also claimed that environmental knowledge involves what people know about the environment, the key relationships leading to environmental aspects or impacts, and the collective responsibilities necessary for sustainable development. In other words, green knowledge is considered as a range of information a person has on environmental degradation, necessary actions, and potential solutions.

Accordingly, matching employees' knowledge with the organization's policy will contribute to a long-term cooperative relationship between employees and the company [46]. Thus, when employees have skill, knowledge, and ability regarding the green initiatives or practices, they will be more inclined to perform the environment-oriented behaviors [32].

According to Raza and Khan [47], environmental knowledge is understanding concepts, ideas, facts, and relationships regarding the natural environment. Thus, green knowledge compels an individual to save the earth by adopting green strategies.

Accordingly, when employees are knowledgeable and well aware of the environmental issues, ecological degradation, the importance of eco-friendly practices, and perceived behavioral control, they are more likely to actually display pro-environmental behaviors [48]. However, when employees lack knowledge and awareness about the causes and effects of environmental degradation and do not consider non-immediacy of ecological destruction as an issue to be addressed, they do not engage in positive actions. Thus, environmental knowledge is likely to have a particularly strong influence on actions or behaviors to protect the environment [45].

Saeed et al. [43] support this assertion by stating that employee knowledge is found to affect decision-making and intentions. Therefore, individuals usually do not make themselves part of situations about which their knowledge is limited. In other words, green knowledge is a significant prerequisite for behaving in an appropriate manner and would be a significant barrier to action if its levels were low. Thus, the mainstream

literature on environmental knowledge has proven that green knowledge led to understanding and incentivizing individuals to behave or refrain them from behaving.

The interaction between environmental knowledge and GHRM may strengthen employees' willingness to cooperate with the organization, thus increasing the generation of employees' green behavior [46]. For instance, green training can help employees obtain environmental techniques and knowledge, which enables them to develop their careers in a better manner [49].

In this regard, we support that GHRMP can effectively increase employees' green knowledge through environmental training, green empowerment, green recruitment, and other practices. Overall, GHRM can play a vital role in enhancing employees' environmental knowledge. Thus, we developed the following hypothesis:

H1. GHRM is positively related to green knowledge.

Furthermore, Mtembu [31] claimed that embracing knowledge management is one of the main sources of competitive advantage. Thus, organizations must ensure that they harness a wealth of knowledge and wisdom and make sure that it is shared within the organization and used optimally for the benefit of the company and its stakeholders. Astuti and Datrini [50] support this point of view and affirms that the environmental knowledge embedded in individuals is of great importance for firms, especially in developing green innovation and green management. Thus, it could be a source of GCA.

As has been pointed out, knowledge is a very important aspect of individual environmental awareness. Thus, we argue that the company holding employees, who are environmental experts or have deep environmental knowledge will be likely a source of competitive advantage. Therefore, the following research hypothesis is proposed:

H2. Green knowledge plays a mediating role between GHRM and green competitive advantage.

3.2 Green commitment

Suharti and Sugiarto [51] define green commitment as a high level of responsibility in implementing the Green Business concept in the company. Moreover, Aboramadan [52] defines green commitment as the energy an employee puts into his green work-related tasks, the willingness to exert efforts at the green level, and the absorption level in green work.

Commitment can be seen as the level at which employees are connected to their work cognitively, emotionally, and physically [52]. In this study, we use the term green commitment to refer to the extent to which a company's employees are dedicated to the preservation of the natural environment and are willing to engage in environmentally friendly actions. Thus, engaging employees to address environmental concerns is one of the most significant challenges facing organizations, today and in the future, and this explains why an employee's green commitment is well researched and grounded in theory [40].

According to Iftikhar et al. [53], the organization's initiatives to introduce GHRM establish a groundwork that supports employees' environmental commitment and enables them to develop environmental-friendly activities. Thus, GHRM practices ensure that members of a firm's workforce have the abilities required to make decisions and take actions that are environmentally friendly, feel motivated to exert effort to achieve environmental performance goals, and have sufficient opportunities to contribute to the firm's environmental agenda [54].

Assuming that a firm's strategically aligned HRM system targets all employees in the organization, GHRM systems should be influential in shaping the green commitment of employees. The enhancement of commitment and participation mechanisms, through GHRM, allows voice options for employees to help them achieve environmental objectives [55]. Thus, several lines of argument support the positive relationship between the GHRM system and green commitment [9].

For instance, Saeed et al. [43] state that by incorporating environmental management objectives and targets within the performance evaluation system, providing regular feedback to employees about green achievement, providing environmental training and opportunities for employees to involve them in green suggestion schemes and joint consultations for environmental issues problem solving, organizations can increase employees concern and commitment toward protecting the environment. Furthermore, compensation practices related to environmental management are effective in engendering employee commitment [56]. In the same line, Kim et al. [57] state that companies implement environmental training and educational programs to focus on encouraging employees to take pride in belonging to the company and to increase their level of commitment.

Given the discussion above, we hypothesize that GHRM contributes to the employee's green commitment.

H3. GHRM is positively related to green commitment.

Harvey et al. [55] emphasized that GHRM policies and practices are tailored to achieve specific green ends, via the enhancement of job satisfaction, organizational commitment, and engagement more generally, this, in turn, increases the likelihood of employees supporting the environmental goals set by the firm. Therefore, green committed employees would be more inclined to work in an environmentally friendly way, which can have a positive impact on the firm's competitive advantage.

Consistent with the logic of RBV, employees' commitment to achieving environmental goals, strategy, and concerns of the organization, which we call green commitment, is not only valuable but also rare, imperfectly imitable, and not substitutable, which is likely to make the green committed workforce a source of competitive advantage. However, few studies have analyzed the relationship between GHRM practices that encourage employees's green commitment as a potential source of competitive advantage with a unique and difficult to imitate workforce. Following the essential role played by employees as co-creators and implementers of the company's green actions, we argue that their commitment could mediate between GHRM and green competitive advantage.

H4. Employee green commitment mediates the impact of GHRM on green competitive advantage.

3.3 Green values

Zoogah [58] defines green values as internalized social representations or moral beliefs, that people appeal to, as the ultimate rationale for their environmental actions. Therefore, aligned individual values with the organizational values are expected to result in optimal employee outcomes, such as strengthened organizational identification and positive work attitudes and behaviors [5].

For this reason, management must give importance to individual values in its recruitment process. This practice can help management to align organizational values with individual values [59]. In other words, the organization should consider

individual green values and spread information about the organization's green programs during the recruitment and selection process.

Additionally, organizations should communicate green values to the hired employees in their training programs [59]. Thus, organizations need to provide green training and communicate their green policies and environmental values effectively to current and potential employees, so that employees will be able to develop individual green values that support corporate environmental goals. As stated by Paillé et al. [34], firms often utilize training and education programs to embed ecological practices and showcase their green values to update employees about initial change(s), new performance criteria, and staff competencies.

According to Ihsan et al. [60], GHRM with its agile efforts can built-in green values among members about ecofriendly conventions like an efficient use of electricity, lesser usage of carbon, and prioritizing the recyclable products procurement.

Extending this argument, Cheema [61] argues that if an individual perceives that his organization acts in an environmentally responsible manner, his values and beliefs about the environment would better match to organizational values. Thus, we propose that when the organization supplies a favorable environment to employees with GHRM practices, it would create alignment between individual green values and organizational values. As posited by Zhu et al. [46], if the company creates an environment that is conducive to employees' values, makes employees' green values consistent with those of the firm, and creates a strong sense of belonging to the organization, employees will be more likely to show green behavior in their work and their commitment will be reinforced.

In the light of the foregoing, we hypothesize the following:

H5. GHRM is positively related to green values.

Dumont et al. [5] claim that the stronger an individual connects with his organization through aligned values, the greater the likelihood that the employee would commit to achieving organizational goals and objectives. Thus, by absorbing green values from the GHRM practices, employees may become "environmental activists" inside the organization and influence other stakeholders to engage in pro-environmental behaviors. Thus, we believe that if an individual's values are based on beliefs about environmental restoration, it might strengthen organizational competitive advantage with a high-quality green workforce who is more aware and sensitive about the value of environmental protection.

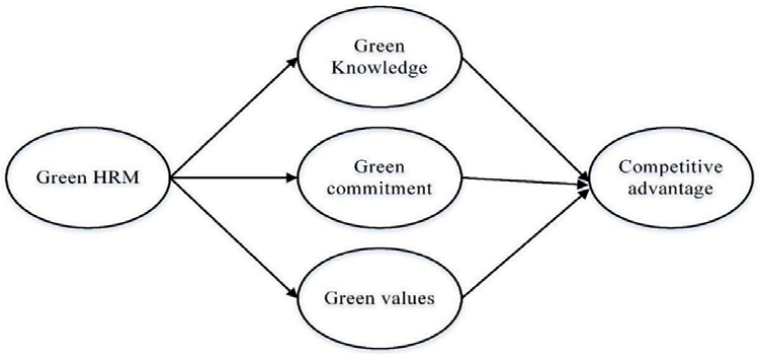

Figure 2.
Research model.

As highlighted by Chaudhary [62], implementing GHRM is likely to signal the environmental values, principles, and orientation of the organization, this commitment to the natural environment is likely to provide organizations with much-needed differentiation in a highly competitive marketplace. Thus, individuals having a greater degree of green values are likely to strengthen the association between GHRM and GCA. From the above discussion, the following hypothesis is advanced:

H6. Green values mediate the impact of GHRM on green competitive advantage.

Figure 2 presents the hypothesized research model.

4. Discussion and conclusion

In today's business era, companies that once were responsible for ecological degradation are now expected to become the catalysts of reform and advocates of environmental issues. Thus, preserving a competitive edge in the market requires the company to have an impact on the environment from employees with different visions, perceptions, and backgrounds, which is a challenging task. Thus, the awareness and responsibility of employees for environmental protection is a prerequisite for the success of companies.

As a crucial driving force for the organization to achieve sustainable goals, HRM is the most undefeated tool that contributes to involving employees in a new process, conducting change, and shaping behaviors. Thus, the atmosphere that the firm creates through green initiatives, such as GHRM, would be able to uphold the ecological norms and values of the firm and would lead to a green competitive edge.

In this regard, to build such sophisticatedly developed and robust GHRM toward green competitive advantage, it is most appropriate to develop green human resource management practices, including solid recruitment strategies, performance assessment, and reward systems that include environmental compliance, training and empowerment programs that will develop a new set of skills and competencies among the firm's employees compared to those of competitors. Nevertheless, studies considering green competitive advantage as an outcome of GHRM practices are very scarce in GHRM literature, which is a major gap that this study attempted to fill.

Drawing on the RBV, we developed a research framework that explains how GHRM can lead to a green competitive advantage. This is done by building on green knowledge, green commitment, and green values as mediators. Hence, we suggest that GHRM is more effective and may substantially improve a business' green competitive advantage when employees have enough knowledge, values, and commitment to participate, develop, create and innovate in environmental activities.

Overall, we consider that GHRM involves a set of environmentally friendly efforts and practices leading to improved knowledge, values, and commitment, which leads to being distinct in the business era.

This paper highlights that through a goal-oriented HRM process toward environmental preservation, such as GHRM, companies have the ability to increase employees' knowledge of the habits and conducts that may harm the environment, the specific actions that need to be, undertaken and the ecological work processes that need to be followed. Thus, corporate environmental policies are not likely to be achieved by organizations lacking the essential employee knowledge required for the green movement. As posited by Khan et al. [44] knowledge of environmental issues is seen as a prerequisite for positive and proactive environmental behavior and its dissemination is seen as an essential module and standard for the effective adoption of environmental

education initiatives. Without green knowledge, it may be difficult to encourage employees to be committed and passionate about environmental protection.

Accordingly, we believe that GHRM has the ability to improve green knowledge, through educational programs, recruitment of green profiles, empowerment, and involvement in green actions. Rubel et al. [63] state that if an organization demonstrates its responsibility to the environment through GHRM practices, the consequential outcome will a developed green understanding among employees. Thus, to be green, companies need well-designed HR practices to cultivate knowledgeable workers who are able to look into the emergent environmental issue and create ground-breaking, innovative, and creative solutions. Thus, the lack of environmentally literate employees with the right skills can lead to a gap in environmental management.

In the present research, the conceptual model also highlights that green knowledge mediates the role of GHRM on green competitive advantage. In the light of resource-based theory from the internal perspective, employees with environmental knowledge are unique resources that a firm possesses, which in turn will drive the company toward distinction and lead to a green competitive advantage. As posited by Rubel et al. [63], knowledge is considered as an important base for organizations to maintain a sustainable competitive advantage. Thus, organizations are often eager to acknowledge that "knowledge" acts as a driver toward excellence [64].

In the same vein, Astuti and Datrini [50] claim that employees' green knowledge enables companies to conduct research and development activities related to environmental protection or green innovation with the aim of offering products or services that are more environmentally friendly and difficult to imitate by competitors. Thus, sophisticated thinking processes spurred by knowledge may enhance novelty and uniqueness [64]. Overall, the paper highlights the potential role of GHRM as a policy that manages and develops employees' green knowledge to make the company more competitive in the green era.

Besides, values filter information, act as an imperative for standard behavioral norms, and are an important predictor of green behaviors [65]. Therefore, individuals with high environmental values are more passionate about safeguarding the environment by engaging in environmental activities. Nevertheless, individuals with lower environmental values show less or no interest in those activities that promote environmental protection [38]. Thus, individual green values need to be strengthened and enriched, which is the major angle that can help organizations to achieve their goals in this area [66].

Accordingly, this paper emphasizes that green values are supported and promoted throughout GHRM practices, which further boosts environmental green competitive advantage. Thus, through rewards and recognition to environmental champions, training and sensitizing programs on the actual state of the environment, and empowerment programs to involve employees, the company's human resources would be encouraged to imbed green values and deeply immerse in the environmental agenda. In the same line, Alzgool [66] claims that if companies implement GHRM practices such as green recruitment, green training programs, green benefits, and compensation, this will indicate a clear corporate ambition and focus on greener entities and can help reinforce individual green values.

Given that green values give meaning to every green action, motivate employees, and guide them toward protecting the environment while believing in greening, values may regulate behaviors and give direction to follow green conduct. Therefore, Al-Hawari [65] argues that employees with strong green values embed these values in

their self-identities and show greater motivation to work on developing new skills and abilities and expand their thought processes to generate new solutions to protect the environment. For this reason, green values are incorporated as a mediator, we consider that workforce with inner green values may help the company grow and outperform its competitors in the green era. Thus, having a green workforce with green values and beliefs toward protecting the environment is unique, rare, exclusive, and difficult to imitate by competitors.

In other words, employees who engage in environmental activities as a result of their appreciation, mindset, beliefs, and values regarding the environment, may help the company gain a green competitive advantage. More specifically, manpower with high values can carry out more voluntary green work and can contribute to the company's distinctiveness and uniqueness. Consequently, we suggested that green values play a mediating role between GHRM and green competitive advantage.

Moreover, this paper outlines that GHRM enhances employees' green commitment. An employee is considered environmentally committed when he or she is willing to share, identify and care about the environmental concerns of his or her organization [35]. Thus, commitment to the natural environment is based on psychological attachment and the internalization of the goals and values of the organization that engenders a spontaneous feeling of responsibility for greening [67].

Pham et al. [37] emphasize that a possible way to strengthen employee green commitment at work is to provide green practices such as training and reward programs to employees and to develop a green culture in the organization. Thus, through GHRM, the company transmits to employees a signal of the company's environmental concern, which makes employees more engaged in corporate environmental goals. Thus, GHRM as a strategic tool aims to involve employees in green initiatives and programs through several practices, that is, (green empowerment, green training, green induction, etc.).

Consequently, GHRM helps foster employee's green commitment to embrace organizational goals, to work in accordance with the organization's environmental guidelines, and to exert effort in environmental programs. As stated by Hameed [68], green commitment cannot be embodied by employees if the company shows no commitment, no practices, and no interest in the well-being of the community and the protection of the natural environment.

GHRM practices enable companies to create an empowering environment through training, suggestions programs, performance appraisal, etc. Thus, GHRM practices enhance employees' commitment to environmental programs and empower them to innovate, take action, and make decisions. Similarly, Afsar [67] argues that employees with higher levels of commitment are more likely to adopt recycling, energy saving, and paper use behaviors in the office and become more dedicated to quality improvement and environmental problem-solving. Consequently, GHRM not only contributes to successful environmental strategies, but also promotes the creation of a unique, self-directed, and committed workforce. Thus, the paper discusses the potential of incorporating ecological aspects into HRM policy to create a green committed workforce and a gain green competitive advantage.

Overall, through the RBV lens, this paper asserts that GHRM improves competitive advantage by enhancing employee values, commitment, and knowledge. As stated by Zhu et al. [46], when employees have sufficient knowledge and green values, they may have a higher sense of belonging to the organization and maintain an optimistic attitude toward the establishment of the relationship between themselves and the organization. Thus, The RBV provides a more comprehensive framework for

exploring the impact of GHRM on competitive advantage. In this context, GHRM is not limited to its direct effects on employee knowledge, commitment, and values. Its effects are more holistic as it contributes to transforming these assets into a green competitive advantage.

5. Theoretical and empirical implications

This study has a number of contributions for researchers and practitioners. From a theoretical perspective, the findings of this research make important contributions to the literature of GHRM and green competitive advantage. First, our study contributes to advancing the resource-based view while highlighting what causes green competitive advantage. Second, this study advances the GHRM-GCA link literature by considering the mediating effect of green knowledge, commitment, and values, yet to the best of our knowledge, no efforts have been made to study these three assets as mediators between GHRM and GCA. Thus, by applying the RBV to the GHRM-GCA link, we suggest that green commitment, values, and knowledge are critical resources that should be valued so that it becomes difficult for competing companies to imitate the firm's environmental success.

From a practical perspective, through the conceptual model presented in this study, the researchers intended to provide a guide for companies, illustrating the potential impact of GHRM on GCA based on previous research. Therefore, companies can use GHRM as a strategy to create and improve environmentally conscious human resources and to gain a competitive advantage over competitors. Additionally, managers should also consider the crucial role of spreading green knowledge, values, and commitment with GHRM so that employees will have a deeply embedded green culture. To enhance employee green knowledge, commitment, and values, managers should play a part in developing green programs such as training, empowerment, compensation et performance appraisal to create a context in which employees are motivated and committed toward green programs. To conclude, this study adds to our knowledge of a new causal mechanism for how GHRM could be a source of green competitive advantage.

In conclusion, this study forms a strong grounding for enterprises to roll out GHRM and become competitive in the market while showing concern for the environment. We have presented a framework for GHRM-CGA link. Future research that explores this cohort would certainly be of value to enhance understanding in this area.

6. Limitations and future directions

Our research is conceptual in nature. Thus, one of its limitations is that it does not provide an empirical insight into the research model. However, the study presents several opportunities for empirical work. The model should be further explored in future research.

Furthermore, in developing this conceptual model, the researchers did not take into account all factors that may influence green competitive advantage. Instead, they focused on the most important assets.

Another limitation of the study is that this model may be limited to use in companies that have various GHRM practices. In contrast, in Morocco, GHRM practices are

not implemented, which hinders the applicability of this model in countries where GHRM is still in its beginning. Thus, these countries may not be able to deploy the proposed framework.

Despite these limitations, the model provides a new starting point for investigating the importance of GHRM in cultivating employees' knowledge, values, and commitment for competitive advantage. We encourage studies to test our proposed model in different countries. Undertaking this research would allow an empirical analysis of whether this conceptual model is applicable in different contexts or not. Finally, future research could investigate this research model in ISO 14001 certified companies or socially responsible companies, as these companies may have already implemented GHRM practices and may recognize its importance.

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Chapter 10

Green Human Resource Management: An Exploratory Study from Moroccan ISO 14001 Certified Companies

Hosna Hossari and Kaoutar Elfahli

Abstract

Green human resource management (GHRM) is one of the most critical topics that aim at driving green change and improving environmental performance of companies. However, implementing GHRM functions may pose a major challenge in Morocco since the term is still new, especially for developing countries. Thus, the present study was carried out to assess the awareness of HR managers and directors of GHRM, explore the connection between environmental concerns and HR strategies, investigate the perceived importance of GHRM, its requirements, the feasibility of its practices, and the challenges related to its implementation. For this purpose, the data required for this study were collected through in-depth semistructured interviews with HR managers and directors of four ISO 14001 certified companies, a qualitative analysis was conducted through a thematic analysis using NVIVO12 software. The results revealed that GHRM is still in its beginning stages in Morocco, faces many challenges as well as the unfeasibility of several GHRM practices. Thus, the significance of the present study stems from the fact that very few studies have explored GHRM in Morocco, which provides additional insights and perspectives into GHRM from an unexplored nation.

Keywords: green human resources management, ISO14001 certified companies, GHRM practices

1. Introduction

Due to the adverse consequences of industrial pollution and waste, climate change, and resource depletion, the effects of environmental issues on the quality of life have increased in recent years [1–35]. The world is witnessing an aggressive violation of nature. In response, companies nowadays have to find a way to balance the relationships between economic development, resources, and ecology [4]. This balance has been among the most complex and important managerial challenges of the twenty-first century [2].

Consequently, the implementation of environmentally friendly policies is an emergent priority on the policymakers and managers' agenda. Studies on green marketing, green economics, green accounting, green management, and green supply chain management have increased [36]. Thus, the need to integrate green management within human resources is what we call green human resource management (GHRM). In this respect, green human resource management (GHRM), as a management function, has received great deal of attention in the environmental management literature recently [37].

Despite the growing number of studies on GHRM, several researchers outlined the lack of empirical studies from the African continent [20–26, 38]. Thus, researchers need to conduct empirical research in Africa instead of limiting themselves to Asia, Europe, and America, especially, Africa, which is suffering from severe environmental degradation and environment-related humanitarian disasters [26]. Furthermore, researchers need to investigate the current status of GHRM in the African context given the socioeconomic development challenges and other pressing priorities facing developing African organizations [19].

According to the United Nations Economic Commission for Africa, The North African country of Morocco is the fifth-largest economy in Africa and considered to have the most competitive economy in North Africa. Morocco participates fully in international efforts to preserve the environment. For instance, the country has set up many foundations to strengthen its environmental policy, such as the Green Morocco Plan or plan Maroc vert. In addition to the governmental authority in charge of the environment, the Mohammed VI Foundation for the Protection of the Environment plays a key role in the development of many educational and preservation projects [39].

Along with the kingdom commitment and efforts for the good of the whole planet, GHRM should be taken into account in order to assume the environmental responsibility of companies. Thus, this paper aims to investigate GHRM in Morocco.

Given the "newness" of this concept in Morocco, the first aim of this study is to gain insight on the awareness of GHRM. Unless awareness is created, adoption is out of question. In this regard, we believe that assessing awareness on GHRM is an effective way to gain insight on its actual or potential implementation.

Additionally, according to Pardhi et Chaudhary, [25] the focus of the researchers was mostly toward the GHRM and its importance. However, to best of our knowledge, no effort has been made to studying the perceived importance of GHRM by policymakers. Thus, this paper was carried out to examine the HR managers and directors' perceived importance of GHRM.

Moreover, this paper calls into question the main challenges that may hinder GHRM's implementation. Assessing GHRM challenges may build resilience capacity, which would enable managers to create a proactive strategy as well as to predict potential problems and solutions. As posited by Kodua et al. [14], studying GHRM challenges serves as a valuable reference to policymakers and practitioners to help them take suitable measures to mitigate the GHRM implementation barriers and consequently promote it. Thus, we believe that investigating challenges related to GHRM may lay a solid foundation for its implementation success and promotion among managers.

Besides, to make sure that the nonawareness of GHRM will not influence our findings, and that GHRM practices (GHRMP) may be implemented implicitly without referring to the term GHRM, we aimed to examine the connection between environmental and HRM strategies within companies as well as to highlight the efforts made

by HRM staff to meet environmental management requirements. Thus, the fourth aim of this paper is to emphasize the connection between environmental concern and HRM in the selected companies.

Furthermore, an essential prerequisite for launching GHRM in companies is to identify the key requirements for business decisions to implement it. Thus, the fifth aim of this paper is to improve the understanding of the requirements for GHRM's implementation. Understanding the necessary requirements is crucial in order to understand the key practices that need to be analyzed and developed to best implement GHRM and for researchers to better understand the issues and the managerial difficulties that need to be addressed.

Finally, studying GHRMP status and feasibility is able to help in determining the viability of this process by identifying the factors that can promote or refrain from its success. For this reason, this study aims to provide a broad picture as well as a detailed analysis of the potential risks associated to GHRMP in reality. Thus, feasibility of practices may give to HRMS the chance to "get it right" before committing time, money, and business resources to some GHRMP that may not fit in Morocco.

The exploration of the questions above is crucial, as this investigation can offer a theoretical foundation for rendering GHRM more rational and valuable to the company's decision-makers. Overall, this study aims to (a) shed light on the awareness and perceived importance of GHRM among HR managers and directors; (b) explore the connection between environmental concerns and HR strategies in the selected companies; (c) investigate the challenges related to GHRM's implementation; (d) explore GHRM requirements; (e) highlight HR managers' and directors' perceptions of the various GHRMP and their feasibility in the Moroccan context.

In this respect, we selected four ISO14001 certified companies as this certification requires companies to always manage environmental policy and improve environmental performance according to the standard requirements [10]. Additionally, environmental management system (EMS) as a regulatory framework requires from companies to document the procedures and policies that guide the environmental impact of the firm [40].

This article is structured as follows. The first section examines the literature review of GHRM, the second section presents the research methodology, the third section presents the results, while the fourth section presents discussion.

2. Literature review

2.1 Green HRM

In the past, companies and their shareholders expected good economic performance to guarantee the success of the company; however, this is no longer the case; financial and economical outcomes need to be combined with a reduced ecological footprint and increased attention to social and environmental aspects [41]. Wehrmeyer [42] stated that if a company needs to take an ecological approach to its operations, employees are the key to its success or failure.

GHRM concentrates on using human resource management procedures and guidelines to ensure sustainable resources usage and vigorously boost environmentalism [14]. Thus, through GHRM, the company ensures that employees have a positive attitude toward the environment, have green skills, and are responsible for the environmental consequences of their actions [43].

Given into consideration the above discussion, organizations need to engage in GHRM and build a positive green image and reputation to stay ahead of the competition [37]. Thus, the term of "green HRM" has become the focus of environmental management research and is considered as a hot topic in recent studies [3, 4, 38, 40, 44].

Research studies on ecology based on HRM and environmental management linkage started in the 1990s through the book "Greening people: human resources and environmental management" by Wehrmeyer [42]. Subsequently, GHRM was introduced as a new effective management discipline that integrates environmental management to enhance performance through environmentally friendly management practices [35].

GHRM is most regularly used to refer to the concern of people management policies and practices toward the broader corporate environmental schedule [41]. Ren et al, [28] state that GHRM is an organization's aspiration to design and implement HRM practices, policies, and philosophies to support environmental objectives, promote attitudinal and behavioral change, and improve the environmental performance of the organization. Therefore, management scholars around the world are currently analyzing different management practices that can contribute to the achievement of environmental goals. HR professionals are advised to deploy green cues in traditional HR functions to ensure environmental sustainability [1].

The following subsection provides a summary of emerging GHRM practices for each HRM function.

2.2 Green HRM practices

In order to ensure that a company achieves appropriate green contributions from its workforce, altering or adapting the HRM functions to be environmentally friendly is essential [21]. It is therefore important to substitute green aspirations and mere good intentions into a real organizational policy.

GHRM practices (GHRMP) are similar to traditional HRM practices as they include recruitment and selection, training and development, performance appraisal and compensation, etc. However, GHRMP ought to lead to the capabilities necessary for the continuous improvement of the firm's environmental performance [45]. Thus, human resource departments play a major role in greening the policies and practices from entry to exit processes such as recruitment and selection, training and development, performance appraisal, rewards, compensation management, and exit policies that are collectively termed GHRMP [46]. Therefore, such green practices help in fulfilling green objectives and in achieving organizational goals throughout HRM process from recruitment to retirement [25].

2.3 Green job analysis and description

Many companies reported that job analysis enhances administrative efficiency; for this reason, a clear delineation of roles and responsibilities for a given position guarantees that each level of the organizational structure understands its contribution and adds value to the company [47]. From an environmental management perspective, an appropriate job design should follow the principles of environmentally friendly jobs, and each job description should specify environmentally friendly duties and tasks [48]. Thus, the implementation of GHRMP begins with job analysis and design and

emphasizes the importance of incorporating environmental protection responsibilities and duties in each position [33].

2.4 Green recruitment and selection

According to Wehrmeyer [42], recruitment practices can support environmental management by ensuring that new entrants are familiar with the environmental culture of the organization and are able to uphold its values. Tang et al, [49] define green recruitment as the organization's preference to select candidates who are committed and sensitive to environmental issues and who are willing to contribute. Thus, employees' green tendency should be given attention in recruitment and selection, which is helpful to engage employees in green behaviors, ensure that employees have a positive green attitude, emphasize information about the green agenda in recruitment campaigns, and strive to recruit employees with high environmental behavior [50]. Accordingly, the selection activity for future employees should focus on the overlap between the candidates' environmental values and those of the organizations and should select those who have significant environmental values as part of their daily practices [45]. As stated by Ramasamy [27] and Ullah, [41], creating this culture at the recruitment stage ensures that the new recruits will be well set in pursuing the objective of corporate green policy and are familiar with the words of conservation and sustainable environment.

2.5 Green training and development

The workforce training has long been identified as an important component in fostering and implementing environmental management practices in an organization [51]. Thus, green training is defined as a specific training provided to employees on power saving management, safety, energy efficiency and supported by softcopy as material rather than printed handouts [16].

Xie et al. [52] has defined green training as a process of continuing education designed to update employees' knowledge and skills, which is exactly what both companies and employees need for sustainable development. Thus, green training is provided to employees in order to improve their environmental awareness and practical operation ability [50].

Indeed, via green training, employees become more receptive to change through the assimilation of the environmental dimension, and they consequently understand the importance of acting proactively [6]. Therefore, enterprises should guide employees to think and handle their work in a more environmentally friendly way while cultivating their professional skills and knowledge [50].

2.6 Green performance appraisal

According to Bombiak et Marciniuk-Kluska [48], the integration of environmental management objectives into performance appraisal system ensures regular feedback on employee's progress. The green performance assessment can be defined as the process by which employees are prompted to enhance their professional skills that help to achieve the organizational goals and objectives in a better way [53].

Green performance appraisal has different activities such as setting green targets for all members, creating green performance indicators, evaluating employees' green outcomes, and using disbenefits [49]. Accordingly, green performance management

creates green indicators to establish green criteria for all members, covering topics such as environmental incidents, environmental responsibilities, reduction of carbon emissions, and communicating environmental concerns and policies [31].

2.7 Green pay and rewards

The success of employees in their ecological performance appraisal is the proof that a company's strategic sustainability goals are being mirrored and accomplished from the top to the bottom [53]. Thus, the reward system is meant to be linked to the outcomes of green initiatives to effectively boost pro-environmental behaviors and to reflect company's commitment to environmental performance [22, 23].

Green compensation and benefits can be defined as possible tools for encouraging environmental activities in firms [54]. These compensations include financial rewards (salary increases, cash bonuses, a variable component linking pay to eco-performance) and nonfinancial rewards (paid excursions, time off, favored stopping, free transport pass, and blessing declarations) [11].

2.8 Green involvement and participation

The process of decision-making becomes a much simpler task when people are given green opportunities, and the end result would be a competitive workforce with high green values that benefit forward-thinking organizations [46]. Thus, motivated employees equipped with new skills will be likely to be proactive in practicing new values and methods at work and to further learn by engaging in green initiatives, such as introducing new ideas to customers and suppliers on how to reduce their environmental impacts [55].

In this regard, green ideas should be embraced of all employees, regardless of their function, which will encourage their interest in environmental issues and enable them to make the most out of their skills.

2.9 Green discipline management

In order to ensure compliance with environmental management, organization must develop and communicate a clear set of rules and regulations that require employees to be concerned about environmental protection. Therefore, setting sanctions and disciplinary measures (demotion, lay-off, salary, and allowances reduction) for employees who do not meet their performance requirements will ensure that all employees remain committed to achieving the company's environmental objectives [27].

Maintaining the green discipline in the organization builds and facilitates green employee competence, which contributes toward pro-environmental behaviors. Accordingly, managers should maintain green discipline by punishing employees or fining them for not observing the environmental policy in companies [20]. Thus, organizations can implement a consistent set of rules and regulations that require/regulate workers to follow the organizations' environmental policies and to be concerned with environmental conservation [13].

2.10 Green health and safety management

In order to improve employees' health and safety, some organizations have created strategies such as green factory or green zone to maintain a conducive environment

to prevent various health problems [12]. Thus, green health and safety cover the old-fashioned health and safety administration and other aspects of a company's environmental management [33]. This position comprises a wider range of activities associated with green initiatives.

In this regard, a better workplace can be made possible through "Green Health and Safety" management practices such as wearing helmet, gloves, and glasses wherever necessary, proper waste management at workplace, etc. [46]. Thus, green health and safety management ensures the implementation of environmental standards that meet national and international regulations and eventually to ensure the safety of not only employees but also customers and other stakeholders [56].

3. Research methodology

In Morocco in particular, there is a lack of publications on GHRM [38]. Thus, this research is an exploratory qualitative study that aims to provide a deep understanding of GHRM in the Moroccan context rather than a generalization.

Given that GHRM is a relatively new, we consider that ISO 14001 certified companies are the most likely to have introduced or at least acknowledge the importance of GHRM. As stated by Al-ghazali and Afsar [40], organizations with environmental management systems, such as ISO 14001, are expected to have implemented green initiatives across the business functional areas. Additionally, ISO14001 certified companies tend to apply more environmentally oriented work practices, have an environmental policy, and are more sensitive to environmental issues [21]. Thus, the selection of the companies and the sample for the interviews were based on the purposive sampling technique. We targeted four ISO14001 certified companies, which are continuously improving their environmental performance in line with the requirements of the standard.

As mentioned previously, data were collected from four ISO14001 companies. The reason for choosing these companies in particular is the fact that they are sensitive to environmental issues and have implemented several projects and proactive actions, including employees and community environmental education, environmentally friendly process, employees environmental volunteering, and several other projects.

Although our sample size contained only four companies, it allowed us to provide a deeper understanding by presenting rich data on HR managers' perceptions of GHRM. Furthermore, our sample size is considered acceptable compared with other similar studies on GHRM. For example, Suharti and Sugiarto [56] used an exploratory qualitative approach in a single multinational cement company in Indonesia. A study by Yong et al, [57] used a sample of four HR managers/leaders from four large manufacturing companies. Yusoff et al, [58] conducted an exploratory study to understand how four HR managers from four multinational companies in Malaysia perceive and understand the concept of GHRM.

At the first stage, we contacted managers or senior personnel of the selected companies through emails, LinkedIn, and phone calls addressed to HR departments. We stated the objectives and relevance of the study and the potential contribution of the company to the research. Besides, we narrowed the sampling to the HRMs and HRDs because this category is well aware and knowledgeable of HRM practices and strategies. As argued by Obeidat [21], HR managers are in a good position to provide GHRM information. Thus, strategically placed managers within the HR division were the main target group of the study because of the in-depth knowledge they have of administrative HR functions, the strategic planning, and implementation (**Table 1**).

Activity	Interviewees
Mining	Human Resources Director
	Human Resources Senior Manager
	Human Resources Manager
	Sustainable development Project Manager
Water and electricity distribution	Human Resources Senior Manager
Construction and public works	Human Resources Director
Water solutions and equipment	Chief Financial and Administrative Officer

Table 1.
Respondents profiles.

The data were collected through semistructured interviews. The themes have been previously prepared in the interview guide. Therefore, the interview questions were framed to understand the connection between environmental concern and HRM, the current status of GHRMP, GHRM awareness, perceived importance, challenges and requirements. Thus, using NVIVO12 software, we created the six main categories of codes listed below.

The data analysis involved the following steps: (a) a careful (re-)reading of the interview after transcription; (b) coding and analysis of the text according to the themes predefined in the guide; (c) interpretation of the results in the light of the codes and themes discerned. NVIVO was used, in particular, to organize the transcription of the interviews by theme, which resulted in a better-quality result than with manual methods.

4. Findings and discussion

4.1 GHRM awareness

The purpose of this theme is to examine the awareness of HR managers and directors of GHRM. Data are collected to find out the extent to which managers are aware of this process and have enough information on the subject (**Figure 1**).

All managers in the surveyed companies (1, 2, 3, and 4) have never heard of GHRM. This result implies the lack of awareness and the non-familiarity of the process in the Moroccan context. This result is also illustrated in the word cloud where the most used expressions by our respondents were "no," "never heard," and "new."

> *No, I have never heard of GHRM before your announcement. I have only heard of green finance and green management. Going further to GHRM is something new for me.*
>
> *Although we are a bit developed compared to other companies, the concept of GHRM is completely new for us. It is not very common in our organization.*

The unawareness of GHRM may impedes the consideration of implementing it in the core practices of HRM and in the companies' environmental initiatives. Since the

Figure 1.
World Cloud.

respondents don't have enough information to determine how important GHRM may be, HRM and HRD may not consider the possibility of taking such insecure step.

4.2 Relationship between environmental concern and HRM

After defining, presenting, and explaining GHRM, its relevance and practices, we discussed "the link between environmental concern and HRM". We aimed to understand if there is an integration of environmental issues into HR strategies, policies, and practices. The collected data revealed that companies implement some green initiatives; however, they don't have a well-developed process such as GHRM, and in which, the environmental agenda is included in all HR practices.

> *"We are ISO14001 certified, so the environmental footprint is included in our employees' job descriptions, and in training programs to raise employee's awareness about the environment."*

> *"The link exists on the training aspect, if we prepare a certification, the HR department will seek to provide training in this area."*

Accordingly, the results revealed that environmental concerns are integrated into HRM through training and job descriptions. The setting up of these two practices refers to the requirements of ISO14001 certification, which implies, on the one hand, the need to integrate environmental concerns into job descriptions by assessing the risks associated with each job and, on the other hand, to provide training in order to raise employees' awareness to ecology.

> *There is no direct link, I cannot say that we have revised our processes or our management procedures and orientated them towards the environment. However, the contribution of HRM to the environment is sporadic and occasional.*

In the same vein, one of our respondents emphasized that the contribution of HRM to the environment is of a short-term nature to meet a periodic demand for certification. Thus, the company implements practices and initiatives without implementing GHRM and without revising and reviewing its HR practices and policies.

4.3 Perceived importance of GHRM

In this category, we aim to explore the perceived importance of GHRM. Particularly, we attempted to understand whether HRM and HRD were aware of the need to align HR strategy with environmental strategy and whether they recognize the contribution of the HR function to the environmental management success. All respondents perceived the importance of this process except two respondents.

> *Why would we implement GHRM and we are imposing environmental protection in other ways, through citizens' education, through actions such as cleaning up cities, beaches, etc.? I don't know why I'm going to go through GHRM to have an impact on the environment, when we already have actions that are precisely defined and that I can evaluate afterwards.*
>
> *Our company has a set of initiatives and actions to motivate and involve employees, when we hear about GHRM, we think that we already involve our employees in ecology with no need for this process.*

These two respondents focused on the WHY question of GHRM, more specifically, the reason and motivation for implementing GHRM as they involve their employees in the process through targeted environmental initiatives. Thus, to address this kind of debate on GHRM importance, researchers should frame the arguments of HMRs and HRDs into eminent researches.

In contrast, other respondents perceived the process as important.

> *Honestly, the GHRM topic was very interesting to me because in our company's management style, sustainable development is the cornerstone of our strategy. So GHRM will be a reflection of our efforts in terms of ecology.*
>
> *For me, GHRM is very important, because we try make sure that our employees respect the environment, it is an inherent part of our policy. Now we need to formalize our efforts in a GHRM. Unfortunately, we have not reached this level of detail, perfection and alignment yet.*

According to our respondents, GHRM is considered as a formalization of environmental responsibility and a level of sophistication of green efforts. Instead of having scattered and dispersed organizational initiatives and practices, GHRM is considered as a targeted policy to address the need of involving human resources in environmental issues. Thus, the corporate environmental efforts should involve the workforce through a policy that includes several practices such as GHRM.

4.4 Challenges related to GHRM's implementation

In this theme, we address the need to explore the challenges that may confront the implementation of GHRM in the Moroccan context. The first challenge that has

been raised is the lack of in-depth knowledge of GHRM by HR managers in Moroccan companies.

> *The concept needs a strong communication campaign to promote awareness of the concept among managers.*

The second challenge concerns the operationalization of GHRM. Indeed, GHRM needs a well-designed guideline, an appropriate action plan, and performance indicators.

> *It is easy to give a strategy and a vision, but the most important thing is to put it into practice. GHRM has to become a management system that is ready for absorption and available for redeployment. If you can do that, it will be interesting.*

Operationalizing GHRM will provide a clear standard against which HR managers can measure progress toward their environmental goals. This requires a deepening of the necessary knowledge, skills, abilities, and operations. Therefore, there is a need to set targets to create focus on the gap between the current state of performance and what the company hopes to achieve.

> *For the moment, we need to re-examine the evaluation system to ensure that we have well-defined targets for measuring environmental performance. That's where we will have the difficulty, it's mainly the measurement.*

In the same vein, another respondent emphasized the ambiguity and confusion in designing a reliable measure of environmental performance. Thus, it not an easy task to measure every particular human activity that may occur as well as changes in ecosystem conditions.

4.5 GHRM requirements

In this part of our interview, we aimed to find out the extent to which managers in these companies are willing to propose and introduce GHRM. More specifically, the requirements that need to be fulfilled by this process in order to be feasible in ISO14001 certified companies. One respondent showed interest in implementing GHRM, stating that it is a promising path without limitations and restrictions.

> *I think there is no limit, I see no limit and no excuse. Because greening is part of our orientations and it would be very interesting to implement GHRM. I think we just lack the integration of HRM. It is a very plausible path, and we need you to help us to go further down this path.*

> *I will be able to defend GHRM when I actually see its benefits. Typically, as a businessman, you need to demonstrate to me what I am getting behind your GHRM. Not in millions of dirhams, but in terms of mindset, culture, responsibility, commitment and value change. Because this concept can work elsewhere, but not in Morocco.*

Besides, the first requirement that was outlined by our respondents is to demonstrate the impact of GHRM on environmental awareness, responsibility, and green values of employees in Morocco. Several research studies have demonstrated these

causal links [1–30, 38, 39, 44, 59–63], but unfortunately, none of these research studies was conducted in Morocco.

As mentioned by our respondent, the impact of GHRM on cultural and value change among employees needs to be demonstrated by taking into account the contextual Moroccan factors.

Another requirement that was underlined is the setting up of a GHRM action plan. Indeed, for GHRM to be a process embraced by companies, it is necessary to specify how it should be implemented, create reporting for monitoring and analysis, and design performance indicators.

> *I would be ready to implement GHRM when I would have visibility on how it will be carried out, the necessary skills, the performance and operating indicators as well as the monitoring and analysis reporting. I also need visibility on its positioning in relation to all the structures, as GHRM can be the core of one activity and a support for another activity.*

4.6 GHRM practices

The aim of this part of our analysis is to find out the perception of HR managers of different HR practices and their feasibility in the Moroccan context.

4.6.1 Green recruitment and selection

Regarding green recruitment, all companies use social media and online job portals to recruit. However, none of the organizations have planned to specifically assess the ecological awareness, values, or contributions of the applicants.

The first reason for which green recruitment is not feasible in the Moroccan context refers, for our respondent, to the uselessness of including environmental concern in the recruitment of profiles who are not concerned with the environmental goals of the company.

> *In terms of recruitment, we are not expecting candidates to master the environmental aspect, it all depends on the position to be filled, if we want to recruit an IT specialist or a mechanic, it is not necessarily that he or she must be proficient in that aspect.*

The second reason why green recruitment is not practicable refers to, on the one hand, the difficulty of finding candidates with the main and most necessary skills to carry out the basic and fundamental tasks of the job. On the other hand, the unfairness of judging candidates on skills, knowledge, or values that they did not have the opportunity to acquire or develop at school.

> *I cannot honestly say that one of the criteria we are going to use to recruit new employees is their respect for the environment. We can't require it because we can't judge people on things, they didn't have the opportunity to learn at school.*

> *It is already very difficult to find profiles with the required skills for a position. So as long as the Moroccan society is not impregnated with this environmental aspect, it could be a discriminatory recruitment. Maybe it would be interesting if we were in a country where the environment is part of the culture and education system.*

> *It's not my priority as a recruiter to select a candidate simply for their environmental values. I think it is a much higher level of management where recruiters have already achieved and saturated a level of equity, transparency, communication, and managerial openness and are looking for an additional ecological dimension.*

Another reason that was emphasized is the concerns and the priorities of recruiters, and for whom, environmental criterion is not the first factor to be taken into account in recruitment. As long as it is difficult to find the right profile for a vacant position, it is not possible to add an additional environmental criterion, which is also difficult to be found.

4.6.2 Green training and development

In this category, the objective was to explore training and any learning activities that organizations have engaged in to raise environmental awareness. All our respondents perceive the importance green training except for one who stated:

> *Take me as an HRD, there's a 3-day seminar run by a specialist cabinet on ecology, do you think I'd be interested in taking it? After the training, what am I supposed to bring back in terms of skill gains? For me, ecology is not a skill, but a mindset. There is no need for training, but for a cultural change.*

For this respondent, green training is not necessary to get employees involved in ecology, for him, the act of behaving in an environmentally friendly way requires a cultural change and that ecology is a posture rather than a skill to be acquired during training. In contrast, the other respondents expressed their appreciation for green training.

One of the key aspects raised by our respondents was the need to make employees aware of the environmental footprint of their actions. Indeed, the implementation of an environmental management system must be followed by raising employees' awareness about the behaviors to be displayed and providing them with the necessary skills to perform their tasks.

> *Once you have introduced a new system, you have planned, processed and monitored it. HRM needs to implement a process to develop the required skills, which is why environmental training is necessary.*

> *In our company, awareness is a very critical aspect, especially for the ban on discharging oils and dangerous products into the sewage system. So, we raise employees' awareness so that they adopt this approach in their daily work and pay attention to these products. We have also carried out environmental protection awareness-raising activities for the benefit of an elementary school.*

A major challenge related to green training was highlighted by one of our respondents as the difficulty of sensitizing and changing the behavior of the ageing workforce.

> *We always hear " it is necessary to raise awareness" do you know the weight of this sentence? If you have an employee who is 59 or 55 years old, it is very difficult to*

> *change their behavior at work. You can have major problems in managing change, you will be even facing psycho-social risks.*

4.6.3 Green performance appraisal

In this part, the data were collected to understand whether the performance appraisal system includes environmental responsibility. The majority of companies implement an evaluation of high environmental risk activities as well as environmental related positions. Thus, a risk assessment is undertaken thorough a look at HSE engineers' performance. Additionally, harmful activities to the environment are also analyzed and evaluated on how severe the risk is.

> *In general, the performance assessment is limited to activities with a high environmental footprint, regarding administrative activities, there is no assessment as they are in some ways similar, there is only the paper waste, scheduled tests in energy audit and waste treatment.*

> *Only engineers are evaluated on the HSE targets.*

One of our respondents pointed out that his company evaluates the overall environmental performance, emphasizing that individual evaluation of environmental performance will have a great contribution to the overall environmental performance.

> *We assess the global environmental performance, but we do not evaluate the individual environmental performance. I'm sure that if we integrate these individual components into the performance appraisal, it will certainly have an impact on the overall performance of the company.*

4.6.4 Green discipline management

In this part, we aimed to explore HR managers' opinions on the possibility of integrating environmental considerations into the company's disciplinary system. All interviewees agreed that it is impossible to integrate environmental orientation into the disciplinary system. Broadly speaking, a negative and unfavorable judgment was expressed by all interviewees.

> *You have to think first, does the sanction exist in the labor code? Is the fault sanctionable? There are things that are interesting in the literature, but they aren't feasible. We don't even have the culture of CO2 emissions, of buying a green car. So, it is not possible to be pioneer in green when we don't even have the base and the mindset required.*

> *The environmental component is not included in the disciplinary system, because when we talk about discipline, the regulatory code is the reference, we talk here about the labor code and the civil service code. We already have articles on serious professional misconduct. So even if you notice that an employee does not respect an environmental criterion on the worksite, you cannot punish him because you don't have the required authority.*

Managing green discipline is not doable according to our respondents because there is a regulatory system to be followed. In fact, companies do not have the power

to punish employees who violate green conduct because environmental misconduct does not exist in the civil service code and the labor code.

Besides, one of our respondents thinks that green discipline management is a severe and extremely strict practice. Thus, conducting green change in the company requires motivation and involvement practices. For our respondent, punitive system may create resistance to change.

> *For the employee to respect the environment and to have this green conscience and spirit, it is not necessary to behave with him with a punitive or forceful approach. Because this concept must be included in all softness, if not, there would be a resistance to change. Instead of having a disciplinary system, it is better to implement initiatives to involve instead of forcing.*

4.6.5 Green health and safety

In this part, we aimed to assess, on the one hand, the extent to which the surveyed companies have a green workplace that complies with environmental standards and to list the different initiatives that are in place, on the other hand.

> *The environmental aspect of the administrative departments includes paper, toner, and batteries, so we identify the processes that have an impact on environment in each activity. We have also signed agreements with organizations to collect waste.*

> *We have carried out a Carbon Audit to assess the impact of our company on the environment. We have eliminated a polluting foundry activity for several reasons, especially the environmental aspect. We also worked on optimizing water, energy, and electricity consumption and switching off lights. Finally, we have set up a cartridge and toner recycling system and a tree planting program.*

In our context, the initiatives that have been put in place are diverse, including recycling of paper and toners; carbon footprint; suppression of polluting activities; tree planting; optimization of water and energy consumption. However, e-work initiatives such as web and teleconferencing, virtual job interviews, telecommuting, e-learning, etc., weren't implemented.

Accordingly, it is time for HR managers to consider teleworking and strike a balance between virtual and in-person work so that both employees and employers benefit from a wholesome environment.

4.6.6 Green involvement and participation

Giving employees the necessary independence helps to generate creative solutions, to solve environmental problems, and to invest the best of their abilities [17]. In this category, we tried to understand whether organizations gather and treat employee suggestions on the environmental aspect. We also tried to shed light on the initiatives put in place by the surveyed companies to involve employees in ecology. Two respondents highlighted initiatives that have been put in place in this regard.

> *We are currently working on the development of a new production unit. We have launched a small game with a symbolic prize. We have collected suggestions in order*

> *to find the best solutions that can be implemented in this unit with two conditions: respect for the environment and innovation.*
>
> *There are two initiatives that have been launched in this respect. The first is to give all employees the right to make proposals in all areas, including the environment, and there is a unit that deals with these suggestions. The second initiative was launched to involve employees in voluntary work, whether it be environmental, cultural, sporting, or agricultural. Every employee is entitled to a 30-day paid leave to participate in cooperative activities of his choice.*

Accordingly, the first company has introduced a game in a new production unit to gather employees' innovative and environmentally friendly suggestions. Thus, this initiative would allow employees to not only identify problems but also suggest solutions. The second company has implemented two initiatives: the first one is a formal program to gather suggestions. The second initiative is to encourage volunteering and contribute to local community. Thus, environmental volunteering may promote employees to be more active in environmental programs and concerned of environmental degradation.

4.6.7 Green compensation

In this category, we aimed to identify the opinion of the HR managers on green rewards, two respondents showed their interest.

> *The compensation system must also incorporate incentives for environmental protection. While talking about the assessment of environmental performance, we must also talk about the reward system. In my opinion, it is an important practice.*
>
> *To implement an environmental management system, it is necessary to have rewards, and if there are no rewards, I don't think EMS will have very convincing results and it will be forgotten and unimportant. But when the company includes the incentive part, the employee suddenly becomes interested in the subject.*

According to our respondents, rewards are important tools to increase employee's motivation toward environmental aspects. Without rewards, employees won't give much attention to the environment. Thus, this practice may support and encourage the employees to give ultimate environmental performance.

Additionally, our respondent emphasized that performance appraisal needs to be supported by rewards. Therefore, to increase employee's engagement toward the corporate goals, companies need to implement a green reward program in order to compensate employee's environmental efforts performance.

Table 2 represents the key findings of this paper.

5. Discussion

5.1 Awareness

Several research studies were conducted to assess GHRM awareness among HR managers. Findings were diverse. In India, Mathur and Soni [18] found that in Indian

manufacturing companies, the majority of participants were not aware of GHRM and have never heard of it. However, in [64], the majority of Indian IT professionals were aware of this process.

Topics	Key findings	
Awareness	Nonawareness of GHRM and non-familiarity of the term.	
Relationship between environ. concern and HRM	Implementation of certain practices to comply with the certification requirements.	Training programs to raise environmental awareness among employees in compliance with the standard.
		Job descriptions to evaluate environmental risk in order to fulfil the standard requirements.
	Occasional relationship, there is no GHRM that include environmental concern permanently.	
Perceived importance of GHRM	Not important	The Why question of GHRM. Thus, there is an ambiguity about its value and importance.
		Companies already involve employees to environmental preservation with no need for GHRM.
	Important	If sustainable development is the cornerstone of the company's strategy, GHRM will be a reflection of company's efforts to preserve the environment.
		GHRM is a formalization of the company's attempt to involve employees in environmental protection.
Challenges	Lack of in-depth knowledge of GHRM.	
	Nonexistence of an operational plan and a well-designed guideline.	
	Difficulty to design a reliable measure of environmental performance.	
Requirements	Prove the benefits of GHRM in Morocco specifically.	
	Emphasize the impact of GHRM on mindset, culture, responsibility, commitment and value change.	
	Set up a GHRM's action plan with a reporting for monitoring and analysis as well as performance indicators.	
Green recruitment	Extensive use of E-recruitment and non-feasibility of assessing candidates' environmental awareness.	
	Uselessness of including environmental concern in the recruitment of profiles who are not concerned with the environmental goals.	
	The difficulty of finding green profiles.	
	Unfairness of judging candidates on skills, knowledge or values that they have not acquired or practiced at school.	
	Not a priority for recruiters.	
Green training	Not important	Ecology is mindset and a culture, not a skill to be developed in training programs.
	Important	The introduction of every new system must be followed by training on its key requirements.
		Raising employees' awareness of the behaviors to be displayed is crucial in some activities.

Topics	Key findings
Green performance appraisal	Assessment of High-risk activities.
	Assessment of HSE engineers' performance.
	Assessment of the overall company environmental performance.
Green discipline	Companies do not have the power to punish employees who violate green conduct.
	Environmental misconduct does not exist in the civil service code and the labor code.
	Green discipline is a rough practice that may engender resistance to change.
Green health and safety	Companies have an environmentally friendly workplace. However, e-work isn't implemented.
Green involvement	Green suggestions.
	Encouragement for environmental volunteering.
Green compensation	Without rewards, environmental programs will not be considered by employees.
	Performance appraisal should absolutely be followed by rewards.

Table 2.
Key findings.

In Bangladesh, Almamun [1] affirms that Bangladeshi HR managers from different industries are aware of GHRM, However, proper green HR activities are not yet practiced in the organization. In the same vein, Uddin [65] found that the majority of Bank commercials in Bangladesh are ware of GHRM and believe that it helps the organization indirectly by improving its image as a green organization.

Moreover, In Egypt, Farid [60] found that HR managers in hotels were aware enough and familiar with the GHRM concept. While Tsymbaliuk et al. [66] found that GHRM practices have not become widespread in Ukraine.

These research studies oppose our findings in which all our respondents without exception have never heard of this construct. Indeed, GHRM is not a common and well-known process at the surveyed companies and has not earned yet the proper attention it deserves.

Although GHRM has proven its relevance and benefits in several environmental aspects and is increasingly gaining researchers' and practitioners' attention in the European and Asian context [38]. The nonfamiliarity of the concept by Moroccan HR managers could hinder its implementation. Indeed, if HR managers are not convinced, persuaded, and confident of the importance of their involvement in greening, they can never undertake a green revolution within the department. Thus, since GHRM can only be initiated and implemented with the support of senior managers [21], this process needs more campaigns to promote and communicate the importance of green practices to HR managers. Thus, all managers must have sufficient amount knowledge in greening without which, it is impossible to deploy green policies in their departments [60].

5.2 Connection

According to Opatha and Arulrajah [24], in order to achieve green contributions and environmental performance from employees, it is essential for all HRM practices to be adapted to be green or modified to ensure green outputs. However, most of our

interviewees pointed out that there are only few practices required by ISO14001 certification. From this perspective, the HRM function according to our respondents is considered as a momentary support function to the implementation of environmental management system (EMS).

Our findings are in line with those found by Saifuddin et al. [32], who observed that HR managers implement green HR policies and strategies because their internal policies are based on the environmental standards. Thus, GHRM implementation is limited to practices required by IS014001 certification.

Additionally, this limited coverage of GHRMP can be explained also by the lack of knowledge of GHRM by all our interviewees. By introducing GHRM and its practices, HRDs realized that they are implementing some GHRMP such as green training and green job descriptions, without knowing that they are actually, GHRM practices. Therefore, it is the concept of GHRM that is not overly common and the level of refinement and perfection of the practices that has not yet been achieved.

5.3 Perceived importance

Concerning the perceived importance of GHRM, we found that there is a debate on this process significance. Our respondents emphasized an important question that should be proven in future studies, it is the WHY question of GHRM. According to HR managers, since they have green initiatives that are working well, why would they implement GHRM. Thus, the WHY question of GHRM refers to the need to prove the value and importance of GHRM.

According to Ullah [41], raising awareness on GHRM's importance could be achieved by proving that the success of environmental systems is crowned by its alignment with other corporate strategies. Thus, it is suggested to demonstrate the importance of having a policy with a package of interrelated and synergistic practices where the impact of each practice is enhanced when the others are also implemented [29]. As a result, GHRM will reflect the environmental efforts that the company redeploys by having a goal-oriented HR policy.

On the other hand, some of our respondents considered GHRM as an effective tool to enhance employee's involvement toward environment. According to them, GHRM is a level of refinement, perfection, and formalization of the corporate green efforts toward a well-defined policy.

In summary, since GHRM is an understudied field in Morocco [38], it has become important to demonstrate its importance in the Moroccan context in order to limit this debate and uncertainty related to its relevance and importance.

5.4 Challenges

Based on our findings, the lack of knowledge on GHRM is the first challenge that has to be overcome. This finding is consistent with past studies, according to Fayyazi et al, [61], the lack of knowledge could be considered as the main challenge related to GHRM implementation. In the same vein, Mtembu [19] reported that there is a lack of knowledge of GHRM in the African continent. This lack of knowledge is a major barrier to successful EMS implementation [62], which was also highlighted by Shukla [34], who stated that the lack of awareness is considered as the biggest challenge to bring GHRM into practice.

If managers do not have a clear vision of GHRM, they will not embrace the responsibility of implementing it [61]. Therefore, the involvement of HR department

in environmental management should be encouraged through appropriate communication and awareness raising.

The second challenge that was outlined is the nonexistence of an operational plan of GHRM. In this regard, Janaki et al, [8] affirm that the fundamental problem for organizations does not lie in the strategy formulation phase, the problems often emerge during operationalization. Indeed, the operationalization of GHRM and its decomposition into clear lines and concrete practices are a challenging task that needs to be addressed. This challenge was also outlined by Al-Rommedy [36], who noted that there isn't a comprehensive design for GHRM implementation. Indeed, if there is no comprehensive plan that defines the guidelines for GHRM and its operational plan, there will be no commitment to its implementation [61]. As stated by Dhingra, [64], most managers lack the knowledge of GHRM practical application.

The third challenge that was highlighted is the difficulty to create a reliable assessment of environmental performance. Our results corroborate those found by Renwick et al, [29], who pointed out that environmental performance management presents a challenge related to the measurement of green performance in different departments/units of the organization. Therefore, the incentives that could be linked to unreliable and unfair measurement of environmental performance are potentially conflictive and could compromise the organizational climate [6].

Similarly, Saeed et al. [31] affirm that there is a need to create performance indicators for all employees that include environmental responsibility, environmental incidents, car emissions, etc. To do this, it would be appropriate to address this challenge by focusing on assessing the risks associated with each department, section, or production unit. Then decide on actions to be taken to monitor environmental performance, ecological footprint, and pro-environmental behaviors.

5.5 Requirements

GHRM requirements may emphasize what needs to be proven and improved to implement GHRM in companies. The first requirement that was outlined is to prove GHRM benefits in terms of values, awareness, culture, responsibility, and commitment.

Contemporary literature on values has emphasized the importance of individual values in explaining attitudes and behaviors [59]. Therefore, demonstrating the impact of GHRM on employees' green values is of paramount importance. From this perspective, if the employee's green values are in line with those of the organization, it is expected that the employee will be more likely to adopt environmentally friendly behaviors in the workplace. Chaudhary [44] states that GHRM reflects the environmental values of the organization, influences the environmental values of the employees, and shapes their green behavior. In this regard, employees can become "environmental activists" within the organization by absorbing organizational pro-environmental values [67]. Despite the previous studies that have proven the importance of GHRM in shaping employees' green values, none of those studies have been conducted in Morocco.

In addition, our respondent highlights the importance of proving the impact of GHRM on employees' environmental awareness. Al-Ghazali and Afsar [40] found that involvement in environmental actions requires a certain degree of environmental knowledge and awareness. Therefore, employees with a high level of environmental awareness and concern may feel a stronger moral obligation to voluntarily carry out environmental actions and initiatives [68]. Thus, GHRM practices have the ability to

raise employees' green/environmental awareness and shape their behaviors to develop pro-environmental attitudes in their personal and professional lives [31]. However, these findings need to be expanded to the Moroccan context.

The second requirement that was highlighted is to create an action plan of GHRM. Consistent with Fayyazi et al [61], the lack of a comprehensive plan for implementing GHRM creates ambiguity. Hence, there is a need to create an operational plan with specific actions to implement, and thus, so that managers become more aware of the actions to be undertaken and policies that need to be modified and oriented to be green. Hence, the operationalization of various GHRMPs and development of valid and reliable indicators are a serious requirement [31]. Thus, to commit to integrating environmental management into multiple levels of HR policies, there is a need to concretize the policy into action.

5.6 GHMRP

5.6.1 Green recruitment and selection

Despite previous research studies that highlight the need of hiring employees with a passion to preserve the environment [20], our findings emphasize that none of the respondents consider implementing this practice.

Green recruitment and selection are not achievable because the education system in Morocco does not focus on educating students in schools and universities on how to be environmentally friendly citizens. In other words, the academic programs and extracurricular activities in schools and universities do not take into account issues of environmental protection and resource sustainability. Therefore, recruiting candidates on the basis of environmental criteria does not seem adequate in the Moroccan context at the moment, efforts should be redeployed to use the educational system as a tool to raise the green awareness of students who will be employees in the future.

In the same vein, Anwar [69] states that even though universities emit relatively less pollution than companies, they bear a considerable responsibility for raising awareness and educating current and future generations about the importance of pro-environmental behavior, which was also posited by Almamun [1], who states that universities should introduce greening in their syllabus. Thus, education may be considered as driving force toward a sustainable future.

Similarly, Jabbour [5] states it is impossible to include environmental concerns as a selection criterion in the recruitment process. As mentioned by our respondents, green recruitment can only be implemented if environmental protection is embedded in the country's culture and education system, but as long as this condition is not met, green recruitment could be labeled as discriminatory.

Additionally, green recruitment is not an interesting practice because assessing environmental awareness is not recruiters' priority. Our findings corroborate those of Bombiak and Marciniuk-Kluska, [48] where the Polish managers considered the recruitment candidates with ecological knowledge and skills to be difficult. Thus, the assessment of candidates' ecological skills during the recruitment process was not appreciated.

In summary, the recruitment of environmentally conscious candidates seems incompatible for several reasons, the Moroccan educational system does not include environmental protection in its curricula, the country does not have a national ecological culture shared by all citizens, the recruiter's priorities do not allow him/her to prioritize the environmental concerns of the candidates, and finally, the difficulty of finding environmentally friendly profiles.

5.6.2 Green training and development

Environmental training is implemented by all the companies of our sample, stating that on the one hand this practice is very important to the development of the required EMS skills, and on the other hand, the need to raise awareness of any new process or implemented system. Only one respondent was not interested in this practice, stating that environmental protection is a mindset and culture rather than a skill to be acquired.

Several research studies highlighted the importance of green training. For instance, Yong et al, [51] recognized that training plays a key role in developing the environmental knowledge, raising environmental awareness, motivating creativity for green innovation, strengthening green commitment, and improving environmental performance. Indeed, companies need to enhance the knowledge and skills of employees in order to encourage them to actively participate in environmental protection activities [4].

Additionally, the result advocates that the difficulty to raise awareness and involve older workers is a major challenge. Our findings are in line with Guerci and Carollo, [63] who found that young people are more sensitive to environmental plans while older workers, because of age and narrow-mindedness, consider environmental plans unnecessary. On the other hand, our results are in contrast with those reported by Wiernik et al., [70], who found that employee age had no effect on the degree of embracing green behaviors and that older employees embraced green practices and gained broad experience more than younger employees.

In a proactive approach against older people's resistance, companies use environmental selection criteria by mainly asking older people about their own attitude toward sustainability, to avoid older people who are unwilling to advance the green agenda and do not believe in it [15].

5.6.3 Green performance appraisal

Yong et al, [51] point out that without a formal performance assessment process, discipline will be weakened and employees' ability to improve may be hindered. Therefore, companies need to create environmental benchmarks at the performance appraisal system for all employees to keep track of noncompliance or non-achievement of environmental goals [33]. However, our respondents pointed out that only HSE engineers and high environmental risk positions are being evaluated on this aspect. In contrast, administrative positions are not appraised on this aspect. Therefore, the assessment of the environmental performance of a specific category could limit the commitment of all staff is the EMS. The literature highlights the need to involve all employees including administrative positions to sustain good environmental performance, support the company's core values, and build green intellectual capital [10].

Similar to Mathur and Soni [18], not all companies include the environmental performance of employees at all levels. In our case, there are companies that set goals and evaluate the environmental performance of higher environmental risk activities, while others assess the overall environmental footprint of the company's activity. Thus, an environmental assessment of all activities is needed.

5.6.4 Green discipline management

Our findings emphasized that it is not possible to integrate a disciplinary sanction against employees who do not respect the environmental rules in the company. This

is due to the legal system that must be followed, which already defines the serious offences that can be punished. Therefore, even if there is a breach of the rules, the companies do not have the necessary power to sanction. Thus, the governing environmental laws do not provide explicit powers of inspection and enforcement to companies. Instead, companies try to sensitize, motivate, and involve rather than punish. Therefore, despite progress made, the environmental legal framework remains underdeveloped and still inconsistent.

In response to legal inconsistency, Jyoti [11] emphasizes that the legal initiative that companies can undertake in the long-term is to guarantee that ecological commitments are anchored by including provisos in staff contracts, i.e., that ecologically threatening conduct may comprise a rupture of agreement and consequently a conceivable reason for expulsion. In the same line, Almamun [1] states that in Bangladesh, government should incorporate GHRM in labor law as well as promote the organizations who practice it.

Besides, this practice is not doable as it is considered as a harsh practice that will make employee involvement more difficult, which was also highlighted by Guerci and Carollo, [63], who considered that a system of control and sanctions does not assure that the workforce is truly committed to environmental actions, it only reduces deviant behavior.

Furthermore, the management of green discipline is not appreciated because companies fear employee resistance to change. Indeed, to bring in a new system, companies prefer to involve employees instead of punishing them.

5.6.5 Green health and safety

Green management is a strategic activity of the company that allows it to reduce waste, save energy, promote environmental health while preventing damage to the environment [71]. Thus, the provision of green workplace for all employees is the central function of green health and safety management [33]. The Moroccan ISO14001 certified companies set many initiatives such as using daylight, conducting green audits, recycling, reusing, planting, and optimizing water and electricity.

In this regard, companies have paid much attention to employees' health and safety. However, video conferencing and online work were not practiced. Thus, companies need more sensitizing on the benefits of this work modality. Particularly, as the teleworking revolution helps employees and organizations in many ways. Not only does it reduce the operational costs of the organization through reduced absenteeism and transport costs, but it has also become a retention tool where employees are relieved of nerve-wracking commutes and are able to balance work and life [9].

5.6.6 Green involvement and participation

Increasing employee interest through green involvement and empowerment by creating suggestion systems for innovative environmental ideas and solutions is of paramount importance [17]. Nisar [20] states that companies are required to provide opportunities for their employees to implement what they have learned during training programs, which will result in improved environmental skills, knowledge, abilities, and pro-environmental behaviors.

Nevertheless, this practice was not very common at the surveyed companies. Only two companies out of the four gave all employees the opportunity to actively

participate in proposing innovative and environmentally friendly ideas. Indeed, it is necessary to allow employees to participate in regular meetings to solve environmental problems and to encourage them to introduce environmentally friendly ideas and initiatives. Thus, implementing green involvement practices may boost employee's confidence and self-esteem to actively participate in the corporate green goals.

5.6.7 Green compensation

The implementation of a green reward system is seen as a valuable tool to increase employee motivation and commitment to the environment. These rewards can be financial or nonfinancial, with the aim of encouraging high performers to continue and pushing the rest to become more environmentally active and involved. Despite the literature pointing out that rewards can be valuable [2–4, 46], none of the surveyed companies use a green reward system to encourage pro-environmental behavior among employees.

The development of recognition and reward programs to encourage employees to be environmentally active is a fundamental practice of GHRM. Green incentives and rewards are often recognized as the most powerful way to link organizational interests with employee interests [35]. Indeed, the use of this practice can have a positive impact on employees' motivation to be environmentally responsible [54], which further increase the need to promote this practice in Moroccan companies.

6. Conclusion

Recent years have shown a growing scientific interest in the role of HRM in environmental management. A literature review provides evidence that GHRM brings tangible benefits to the company rather than simply adding luster to the brand and reputation. Indeed, it is time for HRM department to embrace the green agenda alongside the scattered initiatives based on environmental protection.

This study reveals that GHRM is still at a primitive stage in Moroccan ISO14001 certified companies. Although the selected companies practice many green initiatives, they have not yet reached the level of detail, sophistication, and progress discussed in the literature. Indeed, although GHRM is a trend in other countries, it is not well known in Morocco. The lack of knowledge of this process could limit its implementation, hence a wide promotion of GHRM is needed to overcome this challenge.

Overall, the implementation of GHRM practices is moderate. The majority of the initiatives undertaken refer to the certification requirements, namely green job design and analysis, green training, and green health and safety management. Two companies are the exception in implementing green empowerment initiatives.

Our research work responds to the call of researchers who have recently recognized the importance of conducting GHRM exploratory qualitative studies [7, 27–35, 41, 42, 47, 49, 52, 56, 65, 66, 70, 71] in the African context [38, 72]. To our knowledge, this is the first research work that studies this concept in Moroccan firms. Consequently, this study contributes to a better understanding of GHRM through HR managers' perceptions from various Moroccan companies. Although the findings cannot be generalized, given its exploratory nature, we believe that this work can be considered as an opener for future research. Taking this further, we look forward to seeing more research on this topic in the near future.

6.1 Theoretical and managerial implications

The finding of this study offers several implications for theory and practice. From a theoretical perspective, as GHRM is an emerging research field, there are limited studies in developing countries such as Morocco that offer empirical evidence. Hence, this research contributed to the literature by enhancing the understanding of GHRM in Morocco. Additionally, to the best knowledge of the researchers, prior studies on the subject matter have focused merely on quantitative field studies. Thus, the current study has been one of the limited qualitative studies that aims to highlight the GHRM's perception from the experiences of HR managers and directors. Besides, through qualitative approach, the present paper added originating themes to previous literature, which previous studies have not yet established. Finally, our framework can be a starting point for analyzing GHRM as this paper also highlights future directions from HR managers perspective.

From a practical perspective, our discoveries give HR professionals a more profound comprehension of GHRM, its practices, importance, requirement as well as the main challenges that may hinder this process implementation. Consequently, findings may provide HR managers with a better idea of the solutions and the possible factors that may logically solve the situation of the newness of GHRM. Thus, being able to forecast and predict future events helps HR managers to predict how to achieve the environmental goals and drive a more efficient green change through HRM process.

Besides, this paper contributes to practitioners within the field of HRM with insights to how organizational strategies and practices can be designed and developed to prevent the negative effects on the environment, which may further boost up the willingness of HR managers to build interest in GHRM and endeavor to set up an environmentally policy to enhance the commitment of all company's departments.

6.2 Limitations and future directions

As is the case with most research, our study has limitations, which are also opportunities for future research. This research is a qualitative exploratory study in four IS014001 companies in Morocco. Although the results provide a deep understanding on GHRM perception by HRM and HRD, the findings cannot be considered representative of the ISO14001 certified companies as a whole. Thus, the study recommends future studies to investigate the same topic in other companies, thus potentially able to provide richer and diverse findings. Further, our sample was specially selected because of the company's environmental concern. Thus, future research could examine whether HRM and HRD in non-green organizations have the same perception of GHRM or do not consider its implementation.

Additionally, this exploratory study was based on gathering information from only seven HR managers and, again, the limited number of participants means that the findings cannot be generalized. Besides, our interviewees didn't know GHRM, thus, the results may have been affected by differences in respondents' understanding of the topic.

In addition to the above limitations along with their related opportunities for future research, other avenues for further research can be proposed. We invite future research to conduct longitudinal studies to track the evolution of environmental performance, environmental awareness, green values, and EMS in organizations that are introducing GHRMP, with the aim of encouraging organizations to devote time, budget, and human resources to GHRM implementation.

Also, many HR managers seem to be doubtful about the importance of GHRM. Thus, future research can also focus on the "why" question of GHRM by emphasizing its importance in creating green businesses. Besides, as most of GHRM literature largely focuses on the consequences of GHRM [38]. It is suggested that future research should also investigate the determinants and what motivate companies to implement GHRM, which may also respond to HR managers question "Why implementing GHRM?".

Additional research studies may also emphasize the impact of green training on attitudes, values, and behaviors, as environmental awareness is considered by some as a posture and not a skill to be acquired.

It is also recommended to focus on the awareness and behavioral change of older workers, we invite future research to focus on this aspect by investigating the impact of awareness raising of Generation X on their behavior, values, identification, and commitment to environmental policy. Moreover, a factor that is worth analyzing is local culture and educational system that are likely to play an important role in implementing GHRM.

Finally, HR professionals not only need to be certain that they have all the necessary competencies for using GHRM, but they must also be able to measure its effectiveness and consequences. Thus, it would be useful to develop a practical guide with clear policies that integrates all the GHRMP with concrete aspects to implement.

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Chapter 11

Reimagining Corporate Social Responsibility in the Idea of University Education as the Public Good

Valindawo Valile M. Dwayi

"Nature is the 'inorganic body' of human thought and action, with which human beings 'must remain in continual interchange' if they 'are not to die'.....The opposition is derived from the fact that, although human consciousness is a product of nature, it is nonetheless a qualitatively distinct part of nature.....this contradictory totality, which constitutes the relationship between human subjects and objective conditions, is a dynamic and developing one". [1]

Abstract

Corporate social responsibility (CSR), as the concept of both practice and research, is still generally understood and explained in narrow political lenses, basically due to the economic and instrumentalist rationality. Such rationality tends to result into more reproductive outcomes about the social conditions than what ought to be transformative. As such, not much is researched and documented about CSR in what could be alternative practical explanations beyond the taken-for-granted orientations. Toward closing this seeming research gap in the theory-practice nexus, the institutional research about which this article is reporting has examined the dialectical relationship of CSR with the idea of university education as the public good. The study entailed the content analysis of the institutional records in one case of university education in South Africa. The history of the university and the relations that the university has with its community were complex enough to make a single case study about the value of corporate social responsibility and the idea of the public and common good (CSR for UE-PG). The main finding of the research is that the university is grappling with her history, which constrains her from transcending into new heights about CSR for UE-PG, despite the commitments to do so!

Keywords: corporate social responsibility, public good, Walter Sisulu University, scholarship of engagement, academic project development framework, integrated quality management systems

1. Introduction

In this article, I argue that Corporate Social Responsibility (CSR), both as a concept and a subject of inquiry, still needs several iterative cycles of theorization and research if the concept is to reach high levels of intellectual maturity. As it were, the concept seems to be more about the espoused value of relevance and responsiveness from an excusable position of the private goods. This seems to be the case in how the private organizations need to defend their existence by making it a point that profit making does not uncontrollably escalate in the face of abject poverty, increasing unemployment, and widening inequalities (PUI). The global economic crisis of 2008–2012, especially in the Global North, has taught us that the claims that the market rules might be about chasing a mirage. In several cases, the State had to intervene in preventing the complete collapse of capitalism, thus bringing into a sharp contrast the claim that capitalism is self-regulatory, is best for society, and must be left unto its own device. In this article, I argue that even in the public university education sector, where public accountability and institutional autonomy may be constitutionally protected along the academic rights and freedoms, such freedoms cannot be dispensed without maximum levels of responsibility. While university education is ostensibly about the public good (UE-PG), it looks like, in some cases, it can easily become the case of pretense, grandstanding, and political posturing. As I argue elsewhere [2], it could be the case when the leadership, management, and government systems can undermine the very principles of integrity, trust, good reputation, and legitimacy as espoused in the code for corporate governance and reporting. In those, and similar, cases, institutional rights and individual freedoms cannot remain uncontested. As I argue in this article, such rights and freedoms must be mediated, if, indeed, the UE-PG is also constitutive of corporate social responsibility, as it ought to be.

Therefore, the potential irresponsibility in the university education context, which can entail sacrificing the scholarship project because of systems of domination and control, and their dominant explanations about quality, need to be problematized. Such cases of being complicit in the perpetuation of social disadvantage and exclusion can take place when the compliance modes of thinking, making, and doing have as their source the abuse of power, whose source is historic privilege and advantage. This project was motivated by the need for the defense of the academic project in general and academic leadership against the onslaught of populism, which can masquerade as quality. Silences about what ought to matter in academic leadership run the risk of being over-shadowed by the complexity of power relations in the politics of knowledge and of being. Institutional management and governance structures can be the worst culprits in such situations, resulting in claims about quality bordering on pretense, grandstanding, and political posturing! The South African university transformation context displays such a complexity of social systems in quite strange ways, the ways which I prefer to refer to as the Contradictory Totality of a Special type. While there is a unity of purpose at the macro level, there is always a diversity of implementation at the micro level, which then becomes an interesting area of scholarly focus by critical realist-oriented researchers and practitioners. It can become a fiercely fought-for project, through reflexively dialectical processes, so that such engagements must ultimately allow for transformative agency to emerge!

Previous studies linked to the study of the category of Historically Disadvantaged Universities (HDUs) in South Africa revealed serious cases of mistrust, poor reputation, and illegitimacy both in the institutional academic project and, worse still, in the management and governance structures. Such cases could be claimed as antithetical to the idea of university education as a public good, when quality enhancement

constitutes the focus of critical analysis. In such contexts of historical and structural disadvantage, quality ought to be the actual measure about the public and common good. However, given the complex history of university education in South Africa, this means that quality can remain a contested issue along power and materialist interests. Such would be the contested issues about quality when the subject must be problematized against the perspectives of systems of domination and control coupled with their dominant explanations of what can be claimed as quality. This is what the article therefore focuses on, how a report about quality can masquerade as actual quality when the opposite might be true. Surfacing the latter as contradictions of Being and Becoming, by means of a social realist theory, which is anchored on the critical realist philosophy, allows for identifying the nature of these contradictions at systemic levels. Such contradictions play out in dynamics of structural and cultural systems, which, by their interactions with human systems as the common factor, allow for what might be the actual truth about quality and thus what kinds of choices and emancipatory projects can be embarked upon to potentially address the contradictions.

Practically, the article addresses corporate social responsibility as revolving around two main questions, *Relevance to What* and *Responsiveness to Whom?* About university education, the questions become whose power and whose truth? Through these questions as idea markers, the discussion, therefore, has as its focus and context corporate social responsibility, where the outcome ought to be both a public good (the currency that university education provides) and access to such goods. Integrated quality management systems, therefore, become the mechanism, the means to an end.

By this study, I did a content analysis of standards 4 and 9 where the choice was informed by the idea of quality as a cultural system (belief, ideas, standards, and norms, that is, standard 9, about coherence, functionality, reasonable, and meaningfully structured) and as a dialectical relationship with the structural system (roles, functions, and responsibilities, that is, standard 4, about governance structures, management, and academic leadership), both of which are enacted by agency. A consideration of the academic leadership allowed for understanding the more viable and sustainable quality management system as emerging, "corporateness" from below, that is, when quality is more owned by the faculty than prescribed by policies and strategies. What is of critical importance to the realist is causal efficacy, the weighted role of each element of structure, culture, and agency, from what occurs as events and processes further to how such events are experienced at the level of the empirical domain [2, 3]. However, while the structural is quite enduring, the most important measure for a social phenomenon (the idea of university education as a public good) is by means of a cultural system, an integrated quality management system assessed as coherent, functional, reasonable, and meaningfully structured, which can only be possible when enacted by a transformative agency. The power of analytical dualism is to treat each of the structural system and the cultural system as analytically distinct!

The main finding about this comparison was that the ranking of standards 4 and 9 of the WSU SER, when compared with other data about the institutional quality management culture, revealed social practices (silences and superficialities) of evaluating and reporting about quality as not responsible enough about what ought to matter about the idea of university education as a public good! The complexity of such a cultural system was mired in dynamic relations with the structural system and how explicating the role of human system, through reflexive-dialectical processes, tends to result more in reproductive outcomes than in the idea of transformative outcomes. Specifically, the study was based on the contents of reporting about quality by juxtaposition of two main variables,

i. Governance structure, management, and leadership, with

ii. Coherence, functionality, reasonableness, and a meaningful structure.

From a social realist perspective, the variables constituted governance, strategic planning, leadership, and management as a structural system, on one hand, and integrated quality assurance system measured as a cultural system, on the other hand. Therefore, the case of accounting for quality, as the idea of university education as a public good, would be regarded as incomplete about other compelling cases about quality. The WSU SER claims have confirmed similar cases about the study of HDUs in the South African transformation project [4]. These are the cases where mistrust instead of trust, poor reputation instead of good, and illegitimacy can remain endemic governance and leadership challenges. Only when the right choices and emancipatory projects can be embarked upon as dynamic forms of institutional culture that reimagining corporate social responsibility might be a new possibility for the public and common good. That will be the practical dimension of the study.

Theoretically, it becomes the case when accounts about the social phenomenon can inadvertently and unwittingly draw on theories that draw on de-ontological positions and self-referential explanations than what the social realist explanations, based on critical realist philosophy, can allow for.

The analysis then takes a particular focus on scholarship of engagement as the potential exercise of transformative agency where the core business of community engagement and partnerships, of learning and teaching, and of research innovation make for the example of the necessary constructs and discourses for corporate social responsibility constructs. The scholarly engagement of the constructs as discourses, in the contexts of university education and its espoused value for the public and common good, albeit with demonstrable silences about the critical construct of scholarship of engagement, coupled with glaring superficialities as evidenced by the cited crisis events in one case of an institution, allowed for what could be finally declared as the exploratory research whose value was to build on similar studies in other countries [5]. The significance of such exploratory research is thus to advance what ought to be the CSR theorization and conceptualization in social contexts and their expressively veracious considerations.

The research value for such an exercise, as scholarship, entails promotion of a cultural system about CSR for UE-PG. Specifically, it is about how the institutional units, which can be designed and managed to work in discrete and fragmented ways, ought to learn to work in ways that can promote collaboration and partnerships. The net result is organizational learning at all performance levels of operations, business, and strategy, including the potential relevance and responsiveness of the institution to the local, regional, and national developmental imperatives.

Therefore, this article is organized around the basic logic of reproduction-understanding-broadening-advancement in research. While CSR is generally understood to be a private sector terrain, its mainstream practices need to be theorized in context-specific ways, especially for the university education sector, which is fast embracing business management models as part of its governance and leadership systems. Such broadening strategies about the concept will advance the scholarship about the concept, especially in consideration of what could be value addition when the idea of university education as a public and common good can be understood as dialectically related to corporate social responsibility. As such, the article is structured according to the following main sections,

a. The discussion of corporate social responsibility as a concept, which needs to be extended to the university education context and its ideal for the public and common good.

b. The examination of the relevant philosophical and theoretical perspective for better understanding and explanations of the contemporary challenges about the concept.

c. An outline of the crisis events in the case of a university where corporate social responsibility was espoused, and yet the values of its application as integrated quality management system constituted a disjuncture.

d. An outline of the main findings, which surfaced the dissonances in the aspirations and reality about the idea of the public good in university education, when quality is a measure.

e. A discussion about the value of transformative agency, including the rationale for why corporate social responsibility still needs to be subjected to scholarship advancement.

2. University education transformation in South Africa, the contradictory totality of a special type

Conceptually, and for the purpose of the discussion in this article, a multidimensional understanding of university responsibility about quality as a scholarship of engagement is mapped out as follows:

a. Corporate social responsibility, which needs to be considered for the context of university education.

b. The idea of university education for the public good, which should serve as the main outcome for why a university exists.

c. Integrated quality management system, the mechanisms for the attainment of the outcomes.

d. Scholarship of engagement as the unit of analysis for how the mechanisms and the outcomes can be achieved or not.

Scholarship of engagement as the organizing principle for the academic project promises the potential answer about the academic project as the measure of quality in the following three ways,

a. What are the conditions of integrated quality management systems (IQMS) as the idea of university education as a public good progresses over time and in space?

b. How can the academic project be governed, managed, and led as an integrated quality management system, and why the focus on agency for scholarship of engagement ought to matter for the idea of corporate social responsibility?

The very notion of corporateness is all about both emergence and irreducibility. While the sum of the parts ought to count in consideration of ecosystems, some systems cannot be fully understood by means of reductionist thinking. For that reason, it makes a scholarly imperative that university education for the public good (UE-PG), as a concept, ought to matter when dialectically related with corporate social responsibility (CSR) and why the relationship can be problematic at systemic levels. As it were, challenges about corporate social responsibility, both as a concept and a theorized practice, are well documented in the contemporary literature, ranging from claims about the complete absence of agency theory [5] to the limited application of the agency theory in such fields as corporate governance, firm ownership, and born global firms. The areas of practice seem to include a range of areas, from corporate governance, firm ownership, and born global firms to the fields, which include impact examination of top management characteristics, board structure, ownership by domestic investors, foreign investors, business group firms, family ownership, state ownership on the firm internationalization decisions, etc. [6]. However, university education is not for profit institutions, although the long-term goal might be for the private goods. For the latter reason, and in consideration of the role of university education or higher education and training as a common and public good, a critical question arises, what corporate social responsibility ought to mean in their context for the access to such goods? It ought to be so because the intellectual project that constitutes the idea of university education is all about engagement as a concept, a belief system, albeit not as a value-free exercise. In such an engagement, the approach should always try to avoid what could be conflation or reification. Such forms of reification, for example, the assumption that claims about corporate social responsibility constitute the proxy for social justice and equity, may have to be problematized by drawing from critical realist ways of thinking.

Therefore, a social justice project that seeks to reflect university as a public good ought to adopt a kind of descriptive analysis that reflects these complex issues about a social phenomenon. As such, a transcendental argument can be made in ways that the actual reality about a social phenomenon, namely, CSR for UE-PG, cannot be reduced to the events thereof and further to the experience or observations of those involved. Corporate social responsibility in the context of university education and for the public good (CSR for EU-PG) ought to be about beyond-ness. Beyond just the operational effectiveness and efficiency variables about business, it ought to be about a values-driven moral and ethical stand, including impact tracking for sustainable value creation. Against this brief overview about the ontological assumptions about CRS for UE-PG, not much is researched and documented in what could be alternative practical explanations beyond the taken-for-granted concepts [2, 3].

Therefore, in response to two recent claims, [2, 3], the engagement of the social world from the realist social theory allows for understanding and explanation of the social phenomenon as a dialectical relationship of structure, culture, and agency. It requires the understanding of the interplays of the latter in analytically distinct ways. In that regard, this article contributes to the fast-increasing body of knowledge, by focusing on the value of agency as the subject of research. Therefore, the related questions, as the motivation for the critical realist-oriented research project, in this article, are:

a. What constitutes the idea for university education if it is not about being in, of, and for the idea of university education as a public good?

b. If the answer to the latter is in the affirmative, why then does university education seem to reflect silences and superficialities about corporate social responsibility as potentially constitutive of such goods?

Toward deconstructing these conceptual and contextual issues, it is quite significant to note that the South African university education system, almost three decades post constitutional democracy, continues to be fragmented especially when in consideration of the academic performance profiles [7, 8]. To the critical realist-oriented scholars and practitioners, this is the case of a contradictory totality. In explaining contradictory totality, [1] declares that,

> *"The unity (of a social structure) is derived from the fact that nature is the 'inorganic body' of human thought and action, with which human beings 'must remain in continual interchange' if they 'are not to die', humanity being 'a part of nature."*

The unity of purposes derives from the common view about what university education is for, in the South African context for developmental imperatives. The diversity from such a unitary view arises when the idea of university education is not just about the public good but also a human rights issue and how those rights can be enacted. Contradictions, therefore, become more manifest when in consideration of the institutional performance profiles, and the degenerative mechanisms about UE-PG in argument about how university education is potentially antithetical to the ideals of corporate social responsibility.

2.1 Continuities from the old regimes of power and of truth

Post 2000 in South Africa, the most enduring question about the constitutional democracy is the whole debate about the national welfarist versus the developmental state, with the latter being imposed on the university education role and the resultant identity and performance crisis. HDUs are still struggling to give full expression about EU-PG idea as corporate social responsibility. The regional challenges about HDUs continue to be about their role, which would turn out to be more about the access and massification of HET rather than the actual economic development of the communities in which they were positioned/operating from. HDUs' academic project systems would not be internally integrated enough, hence the regional integration challenges that reinforce the HDU status. The role of community outreach and engagement, partly informed by the global trends about the creation of "the metropolitan university models as the response to the inner-city decline" ([9], p. 297), emerged in university education studies especially in the context of the national democratic revolution. "The policy debates about the role of universities in society took place at the local, so that these institutions could become more relevant to equitable development in their contexts," ([9], p. 309). On the other hand, the value of university education as knowledge constitutive is still challenged at the micro level as indicated in the RSA university education profiles [7, 8], where the third lowest band of universities is still enduring.

The challenge for universities affected by the HDU phenomenon and the basic principles of institutional learning where the simple solutions in the form of current knowledges and skills assessment must be able to translate into the economic value add about the regional integration question. This then refers to the need for individual abilities (individual agency) to become institutional capabilities (corporate agency) where the institution must be able to engage its complex challenges in ways that can be more responsive and relevant to regional challenges. The failure in such a project continues to be the case of stagnation about such universities and of pretense by its management and leadership systems [4].

Therefore, how scholarship of engagement would have to provide the right explanations about quality as relations of macro and micro politics in the context makes for this important question about quality as epistemic logic. That would refer to the idea, values, presuppositions, and belief systems about knowledge that need to be made explicit if the complexity of power relations in the politics of knowledge and of being might be finally resolved. This would have to be the point of resistance and transformative political action in the academic project as a form of micro politics. Such politics would have to take the counter hegemonic narratives toward truth that can enhance each one of participants in the university project and in ways such that opportunities for humanity can be elevated! It is this "blackness" that reflects a particular phenomenon of the HDUs, which operate through the structured racist apartheid system, and its spatial planning and social exclusion policies, used to operate in the "Bantustans" or black communities. Among these communities, there is also a particular feature of the then Homelands, in which such universities were established as a form of ostensibly free communities, when the then racist Nationalist party of South Africa would grant self-governance (Homelands). The enduring challenges of power and privilege make such institutions continue admitting students from predominantly working-class families (SWCF). This is the category of students that, due to the socio-economic conditions, cannot afford to be admitted in affluent universities, be it historically white and advantaged or historically Black but relatively advantaged. Such is the confluence of forces that can militate against the mainstream notions of quality, and therefore of responsibility, along the complexity of power and privilege.

2.2 Relevance and responsiveness as the measure of the common and public good

Integrated community engagement ([10], p. 8) refers to one of the core functions of higher education, involving working constructively and co-operatively with communities that are connected to the institution, to make that institution more adaptive and responsive to needs that it could service. Such integrated community engagement has the potential to affect or influence almost every aspect of an institution's functioning. In addition, as argued, for example [10], community engagement should be specifically integrated with learning, teaching, and research and should be based on, and enhance, the disciplinary knowledge and expertise of the institution. Against the backdrop from the latter two main observations for the value of university education for the public good, the following statement becomes quite compelling about the case of HDUs ([9], p. 309),

> *"There is no guarantee that place-based strategies will work to revive lagging cities, of course, but the evidence suggests that if the possibilities inherent in greater local regulation and engagement in the interests of the public good are ignored, higher education will not be able to greater opportunity, and will likely serve to reinforce and exacerbate inequality in South Africa".*

Furthermore, what could be regional integration is provided for in the body of knowledge; for example, [9], it refers to the development of place-based roles of universities and the critical need for subnational and city-level participation in higher education planning and development. Integrated community engagement and regional integration, in such contexts, refer to the subnational and especially the city-level opportunities that exist for universities to become more integrated into their place-based contexts, as a way of achieving their mandate to redress inequality. This also entails how the development of the region, through program qualifications mix,

enables the required capacity to create jobs, drive innovation, and reverse some of the detrimental effects of decades of migrant labor and under-development.

Therefore, in this article, I have organized my argument and claims around the case of historically disadvantaged universities (HDUs), in South Africa, which, due to the conditions that are not of their own making, are still located in the communities that used to be reserved for blacks and the lowest stratum in the socio-economic ladder. These university institutions, which operate from these communities, continue to face difficult questions about relevance (knowledge systems) and of responsiveness (student or people-centeredness). They face the questions about CSR for UE-PG as relevance to what (cultural system of belief, values, norms, and standards) and responsiveness to whom (students' first choice for university education). The communities were framed, through settler colonialism and the structured racist apartheid system, as the Bantustans and later as homelands (HL). It is from this enduring legacy of many years of modern slavery that these HDUs still admit students from working class families (SWCF). For this reason, the HL-HDU-SWCF phenomenon will be the basic feature in discussing the absences and silences about the CSR cases, which are the basis of my claims. Out of 26 universities in South Africa, eight belong to this HL-HDU-SWCF phenomenon. The unfortunate picture about the phenomenon, and therefore the CSR ideals, is that, for many, and almost three decades into constitutional South African democracy, the phenomenon is still characterized by the PUI factors, as briefly introduced above, which, in turn, have a face along black color, female gender, and rural location. Therefore, the HL-HDU-SWCF phenomenon faces a myriad of systemic and contextual challenges that have been compounded by the demands of both Rhodes Must Fall and the #FeesMustFall movements (2015–2017) and the unprecedented unfolding crisis of the COVID-19 pandemic.

Such a character about the idea of university education takes a particular reflective exercise in the South African context. At the macro level, it is best captured in two expressions. This is the context that I prefer to refer to as the complexity of power relations in politics of knowledge and of being. In the HETSA context, knowledge production is still characterized by settler colonialism and the old apartheid system where the universities that used to be characterized as historically white, or still black but relatively advantaged, remain so almost three decades into constitutional democracy [11]. In such a context, the case about the HETSA transformation project provides for the potential response to the current limitations of mainstream theories about CSR for UE-PG. About HETSA alone, the debates become very contrasted against the enduring systems of class, race, power, and privilege, which therefore pose a serious challenge to CSR as generally understood.

In the subsequent section, I discuss the need for surfacing the ontological position about CSR for UE-PG and why drawing on the realist-oriented theories, by focusing on the role of agency, allows for the better understanding and explanation of the construct of CSR for UE-PG. It is for this reason that, for these purposes of the claims and the main argument in this article, the discussion revolves around what ought to be the unity of theory and practice about CSR in the context of UE and its expressively veracious considerations.

3. Surfacing the ontological assumptions about corporate social responsibility

The idea about CSR for UE-PG calls for the need for surfacing what could be its ontological positions. Drawing on powerful theories should allow for the better

understanding and explanation by focusing on the role of agency. Critical realism philosophy and its argument for the study of reality as ontology challenge both the objective and socially constructed views about reality. Critical realist-oriented theories challenge the mainstream theories that are self-referential and are deontological. Such theories tend to be complacent about the natural necessity without fully addressing what might be the inadequacies of their claims. They tend to be dislocated from reality about a social reality/phenomenon and thus remain self-contained. They are more about surface ontology, that is, reducing the reality to the understanding and explanations thereof. To counter such a weakness, both critical realism philosophy and the realist social theory, as the explanatory program, allow the analyst to adopt a paradigm that is commensurable with the context and in ways that can be socially and culturally relevant and responsive. By the power of transcendence, the analyst is then able to question a type of science (pseudoscience) that selects what counts as reality and what reality to count to promote interests or socially constructed views.

Table 1 suggests that corporate social responsibility can be understood and explained as an open and complex social system. Such systems take the three main elements of structure, culture, and agency. Drawing on the critical realist philosophy,

Domains of reality from a critical realist stance, (Roy Bhaskar, 1998; 2008)	**A map of Corporate Social Responsibility from a social realist stance** (Margaret Archer, 1996; 2007)		
Empirical level: Powers are perceived and experienced	Corporate social responsibility is experienced and observed in particular ways, which constitute the idea of university education as the public and common good and how such goods are experienced and observed.		
Actual level: powers, though actualized (and thus experienced and observed at level above), may not be felt.	Corporate social responsibility takes place as events, processes, and the emergent patterns and trends thereof.		
Real level: generative powers are possessed but may not be actualized (as events and processes, and further as experienced and observed)	**Structural arrangements**: Corporate social responsibility roles, duties, and responsibilities as regulated by the establishment of University Councils	**Cultural registers:** Corporate social responsibility ideas, beliefs, values, and norms, namely, discourses of social justice and equity or of economic rationality and neoliberal thinking, and/or the variations of each	**Human systems**: Enactment of both the structural arrangement and per the cultural registers: Actors goals, intentions; choices and projects/decision making; interests; desires about Corporate social responsibility
	Structural emergent powers/properties (SEPs): powers & tendencies to determine causal powers	**Cultural emergent powers/properties (CEPs):** discourses (as representations of attitudes and values that permeate everyday life)	**Agency/personal emergent powers/ properties (PEPs):** (reflexivity & autonomy of council members as individuals, actors, and corporate)

Table 1.
The domains and social reality of corporate social responsibility as adapted from Dwayi [4].

as the under laboring to the explanatory program as the social realism theory [2, 3] allows both for the understanding and the explanation of CSR for UE-PG as the interplay of systems at a particular point in time and space. The people inherit the conditions that aren't of their own making. As such, the present is always constituted from historical and social relations. For the future to possibly change for the better, that takes place through reflexivity and human action. Therefore, to surmise social realist-oriented scholars, problem solving should entail the ability to engage the present in reflexive-dialectical processes that can allow for transformative agency to emerge.

The current challenges about CSR theories and practices, per already cited cases, call for the realist understanding of CSR as the agency as deep ontology, stratification, causal efficaciousness, and emergence. The social system elements of structure, culture, and agency (SCA) take two forms, the macro level, which is enduring because it derives from history and social relations, and the micro level, which can be enacted; hence it is regarded as the level of mediations. The explication of the elements of structure, culture, and agency (**Table 1**), firstly, as analytically distinct and secondly, as emergent from the three domains of reality, helps to accord the causal mechanism to each of the elements, including the power of agency as causally efficacious. In this regard, the personal emergent powers and properties (PEPPs) enable people to reflect upon their social context and to act reflexively toward it, either individually or collectively, objectively or subjectively. The significance of agency in resolving the problems about the primacy of structure in social science is when the PEPPs help humans to become active shapers of their socio-cultural contexts, rather than being the passive recipients thereof. Critical for social realism, therefore, is the question of how the chosen values and belief systems operate at the realm of agency [12].

Consequent to the first phase of the National Institutional Audits in South Africa (2008–2011), there was an increased voice from the critical realism scholars about the challenges of reporting about quality, when such reports can be seen to be drawing from de-ontological positions and self-referential explanations (details in the introductory section). As already indicated, the article does not seek to rewrite such a report but to focus on one such case of reporting by doing the critical realist analysis and the social realist account about the case of a historically disadvantaged university in South Africa. The main purpose is to advance the value of making a transcendental argument when engaging an issue as complex as evaluating and reporting about quality, incl the outlining of the challenges thereof, when engaging the topic CSR for UE-PG. Critical realist philosophy in terms of the domains of reality **Table 1** allows both for the principles and tools of analysis. The critical realist principles include judgmental rationality as the position against singular/single story explanations. The thinking tools thereof, namely, transfactuality, retroductive reasoning, and transcendental argument, allow for understanding of this philosophy as a metatheory, the tool about clearing the field or for under laboring the actual theory as the program of action, which is social realist theory. In this regard, social realism theory allows for the explanations of the social phenomenon (namely, corporate social responsibility) as interplays of structure, culture, and agency over time.

Therefore, the value of **Table 1**, as representative both of critical realism philosophy (the three domains about reality) and of social realism (the social world as structural, cultural, and human systems) is about thinking, hypothetically speaking, about the elements of structure, culture, and agency as analytically distinct and determining of causal efficaciousness (the relative weight of each element on the

other, especially structure, culture as sense and meaning making expressed as beliefs, norms, and standards). Because of the transitive and intransitive nature of the objects at the domain of the real, what then leads the critical oriented analyst is the transcendental question, that is, making an educated guess about,

> *"What mechanisms must have been generating the kinds of the events and processes as those that are manifest at the domain of the actual and how the latter is further reflected as the empirical data?*

Therefore, one of the positions that make social realism to be a powerful explanatory program is the ability to apply its tools about rationality. One of those, relevant for the discussion, is transfactuality, that is, the ability to engage the assumption that, at empirical level, because the numbers are, or the statement is; the numbers or the statement thus serves as a measure of reality. Transfactuality allows for abductive logic as questioning the taken-for-granted views about what appears as empirical, because the observations and opinions at the domain of the empirical are the result of other two emergent layers (domain of the actual and the domain of the real) in non-deterministic and in irreducible ways. Therefore, this description of what the ontological assumptions can be about CSR for UE-PG seeks to foreground the role of agency (human system as choice or non-choices, as actions or no actions), which operates in dynamic relationships with the social and cultural systems, as indicated in **Table 1**.

4. The WSU transformation project, a contradictory totality of a special type

The case about Walter Sisulu University is its power to present the challenge about understanding and explanation of Corporate social responsibility for university education as a public good (CSR for UE-PG) at systems level. The macro level, the always structural and cultural systems level, always predates the micro level (the human system or agency), which always reacts to the former. In simple terms, the micro refers to the actual project about quality enhancement, especially the choices and actions or no choices or inactions thereof, thereof, when the institutional roles and functions (structural system) coupled with the related beliefs, norms, and standards (cultural systems) are always enduring. The main claim therefore about CSR for UE-PG is that, while the unity of purpose is about repositioning WSU on a new growth path, the variety of surfaces at the point of the human system due to the role of governance structures, management, and leadership in quality enhancement arethe exercise of agency! After this brief introduction about WSU as a case study, the rest of the discussion covers the following sections and beyond:

- Section 4.I: WSU in transition, from Regime 2015–2019 to Regime 2020–2024, and how WSU, in reappropriating herself, seeks to embrace scholarship of engagement as the organizing principle for the academic project. The nature of the academic project is understood as the quality enhancement project, the representation of CSR for UE-PG.

- Section 4.2: How WSU, in one case of quality management and reporting, seemed to fall short in her own commitments about scholarship of engagement.

- Section 4.3: How the three crisis events in the WSU academic project confirmed the case of, thus constituting the silences and superficialities about, the quality claims.

- Main Section 5: How the three institutional directorates, which should have been the champions for scholarship of engagement, seemed to misrepresent the principle, therefore constituting the case of contradictory totality.

4.1 WSU, an impactful and technology-infused university

For this article, Walter Sisulu University (WSU) was chosen by means of convenient and purpose sampling. The critical element was access to the data, among which was the Self Evaluation Report (SER) of May 2022 [13], which had just been released at the time of the article. WSU is a university in transition, from the previous institutional strategic plan of 2015–2019 to the current one (2020–2024). Both phases have scholarship of engagement as the defining principle [14, 15]. However, the phases were also characterized by the crisis case of student exclusions; although these events dated back to 2009, 2011, and 2014, there was strong evidence that these cases were not managed in a responsible way. The second crisis related to program accreditations. In the light of the latter, WSU, which was the last institution to be audited in 2010, was among the first institutions that were required to submit their SER as part of the national institutional audit. This was also partly due to the enduring crisis of her academic project, as will be clarified later. Above all, the author, as an insider researcher, had a strategic advantage to the institutional records, while taking care of what could be validity threats about endogenous research. The main goal of this project, therefore, and beyond WSU and HDUs about macro challenges, would be to engender/stimulate the necessary conversations in similar contexts but without being deterministic. Contemporary scholarship about corporate social responsibility should seek to advance the context-specific and actor-driven ways of engaging corporate social responsibility as a multidimensional concept, with realms of new possibilities for the public good. For this article, CSR for UE-PG takes a particular dimension of scholarship of engagement as the realm of quality as logic, power matrix, and the idea of being/ontology. As such, quality can be contested along the ideas, beliefs, norms, and standards that always reflect power dynamics.

Therefore, the national institutional audit of 2021–2024 coincided with the change of guard at WSU, which would usher in the new institutional strategic plan 2020–2024, "An Impactful and Technology-infused African University", "In Pursuit for Excellence." The following extracts from the WSU Self Evaluation Report (SER) are quite instructive about what the discussion in this article refers to as "The 2018/19 Factor,"

> *"The SER focuses on the period 2018-2021. This means that the Report straddles two Strategic Plan periods (2015-2019 and 2021-2030). For WSU, 2019 was a watershed year for many reasons. First, it marked the end of one Strategic Plan, and ushered in another. Second, it was the year in which several of the key executives overseeing quality management in the University's core business in the current administration assumed office. Third, the development of the Vision 2030 Strategic Plan as well as (several) the improvements articulated in the SER commenced that year." ([13], p. vii).*

> *"The writing of the SER commenced during the last quarter of 2021. It was anchored by five professors and the Institutional Student Representative Council (ISRC) President, under the auspices of the Quality Management Directorate." ([13], p. x).*

However, WSU history and social relations would remain like an albatross around her neck. WSU, from her establishment, assumed the status of a historical disadvantaged university, as briefly alluded to in the previous section, with the inherent homeland and student from working class families as some of its defining features. While this university had been spared the unfortunate situation of being under administration for the second time post constitutional democracy [4], the institution was still grappling with the legacy of the first administration regime [16] and the recommendations of the first phase of the national institutional audits [17], especially the governance, leadership, and management crisis events of the first regime (2015–2019). What would remain quite instructive, for the purposes of the discussion in this article, would be the potential continuities from the old regimes of power and of truth, namely, the systemic challenges of regional integration and integrated community engagement, let alone the systemic issues of trust, good reputation, and legitimacy, as the case of contradictory totality.

The main pointer about the need for transformative agency in the form of governance structures, management, and leadership of the academic project can be easily inferred from the executive statement by the new vice chancellor and principal ([13]; p. xxix), which called for,

> *".....the imperative of continuous and progressive capacity-enhancement among the different echelons of University officials";" the harmonization of institutional processes is paramount"; "a culture of aligning all institutional processes to the University's vision, mission and strategic goals".*

4.2 Scholarship of engagement as the organizing principle for a viable and sustainable academic project

Against the backdrop both of WSU as a developmental university (2015–2019) and the recommendations of the first phase of the national institutional audits [17], WSU adopted for both her regimes (2015–2019; 2020–2024) scholarship of engagement as the organizing principle for the academic enterprise. This principle promotes the idea about WSU as an Engaged African University [14, 15]. University Senate, as the academic board, gave the three Institutional Directorates a specific mandate to develop an enabling system and the implementing agents for such a principle and for the idea of an engaged university.

Figure 1 portrays scholarship of engagement as emergent from, and as the product of, the three Directorates (Scholarly Learning and Teaching, Community Engagement and Research and Innovation), which are central to the implementation of the institutional quality management system [10]. According to this model, the three functions (in the form of the Directorates, for the case of Walter Sisulu University, for example) must interface in the following three important functional areas for scholarship of engagement to be possibly realized:

a. Scholarship of teaching and learning (Directorate of Learning and Teaching) and engaged research (Directorate of Research and Innovation).

b. Such an interface also must give expression to community engagement programs and services in the form of work, integrated learning, service learning, short learning programs, etc.

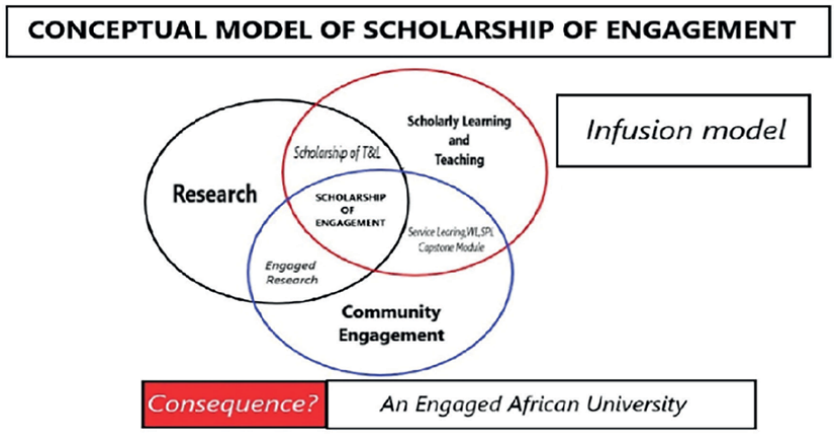

Figure 1.
The conceptual model for an engaged African university, which emerges from the infusion model expressed as scholarship of engagement.

As can be inferred from **Figure 1**, scholarship of engagement is conceptually and dialectically related with quality as the enabling system for CSR for UE-PG. Conceptually, CRS can be simplified by the two questions, *relevance to what and responsive to whom,* which therefore take the subject-object relationships. In this way, the idea of university education as the public good becomes a convenient concept, which, when analyzed along the macro-micro politics of quality management and reporting, allow for the concept of scholarship of engagement to be practically possible! At the macro level, the three Directorates have business integrated quality management systems as their core, whereas at the micro level, scholarship of engagement ought to be the key success factor.

Therefore, the WSU academic project functions, published in the self-evaluation report (SER) as part of the institutional audit process [10], allowed for the potential analysis of the value of understanding the role of agency in the theory and practice of CFR for E-PG. The main argument for answering such a question *(relevance to what and responsive to whom?)* would be about identifying, understanding, and explaining the silences and superficialities of such SER submissions in the form of contradictions and inconsistencies in the three main functions.

a. Transformative community engagement and partnerships should have been about emergence in ways that allow WSU to be well integrated with its local communities as the form of regional integration. The role of the Institutional Directorate for Community Engagement and Partnerships would therefore be understood from this value of the embodied knowledge in the idea of university education as the natural order.

b. Relevant and impactful research and innovation, as knowledge types, should be central in CFR for UE-PG. The role of the Institutional Directorate for Research and Innovation would therefore be applicable to the discursive resource for the idea of university education as the social order.

c. Quality and impactful learning and teaching should allow for the importance of reflexivity in the CFR for UE-PG. The same claims would therefore be made

about the institutional Directorate for Learning and Teaching, for the practical knowledge as the practical order, thus surfacing the potential for internal integration for regional integration.

Therefore, the case of WSU as CSR for UE-PG, as represented in the SER, would become a convenient way of making inferences (transcendental argument) about what could potentially be the case of contradictory totality where university education is supposed to be a public good and thus a representation of corporate social responsibility (the unity of purpose), and yet, diversity arises from implementation. In this way, CSR for UE-PG would play out as contradictory totality in two ways.

- Externally, the extent to which the challenges of regional integration and integrated community development can be addressed as relevance to what and responsiveness to whom? Whose power and whose goods count?

- Internally, as the basis for the latter, the extent to which the academic systems and processes for the public good could be said to be internally integrated in terms of their relevance and responsiveness both to the internal and external factors.

Scholarship of engagement as the organizing principle for the academic project promised the potential answer about the academic project as the measure of quality in the following three ways:

a. What were the conditions of integrated quality management systems (IQMS) as inherited from the previous regimes?

b. How was the academic project governed, managed, and led as an integrated quality management system, and why the focus on WSU Directorates for scholarship of engagement (**Figure 1**)?

c. How did the IQMS ratings in selected focus areas indicate the silences and superficialities about CSR for EU-PG as evidenced from other data sources?

The research value for such an exercise, as scholarship, would entail promotion of a cultural system about CSR for UE-PG. Specifically, it would be about how the institutional units, which were designed and managed to work in discrete and fragmented ways, could learn to work in ways that could promote collaboration and partnerships. The net result would be organizational learning at all performance levels of operations, business, and strategy, including the potential relevance and responsiveness of the institution to the local, regional, and national developmental imperatives.

4.3 Looking beyond the self-evaluation report: the challenge of open and complex social systems

The first point of analysis would be the very notion of a developmental university (2015–2019) and how that regime managed some of the 30 recommendations (out of only 5 commendations) from the Institutional Audit Report of 2011.

Table 2 provides the case about WSU and therefore the evidence of historical and structural disadvantage, which played out in the form of CSR for EU-PG.

Vision Statement: Walter Sisulu University (WSU) will be a leading African comprehensive university, focusing on innovative educational, research, and community partnership programs that are responsive to local, regional, and national development priorities and cognizant of continental and international imperatives.	
Value: Quality, which means a commitment to institution-wide quality management; value and reward excellence; and uphold and protect the integrity of the university.	**Value:** Access and success, which refers to providing equitable access to higher and continuing education at all stages of adult life to students who have a potential to succeed.
HEQC Recommendation 19: "The HEQC recommends that WSU develops an appropriate institution-wide strategy on teaching and learning, and assessment, to ensure the success of students, which is consistent with the University's aspirations to be a developmental university that has specific teaching and learning goals, and which is linked to academic and pastoral support systems", p.12.	
HEQC Recommendation 20: "The HEQC recommends that Walter Sisulu University firmly implement its academic exclusions policy" p.12.	

Table 2.
WSU vision statement, selected values, and recommendations from the national institutional audits 2011.

Recommendations 19 and 20 would somehow find expression in the form of crisis events that would punctuate both regimes (2015–2019; 2020–2024), hence the second points of analysis.

The second point of analysis would be in consideration of what have been institutional crisis events over time. These were the events whose source was the previous dispensation (2015–2019) and beyond [17]; yet they would have to be managed in the current regime (2020–2024). Two of these events, the academic crisis events of 2019/20 and of 2021/22, serve as the clear indicator of how this university is still grappling with ensuring the quality of her academic project. These were the cases of social and systemic integration as contradictory totality (the unity of purpose but the diversity of outcomes), both externally in terms of regional integration [9] and integrated community development [10] as well as of internal integration where contradictions apply within the system itself (the cases under study). Such events, as the elaboration on the SER, would help indicate the systemic challenges confronting WSU over time, the case about CSR for UE-PG whose resolution point should be the question of agency.

4.4 The Three Crisis Cases, continuities from the old regimes of power and of truth

4.4.1 The Crisis event I: The G 7 Rule Cases of 2019/20

From a document analysis about the selected case of science, engineering, and technology programs, 100 students were academically excluded during the academic year of 2019/20 and were then de-registered in February 2020. The anomaly of the case became more serious when students were registered for 2020 academic year only to be de-registered a few months later. This was not the first case, as the HEQC Recommendation 20 had resulted from a similar case in 2009. The crisis took place despite the mitigating strategies in place about the students who could be at risk of academic success [17, 18]. The academic monitoring strategy for student access and success prescribed the roles that managers, faculty, and various forms of student academic support can put in place to mediate student challenges in learning. The strange turn of events was when the university had to make a public apology after students had been excluded, long after 70% of the initial cohort of students had left the system. The public apology, in the form of a media statement of 09/02/2021 *(Daily Dispatch),* would read as follows:

> *"The university assumes full responsibility and offers an unqualified apology to affected students and their families. We assure you that the matter is under investigation and that consequences management will occur where necessary".*

There is no evidence that consequences followed the managers who had failed in implementing the corrective action plans long before the students were excluded. On the other hand, evidence can be inferred, through retroductive reasoning, therefore constituting a strong assumption that the affected students and families, due to their socioeconomic backgrounds, did not have access to the media statement and were not even aware about what could be a recourse to their plight. This was the first case of corporate social irresponsibility that can constrain access to the public good that university education is supposed to offer. In consideration of Recommendations 19 and 20 by the National Council on Higher Education, the G7 Rule cases could be regarded as the case of the interventions in place, but the system keeps on backfiring.

The case about CSR for EU-PG arises from the implicit assumption that admitting students from working-class families, the equity issue, to university education means the quality of success. The case becomes more serious when there are mediation strategies in place for such high-risk students only for the university management to undermine the very processes for academic support. G 7 Rule cases apply to each course or module, over a semester (6 month) or year. Abductive reasoning requires that the social analyst understands and explains the conditions that must have led to the inaction of the management (heads of departments and deans of faculties) about strategy implementation and of the governance structures (academic boards and university council) about the poor implementation of university policy on academic exclusion (CHE IQF Focus Area 1, Standard 3). However, the results were quite instructive; 70 students, from the identified cohort, could not have access to the public good due to the inaction of those who should have acted on the quality management systems in the form of institutional strategies and policies.

4.4.2 The Crisis Event II: Program Accreditation Cases of 2021/22

The local and national media houses were in a frenzy in 2022 as reflected in the following captions:

> *"WSU plays accreditation cat and mouse" (DD, 01/04/2022).*
>
> *"WSU Council calls for accountability on accreditation debacle" (DD, 13/04/2022).*
>
> *"WSU students vow to take Butterworth campus over accreditation fiasco" (DD, 21/04/2022).*
>
> *"Accreditation debacle sees WSU Graduation Ceremonies Cancelled" (DD, 25/04/2022).*

Out of five programs that had been declared as unaccredited during the academic year 2021/22, the intervention took place with the help of external consultants including direct assistance by the national bodies (the National Department of Higher Education and Training and the National Council on Higher Education). The seriousness of this case included the university management being accountable to the National Portfolio of Parliament on Higher Education, which called for the application of the consequence management policy in addition to the promised

corrective action plans. One program was still declared unaccredited after submission of corrective action plan, which was an indictment on academic leadership, program management, and governance structure (CHE IQF Focus Area 1, Standard 3). Communication with one of the teaching development specialists, who had assumed the new role of a Campus Manager, indicated that the unaccredited program resulted from the internal challenges emanating from a relaxed culture, lack of cooperation, and lack of proper guidance (CHE IQF Focus Area 3, Standard 9). These program accreditation cases constituted a breach of the program review and accreditation policies and strategies that the university had as the structural requirements for quality management (CHE IQF Focus Area 3, Standard 9). The crisis revealed yet another case of contradictory totality, that the program reviews and accreditation criteria can translate to the ability to monitor and evaluate the quality of program management. The crisis event called into question the very key performance areas that informed the responsibilities of the affected heads of departments and the deans of faculties (**Table 3**). The case also had serious implications to the oversight functions that are supposed to be played by the institutional governance structures (academic board and university council), including the National Department of Higher Education, the approval and funding institution, and the National Council on Higher Education, the university education professional body. The same case about abductive reasoning that was alluded to in Crisis Event One also applied here.

4.4.3 The Crisis Event III: The Institutional Forum Report about Mr. X of (2018 to 2022/3)

In the Institutional Forum Report about Mr. X, which served at the University Council of 22 April 2021 and as the vice chancellor and principal (WSU Regime 2015–2019), had undermined the University Council by breaching the Job Upgrading and Recruitment Policies, which resulted in the appointment of a senior director as a member of the new university management. The report was quite scathing about the

KPA/ HELM Level	Head of Department	Faculty Dean	Deputy Vice Chancellor Academic Affairs and Research[1]
Strategy: Recommendation 19 & 20, (HEQC, 2011) Quality Integrated Systems: Recommendation 17, 26, & 27, (HEQC, 2011)	Strategy development and execution Curriculum/ program development and quality assurance	Strategy development and execution, in that s/he actively supports the Campus Rector in the leadership and management of the academic project at the campus level in the following areas: Teaching and learning.	Strategy development and execution at thecampus level that supports the implementation of the WSU mission, vision, values, and strategic priorities.
Monitoring: Recommendations 04 & 15, (HEQC, 2011)	Monitoring, evaluation, and reporting	Monitoring, evaluation, and reporting	Monitoring, evaluation, and reporting.

Tracking for dis/continuities about a dis/functional culture of integrated quality management systems from the WSU Institutional Audit Report, HEQC, 2011, compiled by the author.[1]As part of the Divisional Model, Faculty Deans would the report to Campus Rectors, who, some how report to DVC AAR and the Vice Chancellor and Principal.

Table 3.
Selected key performance areas for the cohort of management and leadership levels, Walter Sisulu university.

University Council, which abrogated its powers in the appointment of a senior director. The same case about abductive reasoning that was alluded to in Crisis Events I and II also applied here in particular about the abuse of power by the said vice chancellor and principal, coupled with the abrogation of powers by the university governance structure (**Tables 4** and **5**).

Therefore, the three cases indicated the challenges of ensuring integrated quality management systems, where Focus Areas 1 and 3 (**Table 6**) apply, respectively, to governance structures, management, and academic leadership roles (Standard 4), juxtaposed with the variables about the quality as coherent, functional, reasonable, and meaningfully structured (Standard 9).

The third point of analysis would be the IQMS at WSU, the program management requirements: SER Focus Areas 1 and 3 alluded to Standard 4 on governance structures, management, and academic leadership roles. In the case of WSU, such functions referred to HoDs, faculty deans, and DVC:AAR.

Table 3 outlines the selected key performance areas (KPAs) for what would be the cohort of academic leadership and management at WSU for both regimes (2015–2019; 2020–2024). The selected were only those KPAs that related to the purpose of this study about the idea of university education as a public good. The positions of Head of Department (HoD), Dean of Faculty (Dean), and Deputy Vice Chancellor Academic Affairs (DVC) represented the academic management and leadership structure for each of the business units (CHE IQF Focus Area 1, Standard 4). Such a structural arrangement, for example, took the case of a department with

The Directorate of Community Engagement and Partnerships (DCEP) is responsible for managing partnerships between the University and external bodies, overseeing international education programmes such as study-abroad programmes, assisting with industrial placement of students (Work Integrated Learning), and community development programmes. In the University's 2030 Vision, impactful "community engagement and partnerships" features as the third strategic goal. A section of the Vision document breaks this goal into specific deliverables, to be pursued as part of learning and teaching, and research and innovation mandates, and overseen by the CE&P Directorate. Institutional oversight of the Directorate's activities is Senate Engagement and Partnerships Committee.	**The Directorate of Research Development and Innovation (DRI)** is the capacity-building and administrative hub for research, postgraduate studies and innovation at WSU. It provides policy, strategic and operational support to the University in the core mandate area of research, postgraduate studies and innovation capacity development and administration. Institutional oversight of the Directorate's activities as well as the research, postgraduate studies and innovation activities of faculties and related entities is provided by Senate Research and Higher Degrees Committee (SRHDC).	**The Directorate of Learning and Teaching (DLT)** is responsible for the QMS in respect of academic development by offering services that are designed to respond to the learning and teaching needs of Walter Sisulu University students and academic staff. In order to ensure that our academics are grounded in the latest pedagogical trends, DLT supports eligible staff to enroll for a formal qualification in learning and teaching in higher education. The programme (Postgraduate Diploma in Higher Education - PGDHE) is offered by Rhodes University and University of the Witwatersrand. In the 2021 iteration of the Programme design, Quality Assurance in Higher Education is a core module. The Directorate also enrolls academics in short- learning programmes, such as Scholarship of Teaching and Learning (SoTL), offered by UKZN and Rhodes University. Institutional oversight of the Directorate's activities is provided by the Senate Learning and Teaching Committee.

Table 4.
The three directorates' roles and the management of quality enhancement (as sourced from [13]).

Directorate for community engagement and partnerships	Directorate for research and innovation	Directorate for learning and teaching
Research and community-oriented service entities	Research Niche Areas	Integrated Academic Development
Risk and Vulnerability Science Centre: Researches risks and vulnerabilities arising from environmental and socio-cultural stressors in the rural Eastern Cape. National Water Pollution Laboratory: A government-funded research entity that monitors, through research, both freshwater and sea water, thus enabling the University to play a key role in the development of South Africa's "Blue Economy" sector. Centre for Entrepreneurship Rapid Incubators (CfERI): Founded through a partnership between the Department of Small Business Development (DSBD) and Small Enterprise Development Agency (SEDA), the Centre seeks to accelerate the growth and success of entrepreneurial initiatives and nurture a culture of entrepreneurship among graduates. Institute for Advanced Tooling (IAT): A government-funded technology station whose objectives include providing technology support services and training to the regional manufacturing sector, SMMEs, inventors, individuals, academic institutions and large companies. e-Skills Co-lab: Facilitates ICT skills development, with a focus on the Eastern Cape small, medium and microenterprise (SMME) sector.	Renewable Energy Technologies, Process Technologies & Material Science in Engineering, ICT for Sustainable Development, (iv) African Medicinal Flora and Fauna, Cardio-Metabolic Health Research (vi) Sustainable marine & Freshwater economic development, Small-scale Agribusiness & Rural Non-farm Enterprise Research Creative and Cultural Technology & Industries, Human rights & development, and Sustainable development & contemporary issues in society and education	Learning and Teaching with technologies (Blended and online teaching and learning) Professional academic staff development Scholarship for teaching and learning Curriculum development and transformation Student peer learning and support Academic advising; First Year Support

Table 5.
The role of the WSU directorates in integrated quality management systems (sourced from [13]).

specified academic programs and courses, a faculty as the combination of related disciplines or schools, and the Office of the Deputy Vice Chancellor as the executive manager for the academic project. From a critical realist perspective, what becomes important for a normative descriptive analysis is the enactment both of the structural arrangements (roles, responsibilities, and duties as key performance areas that each position prescribes) and the logical connections thereof (ideas, beliefs, and propositions as the value system that each position requires in practice), both of which are then enacted as the exercise of agency (the choices and projects, or the absence of, as related to both). The indicated KPAs are structured in relation to the recommendations from the last institutional audit report [17] to which quality enhancement, as scholarship of engagement, ought to respond. According to this table, and further to **Figure 1**, scholarship of engagement is therefore infused within the functions and roles of academic leaders, management, and governance structures. Therefore, a critical realist-oriented project, based on the principles of judgmental rationality and its caution against the single story/narrative and transfactuality and retroductive reasoning as the logical tools, would seek to answer the following transcendental question:

Focus Area 1: Governance, Strategic Planning, Management and Leadership support the core academic functions					**Focus Area 3: Coherence and integration of Institutional Quality Management System supports the core academic functions**				
Standard 4: There is clear understanding of and demonstrable adherence to the different roles and responsibilities					Standard 9: Relationships that exist between components of the Institutional Quality Management Systems				
	Ranking parameter					Ranking parameter			
Variable delivered from standard	Non-functional	Needs significant improvement	Functional	Mature	Variable delivered from standard	Non-functional	Needs significant improvement	Functional	Mature
	1	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Governance Structures			X		Coherent		X		
Management			X		Reasonable			X	
Academic Leadership		X			Functional		X		
					Meaningfully Structured			X	
MEAN SCORE		2.75			MEAN SCORE		2.50		

The infused Table 12 (p. 20) and Table 18 (p. 47) allow for the application of critical realist analysis on Focus Area 1, Standard 4 and Focus Area 3, Standard 9 (adapted from [13]).

Table 6.
An outline of the discourses/practices of use in focus areas 1 and 3, standards 4 and 9, about the state of IQMS (sourced from [13]).

> *What reality must be like for the integrated quality management system of the WSU to be ranked the way that the authors of the SER did?*

5. The critical realist analysis: the role players in scholarship of engagement

The National Framework for Institutional Quality Audits explained the next phase of the institutional national audits ([10], p. 27) as follows:

> *"Self-evaluation needs to be understood as a meaning-making activity, and all levels and categories of staff, as well as units such as faculties and departments across the institution and across all sites of delivery, should participate, even though the professional quality assurance staff manage the process".*

In Section 3 of this article, the following extract referred to the case of "The 2018/19 Factor":

> *"The writing of the SER commenced during the last quarter of 2021. It was anchored by five professors and the Institutional Student Representative Council (ISRC) President, under the auspices of the Quality Management Directorate" ([13]; p. x).*

5.1 The WSU self-evaluation report and the three directorates

According to **Table 6**, the ranking parameters allow for the institution to be able to reflect on how it manages its integrated quality management systems according to each variable. The ranking parameters are briefly outlined below:

a. Not functional: Areas of serious concern exist in the institution's quality management system in that either there is no quality management system in place or the quality management system is not considered to be functional in terms of the identified standard.

b. Needs substantial improvement: The institution's quality management system is not fully developed or functional in terms of the identified standard and needs substantial improvement.

c. Functional: The quality management system in the institution meets the expected thresholds in terms of the identified standard, but some minor areas may need further improvement.

d. Mature: The institution's quality management system, as measured against the identified standard, is generally mature, integrated, and coherent and is effective in achieving its differentiated purpose of enabling student success; good learning, and teaching practices; groundbreaking research, including local research; and impactful, integrated, and ethical community engagement and demonstrates good, sustainable governance (as appropriate for the institution).

e. The overall and holistic evaluation of the institution, in the form of a narrative summary, forms the conclusion of the audit report.

Table 3 reflects how the WSU team rated the SER and how the Focus Areas 1 and 3 reflect the nature of integrated quality management systems as enacted by governance, strategic planning, management, and leadership. Thus, by this study, I did a content analysis of Standards 4 and 9 where the choice was informed by the idea of quality as a cultural system (belief, ideas, standards, and norms, that is, Standard 9 about coherence, functionality, reasonableness, and meaningfully structured) as a dialectical relationship with the structural system. While the cultural system is meant the beliefs, ideas, standards, and norms, that is, Standard 9 about coherence, functionality, reasonable and meaningfully structured, the structural system, on the other hand, is meant the roles, functions, and responsibilities, that is Standard 4 about governance structures, management, and academic leadership. It is worth noting that both systems are enacted by agency (**Table 1**). A consideration of the academic leadership allows for understanding the more viable and sustainable quality management system as emerging "corporateness" from below, that is, when quality is more owned by the faculty than prescribed by policies and strategies. What is of critical importance to the realist is the causal efficacy, the weighted role of each element of structure, culture, and agency, to what occurs as events and processes, further to how such events are experienced at the level of the empirical domain (**Table 1**). However, while the structure is quite enduring, the most important measure for a social phenomenon (the idea of university education as a public good) is by means of a cultural system, an integrated quality management system assessed as coherent, functional, reasonable, and meaningfully structured, which can only be possible when enacted by a transformative agency. The power of analytical dualism is to treat each of the structural system and the cultural system as analytically distinct!

Also, the potential strength of comparing the two focus areas was for the value of internal coherence. When one focus area is cross-referenced with the other, the data self-triangulate. Such triangulation should entail not only the completion of the claims across different focus areas of the report but also the confirmation in ways that can allow the analysis to possibly arrive, in an abductive logical way, to more credible and trustworthy findings and conclusions about the data (the value of abductive/retroductive reasoning is explained in Section 3 of this article). For the purposes of the discussion in this section, the Focus Areas 1 and 3 allowed for the delineation of two important aspects. Focus Area 1 allowed for the concept of corporate social responsibility and the structural system of roles, functions, and responsibilities. This is the terrain of governance structures, management, and academic leadership. Focus area 3 allowed for the idea of quality as a public and common good and how such good is made accessible to all when the integrated systems can be ranked along coherence, functionality, reasonableness, and meaningful structured. The critical realist analysis of the Standards 4 and 9, which constitute these focus areas, therefore potentially allowed for the account of the nature of the interplay between the elements of structure, culture, and agency for analytical purposes only, where agency, in terms of ranking parameters, could be compared with other forms of data about the same systems and, in that way, reveal the inadequacies of the claims in accounting for quality. Such a project is about the beyondness, that is, beyond the surface ontology about what works and does not work about quality management as the measure of the public good. It is about the focus on the conditions of enablement and constraints of the access to such good. Social realism as reflected in **Table 1** enables the social analyst and researcher to address the interplay of structure, culture, and agency at the domain of the real (stratified reality by means of deep ontology), as causal efficaciousness and effectiveness and therefore as emergent at the two domains above

(domain of the actual and domain of the empirical)! Where such an analysis results in reproductive outcomes about quality, such a case should be problematized by identifying the potential constraints about agency if the more transformative outcomes might constitute the realms of new possibilities.

Therefore, both the organizing principle about scholarship of engagement and the role players in it as the 3 directorates, as reflected in the SER content, evidenced about Focus Areas 1 and 3 (about the reported quality management systems), allowed for the critical realist analysis and its advocacy for the transcendental reasoning. Calling on the mixed methodology and triangulation (that is, checking for the completion of data, confirmation of the stated claims about quality by cross-checking with other data sources and, most importantly, retroductive reasoning) helped the realist-oriented analysis to arrive at credible findings and conclusions about the potential case of corporate social responsibility where quality ought to be the measure of the public good.

The main finding of this comparison was that the ranking of Standards 4 and 9 of the WSU SER, when compared with other data about the institutional quality management culture, revealed social practices (silences and superficialities) of evaluating and reporting the quality as not responsible enough for what ought to matter in the idea of university education as a public good! The complexity of such a cultural system was mired in the dynamic relations with the structural system and how explicating the role of the human system, through reflexive-dialectical processes, tends to result more in reproductive outcomes than the idea of transformative outcomes.

6. The social realist explanation

In this main section, the developed insights are related to the scholarship of engagement according to the infusion model as the measure of integrated quality management system. Scholarship of engagement, as alluded to [14, 15], became elaborated over a period, from what was originally conceptualized and developed as the enabling system for a "developmental university" ([14]; pp. 3–4). Given the new WSU regime and context as the "impactful and technology-infused African university", how the concept would allow for a social realist explanation in dynamics of structure, culture, and agency would have to be the focus for the social realist researcher. In simplified and practical terms, the explanation would take the *What is (Structure), Why (Culture), and How (Agency)* dimension about the scholarship of engagement as the quality measure and therefore a representation of corporate social responsibility for the idea of university education as the public good. Corporateness, in that regard, would be about the whole issue of emergence, the emergent properties and powers of structure, culture, and agency in irreducible ways (the analysis was analytically distinct; the explanation cannot be reduced to the original component parts but in relation to them)! Complexity also counts in such a realist explanation but in nondeterministic ways. While there is the macroelement of structure (governance structures), related thereto is the microelement of agency (management). The same applies to management and academic leadership. This social realist explanation therefore calls into question what the directorates did and/or did not seem to have done as scholarship of engagement. Comparing such claims beyond the SER rankings but with the three crisis events against the backdrop of Recommendations 19 and 20 from the first phase of the National Institutional Audits, also in consideration of the key performance areas for university management and leadership, therefore allowed for understanding both the nature of complexity and the potential resolution points about its contradictory totality.

a. *At the level of the structural system*, while the university policies and strategies for G7 Rule cases for program accreditations and for job upgrading and selection are espoused, such policies and strategies do not serve as proxies for the actual intended results. As the process to the actual rankings, the crisis events, which are not mentioned at all in the SER, should have been considered as part of the evidence in describing the challenges of the WSU integrated quality management system.

b. At the level of the cultural system, the understanding and application of the policies and strategies about point (a) above is not an apolitical, value-free, and neutral exercise. Both the rankings and the no mention of scholarship of engagement as a quality measure attest to what can serve as the privileged information against the other. The very champions of scholarship of engagement displayed glaring silences in writing the report. Not a single word about the scholarship of engagement appeared in the contents of the report.

c. At the level of both structural and cultural system is the role of agency as the human system. Agency in this case refers to choices or no choices and to actions or inaction about quality/scholarship of engagement at the points of management, academic leadership, and governance structures. The absences as reported in points (a) and (b) above are quite instructive about the nature of contradictory totality in the WSU case and why this university continues to suffer the stigma of being a historically disadvantaged university.

As evidence in the Crisis Events II and III, both management and governance structures are complicit in perpetuating structural and historical disadvantage. Occupying such positions of corporate responsibility can be declared to be about "pretense, grand standing, and political posturing." Such social ills inadvertently and unwittingly promote mistrust, poor reputation, and illegitimacy to such students, staff, and managers who are always on the receiving end of brutality, patronizing bullying, and condescending attitudes as demonstrated in the Crisis Events I, II, and III. Such forms of bullying and dehumanizing tendencies are antithetical to the idea of university education as a public good. They are nowhere in repositioning WSU as an "impactful and technology-infused African University." They are antithetical to the espoused values of Wisdom-Integrity-Excellence, which are ingrained as the academic crest in the certificates, diplomas, degrees, and in other accolades that students of WSU receive upon their graduation. Unless the governance structures can immediately stem the tide, there is no way that this much resourceful university to most students from working-class families in this region can ever be fully regionally and acceptably integrated into her community development projects.

6.1 The crisis of omission and commission

One of the main shortcomings of the WSU SER, at least from the perspective of realist-oriented researcher-practitioner, is the complete omission of the term, Scholarship of Engagement. This concept is well explained, in the institutional documents [14], as a special form of scholarship. The report missed the opportunity to mention this important concept in ways that can indicate the integrated approach about quality. Elaborating on the concept, with evidence, would have enhanced the variables per the standard number 9.

Therefore, on the strength of available data about the Crisis Events I, II, and III and further on the complete silence which derives from no mention of the concept of scholarship of engagement as the organizing principle for the academic project, the quality-related claims, as appeared in the institutional Self-Evaluation Report of 2022, were found to be incomplete and therefore deserved to be disconfirmed, at least from the critical realist-oriented researcher-practitioner's point of view.

However, retroductive logic, on which this discussion is anchored, calls for making inferences about why the Self-Evaluation Report, in the way it was written and the evidence provided for its claims, would arrive at such a conclusion about the nature of integrated quality management systems at WSU? The discussion in this article has revealed the frivolity of the claims about quality when in consideration of the following:

a. The actual domain of SER rankings against the reality of Crisis Events I, II, and III renders as superficial the claims about quality. From a critical realist perspective, no mention of any one of the crisis events was also eventful, albeit as silences, at the domain of the actual and further to how such events were experienced at the domain of the empirical. Students who are on the receiving end both of G7 Rule cases and program accreditation cases had their dreams dashed, with huge psychological and social damage in their aspirations versus the reality of what can be constraints to them in accessing university education as the public good. Staff who can be on the receiving end of policy breach as in the case of Mr. X and the IF Report suffered the same fate, albeit not to the extent of the students' plight. Despite the act having been committed in 2018, five years down the line, the case is still on the agenda of the University Council with no end in sight at the time of this article.

b. The actual domain of SER ranking against the actual events as none mentioning of scholarship of engagement as the organizing principle for the academic project. From a critical realist perspective, no mention of the concept of scholarship of engagement in the SER was also eventful at the domain of the actual, albeit as silences, and further to how such an event was experienced at the domain of the empirical. The same case about the crisis events also applies in the case of no mention of scholarship of engagement. There is not a single case where scholarship of engagement is mentioned as a concept in the WSU SER except broad references to Evidence No. 47 ([13], p. 15).

The availability of evidence per points a) and b) above would be quite compelling about the state of quality about Focus Areas 1 and 3 and therefore adding weight in the rankings. Therefore, what must be the structural generative mechanisms behind the events? The "WSU 2018/19 Factor", as described in Section 3.1 of this article, seemed to be the pointer to what could be the structural generative mechanisms at the domain of the real, which therefore might have given rise to the events and the processes of compiling the report at the domain of the actual and further to how the report could then become a subject of inquiry at the domain of the empirical (**Table 1**). The WSU 2018/19 Factor, as described in Section 4, would have to be understood and explained in ways that are dialectically related both to the concept of scholarship of engagement and with the continued albatross around WSU's neck, as evidenced, for example, in the Crisis I, II, and III. A critical realist-oriented social sciences researcher would be interested in the nature of the contradictory totality as the potential continuities from the older regimes of power and of truth. How would the potential systems of domination and control operate by means of pretense masquerading as merit?

As evidenced in Crisis events I, II, and III, this can be the case when such systems can have social and academic exclusion agenda as the case of corporate social irresponsibility! Such systems, unfortunately, become more complex at the points of cultural system, with the dominant explanations about quality. Engagement of meritocracy from a critical realist perspective argues that such a social phenomenon not just is an apolitical, neutral, and a value-free exercise but also results in reproductive outcomes, the case of social injustice and inequity, especially for the historically and structural disadvantaged. Such social ills, such forms of pretense, grand standing, and political posturing need to be ameliorated and, at best, be abolished.

Despite the interventions in place, namely, the policy on academic exclusion (Section 4.3) and the program management requirements (program accreditation criteria and heads of academic department and faculty deans' key performance areas (Section 4.4)), coupled with the institutional strategy for monitoring and evaluation of student access and success (Section 4.3), it could become the case of systems that can keep on backfiring thus, with silences about such cases in the SER, constraining the potential for improvement. What a form of complicity to historical and structural disadvantage, exclusion, and marginalization! Mentioning scholarship of engagement as a concept would have invited more evidence to its successful application, the failure of which would prescribe lower ratings of the SER, due to the inaction of the academic leadership and management. Also, a reference to the crisis events would have worsened the SER rankings, for the same reason, especially about the governance structures!

It is quite glaringly strange that even at the level of the governance structure (the new regime of 2020–2024), scholarship of engagement could not be identified as one of the most important principles for how quality can be enhanced through integrated systems for an "impactful and technology-infused African university." It is similarly not coincidental that in addition to the governance structure level, the management could not see value in identifying the crisis events as the albatross in how quality can be constrained in a university whose academic values are anchored on Wisdom, Integrity, and Excellence, a university that is "In Pursuit of Excellence". The net result, in such possible unintended consequences about reporting about quality, shall be the enduring challenges for this category of universities in South Africa, which, due to the legacy of the settler colonialism and the structured racist apartheid system and partly due to the inaction of those who should have acted, the indifference of the professorate when it should have known better, and the silence of the voice of social justice and equity when it should have been loud, therefore reproduce mistrust instead of trust, poor reputation instead of good, and the Illegitimacy of the academic project when it could have been legitimate.

6.2 The transcendental argument about the silences and superficialities of quality reporting

Both the silences about scholarship of engagement and the crisis cases as the events and processes at the domain of the actual already opened the window of inference about the nature of reality at the domain of the real. Thinking of such a domain and causal efficaciousness points to some compelling evidence about the crisis events of the academic project at WSU, dating back to 2018, 2011, and even 2009. The fair conclusion is that the SER has been completed based on a privileged information as the dominant explanations about quality, whose sources are the systems of domination and control about the idea of university education as a public good. A consideration of the crisis events, against Focus Area 3 about quality systems, surfaces the

challenges of the institutional culture along the four variables and what could be the practical alternative mechanisms in avoiding the crisis:

a. Coherence versus incoherence (the potential pursuit for an ideally internally coherent system about quality in relation to student success, program accreditation, and program management)

b. Functional versus dysfunctional system (the potential pursuit, in relation to policies and strategies, of mediation strategies for G 7 Rule cases for a 6 to 12 months duration, namely, evaluation of courses/teaching; program accreditation arrangements for 3-year program, namely, program reviews; talent management, the human resource development plan in place is effectively managed and led)

c. Reasonable versus unreasonable (the potential pursuit of student and staff aspirations versus reality in the idea of university education as a public good)

d. Meaningful versus meaningless structures (the pursuit of structures and role-playing in the cases where scholarship of engagement could be the solution. WSU and corporate social responsibility, "*Relevance to What and Responsiveness to Whom")*

Points a) to d) above constitute what could and should have been the role of the three directorates (**Figure 1**), at the least, in developing the culture of integrated quality management systems, for a university whose slogan is "A Pursuit for Excellence." The acid test, however, would be to implement such "pursuit" strategies by means of an "infusion model" when the systems and processes are designed and led as part of academic leadership function as praxis artistry, that is, the level where there must be the unity of theory and practice in practice! As evidenced by the discussion in this article, the mainstream quality management practices, which can masquerade as responsibilities, were not relevant and responsive enough, especially in the Crisis events I, II, and III. To address the inadequacies thereof, the practitioners at WSU would have to embrace the notion of beyondness, that is, the ability to understand and explain the structural generative mechanisms at the point of emergent powers and properties, which abductive and retroductive reasoning can allow for.

6.3 Being serious, university education "In pursuit for excellence" as transformative agency

At the time of the article, the Final Institutional Audit Report was not yet published. But the SER and the evidence data provided in support of its claims could be quite comprehensive and compelling. However, both Crisis events I and II made public knowledge, including the direct response of the National Ministry of Higher Education and Training and the National Professional Body, among many others. Such a variety of interventions took place at a macrolevel! The authority for scholarship, however, resides at the microlevel. At microlevel, HDUs have a huge responsibility to stem the tide of mistrust, poor reputation, and illegitimacy. They cannot afford to be found wanting to use privileged information at the great expense of the other.

Therefore, to possibly transform the system, transformative agency for the WSU context and its expressively veracious considerations need to be concept-dependent and be understood according to the orders of reality in three systemic and mutually inclusive ways. The SER silences and superficialities, as discussed in this article, were

quite compelling as the case of reproductive outcomes that always reinforce the historical and structural disadvantage on the insignificant other. Transformative agency, as both being serious and practically alternative, would have to consider scholarship of engagement and role-playing as in terms of the subject-object-relations logic. It can be surmised that if the WSU SER had made claims along the following three systemic points, such a report could have enhanced the understanding and explanations of the idea of university education as a public good and therefore be able to approximate to the relatively high standards that are required for corporate social responsibility:

a. Scholarship of engagement as the concept relates to the need for quality enhancement in academic leadership, where the focus is on a coherent, functional, reasonable, and a meaningfully structured cultural system at the operation level. The quality of evidence would have to be measured in terms of the first crisis event. Academic leadership ought to be the embodiment of knowledge about the quality of teaching, learning, research, and community engagement. Such an embodiment calls for high levels of reflexivity at the social level of a typical university context. The Crisis Event I was the case of how a study period at the course level should be mitigated by the duty of care on behalf of the students at risk of academic success. Scholarship of engagement at this level needs to be conceptualized along the operations management principles, targeting the academic staff and heads of academic departments as mediators in the seemingly academically exclusive but also irresponsible system and its abusive processes. Such intervention must target the G 7 Rules Policy and its strategies in a way that the latter can be implemented in a more responsible way by being relevant to all concerns, claims, and issues that inform students' academic performance, in addition to being responsive to each case of a student at risk of academic success. Emerging at this operational level would thus be the first element of relevance and responsiveness (RR-).

b. Scholarship of engagement at the management level, while mutually inclusive of the above, would target the business unit level, the program level where the deans of faculty and the faculty board play an oversight and a monitoring function. The management level ought to be the sole defender of quality and therefore of scholarship at the practical level. Crisis Event II about program accreditation indicates what can go wrong for a program duration of 3 years, beyond the course/subject/module level of 6 or 12 months. Responsibility as the duty of care at this level would seek to avoid the current cases of program disaccreditation, with dire consequences for students from the working-class families (SWCF). The pursuit of excellence at this level would require efficient and effective monitoring, evaluation, and reporting systems for scholarship of engagement. Impact-tracking for inbuilt self-regulating systems and processes would have to extend the first elements of RREE—but not in mutually exclusive ways. The challenge, as surmised about the silences and superficialities of the WSU SER, however, would be the value of scholarship that must provide powerful theories of change for the assumed impact and in ways that the triple Es (Efficiency and Effectiveness for the idea of Excellence in context-specific and actor-driven transformative ways) can allow for impact tracking (RREEEI-).

c. Scholarship of engagement and the governance structures, while inclusive of the above, would target the strategic level and thus avoid the institutional culture of policy breach and the seemingly blatant undermining of university council/governance powers, as evidenced in the Crisis event III. Inclusive of the coherent,

reasonable, and meaningfully structured variables, the latter event made the worst case of how corporate governance and leadership practices can engender the dysfunctional culture of integrated quality management systems. Duty of care as corporate social responsibility at this level would take care of Senior and executive management level as it seemed to apply in the Crisis Event III. Scholarship of engagement at institutional governance would have to allow for a more viable and sustainable institution, especially at the cultural system level (Focus Area 3, Standard 9). Critical for the governance structures therefore would have to be concerted efforts for sustainable value creation, thus allowing for **RREEEIS** modeling to emerge at this level but not in mutually exclusive ways with the first two levels.

6.4 RREEEIS modeling, the academic project development framework

Therefore, the three points in Section 6.3 would constitute the realms of new possibilities of how corporate social responsibility can allow for the equity of student access for the quality of success to university education as a public good. Such would be the most workable solution, at least from the critical realist perspective to the two questions that sought to explain the concept of CSR for UE-PG in context-specific and actor-driven transformative ways: *Relevance to what and Responsive to whom*? These ought to be the "beyondness" questions, the pursuit of excellence as scholarship of engagement beyond just the operational effectiveness and efficiency variables about its business but as Values-driven, moral, and ethical standards including impact-tracking for sustainable value creation. The net result would be the ability to manage "Excellence" within the contexts of contradictory totality, where the "Effectiveness and Efficiency" variables (effectiveness and efficiency) seem to constrain excellence. In the process, to design built-in impact-tracking systems at each point of the value chain, so to eliminate value inhibitors while promoting value enhancers. The target should be to ensure the sustainable value chain of trust, good reputation, and legitimacy internally in the academic project for the public good in systemic ways, that is, from course to program and to institutional and corporate levels. The RREEEIS modeling constitutes what I propose in this article as the thinking tool toward what can be the critical realist-oriented academic project development framework (APDF), which I intend to subject to more iterative cycles as advancement of the concept. Externally, the net result would be a potentially viable and sustainable university that is regionally integrated and is not only well integrated with its local community but also regionally, nationally, and internationally integrated in line with Goal No.17 of Partnerships and Collaborations by the UN SDG 2030. Ideally, that would be the possibility of corporateness, which, as emergence in the domains of reality, is achievable when made analytically distinct at the interplays of structure, culture, and agency.

The ability to manage, lead, and govern such interplays for WSU would need social and sociocultural systems that can explicitly engage the notions of quality beyond the systems of domination and control, which can be complicated by means of a defeatist logic and its inadvertent and unwitting deontological position and self-referential explanations. Such explanations never go far enough to account for the complexity of social justice and equity as the role of leadership in corporate social responsibility as the exercise of agency. The strangely unique case of HDUs in South Africa calls for actors who can courageously defend the interests of the historically and structurally disadvantaged, excluded, and marginalized communities, both within and external to the university institutions, by means of the progressive and socially reconstructive projects. Such choices and projects, when designed on the principles of internal

integration in the idea of UE-PG, can manifest optimal levels of corporate social responsibility at maximum reflexivity. Acting about CSR in ways which can engage in the truth about and which can help others to embark on the emancipatory choices and projects for the insignificant other should constitute a duty of care. That must constitute the ways of reimagining corporate social responsibility where integrated community development and regional integration in university education roles and functions ought to matter. That can make a huge difference and help enormously in the realization of the idea of university education as a public good!

7. Conclusion

This article reported on academic project functions, in one case of a comprehensive university in South Africa, as published in the self-evaluation report. The advent of the national institutional audit (2021–2024), the second one post constitutional democracy, allowed for the potential analysis of the value of understanding the role of agency in the theory and practice of corporate social responsibility for the idea of university education as a public and common good. The enduring social ills in the form of abject poverty, increasing unemployment rates, and the escalating inequalities on a global scale cast doubts about the agenda for human flourishing in general and about the globally celebrated constitutional democracies and their Bill of Rights. The consistent question for South African transformation project of university education is about corporate social responsibility: *relevance to what and responsive to whom?*

The article was organized around the main argument that corporate social responsibility (CSR), both as a concept and a subject of inquiry, still needs several iterative cycles of theorization and research if the concept is to reach high levels of intellectual maturity. This need is more than urgent in the context of university education in the HDUs' case in South Africa, where the measure of the public good, and of how to access such goods, needs to be developmental imperatives. The university education sector in South Africa, having completed the first phase of the National Institutional Audits (2008–2011), is in the middle of the second phase (2021–2024) but with strong evidence for the enduring concerns, claims, and issues about quality whose history is rooted in the legacy of a socially exclusive system. Therefore, the article seeks to contribute to, and expand on, the necessary conversations that, through reflexive-dialectical processes, can allow for a transformative agency to emerge.

The main goal of this project was to engender and stimulate the necessary conversations in similar contexts but without being deterministic. Contemporary scholarship about corporate social responsibility should seek to advance the context-specific and actor-driven ways of engaging corporate social responsibility as a multidimensional concept, with realms of new possibilities for the public good. For this article, CSR for UE-PG takes a particular dimension of scholarship of engagement as the realm of quality as logic, power matrix, and the idea of being/ontology. As such, quality can be contested along the ideas, beliefs, norms, and standards that always reflect power dynamics.

The research value for such an exercise, as scholarship, entails promotion of a cultural system about CSR for UE-PG. Specifically, it is about how the institutional units, which can be designed and managed to work in discrete and fragmented ways, and how such units can learn to work in ways that promote collaboration and partnerships. The net result is organizational learning at all performance levels of operations, business, and strategy, including the potential relevance and responsiveness of the institution to the local, regional, and national developmental imperatives.

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Chapter 12

Responding Creatively to Faulty Corporate Social Responsibility Practices: The Case of Nigeria's Niger Delta

Stanislaus Nwaigwe

Abstract

Corporate Social Responsibility (CSR), in the Niger Delta of Nigeria has left significant impacts on the local communities. While analysts have explained how CSR has either succeeded or failed in this oil rich zone, over the years, their analyses, however, are yet to highlight sufficiently, the extent to which the responses to CSR practices have either strengthened or weakened the processes and practices of CSR. What are the implications of such responses for CSR theory and practice. A field visit to the Niger Delta shows that local communities have had to modify their traditional alliances and practices in order to sustain the flow of the share of oil wealth accessible to them via CSR. This creative response to faulty CSR practices stems possible violent reactions against the transnational corporations and/or the state government as much as it encourages the sustenance of CSR in the community. Besides, it highlights the fact that the substitution of 'long term value maximization' for 'short-term profit at any cost' in the corporate vocabulary notwithstanding, corporate conception and practice of CSR hardly excludes window dressing.

Keywords: transnational corporation, corporate social responsibility, creative engagement, enlightened value maximization, oil complex

1. Introduction

The local communities of the Niger Delta have in no insignificant way benefited from the oil extraction business through Corporate Social Responsibility (CSR)—a concept that has remained embryonic and contested[1] both in theory and practice. Many of the communities can boast of additional school blocks, civic centers, paved roads, potable water, healthcare facilities, etc. courtesy of the oil companies. Indeed, the oil business through CSR have made remarkable impacts on the local communities of the Delta.

[1] See [1] with reference to [2].

There is no intention to blow the trumpet of CSR by recounting all of its benefits in this chapter. Many analysts have x-rayed such benefits even as they left significant remarks and recommendations as to how to improve CSR in the Delta. Idemudia [3–5], as well as Idemudia and Ite [6], believe that CSR has the potential to enhance resource extraction in the Delta if only greater attention can be paid to environmental concerns through greater emphasis on issues relating to CSR. In other words, a more peaceful atmosphere for resource extraction can be guaranteed through an approach to CSR that emphasizes environmental questions. Renouard and Lado [7] remark that CSR in the Delta will be more successful if it can deal decisively with the challenge of achieving sustainable development in a context of acute inequalities. Other analysts, such as Aaron and Patrick [8] and Nwankwo [9] link the conflict in the Delta to faulty approaches to CSR. They consider sound CSR policies and practices free from inadequacies as a significant remedy.

What will be discussed in this chapter however, is the extent to which the reception or rejection of CSR approach by local communities have either strengthened or weakened the CSR processes and delivery. Are there significant implications of such reception or rejection for CSR theory and practice? What might constitute the remedies, if any?

1.1 Methodology

Local communities in the Niger Delta have responded to CSR in different ways. Many have accepted the packages they receive in their original shape and size, enjoying and enduring all the benefits and negative impacts respectively. Others have rejected the packages delivered to them as CSR, for being inadequate or insufficient. They deploy assorted violent means to register their rejection. There are yet others who have creatively engaged the CSR packages thrown at them. Rather than endure their negative impacts, they opt to modify their traditional alliances and practices either to stem or to ameliorate the violence across the Niger Delta. Obufia, a community in Egbema of Imo State, is one of such communities. The members of Obufia, as will be detailed in the coming sections, opted to modify their traditional alliances and practices to sustain the benefits of CSR which reach them in different forms.

That the conflict across the Delta fed into by CSR policies and practices has remained manageable is to be significantly attributed to the creative initiatives of communities such as Obufia. In other words, by some stroke of ingenuity local communities have muted the volatile effects of deficient CSR policies and practices. This deficiency in practice has its roots in the sociopolitical complexities associated with the global production network of oil. A remarkable theoretical implication of this is that it highlights the fact that despite the progress recorded in the substitution of 'short-term profit at any cost' for 'long term value maximization' in the corporate vocabulary, the general conception of CSR hardly excludes window dressing [10].

For years the discourse of CSR has been dominated by two opposing theories, though some prefer to classify CSR theories and approaches in four groups—political, instrumental, integrative and ethical [11]. There is on the one hand the theory attributed mainly to Friedman [12], who maintains that the social responsibility of business is nothing more than maximizing profits for shareholders. On the other hand is the view that business has the obligation to provide certain social services beside accumulating profit. These parallel theories appear to have been abridged when Carroll [13] suggested that the responsibility of the firm to maximize shareholder profit is merely a bottom line. Business, he insisted, has legal, ethical and philanthropic obligations as

it were. The dawn of globalization ushered in a proliferation of transnational corporations across the world. This expansion is not matched with a supranational monitor of corporate activities. This implies that to be reckoned with corporations will not only assume the obligation of providing social services but also engage in its actual implementation. A new challenge yet emerges; how do corporations determine the extent to which focus on social welfare affects profit maximization? Though this challenge has not yet been surmounted completely, CSR is now as institutionalized as to warrant that companies in mature economies have CSR departments [10].

With the modification of the notion of shareholder wealth, many scholars have come to believe that maximizing profit can be done in a socially responsible manner [14]. Jensen [15] introduces the enlightened value maximization as a concept that reconciles the conflict between shareholder value and social responsibility. This concept incorporates aspects of the stakeholder theory even as it locates business' foremost objective on long-term value maximization [10]. Before the champagne is puffed over the definitive resolution of the theoretical controversies surrounding CSR, it is important to issue guidance for managerial decisions in situations where tradeoffs are to be made between competing stakeholders. "Managers, for example, might potentially seek to maximize their own utility at the expense of the shareholders' interests, all of which does not necessarily enhance the company's long-term value" [10]. Hence, there is yet some green washing and window dressing especially in the practice of CSR despite the seeming definitive substitution of the notion of 'long-term value maximization' for 'short-term profit at any cost'. The insensitivity of oil Transcorps to local community values in their practice of CSR, the details of which will be given in the coming sections augments this position. The oil Transcorps are caught between serving the interest of the shareholders and meeting their social obligation to the local communities. Even if the these corporations prioritize their long-term value in their CSR practices, the socio-political and economic forces peculiar to developing oil producing countries—the oil complex—frustrate their efforts further.

This conclusion follows from a nine-month ethnographic study of Obufia, one of the local communities in the Niger Delta. Shell Petroleum Development Company (SPDC) operates the oil wells in Obufia and this has been the case since the early days of oil explorations in Nigeria in the late 1950s. During the ethnographic study, data was collected from the Obufia Town Union, the traditional ruler, the Obufia Youth Association and the Obufia Women Association, which have kept a relationship in different degrees and capacities with the Transcorp and the State government. Data was also collected from the staff of the SPDC, especially the public relations officer. All data was collected via participant observation and interviews—structured and semi-structured. Data analysis was accomplished through a post-structuralist relational placemaking framework designed by Pierce, Martin, and Murphy [16].

The Niger Delta is examined as a place of placemaking projects, in which the politics of placemaking is played by groups and interests who attach different meanings to the oil rich physical space. Cheng, Kruger and Daniels [17] cite the example of different potentials of an open field as imagined by a farmer, a hunter, and a developer. The developer sees the open field as 'suburban home sites', the farmer sees it as 'endless rows of wheat', and the hunter sees it as 'grazing grounds for five-point buck'. Thus, the Niger Delta can be seen as one of the global oil and gas resource reservoirs that must be managed on a worldwide scale for the benefit of all. It can as well be seen as nothing more than a lived or inhabited environment. In that case, the oil and gas resources become part of the natural endowments to be engaged in the same manner as other natural resources, such as water, land, plants, etc. The significance of oil to

global economy implies that a lot of wealth is generated from it. Everyone wants a piece of this wealth. A focus on the distribution and privatization channels of the oil wealth using the analytical framework introduced by Pierce, Martin, and Murphy [16] can lead to a good grasp of the technique actors bring into the scramble for the oil wealth. CSR is one of the distribution channels and actors representing the local communities benefit from it and endeavor sustain it.

The rest of the discussion will proceed as follows. In the next section, a brief overview of Obufia and how the oil extraction economy has affected it will be given. This will be followed by a short history of CSR in Obufia beginning from the earliest days of oil discovery in and around the properties belonging to the community. How CSR has evolved over time to arrive at where it is presently will also be featured. Next is a focus on the principal shortcomings of CSR approaches, which is democratic deficiency or lack of participation. This will be accompanied by a spotlight on the forces that need to be factored in when decrying the lack of participation in the delivery of CSR. Finally, it will be concluded that unless there is a drop in global interest in oil or a change of the method of oil acquisition by the global super powers, CSR will continue to encounter problems. The gains in the harmonization of wealth maximization and social welfare in the concept of enlightened value maximization is merely utopia.

2. Obufia community since oil extraction

Obufia is one of the 16 communities, which comprise Egbema. While three of the communities are in Rivers State, the rest are in Imo State. A few features may be identified as common to these communities in Egbema. There are visible lines of pipelines crisscrossing the terrains, a good number of which are dilapidated and abandoned. Apart from that, oil wells can still be found across the communities. Some of them are still productive, while others are dried up. There are some communities that host flow stations of the oil firms operating in the area. Some of these flow stations have gas flaring sites as well, and are often fenced with barbed wires and perimeter fences to restrict movement around them.

On its own, Obufia has some peculiar features. Despite that official population figures hardly exist, by 2006 the population census of Ohaji/Egbema LGA, to which Obufia belongs, places it at about 183,000 (One hundred and eighty-three thousand). Roughly however, the population of Obufia may be placed at about 18–10,000. Obufia, or any other autonomous community in Egbema-Imo may not be correctly depicted as ethnically mixed. About 98 percent of the population is Igbo speaking. Less than 8 percent of this majority, may be regarded as outsiders in Obufia, having not been either born, or adopted into the community. In other words, only about 8 percent of the local population of Egbema-Imo belong to the category of the people, whom those born or adopted into any Egbema community regard as *Ụmụisu*. *Ụmụisu* (Literally, descendants of *Isu*) refers to another Igbo group found around the Orlu axis of Imo State. The Egbema tradition has it that the *Isu* people came into Egbema for business reasons. Such businesses included collecting wild vegetable, *ọkazị*/*ọkashị*, and palm fruits. Others included fishing, or engaging in jobs, which the local people were not very adept at. The manual cultivation of farmland is one example of such jobs. Overtime, the term came to be applied to every other ethnic Igbo, who is neither born to or adopted in any Egbema community.

The rest of the population in Obufia are non-Igbo speaking people who are hired by the oil companies. They also include people who have been employed by privately

owned establishments in Obufia, such as schools or grain mills. People who engage in assorted forms of small-scale business, such as dry meat (*suya*) vending, or hawking of articles of assorted kinds belong to this category as well. Most times these hawkers either head-load these articles, or carry them in push-trucks. Within Obufia, or any other community in Egbema-Imo, one does not expect to hear people carrying out conversations in English, as may be the case in several places across Nigeria, where the population is ethnically mixed.

SPDC yard, locally known as Location is situated in Obiakpu, a neighboring community to Obufia, both in Egbema. The Location is less than two miles from the border of Obufia and Obiakpu. SPDC has several oil wells, flowstations and pipelines—both underground and over ground—within Obufia. This is the major factor connecting SPDC and the rest of the communities in Egbema.

The community has all but a few of its narrow streets richly coated with quality nylon tar. The access road into the community from the nearest city, which is also the highway connecting the community to other Egbema communities in Rivers State, is hardly in any condition comparable in quality to the narrowly paved streets within the community. For the most part, the narrow highway was dotted by potholes, making motoring cumbersome. The community also has a very nicely built state managed secondary school, and a not-so-good looking state owned primary school. There are a few other privately owned schools there as well. Many potable water points are quite conspicuous across the community. Some of these water points were constructed and handed over to the community, courtesy of SPDC. Some were connected to boreholes drilled in private homes. Thus, access to water by members of the community is not so difficult. Quite recently, the town has added a magnificent civic centre, alongside a community health clinic to its credit. Most of these modern facilities came courtesy of the oil business taking place in the community. They would have been funded by either the SPDC or the special state commissions such as the Niger Delta Development Commission (NDDC) and the Imo State Oil Producing Areas Development Commission (ISOPADEC). Obufia community has also benefited from the oil companies and the special commissions in other ways. SPDC has constructed a town hall and awards scholarships to successful Obufia secondary school leavers each year, just as it liaises with different associations of the community for development.

I came into this field intending to observe and interview the actors I believed were implicated in one way or the other by the oil extraction business and sundry activities connected to it. Deploying purposive sampling method, I examined actors such as the SPDC public relations officer, the traditional ruler, and state representatives in the community, including the Local Government Chairman, and the community representative at the State House of Assembly. It means that these were significant to the objectives of my study. Apart from the latter, other figures that I considered directly implicated in the oil extraction issues, included state political office holders, and officers in the special state commissions—ISOPADEC and NDDC—established for the Niger Delta.

3. Corporate social responsibility (CSR) in Obufia

Transnational corporations in the Niger Delta have been involved in CSR from the inception of oil business in the resource rich zone. This has evolved through three main phases namely; the pay-as-you-go, community assistance/community development, and corporate-community involvement phases [3, 18]. In the pay-as-you-go

phase, oil companies gave local communities a one-time gift as they deemed fit. Such gifts were restricted to communities in which oil wells are located or through which oil pipelines passed. The idea was not only to fulfill their social welfare obligation but also to keep the communities as far from the activities of the companies as possible.

With regard to the community assistance/community development phase, oil companies assisted communities with the provision of basic social amenities such as potable water, electricity supply, road construction, school blocks construction, healthcare facilities, skill acquisition centres, etc. The idea behind this was to curtail the vicious cycle of protests, repression and conflict that was generated by a long period of pay-as-you-go with the local communities not receiving any substantial benefits from it. This second approach did not solve the problem because, its poor community participation, lack of project sustainability and tendency to generate intra-community and inter-community violence necessitated a third approach. Although the third phase—corporate-community involvement—provides for more local participation, it is yet to go round and even in the areas it has been implemented, questions of authentic participation still loom large.

This approach involves the formation of some central coordinating councils that will be liaising with oil multinationals, where as some NGOs are engaged, sometimes to play the negotiating and monitoring role in a process that ends up producing a Global Memorandum of Understanding (GMoU).

The CSR approach begins with the identification of communities in which oil deposits are found—oil bearing communities—or in which heavy exploration impact is made—communities suffering either directly or remotely from oil exploration[2]. The NGO will assist in identifying the communities that qualify as such. These communities are assisted to form a cluster of communities by way of regionalization. The communities then work out a plan of development in which they indicate the projects they would want to be assisted to accomplish. This plan is then presented to the oil multinationals operating in the communities for approval and endorsement. The emerging document becomes the global memorandum of understanding. Once a GMoU is signed, a Regional Development Council (RDC) or the Cluster Trust Board (CTB) is formed. This council or board becomes the liaison between the oil multinationals and the communities.

In the next section, I will demonstrate in detail via ethnographic findings how these CSR approaches have impacted on the local communities and how the local communities creatively responded to cushion the backlashes of the CSR approaches. I will show that the emergence of Obufia autonomous community from Egbema was the result of the people's creative capacity in a bid to cushion the backlash of CSR. This creativity was a bricolage whereby state policy reforms on the local government and legendary migration traditions form useful tools.

In sum, the different phases of CSR in the Niger Delta have had the potential to generate violent conflicts due mainly to their democratic deficiency. Feeding into this deficiency are some of the forces implicated in the oil complex, which become manifest in varied ways in the corporate-community relations or in the state-community relations. However, the tendency of CSR to generate conflict is curtailed by the capacity of some communities especially among the Igbo of Niger Delta to be creative. This creative capacity needs to be emphasized as a conflict reduction strategy and due credit accorded the creative community choosing it as an option.

[2] Communities which have oil pipelines passing through them and those whose rivers and creeks have been affected by oil spills are examples of the impacted communities [19].

4. CSR's backlash and the creative response from Obufia community

The pay-as-you-go approach to CSR was adopted by Shell sometime in 1984 in Egbema. At that time, Shell offered the local youths some money to keep them off their business activities in the oilfields located within the community. This money destroyed more than it constructed. Chief Clarus Mgbe, who doubled as a traditional chief of Mgbara and a long serving employee of SPDC recounted the ripples caused by this money in these words:

> *Shell gave 800,000 naira [about $3,500.00] to the youths through Nzobi…This money caused so much trouble. The youths almost forced him out of the palace. This was because the money was not judiciously utilized. He capitalized on the [factionalized] leadership of the community. At that time, the clamour for autonomous communities factionalized the youths… The Egbma leader divided the youths into two; one group he proclaimed as belonging to oil producing communities. The other he dismissed as having no business with oil. He collected his own share of the money and gave the rest to the youth faction that he identified as belonging to oil producing communities. This caused serious trouble. There was no kind of management at all…He wanted to be the sole representative of the community. He did not want anyone there.*

Some background information will certainly do comprehension of the pertinent issues here a world of good. In response to the nationwide local government reforms in 1976, 13 different communities that identified with Egbema opted to federate under a single traditional ruler. The man, who became the traditional ruler, was Chief SNA Uzo taking the title of Nzobi 1 of Egbema. Chief Uzo remained in this position until his death in 2008.

Federating under a central authority was not purely a deliberate choice of Egbema people. Certain requirements were to be met, for any group to qualify as an autonomous community. One of such requirements was the size of the group. Most of the federating groups could not meet this requirement as separate groups. So, the motivation for the federation was one of expediency, implying that the federating groups retained most of their traditional practices. It was only the practices they held in common that were left in the custodianship and oversight of the traditional ruler. Thus, the federating groups could form separate associations, such as community students' union or community development association, independent of the traditional ruler without seriously hurting the homogeneity of the federation.

Questions regarding the need for a community development association when there is a traditional ruler can also be responded to from this point of view. This association was formed in response to the trend across local communities in the former Eastern Region at the time. Each autonomous community had its own development association commonly regarded as hometown association or union. These were generally understood as mobilizing for self-help and community development [20]. The development association may defer to the traditional ruler, but the traditional ruler can just as well ignore the association.

Their recognition by the state accords traditional rulers such privileges as 'courtesy calls', usually paid by visiting State Governors and other state officials [21]. The strong political weight—opportunity to voice their support for, or criticism of, any government policy—which such privileges place on the traditional rulers imply that those of them who are very ambitious could capitalize on these privileges to advance personal interests. This was exactly what Chief Nzobi did.

During my interview with Orams, a one-time secretary of the Obufia Town Union, I was told that the locals nicknamed Chief Nzobi 'Osama bin Laden'. They accused him of showing strong aversion for any form of confrontation even as he always insisted on having every deliberation of issues relating to the community, including those assigned to a committee within his palace. He would go to any length to push his decision on any subject irrespective of the strength of the opposition's view. Another informant called Chidi, saw him as a ruler who 'was sitting on everything meant for the community'. Chidi was once a secretary of Obufia Youth Organization.

Nevertheless, Nzobi's actions regarding the money from Shell to the youths led to the collapse of the Egbema and its experiment of federating under a single head. Invariably those actions depicted him as someone who was oblivious of the fact that his jurisdiction was a federation of 'communities'. Within such a diverse political arrangement, strong opposition to offensive moves such as the diversion of designated funds cannot be ruled out. Once people are fed up, they react. This happened to be the case as evident from the account of the emergence of Obufia from Egbema.

The foundation of what emerged as Obufia autonomous community was laid by a set of university undergraduates who claimed to have worked with some 'elders of good will'—older relatives of these students, who were willing to cooperate with them. Below is a detailed account of how the emergence evolved. According to JCA Hakot, a member of the Obufia Town Union;

> *Obufia Town Union formed...April 1984, was a brainchild of Obufia students...at Port Harcourt...It was named Peoples Voice Movement (PVM). It was made up of 22 members, out of which 14 were Obufia students' union members and eight elders of good will. The PVM continued meeting regularly mainly during holidays to address the perceived anomalies [inhibiting the relationship between] SPDC [and] the people of Obufia [fed into by the] obnoxious leadership in Egbema then. [In] December 1984...it changed to Obufia Town Union and got registered with the...LGA and ministry of Local Government, Chieftaincy and Town Unions...With the registration [duly] completed...the Union went into action to address SPDC and Egbema leadership on the non-provision of basic life amenities and infrastructures to Obufia in particular, and Egbema in general. This agitation and failure of SPDC to...address the aforementioned issues raised by the Union...led to...Obufia people's revolt against SPDC...on August 6 1986. The failure of the demonstrations and negotiations...with... SPDC to agree to any particular project...orchestrated by HRH Eze SNA Uzo, Nzobi of Egbema, [coupled with] the subsequent suspension of...the secretary of the Egbema Community Development Association from the [aforementioned] negotiations, made the good people of Obufia to start in full swing the quest for independence status for the community...It was agreed unanimously in a general meeting of the Obufia Town Union that the 31st day of December, every year be set aside as Obufia Independence Anniversary day...*

From this account, it is obvious that disagreements over the manner of CSR delivery were behind the emergence of the Obufia Town Union. The weakness of this manner of reaching out to the local community as part of the company's fulfillment of their social and environmental obligations to the society manifested clearly in Egbema, where the traditional ruler politicized the oil rents accruing to his community. Getting a share of the rents in this instance was not anything being a member of the community alone could guarantee. One was expected to be loyal to the traditional ruler as well. But loyalty is supposed to be earned and not bought, and this is what

the Obufia agitators tried to put across to Nzobi. It is also clear that it was a group of university students that took the initiative to commence the agitation that eventually evolved into the town union. Several of them were also members of the community development association under Nzobi. What remains to be explained is how the students constructed the identity of Obufia.

Oral traditions which are now preserved in written forms, show that what is now regarded as the autonomous community of Obufia, was a construct from different histories of migration and settlement. The written version of the oral traditions, testifies to the fact that Obufia is a community that is constituted by people who migrated from different places, both from within and outside Egbema, together with the remnant of the people whose ancestors migrated from Ogee in Benin [22]. The founding settlers, Uwadi [22] further recounts, welcomed migrants from other places to settle and establish their own compounds. These sets of settlers in the area have so mixed up that it has become difficult to trace the lineage of the original settlers in the community. Thus, those who assume that they are descendants of the first settlers can as well be people who have no blood ties with the latter [22].

Nonetheless, to establish a separate autonomous community the university undergraduates along with their older relatives took advantage of the absence of the descendants of Obufia, as the founding settler was called. By establishing the connection between the deities worshiped by the founding settlers to those worshipped across the riverine Igbo, they were able to connect kindred to two main lineage lines—Meyi and Deyi. This kind of lineage formation is not an isolated case. It is also to be found among some other riverine Igbo groups such as Onitsha [23]. With this lineage formation, a constitutional arrangement by which local political offices are alternated between Ụmụmeyi (descendants of Meyi) and Ụmụdeyi (descendants of Deyi) was introduced. The community has kept faith with this arrangement which helps them to stem conflicts ever since.

What we see here is the effect of pay-as-you-go approach of CSR. Money paid to keep off youths from oil business activities snowballed into the disintegration of a federation of communities. Thanks to the ingenuity of those Obufia students and their elders, who were quick to negotiate a peaceful exit with a well crafted initiative. In the absence of such creativity, the story could have been different. When analysts insist that CSR approaches feed into the conflict in the resource extraction zone, as mentioned above [8, 9], it begins to make more sense. One might argue that the deficiencies of pay-as-you-go approach adopted in this case have been duly addressed in the improved versions of CSR approach, especially the Corporate-Community involvement approach. However serious questions have equally been raised against the latter approach.

According to Adunbi [19], the approach as obtained during the period of his study is fraught with deficiencies. First, by reshaping communities into clusters, which do not necessarily follow official state boundaries, or the notions of clan affinity, the conceptualization of identity and citizenship within these communities are arbitrarily altered. Secondly, the amount of money, which is to be made available for the implementation of the projects is hardly any subject of negotiations involving the communities. There is still serious imbalance in power relations. Thirdly, given that allocations for project implementation are usually blanket and non-negotiable, there could be an uneven development. Upland communities will receive better quality roads than communities formed around creeks. Fourthly, there is nothing in the arrangement obliging the multinationals to disclose the number of barrels of oil they produce from each community, which has to be part of the criteria for establishing

clusters [19]. Fifth, and most importantly, the local communities have no say in deciding the goal and objectives of the resource economy, either do they contribute to legal framing of the operation and production of petroleum resources.

In the end, none of the CSR approaches is reliable; neither the pay-as-you-go nor the corporate-community involvement as seen above works so well. If the community assistance/community development worked well, there would have been no need to introduce the corporate-community involvement at all. What is so common about these approaches is their democratic deficiency. Local participation in the CSR approaches is inadequate, due mainly to the dust participation as a concept raises.

5. Participation

Participation is certainly a concept with a wide range of use and meanings [24] and has remained a difficult concept to pin down to a single definition if not a vague concept altogether as Crocker [25], recognizes with reference to Agarwal [26], and Alkire [27]. Chambers [28] is worried that even among academics who ought to know better, there is growing imprecise usage of the concept of participation. Often, its meaning is rendered to correspond to the interest defining it. Chambers [28] in a bid to cite examples of participation, presents two streams of initiatives, communication, and resources[3] identifiable in East Africa during the 1960s. These were the top-down and the bottom-up streams.

Chambers [28] narrates that in a certain East African community certain initiatives, communication and resources were generated from forums that were formed to facilitate discussions concerning development matters between local level staff and political leaders. The participants of these forums were members of what is called development committees. These forums were either large political forums or smaller concentrations of civil servants. During these forums, the chairman in skillful rhetoric, would enumerate certain identified social needs, and put forward the methods and techniques to address them. The other members would either support the chairman's ideas or augment them constructively offering little or no resistance to the ideas tabled. In another instance, responses to general social needs come in the form of block grants[4], which might be funds set aside for development purposes or Official Development Assistance (ODA). When the local development committees received such funds, they would undertake some action. One of the actions would be to commit the fund to development initiatives. This happened often with a lot of shortcomings.

These two instances are categorized as top-down. The determining factor of people's participation in a top-down stream is pinned down to the composition of membership and procedures governing the operation, resources, nature and strength of popular demands including the local institutions and interest groups through which they are articulated. The procedures, which Chambers refers to are quite complex and vary from one case of participation to another. However, from what is

[3] Initiatives, communications, and resources are simply terms covering the outcomes of the exercise described. They may include such outcomes as techniques to be used for getting the cooperation of the community or how best the problems of the community can be addressed.

[4] Block grants include funds given for the purpose of development. Many of the developing countries receive these grants from different donors including the World Bank, IMF, UN, OECD countries, NGOs, etc.

described above, one thing that appears obvious is that the stream of initiative, communication and resources flows from top to down. That is from a 'generous elite' to a 'humble local non-elite receiver'.

Another stream of initiatives, communication and resources occurred whenever the government or parties fell short of fulfilling the aspirations of the people. There seems to be a rise and vigor of self-help projects in reaction to an impotent leadership. In the absence of alternative effective and reliable means of getting what they want, "clans, churches and other groupings have identified themselves, organized, worked and competed for government and other external resources" [28].

Chambers sites the example of the *mabati* groups of women, which began by "working together to raise funds to put iron (*mabati*) roofs on their members' houses". From there "they moved on to buying grade cattle, fencing dips, building better kitchens and demanding the services of community development, health, veterinary and home economics staff" [28].

Self-help instances of this kind are valuable in providing opportunities for development and releasing pressure on overextended government agencies. They are also valuable in increasing the competence and confidence of a group and its members in handling their affairs. It equally shows how one success can lead to another. These are some examples of what is referred to as participatory development. Chambers identifies the problems that may be associated with participation both at a top-down and at the bottom-up streams. At the top-down stream is primarily, the inability of the committee forums to diversify decision-making. This is coupled with the inability of the committee to find the right balance to the sums involved. There is then the problem of control of the devolution of the funds down the hierarchy.

At the bottom-up stream, the problem is mainly associated with the government. It is discussed under four different headings including: control and planning; authoritarianism; implementation; and operation and maintenance [28]. The summary is that when initiatives are taken from local communities, the government feels threatened. The threat is often about the possibility of such community mobilizations escalating to a more political agitation that might lead to an attempt to wrest power from the government. However, Chambers goes on to speak about bad self-help and the need for administrative control and mediation in self-help. In the same vein, he speaks of avoidance of 'top-down targetry', which has to do with extortion and exploitation of people in the name of self-help. These are some of the problems associated with participation.

Chambers [28] proposes a number of measures to address these problem issues. These range from rules that may guide the allocation of funds in accordance with the measure of access to population (access to greater population should take precedence), to contributions to projects (it should be considered in relation to economic status). They also range from policies for participation (to be considered in relation to the stage of development), to radical orientation of staff activities, (those highly developed stage areas require this more). Finally, they range from tackling of the problem of invisibility of poverty to field staff by preparatory work, to design testing and modification of procedures.

Both the top-down and the bottom-up streams of participation are burdened with difficulties, raising questions as to whether participation is a means or an end in itself? Is it an academic concept or a truly empowering process necessary for the reduction of the imbalance in the global resource distribution and access? Is it to be conceived as having all stakeholders take part in decision-making or is it some kind of technique for extracting local knowledge in order to design widely applicable

programs? Ray Jennings [29] remarks though that differences in definitions and methods or approaches to participation notwithstanding, there is certain agreement on what is to be construed as genuine or authentic participation. According to him,

> *Participation refers to involvement by local populations in creation, content and conduct of a program or policy designed to change their lives. Participation requires recognition and use of local capacities and avoids the imposition of priorities from the outside. It increases the odds that a program will be on target and its results will more likely be sustainable. Ultimately, [it] is driven by a belief in the importance of entrusting citizens with the responsibility to shape their own future [29].*

This definition raises some issues which require closer examination. To start with, there is the issue relating to the phrase 'designed to change their lives'. This is based largely on the presupposition that people's lives need to be changed. It has to be remarked though that, if the people decided to change their lives on their own, there may be no need to speak about participation in the sense it is spoken of by Jennings. If however, the initiative to change the people's lives comes from an outsider, one wonders where the justification for such an intervention lies indeed. This is an issue more complex than the scope of this work. Nonetheless, Jennings has provided us with a working definition of participation. More importantly, it opens up the aspect of participation that presupposes a belief in the importance of leaving citizens with the responsibility of charting the course of their own future. This is crucial about participation.

Understood in this way, participation may no longer be misconstrued as: consultation—referring to people for information and their opinions; involvement—having people included as a necessary part of some exercise or engagement; citizenship—having full membership of community, which involves the civil right to freedom; and community action—any activity undertaken by a community to effect change [30]. According to Frances Cleaver [31, 32], it is conceptually underpinned as an end other than a means. As an end it is about empowerment. Hence, a process that enhances the capacity of a group of people to improve or change their own lives.

Furthermore, Cleaver [31] discloses that discourses of development concerned with visible and manageable manifestations of collective action are often clothed in the rhetoric of empowerment. But, there is also another dimension to empowerment, which is termed radical empowerment. This is associated with individual and collective actions geared towards the transformation of structures of subordination, through radical changes in law, property rights, and the institutions of society. It implies that development practitioners will work with poor people to engage in active struggle for change. She also observes that we need to conceptualize participation in as much broad way as to facilitate the analyses of the connection between intervention, participation and empowerment. People's lives differ from project. Due to the linkages of people's livelihood, an impact on one area is likely to be felt in other areas. There is the potentiality of unintended consequences arising from intended interventions.

It means that when interventions are taken away from narrow approaches, there seems to be some recognition of the interlinkages of livelihoods. This gives social capital a prominent position in CSR. Unfortunately, CSR has barely acknowledged this interlinkages of livelihood and has always played down on participation as radical empowerment and leaving the responsibility of charting the course of their own future in people's hands. The backlash of CSR in Obufia is a pointer to the dangers

associated with playing down on participation as radical empowerment. Why indeed is this the case? Why are CSR approaches in the oil extraction zones so deficient in this aspect? To find the answer to this question, we must appeal to the global production network of oil where the forces behind the lack of local participation can be identified.

6. CSR in the global production network of oil

To understand the global production network of the oil sector to which the approaches to CSR in the Niger Delta are connected, it is important to reflect on two significant aspects. There is on the one hand the oil complex, and on the other the petro-state—the national organization of the oil producing states. The structure and dynamics of these two aspects of the oil sector provides the frame within which the politics of oil can best be comprehended [33]. They are examined as follows in detail.

6.1 The oil complex

What is regarded as the oil complex is very much interwoven with the global production network of oil. Its roots is to be located in events that took place as far back as the 1930s, especially the radical changes that occurred in the oil industry. The nationalism of the 1930s which culminated in the formation of OPEC in 1960 combined with the oil boom of the 1970s to bring remarkable changes upon the oil industry. There was a radical shift from the 'Great Cartel' system dominated by three trans-Atlantic companies, to 'limited flow' arrangements of the post 1970s [34, 35]. By way of definition, the oil complex can be said to be a configuration of socio-political and economic forces peculiar to developing oil producing countries [33].

Two key elements are central to this complex. The first is the economization of security, otherwise the control of oil as an explicit part of security policy. This gives rise to a close alignment between oil, finance and weapons of war, and de facto to a close connection between oil security as a strategic concern and various forms of conflict. The second is the United States' global oil acquisition strategy. This confers on the petro-state a central significance within the international political economy of oil, which the US dominates through her global acquisition strategy [33]. In fact, in a post 9/11 discourse shaped, until the election of Barack Obama in late 2008, by the US-led war on terror, weak states in Africa especially petro-states, have been framed as latent threats to the security of the US and the rest of the West [36]. It is therefore important to follow states such as Nigeria, Angola, etc. [37] to ensure that they take charge of the oil reservoirs in their territory and assist in delivering sufficient oil to the US and their allies. Such a state will surely keep a peculiar outlook as will be demonstrated as follows.

Watts [33] delineates the operations of the oil complex as follows. First, there is compulsory partnership between transnational and state-owned oil companies accompanying the rise of Third World nationalism. The state-owned company is typically under the direct control of the presidency and a colossal black box of malfeasance and corruption. Secondly, powerful oil Supermajors emerge and operate in complex global networks that incorporate a configuration of oil, arms, construction, and global illicit economy [33].

Thirdly, there is the profundity of construing oil supply as a national security issue, especially as part of the US hegemony [37–39]. The fourth point concerns the

development of special diplomatic and military relationships between key oil producing states and the West alongside oil importing advanced capitalist East Asian states. Fifth, there is a necessity for oil companies to operate in postcolonial states that are undemocratic, repressive and weak.

Finally, the profundity of the oil, conflict, violence and war nexus implies that business operations take place in settings, where human rights violation and oil acquisition are interwoven. Seen in this way, the oil complex is a political and economic calculation that overlaps with the notion of the petro-state, without being identical to the latter. What then is the petro-state?

6.2 The petro-state

The petro-state is a state which has taken a peculiar organizational structure following its oil wealth. Five key institutional elements stand at the heart of this state [33, 39, 40]. First, there is a statutory monopoly over mineral exploitation within its territory. The first point made about the operations of the oil complex that state-owned oil companies are typically under the control of the presidency and a black box of malfeasance and corruption, adds extra meaning to this. Secondly, there is the petro-state oil company—a nationalized company that operates through joint ventures with the oil Supermajors. The latter are granted territorial concessions known as oil blocks.

The third institutional element of the petro-state are security apparatuses that ensure that expensive investments are secured. These apparatuses often work in conjunction with or in complementary fashion with the private security forces of the oil companies. The fourth petro-state institutional element consists of the communities within whose customary jurisdiction are located oil fields and wells. Finally, there is a political mechanism by which oil revenues are distributed.

A mix of several forces lay over the petro-state [33, 39]. The first relates to military and other security forces which form part of the local oil complex, given the geostrategic interest in oil. The second comprises local and global civil society. These become part of the oil complex through the transnational advocacy groups concerned with human rights questions and the transparency of the oil sector. They can also enter the oil complex through disputes raised by local social movements and NGOs over the consequences of the oil industry and over accountability of the petro-state. The third force is the transnational oil business. This includes the Supermajors, the independents—oil marketing companies that are not counted among the Supermajors and the oil service industry that are actively involved in the process of local development. Their involvement can be through community development, CSR or stakeholder inclusion.

Another force is that of struggle over oil wealth, which inserts other local political forces including ethnic militias, paramilitary forces and separatist movements. The struggle is often about who owns and controls oil and who has rights over it. It is also about how the wealth is to be deployed. A fifth force is posed by the multilateral development agencies such as the IMF and the International Bank for Reconstruction and Development (IBRD), as well as by financial corporations such as export credit agencies. These appear as key brokers in the construction and expansion of the energy sectors in oil producing states. Lately however, they have got involved in enforcing transparency among petro-governments and oil companies. A sixth final force relates to the connection between oil and the shady world of drugs, oil bunkering, mercenaries and the black economy [33, 39].

A short history of the Nigeria petro-state will help comprehension of the issues raised by Watts here. Petroleum in commercially explorable quantity was first discovered in 1956. The first oil field was at Oloibiri in the present Bayelsa state of Niger Delta. Four years after the discovery and two years after the first shipment of oil across its shores, Nigeria gained her independence from Britain. Nigeria at independence, was politically structured as a multi-ethnic regional federalist state [41]. Politicians at the time paid no more than lip-service to the ideal of national unity [42]. They were busy forging alliances to facilitate control of the central government, which gained 50 percent of the revenue from the resources generated in each region [43]. Ruling Nigeria for these politicians was not nation-building but controlling federal power and the resources of the nation [42].

Nwaorgu [44] has observed that Nigeria's federal arrangement, hardly took any significant rules of federalism into account. One of which is that no federating unit should be predominant in any federal arrangement. But, the Northern Region of Nigeria was bigger in size and population than both the Western and Eastern Regions put together [45]. This created an imbalance in the polity in such a way that the North was using its numbers to dominate political decisions. The Northern region merely used its dominance to prevent any further domination by either the Eastern Region or any other group in the South of Nigeria. In fact, in order to reduce the imbalance, the Northern Region started taking a disproportionate share of the federal revenue, despite the fact that most of the revenue was generated in the other Regions [46].

This way of demonstrating political dominance, at a time the significance of oil resources to the national economy was becoming glaring [47, 48], only polarized the young Nigerian state along regional lines. The petroleum sector, from the 1960s onwards, assumed a leading role in the growth of national economy [49]. By the mid-1960s, petroleum export was more than two hundred thousand barrels per day [49, 50]. Regions, with their eyes on the lion's share of the national resources, were working to outdo one another in the political game, manipulating and tampering with both census figures and election results [51]. The refusal of some Yoruba groups in the West to accept the result of the elections of 1965, which returned an Igbo as a Regional head, resulted in the formation of a parallel government in the Western Region [49]. The political crisis that erupted as a result became too bloody for the central government to handle.

Eventually, in January 1966, the military struck with a coup, killing many Northern politicians, before they were halted. The coup was led by soldiers who were Igbo speaking, though a few soldiers from the other Regions were involved as well. It was initially successful but was stopped half-way through by two other Igbo speaking soldiers, Aguiyi Ironsi in Lagos and Odumegwu Ojukwu in Kano. The dissident soldiers were rounded up and detained. Aguiyi Ironsi, the soldier who halted the coup in Lagos, would later assume the role of the Head of State.

But, the assumption of power by Ironsi, an Igbo, as the Head of state, was considered by the rest of Nigerians, especially the northerners, as an attempt by the Igbo to impose their dominance on the rest of Nigeria through the military [51]. They justified that claim by pointing to Ironsi's introduction of a unitary government that abrogated the regional system. Thus a few months later, towards the middle of 1966, another coup, this time led by the Northern soldiers, was carried out, killing the Igbo officers, and indeed every other Igbo in sight in the North and in the West of Nigeria. This forced all the Igbo, who were residing outside of the southeast, to return to the southeast.

The mass return of the Igbo tripled the population in the southeast, making it difficult to govern. The regional government solicited support from the federal government. This was not forthcoming, forcing the governor of the region to order the oil companies in the region to divert all rents and royalties to the region [52, 53]. The federal government quickly reacted to this by dismembering the regions, to create 12 new states out of the existing four regions [54, 55]. The minority groups in the Niger Delta, who always wanted self-determination of some sort, jumped at this opportunity [41]. Rivers State was then carved out of the Eastern Region. It is within this Rivers State that the largest oil reserves are located. It was in the midst of this tension over who controls what, that Biafra declared independence leading to the war [45, 46, 51]. The federal government of Nigeria decided to deploy police action to force the secessionists back into Nigeria. The Biafra secessionists resisted this move, returning fire for fire.

Nonetheless, the Nigeria-Biafra war helped the victorious soldiers and state officials to arrive at certain conclusions. First, they became convinced that if the state is invoked, any measure taken to gain control and dominance over the oil resources in the Niger Delta can be justified. Secondly, with the crushing of the Biafran 'rebellion', another tribal mobilization against the state that will involve the use of arms was unlikely to occur. Third, measures were to be taken in the meantime, to consolidate the victory and foreclose the emergence from any part of the country of the kind of unified opposition seen from the Biafran rebels. Structural reforms—maintained up until today—coupled with new policies and legislations, were the results of this conclusion. These reforms are too complex to all find a place in this text, but one could read the influence of the oil complex thereof. The mineral and land use laws vest the ownership of all land as well as the control of all mineral resources and water courses in Nigeria's land on the state and federal governments respectively. This is the oil complex manifesting in style.

Nonetheless, CSR in the Niger Delta is practically guided by the forces governing the global production network of oil. CSR must adapt its approaches to the operations of the oil complex and the petro-state which must maintain a monopoly over mineral exploitation within its territory, to add meaningful and concrete value to the operations of the oil complex. Recall that the economization of security coupled with US global oil acquisition strategy gave rise to a complex that strictly recommends a compulsory partnership between transnational oil companies and state-owned oil companies which must be placed under the control of the presidency and a colossal black box of malfeasance and corruption. Nothing must endanger this monopoly over oil and the attendant control by the presidency. To give local communities more participatory role in the process of deciding how CSR is approached could be read as a potential danger to this operation of the oil complex. Reflecting on the rationale behind the policies vesting all lands and minerals under state control, Ako says:

> *If ownership of land had remained vested in the local communities, they would have maintained some influence over oil exploration and production activities. Therefore, they would have been in a position to dictate the mode and size of operations within their territory as well as the socioeconomic and political benefits that must accrue to them. This would have enhanced their political and economic power substantially within a federation that relies extensively on oil revenues to sustain the national economy [56].*

I would like to add that any expansion of local participation in the CSR approach might be an inadvertent admission of the injustice subsumed in the state policies

vesting the monopoly of oil exploitation in Nigeria on the presidency. Such an expansion may not happen at all. The only reprieve for the local communities in this regard is the 'peak oil' predicted to hit the world from 2023 through 2035 [57], which would shift energy dependence away from oil to other sources of energy especially renewable energy. The implication is that oil complex will collapse to make way for other complexes which will affect local communities and CSR in ways different from what is known today.

7. Evaluation and conclusion

The bulk of the discussion here revolves around Corporate Social Responsibility detailing the corporate-community nexus of the oil extraction business in the Niger Delta. What has been highlighted is that transnational corporations have left indelible marks across the Niger Delta as the resource extraction business expands. The Niger Delta communities have to cope with the impact and changes the growing oil business has brought upon them. The dynamism of the local community significantly determines the advancement and profitability of the oil extraction business.

This paper has focused on the impact of Shell Petroleum Development Company on Obufia in Egbema through its Corporate Social Responsibility (CSR). In a bid to keep the local community away from its business activities, Shell reaches out to the community with packages that may be considered as mouth watering by the company. The community struggles to turn the package into such a useful value to themselves. This struggle brings out their creative tendencies, making them modify their traditional alliances and practices using available materials they could piece together. Some of those available materials are oral traditions of migrations and affiliations. The success the local community records in this bricolage blurs the deficiency of the manner by which Shell reaches out to the community in the name of CSR. Nonetheless, it adds credence to the fact that some sort of window dressing inhibits CSR practice despite the theoretical gain in harmonizing the contradictory positions by means of the concept—enlightened value maximization.

More so, analysts often concentrate on conflicts, actors involved, their objectives and aims as well as their causes, which may include remote and proximate, latent and visible issues of assorted kinds. How conflicts have been prevented, especially in contexts reputed for violence is often regarded as the default situation and gets little or insufficient attention. The same approaches to CSR which feed into the violent conflicts in communities in Rivers and Delta States where Shell operates, have fed into no violent conflict in Obufia. This study encourages improved focus on conflict prevention measures and dispositions discernible from nodes of global networks where the record of conflict has been known to be very high.

Transnational corporations tend to take their neoliberal disposition that elevates the individual and their interests as a universal given. This myopic disposition points to either a ridiculous naivety or a deliberate scheme to sustain the imbalance between the global North and South in terms of accessibility to world's resources. The naivety is to be read from the anthropological fact that humans act either to protect selfish interests or the interests of the groups they associate with, or for the interest of other people. From what we have seen about the global production network of oil, the complex has already determined the dispositions local communities must maintain in their relationship with the oil companies and the states. The lacuna in corporate governance codes regarding the relationship among individuals, corporate bodies and

states, where beliefs and behaviors of key participants have been completely ignored [58, 59] can be insinuated as not being accidental. The world can keep searching for the permanent solution to incessant violent conflicts and wars without end for as long as the disposition to dominate remains alive. In subsequent studies, focus should be on how CSR can eliminate window dressing. The expansion of representation in the decision making processes of CSR can be explored.

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Chapter 13

Corporate Social Responsibility: A Case of the Provision of Recreational Facilities

Peter Musa Wash, Shida Irwana Omar, Badaruddin Mohamed and Mohd Ismail Isa

Abstract

Corporate social responsibility (CSR) connotes Government agencies and private enterprises services for effective change and in this regards the recreational provision. The inadequate provision of the recreational services thwarted recreation, resulting to unsuitable funding of recreational facilities and unsuccessful synergy between government and the private enterprises embarking on CSR. This paper examines the roles of government and the private enterprises in the services of CSR with the view to enhance their performances in the provision of recreational facilities. The paper applied the qualitative method using atlas ti.8 for the data analysis. The findings reveal inadequate facilities provision for recreation resulting from lack of funding, lacklustre attitude and poor synergy of the stakeholders. The paper recommends that government should be positive in implementing policies that promote recreational activities and improving the efforts of the private enterprises for CSR. With the effectiveness and efficiency of the provision of recreation facilities, CSR will be acknowledged as a case of Greater Jos. Plateau State, Nigeria.

Keywords: government role, private enterprises' role, recreational provision, corporate social responsibility

1. Introduction

For effective achievement of CSR, the adequate and appropriate provision of recreational facilities necessitates the perception of the process of required strategies and approaches [1]. This influences research, most especially on the stakeholders' activities towards the achievement of CSR, and beneficiaries of the facilities [2].

Influence to recreational facilities role of a stakeholder stakeholders play their roles by moderating to imagine and visualise optimistic scenes to either cope with problems or establish an ideal situation [3]. They are initiators of programmes, representatives of groups, and in some cases legitimacy enhancers of policies and programmes. They are also participants of government initiative programs, agents to improve collaboration between different interest groups of people, and decision-makers. Stakeholders contribute to all ideas and types of knowledge to deal with uncertainties

and unforeseen risks, contributing to the planning process and design frameworks of projects. This skill brings to bear the research of all disciplines and to appropriately determine future events [4]. The implications of the skills and policies in relations to theories are developed for effective usage [5].

Among their roles, is to determine models that serve as a framework for effective management skills to influence high level of management which in turn ease the process of governance [6]. This act of governance is a prominent feature of the multi-stakeholder's role, and so the processes involve all sector representatives in developing a framework of research [7]. Stakeholder requirements and the expectations of mitigating negative impacts have produced a significant demand over the periods, from the private sectors, social movements, and residents. This requirement is to enhance the development of society [8]. Hjerpe [9] observed that government agents recently do consider the benefits associated with public lands and the need to intensify outdoor recreation development.

Stakeholder's role, in most cases, does agree on the most preferable and most likely scenarios with some scepticism. This led to a preference of situations, and vice versa towards others is closely linked with land use development [9]. Stakeholders find the spatial land use development of statistical models useful for management in discussing options. It also spurs a group of managers with a capacity for decision making to influence the provision of services, most especially recreational facilities [10].

Another key role is part of stakeholders' involvement in monitoring and analysing survey data on community perceptions which reflect on the outcomes of the conduct of different professions [11]. The participatory approach is a chance for various stakeholders to provide input into the research process. It is about the contributions of experts with diverse backgrounds (business, policy, and academia) coming together to make an impact [12]. The new practice in stakeholder engagement was during land remediation activities, emphasising strategies overland in Europe [13].

In the area of planning their role is enhanced by involvement in developing and implementing plans that reflect community, goals and socio-economic potentials as well as resource deficiency. This helps stakeholders with scientific knowledge and information about the physical and socio-economic processes of development. It gives the ability to synthesise missing attributes in the process as well as evaluating strategies. The knowledge provides the stakeholders to assess performance concerning determining goal achievement, and ranking strategies considering priorities of having more goals [14].

The provision of the recreational facilities based on hierarchy, with regards to functions, size and distances of each facility, should be reckoned with. The idea of range facility provision can be achieved by the variety of tasks presented by the activity emphasising social principles to be equally accessible to all populace [15]. It is achievable with tactical approach, where recreation facilities are provided with regards to regional, community, and neighbourhood perspectives, considering accessibility, quantity and quality in provision [16]. Hence, the provision of the recreational facilities in terms of hierarchy considers, Community Parks and landscape features; Special Use Parks for single purpose e.g. a swimming pool; Heritage Parks for cultural, historic resource(s); Regional Parks as the preserve natural landscapes; Sports Complexes for high programme athletic fields and support facilities; School Parks and integrate school facilities, special use facilities for the disables; Reserves preserve significant natural, cultural, historic, and scenic resource(s) for buffering and Trails Network [17, 18].

2.Public interest theory

The informed theory being the public interest theory assumes that regulation is formulated to correct various types of market failures and to improve social welfare, as seen in traditional welfare economics. Under this assumption, regulations are constructed by a government with the intention of maximising social welfare, and no other interest groups can intervene in the regulatory process.

The public interest theory believes that guideline is defined to address different kinds of market decline and to improve social welfare, as in economic welfare. Under this supposition, guidelines are developed by an administration with the goal of augmenting social welfare assistance, and no other vested organisations can mediate in the administrative cycle of the provision of welfare [19]. The public interest assumption depends on this cited example that the Public Service outfits commonly entrusted to advance public purposes as premise on constitution are relied upon to fill in as a regulator over government conduct. As the evaluation depends on the public interest theory, that social ideal size increases with an expansion in political rivalry. This is on the grounds that, in conditions of expanded political competitiveness, communities have advantage from the increase of political ideas, which adds to the successful observing of provides being the politicians [20]. Its concept and function differ country by country based on governing ideology of the society. Liberal states usually construe this theory by considering individual orientation and social states by society priority. The concept of public interest and the mechanism to achieve it in law and ethics philosophy in general and in Iranian Constitution is a disputing discussion. We assume that any school construes public interest by its selected ideology in law philosophy and political theory. Likewise, however, the emergence of this concept in governance and the mechanism to use it in society in well devised manner are the products of intellectualism. It is since this era that government has been obliged to purvey the interests of its citizens and nationals.

Summarily, the government regulation is to correct, flawed competition, unfair procedure, lacking processes of provision and adverse results. This is the perspective of justification regulation and to the government as omniscient, omnipotent, and benevolent regulator. Public interest theory explains regulations from viewpoints not restricted. Regulation can improve the allocation efficiency [21]. Where the government produces a good or service, regulation is a critical factor of consideration, whereas the private firm provides the same goods or services within confines and as defined by legislation, and the issue of regulation is also applicable [22, 23]. Hence, the control of the provision of public services with regards to recreational facilities with emphasis on the Greater-Jos.

2.1 Relationship between stakeholders, and the recreational facilities provision

Stakeholder activity is connected to the interaction among stakeholders in creating value for their different goals to be achieved. The identity of a stakeholder is in the process of interrelationships among groups that have a stake in such activities that make up a successful business or influences the development of a system [24]. They can be referred to a group of local agencies as well as operators (private providers) who engage in planning, provision and implementing programmes for the wellbeing of the people which they are part and parcel of the system. The effect is due to policy integration, and to influence the processes in the areas concerned [25, 26]. Though, Individuals as private providers formed a whole system in case of

multi-stakeholders, creating grounds for ethical means of generating the required resources for expertise and knowledge. The knowledge is for different stakeholders to deal with issues comprehensively and, to express the strength of the approach for an effective outcome [27]. Thus, the knowledge is connected to a policy framework which usually seeks to meet the criteria of the assessed system scheme to decision-making, and views. The views are credit of stakeholders' divergent values and beliefs, unbiased, and fair of a judgement of contrary interest [28]. The behaviour of stakeholders with regards to policy is highly infusing, because of time and space that eventually affects the development of the policies. While residents are direct beneficiaries, and their perception invariably influences the development of the policies and strategies [29].

2.2 Organisational involvement of CSR

The managerial perspectives, with regards to CSR performance largely related to stakeholders, government or privately-owned organisation and hence the interest of scholars in exploring the role of CSR in the stakeholders' activities. Most importantly, accept tasks to accomplish activities resourcefully [30]. Managers use both CSR disclosure and dividends to signal sustainable future performance. Also, the progress and CSR is particularly cherished strategically in term of the sustainability of the organisational performance. For instance in South Asia, CSR is used to enhance performance at early stage of development, in environmental and provision of social aspects of CSR [31].

With regards to contribution towards social and environmental welfare such as the provision of recreational services, stakeholders are conscience to CSR. This informed the essence of CSR activities in improving the economy and social changed [32]. Invariably, the CSR concerns in strategies for provision by organisations through several applications, where the stakeholders' challenges are optimally taken into consideration, having encouraging effect [33].

Another gain and effect of CSR the role of project financing decisions, as the financial institutions contributes to facilitate the provision of services in the environment. An impact funds on CSR with regards to project provision, and evidently the stakeholders' concerns [34]. It informs how organisations manage valued variables that brings actions involve supplier selections, aiming at a more dependable performance and the development of projects and services [35].

Socially, much of the CSR assessment shows the inclusion of social and environmental responsibility that is distinct [36]. This is when looked into the study of employee voicing and satisfaction of management [37]. Also in tandem with the study that demonstrates the approaches that include the voices of various community groups [38].

The relationships between CSR and stakeholders, government and private organisations are critical as derived from the reviewed literation influencing managerial competency and strategy, as well as finance and social inclusion in the implementation of projects. This, paved way for this research in the perspective of the CSR in the provision of recreational facilities.

2.3 Methodology

The research adopted the qualitative phase of the study. This is important towards expressing the targeted population and the research questions addressed appropriately regarding the research problem. For this study, seven informants, three

stakeholders of private operators and four of the government officials were covered for the qualitative phase because they were the ones that indicated interest and were interviewed. The study participants were well selected for this purpose, as discussed in the next section.

Whilst purposeful sampling is used to obtain information from the specific target, the best position to provide the information required is adequately represented in the study [39, 40]. The face to face technique was adopted, three participants representing the state government and one representing the federal, while one was an employee of a private organisation, the other two were operating on a leased area from the government.

2.3.1 Sampling design

Qualitative sampling is drawn from information factors rather than the number of participants [41, 42]. Elements involved in qualitative sampling: (1) setting the boundaries to define aspects of the subject under investigation within the limit of time and resources, and (2) creating a frame to discover, confirm, and qualify the basic construct on the foundation of study [43]. Purposive sampling was used for this qualitative study (**Table 1**).

Interviews focused on the following theme ministries, departments and age	
Agencies	
1	Vision in the provision of recreational facilities
2	Plan for recreation provision
3	Provision and distribution of the recreational facilities so far
4	Meeting the needs of the residents both now and the future
5	Recreational facilities that require more emphasis
6	Issues confronting the goals and expectations of the provision of recreational facilities
7	Role and responsibility of other providers (public and private)
8	Prioritise the locational characteristics for future recreation facilities
9	Any other ideas or comments
Stakeholders and group survey	
1	Recreational facilities developed
2	Difficulties associated with recreation facilities
3	Comment on specific facilities needed to be included
4	Comment or ideas to share concerning the provision of recreational facilities
5	Contribution to the issue of the provision of recreational facilities
6	Directions fundamental in the development of new recreational facilities
7	Components of the facility programming (amenities) that you would like to see altered
8	Recommendation for next few years [5–10] years,
9	Any other ideas or comments
(Source: Researcher, 2019)	

Table 1.
Interview outlines.

2.3.2 Data collection

The interviews were conducted between 1st and 15th March 2019. The informants explained the scope of their work as well as the objectives and strategies implemented by their organisation in the public participation process. They were into two categories, the Ministries Departments and Agencies and, the stakeholders being the private providers/operators. The interviews were recorded by a recorder and each lasted between 40 min and 120 min. Most of the interviews were held at the interviewee's office. The interviews were in English. However, the themes of the interviews were generally the same concerning the provision of recreational facilities according to their operational capacity, because all the interviews followed a list of issues decided by the researcher as can be referred to in **Table 1**.

2.3.3 Data analysis

The interview data analysis used a framework technique developed for applied Policy research [40]. A framework technique involves a systematic process with five stages of data analysis.

2.3.3.1 Familiarisation

In this process, all recorded interviews were transcribed into data transcripts. The interview tape was listened to more than once to ensure the validity of the transcripts and was saved on the computer. The transcripts were sent to the interviewees for comment to ensure they had been interpreted correctly. All interviewees agreed with the interpretation of their satisfaction. Then, all essential ideas and recurrent themes from interviews were placed on a list and were later used at the thematic framework stage [40].

2.3.3.2 Identifying a thematic framework

The thematic framework was developed from the transcribing and text reading during the familiarisation stage. It is the first version of the indexing process; all themes come from prior and emergent issues raised by the researcher and the respondents. This stage is important for ensuring that the research questions are fully addressed [28].

The thematic network is adopted which was informed by the processes of document sorting, quotation, coding and group coding, which themes by linking the associate codes. The validation is affected by groundedness and linkages, where the strength of linkages is determined by the number and appearance of codes from the number of quotations derived from the documents. The explanations thus;

Documents: This represented the data that were inserted into the software atlas ti for the project as text. Each document at entry point receives a successive number preceded by the letter D.

Quotations: quotations are selected parts of data, which the researcher deemed important for analysis, hence facilitated the coding.

Codes: codes integrate the data contained in a set of similar quotations. The code interprets information in more detail and also to summarise the data coded from each code.

Code Groups: groups indicate the group of information from codes forming codes group serving as theme. It can also be created based on content that has been coded.

Networks: this is the visualise of the links that have been created during the process of coding, which also incorporates some analytic functions as associates

linking code groups or code, and expressed ability of importing neighbouring or co-occurring data.

Data Export: the processed information informed of network and the validation table were exported to text files for the report.

2.3.3.3 Indexing

At the indexing stage, now known as coding, the thematic framework was applied to data systematically by annotating the transcripts with numerical codes from indexing and supported by short text descriptors to elaborate index headings. The qualitative software Atlas ti. 8 was used for all indexing work. The transcript data also can be managed easily and systematically.

2.3.3.4 Grouping and networking

The grouping and networking stage is used to develop a visualisation of data by considering the familiarity of themes. During this process, the transcribed data was reorganised with the right theme references. Grouping and networking are setup with headings and subheadings in two ways: (1) thematic framework and (2) research consideration. After considering the research aims and questions, the arrangement of grouping was chosen to be thematic because of its ability to link characteristics of each case in the same order and make review easier.

2.4 Results

2.4.1 Plan for recreational facilities

The participants' knowledge on the issues of policy, strategies, and proffers possible solutions to the provision of recreational facilities in Greater Jos. This section presents the finding regarding stakeholders' involvement across the Greater Jos. The study evaluates the stakeholders' involvement and gives a brief situation of the activities, which include initiation of plans, role of agencies and budgetary provision. The validity though with high response linkages does have great effect as presented in **Table 1**. Referring to **Table 1**, it shows that recreational facilities provision cannot be adequate without synergy among the stakeholders in the Greater Jos.

2.4.2 Vision established

Vision for the provision of recreational facilities is highly important because whatever concept that the Greater Jos Master Plan gives is leveraged to have a well let out recreational facilities. The master plan was supposed to contain where the vision lies principally. The model sectors, which were contained in the proposal for the provision of the facilities, are expected to be provided to standard. This entails the neighbourhoods and types of recreational facilities therein.

2.4.3 Master plan

The provision for the recreation facilities is a long-term plan because it is set out for 25 years in the Greater Jos Master Plan, which unfortunately is due for review and

is yet to pass into law. Implementing it would be an ideal thing that spelt out in the sector types and hierarchy.

JMDB deliberately identified locations mostly in line with the master plan where they deem fit within existing settlements for government to acquire and, then provide some of the facilities so that neighbourhoods will have facilities for children and adults. The aim of the provision cannot be achieved when the government is lacklustre in this regard. The Director of Planning government agency (JMDB) (Informant 1) indicated that:

> *"Other African countries have gone a long way and, most of the high-end revenue is from that aspect, but ours not doing we're not into tourism. They just pay lip service and, that's all so whether you draw out a goal and objectives is all to rubbishness, because nobody will even do anything with it. But, hoping that it will have a listening government and then, they will provide money".*

The agencies of government do regularly write reminders informing the authorities about the need for the provision of the facilities but to no avail. The acceptance of the plan for the provision and funding lies in the hands of the authority. Plan for Future Provision: The plan depends on the legislation on the Greater Jos Master Plan with regards to how well it serves demographic, appropriateness with regards to assembly and evaluation of existing facilities. It is expected that when this law comes into effect and, the government considers it, then it will achieve its purpose. At the moment, there are no other active plans. The Director of Sports government agency (PSMOS) (Informant 4) indicated that:

> *"There was a proposal to host international camping group who at the age bracket of 18 to 25, it recorded low patronage because the information was not well disseminated and as well as the insecurity contribute".*

The plan from the agencies and organisations with projects for recreation are targeting a long-term strategy that is social and economically viable. The Director of Planning government agency (JMDB) (Informant 1) indicated that:

> *"There's one at Shere hills which they showed interest, then the Marraraba side. They also wanted to go further to the Inland, but the present government didn't show interest. ABC shelters was a foreign company involving Americans, Indians and some Asians that showed interest".*

Plateau State entirely is blessed with good weather like that of Europe, where the natural potentials for recreation need can be harnessed. Considering this opportunity into reality, Greater Jos will stand out in Africa, but for the commitment of the government to provide funds for this long-time project. Furthermore, the available facilities are in the core city of the State instead of spreading to the grassroots.

2.5 Policy implementation

New recreational facilities are needed as found elsewhere like in the developed world. Hence, the need for the facility with advance technology. A lot of the facilities need to be updated and carried out in piecemeal fashion, considering water, electricity supply and, land space which are challenging. A projection of 5–10 years was considered, mindful of the world being dynamic, which warrant an update

of technological changes. The Director of Planning government agency (JMDB) (Informant 1) indicated that:

> *"For Greater Jos Master Plan we picked some areas and wanted them to Implement. But funding was not there, and so we could not do anything".*

Major projects were thwarted because of the shortage of fund, like the sporting arena, the new Zaria road stadium not being completed. The idea of the construction of the stadium was to host many activities, both locally and internationally.

2.6 Stakeholder participation

The stakeholders do participate in facilitating the provision of the facilities, at times being part of a team of a committee to work on some recreational activities included in the plan. Some engage in organising outdoor recreational activities and, places where people occasionally come for 30 days, come for weddings, picnics and trying to grow the business through the stage to stage. A private operator/manager (Yelwa Club) (Informant 7) indicated his view:

> *"In fact, if need be either as a stakeholder in that plan. Oh as a personal developer. I wish to develop a recreational facility that will attract visitors to such a centre."*
>
> *"Well, I have personally run a recreational centre as a government worker for about 14 years, and that is the international tourism centre. So I'm highly experienced if I'm opportunity to run a personal one. I think I'll be able to meet up with the immediate requirement by the clients of the beneficiaries of such recreational centre".*
>
> *"Using it, maybe I could manage it till March- April but all the people around me. They come to fetch the water. Sometimes they even fetch in the early hours of the morning before I come and I end up not getting any water. So I've dug three wells, but I'm getting small from one".*

Among the problems face by the stakeholders are space for those recreational activities, for instance, distance should also be considered so that people living in Zaria road need not come to Wildlife Park for events. This brought about doing activities in unconventional ways, atimes in schools, which does not all go well for such events.

2.7 Government participation

The government are to come to the aid of individuals who are making a frantic effort in this line of business by partnering together. It's a dare needed synergy to boost the provision of recreational facilities. This is significant hence, geared towards job creation and promotes tourism which brings a lot of Economic Development. A Director of Planning government agency (PSMLS & TP) (Informant 2) indicated his view. She stated that:

> *"Government has not deliberately made provision especially within the neighbourhoods, so you will likely see the city growing without the recreational facilities within the neighbourhoods".*

The vision, as it has been captured in the master plan, needs to be sustained. The intention is for the agencies to deliberately identify locations mostly in line with the master plan and, within the existing settlements where the government can acquire and then provide some of the facilities. By this, the expected spread of facilities would easily be done if the neighbourhood is provided with the facilities for children and adults.

The quantity is grossly inadequate, though the existing ones are serving a great purpose, most notably the forgiveness centre which started as Faith Mediation Centre has been taken over by the Peace Building Agency. The framework for the management is said to be in process.

2.8 Fund capital

The prospective operators hardly secure loan to develop the space for the recreation, for the fact that most of the recreational facilities are capital intensive. The reason for applying for a bank facility or a loan elsewhere is for the business to grow, but the banks hardly support such ideas of a project. The main problem is the funding; lack of finance crippled the efforts in the provision and operation of recreational facilities. For instance, the main bowl of the stadium, the roofing of the stadium is yet to be completed. Issues confronting the provision of recreational facilities are funding, hence affecting the operation of the existing facilities. A Director of Planning government agency (PSMLS & TP) (Informant 2) indicated his view. He stated that:

> *"For Greater Jos Master Plan we picked some areas and wanted them.... What funding was not there, and so we could do anything".*

Also, the issues of maintenance which requires funding usually come from government. Sometimes it is not forthcoming, while sometimes it would not be regular and sometimes nothing throughout the year. This necessitated the undergrowth of the provision and the operators incapacitated, which affects patronage and participation in the recreational activities. The visitor faced with disappointment in terms of choice and dilapidation of the available facilities.

2.9 Promote tourism development

Private sectors are partners in progress with government and, there should be parks whereby visitors from outside the countries and within the States could come for holidays, but none now.

2.9.1 Foreign investors

An investor known as ABC Shelters (a foreign company involving Americans, Indians, and some Asians) came with a laudable presentation to the government for the operation of some recreational facilities, as the Kura falls to the National tourism site. Also interested in Genco one, then Genco two, Genco three and the generating plants which are potential tourism areas, but to be developed.

There is another site at Shere-hills which they also showed interest, together with that of Marraraba Jama'a side. The intention was to further the space to the Inland, but the present government do not show interest in the investment, and so the effort was thwarted.

2.10 Recreation provisions

Meeting the standard expectations suitable for providing recreational facilities is the focus here. Inadequate Provision: Issues confronting the provision of recreational facilities is funding, and it is a hindrance for the personnel to manage the recreation centres. The Director of Planning government agency (JMDB) (Informant 1) indicated that:

> *"The provision, the available ones are not enough. A big city like Jos needs more recreational areas because sooner than later like immediately before the rainy season comes you start seeing events coming and most of the events. You will find out that they are not enough to contain all these".*

Considering the different activities like the passive and active recreation are lacking presently, with only one stadium and the new one is still under construction is a pathetic situation. Thus, compensation of the land has not been done, and the landowners are on the neck of the government to pay them, or they would take over their land.

The Wildlife Park and Zoo belonging to the state and federal governments respectively are being run by the governments and so the lackadaisical behaviour in managing the facilities. This is the reason private individuals having the interest to develop them and would make provision of all sorts of animal available. It is coupled with the fact that the existing facilities that government provided are grossly inadequate, and only the inherited ones over the years are available. Government has not deliberately made provision especially within the neighbourhoods and, with the pace of development.

The agency (JMDB) deliberately identified the areas to get space for the government to acquire, if not individuals may find it very difficult to acquire space in such areas. There has to be a budget because, largely, there is over-concentration of the facilities within the central areas to the detriment of the neighbourhood and, the available ones are not to the required standard. The Director of Planning government agency (JMDB) (Informant 1) indicated that:

> *So, in most cases, there are difficulties that are associated with developing recreational facilities and most of which are issues of security and roads network, while some are the issues of the provision of electricity, and most especially in this modern poor or no internet facilities and insufficient network coverage. So some visitors will be scared of moving to such places. So, these are some of the difficulties associated with recreational facilities in certain areas.*

2.10.1 Insecurity issue

Insecurity is a serious issue in Greater Jos which hampered development of all sorts, hence affecting the provision of the recreational activities. The incessant tribal and farmers-herders attack marred recreational activates so seriously. The whole town need to be secured, where both young and old will be safe and have a sense of belonging to participate in activities that will rejuvenate their spirits. The unending killings in Jos scares-off investors and visitors that would like to go out to enjoy the recreational facilities. The crises led to the establishment of the Peace Building Agency. The Director of Sports government agency (PSMOS) (Informant 4) indicated that:

> *"And also, another thing is that issue of insecurity in such areas. Sometimes the influx of visitors or beneficiaries will be low because they are scared of the area".*

A proposal to host international camping group age bracket of 18–25, recorded low patronage, reason that it was affected by the incessant ethnoreligious crises, which led to the stoppage of hosting the camp up till date.

2.11 Need new technology

The dynamic of the world goes with changes and taste, events also change, and so individuals recommend the elimination of the obsolete facilities in the system. Hence, the projection for an update for technological changes proposed for the next 5–10 years. Also, there is hope that as time goes by the system would be up and doing. The Director of Planning government agency (JMDB) (Informant 1) indicated that:

> *"Well, as time goes on, some are not in good shape should be removed so that it would be part of the plan".*

There is the quest for new recreational facilities of all kinds as can be seen elsewhere like in the developed world. There is the need to advance a lot of facilities which the agencies are planning to achieve in a piecemeal, as well as developing gradually other facilitating services like water and land which are challenging issues. It would be easier to attract visitors from all walks of life to participate and patronise social, recreational facilities wherever it is located.

2.11.1 The problem of compensation

There was a plan for modern golf courses and recreational areas within the Greater Jos, but up till date, compensation has not been paid, and the company that was to carry on the work is still waiting for the conclusion of the deal. The previous government had agreed and signed MOU, but when the new government came on board, there is laxity to continue with the agreement and, so the project left hanging.

2.12 Thematic and validity

The thematic network (**Figure 1**) is the visual presentation of this variable which shows flow, connections and understanding of each of the attributes as presented in the text. **Table 2** focuses on the validation of the findings, more so that, the genuineness of any research is the validation of the main findings. It expresses the novelties and contributions to the body of knowledge in the research by considering the criteria of a qualitative approach. It substantially contributed to the study in assessing the plan for recreational facilities with elements of funding, government participation, Master Plan, policy implementation, promote tourism development, recreational provisions, stakeholder participation, vision established and visitor's response. By rating the provision of recreational facilities provisions, it tends to have the highest occurrence of 34 times contributory factor based on the number of appearances (grounded), while stakeholder's participation has the highest attributes in terms of linkages (density). It is worthy to note that other variables that do not make substantive contrition were deleted, while others of the same category were merged to make a significant effect.

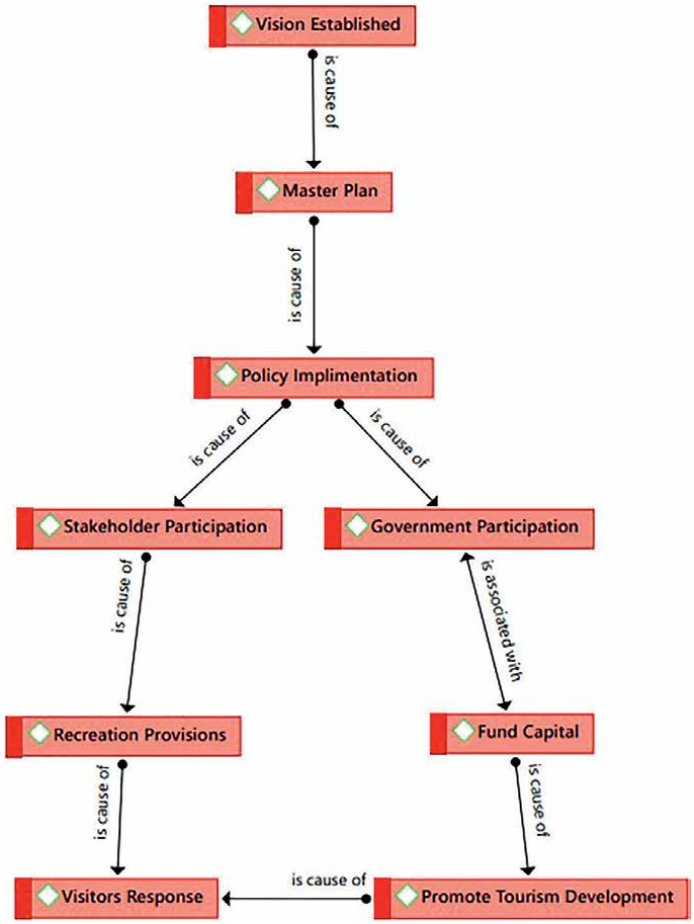

Figure 1.
Thematic network of plan for recreation.

Name	Grounded	Density	Groups
Fund Capital	15	3	[Plan]
Government Participation	10	2	[Plan]
Master Plan	26	2	[Plan]
Policy Implimentation	10	3	[Plan]
Promote Tourism Development	10	2	[Plan]
Recreation Provisions	34	3	[Plan]
Stakeholder Participation	9	5	[Plan]
Vision Established	4	1	[Plan]
Visitors Response	6	2	[Plan]

Table 2.
Validation of recreational plan data.

3. Discussion

Cavnar et al. [44] asserted that the quality of recreational facilities helps to create involvement in recreational activities in developed areas. Abdullah and Mohamad [45] also asserted that the quality of recreational facilities appeals to individuals to utilise them. Concerning the benefits of recreational facilities, the findings inferred those recreational facilities were of great significance to the social life of the residents. A similar research by Eigenschenk et al. [46] found that recreational facilities, most especially those related with outdoor recreation, have a high impact on the social life of a community. In addition to appropriateness [47] argued further that recreational areas are valued more for their benefits than for any other social environmental benefits, most especially the greens. With regards to the stakeholder's involvement **Table 2** shows the facilities depicting high proportion being privately owned and run at small scale with the few owned and by the agencies of the government are run at higher (Complex) level. This finding is liking to that of [48] who provided the impact of the stakeholders on the provision of recreational facilities in a community in terms of social integration. This involves and informs the appropriate stakeholders and decision makers in Salzburg that are already in the conceptual stage and contribute to the citizens' quality of life. In the same vein the study of [49] showed how knowledge, skills and values from other field of disciplines and active research are brought forth towards advancing the decision-making process in sports and recreational provisions. This involves the stakeholders in taken ownership of the plan outcome, which is different with the system in the Greater Jos where decision emanate from the government being the politicians. Therefore, the governments need to look beyond policies but lead in the provision of recreational facilities to meeting the need of the communities of the Greater Jos that now expands progressively from the core city of the two-local government of Jos-North and Jos-South to the other four local governments that now make up the Greater Jos.

This aim of the provision cannot be achieved when the government is lacklustre in this regard. This agrees with the findings of [50]. Their findings provide helpful information for planning in order to ensure an adequate recreational facility provision and, to eliminate environmental inequalities in Germany. They identified inequalities in the provision of the recreational facilities across German major cities and, relating that to the statistical analysis of the socio-economic background of households and individuals shows the differences in the provision to the income, age, education, and children.

The finding from the study identified weak government participation in the provision of recreational facilities which resulted to the inadequate number to meet the ever increase population and spatial spread. The government responsibility through the agencies are funding and provision of space and management. The finding from [51] figure out that there is a gross deficiency of recreational facilities which has denied urban dwellers from participating actively in recreational activities, hence, affecting the liveability of the city. This informed the recommendation for the establishment of an agency that takes on development and management of recreational facilities in the city. Thus, the need to set aside politics and ensure the radical intervention within the Greater Jos by politicians being the heads of the government to ensure proper policy implementation. Thus, complement the efforts of the private operators in the provision of capital, since the provision is capital intensive. This is similar also to [52]. He asserts that state and non-profits funds tend to favour middle-income communities and fail to equalise spending. Therefore, the suburbs with large minority populations, and low-income suffer from disadvantage of low expenditure.

Government intervention in increased localization of service provision high distribution of resources for parks and recreation, for local populations as well. This disagrees with the findings of [53] whose statistical analysis indicated rejection of the hypothesis of proximity principle to recreational facility, contradicting the internationally accepted theory of paying more for visiting and using the facility when it is of distance, but that residents are willing to pay more for such facility in close proximity.

3.1 Practical implications

Though, the qualitative findings showed the weaknesses of the provision with regards to accessibility relating it to the immeasurable provision in consonant with the rate of development. This shows the bridge in the implementation of the policy and strategy as enshrined in the previous plans. Despite that, the benefit is the reformulation of policy and strategy from part of the solutions rendered by the informants. This is in view of developing synergy between the government and stakeholders in a bit to encourage the government to aid individuals and organisations to access funds and space with other basic facilities like water, electricity, good roads, and security.

3.2 Relevance to public interest theory

The public interest theory as discussed is based on assumption that, regulations are made by a government with the aim of taking full advantage of social welfare, and in this case in recreation activities. Here the provision of recreational facilities is dependent on the regulated provision of the facilities to meeting the desire of the participant. The recreational facilities are the same as any resource and said to be scarce in nature as well as being insufficient in provision. The resultant effects are the inadequacy in the provision to population threshold, appropriateness, and location.

Secondly, this study substantiates the claims of adherence to policy of the resources as one of the essential constructs as supported by [54] where provision of recreational facilities is dependent on policy regulation, hence the adequate provision. This is also to support the framework that stakeholders, private providers and agencies are also a determinant to the provision of recreational facilities, hence, the Corporate Social Responsibility.

3.3 Study strengths

Thirdly, the study provides valuable knowledge and suggestions on the stakeholders' involvement in view of the provision of recreational facilities. The stakeholders have a stake in the provision of the recreational facilities judging by the support of the empirical analysis, and which concerns both private and the MDAs. The information gathered from the interview reveals the role played by both, though on different level the circumstances are basically the same. The government agencies would find this study as essential means of information to apply for the way forward in the provision of recreational facilities, among such information is the support for the private providers to secure fund/capital to make easier the provision of the facilities, the management of the government owned recreational facilities be intensified to over-weigh the excessiveness of the operations of the private recreational to making profit, planning ahead to dealing with the incessant conversion of other land uses for recreational purposes, emphasis on bringing budget to reality that facilitates land compensation and obtaining sophisticated recreational

equipment equating to the contemporary statuses. and, to be a determinant and a force to relating to the government through the agencies the challenges from the perspective of the users and atmosphere for operation considering essential services that complement the provision of the recreational facilities.

3.4 Limitations of the study and suggestions for further research

This section focuses on the research limitations and suggestions for further studies. Even though the current study serves various insightful findings empirically, the study is without limitations. This, which future scholars can embrace for critical examination and to enhance further work.

First, this study only focused on the provision (distribution) of recreational facilities in the Greater Jos and conducted a face-to-face interview for seven informants and. Therefore, further studies should investigate critically each facility with their attendant facilities with regards to residents' demand assessment within the Greater Jos. Also, face-to-face interviews could be conducted in future research regarding more of the private operators (enterprises) that may convincingly and willingly to be interviewed for result so that the operations of the private providers views with regards to their contributions and challenges (funding facility) can be understood flawlessly. Furthermore, there are other issues in the context of provision that should be investigated but not covered by this study, for example, the identification of the potential recreational centres, the natural and historic sites available across the Greater Jos, and hence the need for future research to investigate the management of the MDAs of the state and federal by comparing their responsibilities in CSR in the Greater Jos and also the modification to critically examine the study with focus on the demand for further empirical analysis for validation purpose CSR.

4. Conclusion

Therefore, this study will be of benefit for the government and other private providers to consider as a current document for use to correcting the inadequacies of the practice and non-adherence to the policies with regards to the provision of recreational facilities in the Greater Jos. The synergy between the two would help immensely in reformulation of policy and strategy and, charting the way forward as a checkmate to the effective provision of the recreational facilities as CSR.

Acknowledgements

The authors would like to extend their appreciation to the Ministry of Higher Education Malaysia for their Fundamental Research Grant Scheme [Grant No. FRGS/1/2018/SS06/USM/01/1], without which this study and paper would not have been possible.

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Chapter 14

CSR and Female Directors: A Review and Future Research Agenda

Pattarake Sarajoti, Pattanaporn Chatjuthamard, Suwongrat Papangkorn and Sirimon Treepongkaruna

Abstract

Society's expectations for business are higher than ever. Younger generations believe that organizations that are environmentally and socially conscious are better places to work and the vast majority believe that they will be more loyal to companies that share their values. The responsibilities placed on leaders grow in tandem with the need for social accountability. Gender diversity on corporate boards has been identified as one of the most important drivers of sustainability as well as corporate social responsibility (CSR). Nevertheless, there are the mixed empirical evidences to back up this claim. To fill this void, the purpose of this chapter is to provide readers with a brief overview of theories and empirical evidence supporting the relationship between female directors and CSR. Besides, the chapter attempts to gather the main conceptual contributions on the situation and evolution of the relationship, providing insights regarding future studies.

Keywords: diversity, gender, corporate governance, corporate boards, board composition, CSR, sustainability

1. Introduction

Now more than ever, society's expectations for business are rising. According to McKinsey [1], nine out of ten Generation Z customers agree that businesses have a duty to solve environmental and social challenges. Younger people believe that organizations that are ecologically and socially conscious are better places to work, and the great majority believe that they would be more loyal to companies that share their values. As the need for social accountability grows, so do the responsibilities placed on leaders.

What is interesting, although not surprising, is that certain characteristics of leaders strengthen the company's corporate social responsibility (CSR). Board gender diversity has been recognized as one of the most important drivers for environmental sustainability and it has attracted the attention of both researchers and policymakers. For instance, in 2004, Norway was the first nation to adopt a quota for female director, while other nations, such as Germany, France, Belgium, Iceland, and Italy

followed suit and adopted mandatory female quota. Further, the United Nations (UN)'s fifth Goal of Sustainability Development states that "Achieve gender equality and empower all women and girls".

Prior researchers claim that female directors are not the same as male executives when it comes to leadership [2]. Females are more collaborative and promote participatory decision making [3]. They were often regarded as using the approach to persuade followers to shift from self-interest to collective interest via shared concern for major objectives. Furthermore, female executives value universalism and kindness more than male executives, and less self-enhancement ideals like accomplishment and power [4]. Thus, gender diversity board is more likely to seek long-term strategy and is stakeholder-focused, which are critical to sustainability and successful CSR practices, and this probably is a reason why shareholders, legislators, and regulators possess a common interest in increasing gender diversity in the boardroom.

Despite the fact that both researchers and the general public have paid close attention to CSR and gender, the evidence in favor of female leaders leading to higher CSR remains mixed (for review paper see [5]). Several studies have indicated that female directors have a good impact on company sustainability and social responsibility, play an important role in ethically managing the firm's sustainable operations, and support the adoption of ethical standards (for e.g. see [6–8]). While some scholars argue that female directors have no influence on sustainability [9, 10] or lowers involvement in sustainable development projects [11]. Hence, there is a need to understand this relationship and probe the likely factors and theory behind these inconsistent results. In this chapter, we focus on the role of female leaders, particularly female directors, on CSR and sustainability of the company. We argue that CSR is essential to today's business and there are several theories to explain the reason behind this relationship. Nevertheless, theories are related and there are no sole to explain the relationship. Most of the theories based on the notion that women have greater moral and community attitudes than men. Furthermore, some determinants were not taken into account in previous research, resulting in inconsistency findings. In order to fill this void, we reviewed literature in both financial theories and social psychology theories, mapping their relevance to the relationship between CSR and female leaders. We noted, based on major theoretical perspectives that female directors lead to higher CSR performance and CSD. Future study in this topic is required to provide a greater understanding of the relationship especially under various economic conditions and multi-country studies to supplement the existing literatures.

We provide a brief review of the literature on CSR and gender diversity boards in the sections that follow, as well as why these two topics are important. The review will then move on to the theoretical perspectives that could be used to explain the relationship. Section 5 discusses the missing determinant that could explain the inconsistency in the impact of female directors on CSR. Following this, the chapter discusses the direction for future research. Lastly, we end with the conclusion remarks.

2. Corporate social responsibility

A heated debate has erupted among academics, consultants, and corporate executives, yielding numerous definitions of a more humane, ethical, and transparent way of doing business. In addition, customers and workers are increasingly demanding that the organizations they support make a major good influence on the world around them. Unsurprisingly, CSR quickly becomes a key component of a company's

standard operating procedure, with nearly 90% of S&P 500 companies publishing an annual sustainability report as a part of their CSR strategies.

The United Nations Industrial Development Organization defines CSR as a business management concept whereby companies integrate social and environmental concerns in their operations and interactions with their stakeholders. CSR is commonly seen as a technique for a corporation to achieve a balance between economic, social, and environmental factors while meeting the expectations of various stakeholders. It is a form of self-regulation that reflects companies' accountability and commitment in contributing to the well-being of communities and society through various social, environmental, and corporate governance measures. Local governments and some non-governmental organizations (NGOs) believe that public-private partnerships can revitalize neighborhoods. Various management disciplines, such as quality management, marketing, communication, finance, HRM, and reporting, have also recognized the value of CSR. Examples of CSR initiatives can range from donation efforts and involvement in the local community to diversity, inclusion, and transparency. While, CSD is aimed for both internal and external stakeholders who are informed about the company's economic, environmental, and social actions [8].

Though CSR activities could incur as company's expense, it could be a route for improving companies' reputation, risk management, cost savings, access to financing, valuable resource, human resource management, and innovation capability (for review paper see [12–14]). Firms may also gain the long-term trust of employees, consumers, and society by recognizing social responsibility, which is the foundation for sustainable business strategies. Furthermore, in developed countries, CSR activities are regarded as a duty that companies are compelled to carry out in order to gain the confidence of capital markets and be included in a sustainable market index, such as the Dow Jones Sustainability (DJS) Index, the FTSE4 Good Index, or the Morgan Stanley Capital International ESG indices. At the same time, some companies choose to go beyond the legal requirements and proactively addressing CSR in their business models.

CSR practices and CSD not only contribute toward sustainability development but also help firms gain trust of stakeholders, including investors and community. More importantly, it increases stakeholder awareness of the company's CSR operations and demonstrates their commitment to CSR. Previous research has demonstrated that firms may earn legitimacy by sharing verifiable social and environmental information [15], which they can then utilize as a strategy to adapt to social expectations [16]. Furthermore, CSD may provide positive signals to stakeholders that the activities of firms are appropriate and desirable [17].

From above, it is clear that benefits of CSR may not only satisfy their social and environmental commitments, but also get advantages for themselves. Furthermore, organizations may recognize their social and environmental influence on society by making decisions and initiating activities that embrace such a larger responsibility. Nevertheless, the advantages of CSR are not immediately quantified in dollars and are not always seen in the short term. As a result, it is doubtful that CSR concerns will be given a significant priority at the management level.

3. Gender diversity

Nowadays, many firms try to nominate more women to their boards of directors in the pursuit of gender diversity, but there's more to the story, and investors should be

aware that although more women on boards signifies progress, it is also crucial to see more women in managerial roles.

Previous studies have shown that the presence of female director improves decision-making process, since it requires keeping multiple points of view and perspectives in mind, as well as assessing potential outcomes [18]. The diversity of the board can also enhance the board independence, consequently increased board diversity could lead to a better board monitoring function [19]. Furthermore, the recent finding suggests that firm with female directors could reduce male CEO overconfidence, especially in industries with high overconfidence prevalence [20].

Female directors tend to take into account the needs of a wide range of stakeholders [21]. This allows companies to attract a wider range of prospective customers and better penetrate various markets [22]. At the same time, female leaders are more likely to be participative, democratic, and communal in their leadership style, as well as more environmentally conscious. As a result, female directors are also often associated with improved corporate sustainability disclosure (CSD) [8] and CSR performance of companies (for e.g. see [6, 7]). Likewise, researchers found that greater gender diversity on a board of directors can lead to more transparent information disclosure [23], and higher reported earnings [24]. The presence of female director on board also gives a positive signal to stakeholders that the company cares about the societal diversity in their governance (for e.g. see [18, 25, 26]).

The literature also recognizes there are gender psychological differences in this professional setting. Female leaders are more likely to be risk-averse, have complicated moral reasoning abilities, empathy, compassion, kindness, and interpersonal sensitivity. Males are more ambitious, aggressive, autonomous, self-confident, adventurous, and competitive than females [27–29]. When it comes to leadership, female directors are also not the same as male leaders [2]. The presence of more female directors could stimulate more collaborative and participative communication among its members [4], which in turn promote participatory decision making [3].

The presence of women has an impact on financial performance as well. New ideas and views can evolve into new strategies, products, and services that increase the firm's revenue and profit. For all of these reasons, several studies demonstrated a positive effect of gender diversity on business financial success (for a meta-analysis, see [2]).

Adams and Ferreira [19], on the other hand, argue that this relationship occurs exclusively in organizations with inferior corporate governance (as proxied by stronger takeover defenses). Besides, there is also evidence of a non-linear relationship between the number of female directors and financial performance; the presence of one or two "token" women on a board is associated with poorer firm performance, whereas the presence of three or more women (reaching a critical mass) is associated with improved firm outcome (for e.g. see [7, 21, 30]).

On the other side, gender diverse boards may result in greater decision-making costs in boards, as well as an increase in the possibility of disputes and board functions [19]. The diverse boards could suffer more conflicts of interests and slower decision making. Furthermore, some researchers have suggested that diversity might have a detrimental impact if employees do not value/believe in their varied work groups [31].

Overall, there seems to be some evidence to indicate that the presence of female directors could enhance firm corporate governance and participatory decision making, which turn into favorable firm outcomes such as financial performance. This could also imply that, in order to boost economic development and growth, equal

participation of men and women in the labor force is supposed to ensure full utilization of available national resources. Nonetheless, in reality, males continue to dominate the majority of leadership positions across the world, and change is required.

4. How women can drive meaningful CSR

Going back to the women's liberation movement in the late 1960s and early 1970s, some CSR had already strayed into gender issues. Companies are increasingly addressing the issue of gender equality and incorporating it into their CSR programs. Gender inclusion in CSR can play a dynamic role in achieving gender equality in the workplace through activities, initiatives, strategies, and policies that provide female employees with equal access to job opportunities and equal treatment in the workplace. Likewise, gender equality is playing an increasingly important role at the firm level as a key factor in strengthening CSR strategies. Simultaneously, the involvement of women in leadership positions enhances CSR activity [4, 7]. From these evidences, it would seem that there is a link between the gender equality and CSR. As CSR performance are seen to be the consequence of board choices, a board's characteristics and attributes can be crucial in achieving better CSR results. Thus, it is vital to comprehend the theories and empirical evidences behind the impact of female directors and CSR.

Literatures have offered various reasons to support the notion that board gender diversity enhances the CSR. One of the most frequently used theories to explain the relationship between diversity boards and CSR is agency theory. It is predicated on the notion that there is a separation of ownership and control, which results in expenses associated with resolving conflicts of interest between a principal (i.e. shareholders) and an agent (i.e. a manager). To migrate agency costs, the firm incorporates a range of corporate governance mechanisms, including law, incentives, shareholder rights, and monitoring [32]. And the board of directors is recognized as one of the most important aspects for monitoring managerial behavior and mitigating the firm's agency problems. They are usually elected or appointed by shareholders and represent the company's shareholders. The board is responsible for making important strategic decisions, providing leadership, monitoring and supervising top management on behalf of shareholders.

In agency theory literatures, researchers often try to emphasize on the link between board composition and firm value, investment and firm's decisions. In recent years, researchers have increasingly focused their research on gender diversity. Based on social psychology theory, people often seek out people who have similar backgrounds, perspectives, and values, which are then reinforced in intragroup communication. The more we identify with our in-group, the more distant we feel from members of the out-group. Furthermore, when we strongly identify as an in-group member, we tend to elevate other members of the group. This phenomenon is commonly referred to as in-group favoritism or in-group bias, and it can be described as a privilege issue in which members are favored, while people in out-groups are discriminated against due to characteristics that they cannot change [33]. Sexual orientation, gender, ethnicity, race, religion, physical abilities, and age are examples of these characteristics. According to this viewpoint, researchers who believe in agency theory frequently assume male directors regard female directors as out-group members and may have a negative social bias regarding their appointment to board committee [34]. To put it another way, female directors are breaking away from the "old boys club"

and presenting a more independent point of view [2, 19]. This could also imply that firms with a high proportion of female directors have less conflict of interest between shareholders and managers, and the board is more likely to make decisions that benefit the firm in the long run.

Other researchers employ stereotypes concept to explain why different genders of directors behave and make decision differently. Stereotyping is a cognitive process in which a characteristic is associated with a group [35]. It is not an abnormality in human social behaviors and values because it is simply human nature to form opinions about other people and their actions based on our understanding and expectations of ourselves. For instance, the literature on gender stereotype often associated female with complex moral reasoning ability, risk-averse, empathy, caring, kindness, and interpersonal sensitivity. Men, on the other hand, are said to have attribute with agentic qualities such as assertive, ambitious, aggressive, independent, self-confidence, daring and competitive [27–29, 36]. In this regard, men and women differ both psychologically and cognitively. Thus, female directors may result in a greater level of compassion and sensitivity to CSR and stakeholder concerns.

In short, if CSR generates long-term value for stakeholders without endangering people, the environment or the economy, and female directors have the potential to reduce agency costs, firms with a high level of gender diversity may be more likely to improve CSD and CSR performance for the long-term benefit of all stakeholders [37].

Even though several researchers have used agency theory to explain the relationship between the gender diversity board and CSR, the theory appears to fall short of covering all aspects of this relationship. As previously stated, the agency cost theory employs social psychology concepts such as in-group bias and stereotype concept to support the logic underlying the possible positive relationship between female director and CSR. Likewise, Spitzeck [38] contends that the fact that companies are increasingly using CSR committees does not explain why they do so or how CSR governance structures might evolve, implying that the agency theory cannot fully explain the link between CSR and female directors. Similarly, Hussain [39] argued that no single theory fully accounts for all the hypothesized relationships.

Another important theory related to the arguments in favor of board gender diversity is the stakeholder theory. Though both agency and stakeholder theories advocate for the alignment of shareholder, stakeholder, and management interests, it is important to recognize that there are significant differences between the two theories. Unlike agency theory, stakeholder theory describes the composition of organizations as a group of different individual groups with diverse interests. These interests, when taken together, are a representation of the will of the firm. Business choices should take into account the interests of these collective groupings and also balance a multiplicity of stakeholders' interests that can affect or are affected by the achievement of an organization's objectives. Any disagreement between these groups reflects the loss of these interests. Therefore, the stakeholder engagement is crucially important for firms to justify the legitimacy of their operations [40]. Organizational legitimacy does not only ensure the inflow of capital, labor, and customers necessary for the company's viability but also could reduce the likelihood of other disruptive actions [41].

Companies usually attempt to gain legitimacy by disclosing social and environmental verifiable data and information [15] and CSD is a strategy that businesses can use to respond to societal expectations [16] and gain legitimacy of the company's activities in the eyes of stakeholders, who have a diverse expectation. It also signals to stakeholders that companies' actions are appropriate and desirable [17]. In other words, CSD is part of the dialog between the company and its stakeholders as it

provides information to stakeholders on the social and environmental impacts of corporate activities.

In recent year, CSR has become one of the major concerns for many companies and their managers. Gender equality and human rights are also two of the EU's founding values and the United Nations' guiding principles. Also, the corporate world's efforts to re-premiumize have compelled many European countries to implement gender quotas on corporate boards. Consequently, CSR has become the center of interest for both internal and external stakeholders. Unsurprisingly, many firms would choose to reveal social and environmental verified facts and information in order to balance the interests of a variety of stakeholders.

According to stakeholder theory, female directors are more likely to assist the business in developing an orientation toward the interests of diverse stakeholders [42]. Female directors are more likely to oriented toward philanthropic causes and typically have experience in nonprofit industries, firm with greater gender diversity have been shown to give more to community service organizations and programs [43]. In a similar vein, female directors are more likely to enhance stakeholder management by providing firms with relevant knowledge to enhance their ability manage these interests [44]. For instance, examining a sample of FTSE 350 firms, Jizi [8] shows that female board representation has a positive impact on CSR engagement and reporting as well as on the development of ethical policies. Rather than fulfilling the traditional monitoring function to resolving conflicts of interest between management and shareholders, female directors are more likely to exercise their power in ways that benefit a broader variety of stakeholder interests.

Another strand of research has used upper echelon theory-UET [45, 46] to explain the relation between female directors and CSR. According to the upper echelon theory-UET [45, 46], each decision maker brings a cognitive base and values to a decision, creating a screen between the situation and his/her eventual perception of it [46]. Thus, the more these values are shared by top management, the more likely that the directors to have effective and efficient information-sharing, joint decision making, and collaboration in order to formulate and implement good strategies and other decisions, including those for developing effective firms' environmental policy [47]. As mentioned earlier, female directors are said to possess a different set of psychological values and perceptions compared to their male counterparts. Female leaders are more likely to have a participative, democratic, and communal leadership style and more concerned about the environment. Accordingly, female directors may help boosting the firm's value in terms of environmental protection.

Likewise, a gender difference perspective can be deeply embedded in gender socialization theory, which states that socialization encourages and rewards different behaviors in men and women: individualistic and competitive behaviors in men versus cooperative and altruistic behaviors in women (for e.g. see [48, 49]). These diverse public roles and expectations give rise to career paths and leadership styles that differ depending on the gender of the leaders. As a result, women in leadership roles tend to take more participative and relationship development approaches, and they are more likely to pursue long-term strategies and stakeholder focused outcomes, which are critical to successful CSR practices [50, 51].

Given the theoretical justifications provided above, it is evident that female directors play an essential role in implementing CSR into a company's strategic objective. Nevertheless, no single theory fully explains for all the relationships. Indeed, the majority of ideas in favor of female directors are predicated on the premise of psychology idea that female directors have higher moral and communal attitudes than male

directors. As a result, female directors are more concerned with CSR and are more likely to launch CSR initiatives. However, facts might not always imply truth. The board decision is much more about individual traits. For instance, in recent qualitative study has revealed that, while female directors are highly impacted by their psychological perceptions that are aligned with CSR, a number of hurdles have been discovered for female directors to properly participate [52]. It is also argued that female executives must act like men in order to succeed. Female directors, in contrast to the female stereotype for the population, are more risk-taking than their male counterparts [4]. Furthermore, the preceding theories do not include the environmental context, which could be the important determinant of the relationship. For instance, in some countries, a female director's ability to influence on corporate strategy may be limited due to stereotyping challenges and culture. In short, the benefit of female director is prevalence in some extend, nonetheless the future investigations still needed.

In this stance, as part of corporate strategy, the board of directors play preliminary role in determining the socially responsible behavior of an organization [5, 53, 54], being relevant to this role of the fulfillment of social and environmental conscientiousness [55, 56].

5. Not all female directors are the same

A large and growing body of literature has investigated on the relationship between female director and CSR. However, the results are mixed (for review paper see [5]). Some studies argue that higher representation of female directors is associated with stronger CSR (for e.g. see [6, 7]), while others do not support such a relationship [10]. A possible reason for the mixed findings is that female directors may differ in personal experiences and backgrounds (e.g. political connection), and consequently exert differential impacts on CSR. Aside from that, companies' attitudes toward social and environmental concerns are multidimensional and impacted by a variety of other company and country-specific factors. Thus, in the following section, we shall analyze the link between a female director and CSR in several contexts.

5.1 Masculine V.S. feminist countries

In Saudi Arabia and Vatican City, women cannot vote, while in Yemen a woman is considered only half a witness and cannot leave her house without her husband's permission. Women encounter different types of prejudice depending on where they live. According to the World Economic Forum in 2018, there are no laws against sexual harassment in school in 123 nations, and there are no laws prohibiting it in the workplace in 59 countries. Husbands have the legal power to forbid their wives from working in 18 nations, while women are barred from starting a firm in four nations. Thus, certain cultures have stronger gender roles than others, which affects general and organizational behavior in that community [57]. Furthermore, countries that prioritize feminine traits prioritize gender equality, encourage sympathy for the weak, and elect women to multiple leadership positions. Culture can create stereotypes of roles associated with gender that can affect female's access to board [58]. To that end, if a woman currently leads a country that embodies feminine cultural norms, then by definition there is society wide support for policies that would benefit the public good. In turn, the woman leader should have more flexibility in the policies she can enact. So, one may believe that regional effect could be a possible explanation

for the heterogeneity relationship between female participation on boards and CSR. Consistence with this notion, Seckin-Halac et al. [59] suggested that the impact of the board gender diversity on CSR is more prevalent in high gender-egalitarian societies where women are more involved in decision making. Likewise, in a study of 463 firms from 23 countries, Ringov and Zollo [60] suggested that companies based in more masculine countries, exhibit lower levels of social and environmental performance. Similarly, the recent research by Tapver [61] argues that a country's masculinity-femininity is a variable that determines the association between CSD and female representation, which has previously been overlooked in CSR reporting literature. Shoham et al. [57], on the other hand, empirically examined data from 71 nations and observed that the presence of even one female director on the board positively encourage firms to become much more proactive in environmental sustainability, regardless of the local culture. This result highlights how individual women in powerful positions can make an organization-wide difference.

5.2 Female V.S. male-dominated industries

When women started to work in factories during WWII, they dispelled the idea that they could not perform the same labor as men. Despite a trend toward more equality, several nations continue to exclude women from specific industries. Manufacturing, agriculture, transportation, mining, construction, energy, and water are all examples of this. Some restrictions on when women are permitted to work are based on general safety concerns, while others are based on outdated legislation. Nevertheless, women are less likely to take positions of leadership in industries where their ability to act autonomously is limited. In another word, industry could be another important determinant in explaining the heterogeneity relationship between female boards and CSR. Indeed, there have been studies that showed support for the effects of contextual factors, such as industries, and relationship between gender diversity and CSR. For instance, Ciocirlan and Pettersson [62] show that companies employing more women and having a stronger European presence are more concerned about the climate change. This result suggested a possible moderating effect of contextual factor, such as certain industry characters under which firms are operating, on the relationship between gender diversity and climate change. In the same vein, Li et al. [47], using a sample of nonfinancial firms listed in the United States, found that the pollution creation likelihood (PCL) can have a significant effect on the relationship between gender diversity and firms' environmental policy. Specially, the positive impact of gender diversity on environmental concerns seems to be stronger when environmental pollution is greater. Even so, Kyaw et al. [37] discovered that while the effect of gender diversity boards on CSR scores is not heterogeneous across industries, it is highly heterogeneous across countries.

5.3 Family V.S. non-family business

Family businesses are those where the founders or family descendants are not only majority shareholders but also manage or sit on the board [63]. This gives them a great power over the company's management and its decisions, and close involvement in day-to-day activities, together with unlimited access to information, which allows them much closer control over management processes and employees than in the case of non-family businesses [63]. Thus, the family's intention regarding certain

corporate, social, or family issues will shape business behavior and, as a result, affect business outcome. Some scholars have argued that family businesses are more likely to engage in social activities proactively because doing so preserves and enhances their nonfinancial preferences and socioemotional wealth (SEW) [64]. In another word, family managers and board members are usually more averse to the loss of SEW than to financial loss, an outlook that can significantly affect the strategic decisions taken by the firm (for meta-analysis see [65]). Consequently, directors from family businesses may be more committed to CSR and/or long-term sustainable projects, as these mechanisms are believed to facilitate the company's subsequent transfer to future generations. Furthermore, these policy decisions improve the company's image and reputation, which is an important aspect given the company is viewed as an extension and a mirror image of the family, and therefore as reflecting the fundamental values of the family members [66].

For female directors to have a real impact on a company's decision making, they need to be perceived as equal, legitimate board members [67]. For example, in a family firm, women are believed to have immaterial qualities that facilitate family relationships and thus a more informal management style. So, in family business setting, it is reasonable to assume that these qualities will enhance role played by female directors. This notion is support by García-Sánchez et al. [68], who showed that the presence of women on the boards of family businesses encourages the adoption of CSR practices in the Latin American environment. Similarly, Cruz et al. [69] argued that positive relation between firm's corporate social performance and the presence of women on family firm boards is primarily due to the presence of outsider nonfamily and insider family women directors.

While, some may argue that CSD and the strength of internal corporate governance, particularly the gender diversity board, are substitutes. Family businesses are less prone to information asymmetry [63], which leads to less opportunistic behavior [70]. As a result, control mechanisms such as voluntary information disclosure, such as CSR information, may not be necessary. Furthermore, female directors in family businesses are more likely to be affiliated to the management through family ties rather than their professional experience and knowledge, and therefore their independence is constrained [71]. Additionally, it has been reported that female directors who work in family businesses receive less consideration than their male relatives and that their work is usually underestimated [72]. Consistent with this logic, Rodríguez-Ariza et al. [73] argue that the role of female directors in promoting CSR practices could vary according to the nature of company ownership. Specifically, they suggest that female directors tend to act in accordance with family interests, putting aside their own skills, opinions, and ideas and strengthening or weakening their social responsibility orientation in accordance with the wishes of the family.

Similarly, prior research suggests that the impact of female directors on CSR may differ depending on ownership structure. Because concentrated ownership is an effective monitoring mechanism in and of itself, the need for transparency through high-quality auditing and assurance engagement is less of an issue in such firms. Buertey's [74] empirical evidence backs up this claim. They discovered that concentrated ownership has a significant moderating effect on the relationship between board gender diversity and CSR assurance. Likewise, firms with a high level of state ownership constitutes a strong pressure on corporate executives to implement CSR, which weakens the power of female directors' personal ideologies and preferences over CSR [75].

5.4 Qualification of female directors

Prior literature often assume that female directors are more socially oriented than their male counterparts, thereby turning the boardroom to be more socially oriented [44]. Wang et al. [75] argued that female directors may differ in social orientation due to their past experience and that political connection is an important personal factor that shapes an individual's social orientation. Government exists to promote social welfare and stability. This ideology is likely to permeate an individual's values, making a politically connected person highly socially oriented. Therefore, they argued that the impact of politically connected female directors on CSR should further differ across situations. Specifically, they found the politically connected female directors are more socially oriented than politically disconnected female directors and consequently have a stronger positive effect on CSR.

Similarly, some researchers focus on characteristics of directors. For instance, del Mar Alonso-Almeida et al. [76] examined the differences in attitudes toward the various dimensions of CSR, with a focus on the perspectives of women in top management positions in Spain. Although they were unable to find a link between professional background and CSR, they did discover a link between women's educational level and CSR awareness. Whereas some may argue that personalities, abilities, network, and business expertise can influence women's views about CSR. Ramon-Llorens [77] classified female directors into three main categories namely, industry experts, advisors, and community leaders, and found that companies characterized by female directors with technical expertise are effective at pursuing CSD strategies. Whereas, female directors with political and social connections reduce CSR transparency. These findings underline the fact that gender diversity could have a two-sided character, with diverse behavior among female directors based on their expertise and backgrounds.

5.5 Critical mass

When women attained 20% of the Senate vote, they went after the Pentagon to modify the military's sexual-assault procedure. When they reached 25% of Hollywood producers, they were able to bring down Harvey Weinstein and his casting-couch culture. When they reached one-third of the White House press corps, Fox News' Roger Ailes, NPR's Michael Oreskes, and other chronic harassers in the media were called out. Things start to alter somewhere around that range, when women make up 20–30% of a given institution. According to critical mass theory based on Kanter [78]'s work, only when a company's board of directors reaches a critical mass or threshold, women will be able to provide unique perspectives, ability, and skills and hence positively influence group culture and performance. Some of empirical results also show that an absolute number of at least three female directors participate on board is necessary before significant power can be exercised over board activities and significantly affect the dynamics and processes inside the board [21, 30]. Besides, unless a critical mass of at least three women is present on a board, female presence on boards appears to have little impact on governance performance [30]. Along the same line, Post et al., [7] demonstrated that boards with three or more female directors demonstrate more firm environmental corporate social responsibility (ECSR), as measured by Kinder, Lydenberg, Domini (KLD) ratings in the environmental strength's areas, because individuals in the associated groups have more information about and favorable attitudes toward environmental issues than male directors. Likewise, Liu [79] discovered that female CEOs are related with lower

environmental lawsuits only in enterprises with low female board participation; in firms run by male CEOs, a larger association between the number of female directors and lower litigation frequency is detected. Using both qualitative and quantitative data on multination dataset, Shoham et al. [57] observed that when the board has at least three women directors, the probability that the organization reports its attitudes and behavior regarding environmental sustainability is about two times higher than an organization with fewer than three women on the board. In addition, there is evidence that the presence of a critical mass of female directors resulted in enhanced CSD by corporations in a sample of nonfinancial organizations listed in Spain [80].

Nonetheless, some say that variety is not only about the numbers but also about the relative power and prestige of social groupings that extends to their members [81]. For instance, Board A, with four female and six male directors, and Board B, with four male and six female directors, are regarded identical, as indicated by an index of dissimilarity. However, because female and male directors have differing access to firm information, as a result, Boards A and B are most likely extremely distinct and will make very different judgments. Hence, though the critical mass may be important for female directors to have influence on the board, the relative and prestige of female directors' influence on the board is also important.

6. Future research

There is clearly a pressing need for research that could help to explain the inconsistent findings observed across previous studies of the relationship between female directors and CSR, especially under various economic conditions and multi-country studies to supplement the existing literatures.

People seek to find any positive narrative to latch onto during times of crisis in order to offer some feeling of normalcy to their odd reality. As COVID-19 has grown internationally, we have been able to compare how various leaders have handled the problem—and their actions appear to be a solid link in how things have turned out for those nations run by women at the moment. Various media, such as the New York Times, Forbes, Vox, the Harvard Business Review, Stanford Medicine, and NBC News, published articles supporting this narrative, suggesting that countries led by women have fared better than those led by men in pandemic management. For instance, San Francisco's mayor London Breed, the first black women to ever hold that office, took action days before governor of California and the mayor of Los Angles (both men). Similarly, New Zealand's Prime Minister Jacinda Ardern has been praised for prompt in implementing restrictive measures early on, resulting in limited contagion and a much shorter lockdown than neighboring countries. A recent release article also suggest female-led governments were more effective and rapid at flattening the epidemic's curve, with peaks in daily deaths roughly six times lower than in countries ruled by men. However, one may argue this narrative is based on sample section bias. Therefore, this could be a good opportunity for researchers to investigate the impact of COVID on the relationship between gender equality and sustainability, particularly CSR. For instance, how do gender equality friendly policy affect firm's CSR during COVID? In addition, the researcher may explore the association between female directors' qualities, such as education, social network, and political connections, and CSR before and after the pandemic.

Gender, on the other hand, is much more than biological differences between men and women. It refers to men's and women's socially created features, such as

standards, attitudes, and roles that society believes appropriate for men and women. It varies from society to society and may be change overtime. Thus, it would be interesting to invest more on how gender rather than sex (i.e. male or female) impact the CSR decision.

Despite the fact that the majority of prior literatures employed quantitative methods, more rigorous qualitative investigations might be an alternate technique to acquire a deeper understanding of the relationship. Furthermore, the qualitative method may validate the female-CSR literature's fundamental assumption that female directors have greater moral and communal attitudes than male directors.

Lastly, a previous research has theorized about the impact of female director on CSR, mostly based on a literature on gender variations in moral and community attitudes. Yet, it is also possible that other variation such as reputation and network could play a moderate role in the effects of female directors on CSR.

7. Conclusion

The recent crisis highlighted not just the inherent issues with quick-return investments, but also underscored the importance of a long-term investment perspective. Growing business pressure, along with corporations' desire to do better in terms of ethical and CSR, has propelled the topic to the top of board agendas.

Prior research suggests the presence of gender-inclusive leadership is associated with higher levels of charitable giving and increased CSR, as well as growth in other aspects of CSR, such as environmental CSR. Female leaders are more likely to be participatory, democratic, and communal in their leadership style, as well as more concerned about the environment. As a result, female directors may contribute to the firm's value in terms of environmental protection. Simultaneously, board gender diversity sends a favorable signal to stakeholders that the firm values social diversity in its governance (for e.g. see [18, 25, 26]). In addition, board diversity is likely to improve stakeholder management by influencing organizational goals, emphasizing the interests of a diverse range of stakeholders and providing organizations with appropriate expertise to help them manage these interests [44]. In short, the presence of female director enhances CSR.

Nevertheless, some researchers do not support such a relationship [10]. A potential explanation for this inconsistent viewpoint is that not all female directors produce a homogeneous effect among the CSR dimensions. Female directors' influence on CSR may also be affected by culture [59, 60], industries [47, 62], ownership structure [68, 69, 73] and director's specific characters [75, 76]. Lastly, some researchers also suggest that at least three female directors must participate on board is necessary before sufficient authority may be exerted over board activities and significantly alter board dynamics and procedures [21, 30].

In short, the chapter emphasizes the importance of gender equality, particularly in positions of female leadership. Active participation and decision making by women in the business world is critical for firms' long-term success and CSR, which is the primary driver of sustainability. The hurdles to women's participation in leadership roles and board membership remain. The benefits of female directors are more prevalence when abilities, skills, and viewpoints of women are welcomed and valued in the boardroom. Nonetheless, while it is critical for corporations to increase gender equality by nominating more female directors, policymakers, and organizations must also consider the quality of potential female board members as well as the environmental context in which businesses operate.

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Chapter 15

Does Board Structure Matter in CSR Spending of Commercial Banks? Empirical Evidence from an Emerging Economy

Bishnu Kumar Adhikary and Ranjan Kumar Mitra

Abstract

This chapter examines the impact of board elements on CSR spending by private commercial banks in an emerging economy, considering Bangladesh as a case. In doing so, we collected necessary data from the annual reports of 30 commercial banks listed on the Dhaka Stock Exchange, covering the period 2007–2020. In addition, we reviewed the patterns of CSR spending by commercial banks to understand the CSR universe in Bangladesh. We adopted the OLS model with two-way clustering to measure the effects of board elements on CSR spending. Our results confirm that factors, such as independent directors and board size, have a significant and positive relationship with CSR expenditures, while board gender deters the same. Also, board meetings do not have any significant connection with CSR spending. For control variables, factors, such as firm size and leverage, tend to promote the CSR spending of commercial banks, while profitability has no such relationship. As for the sectoral distribution of CSR funds, we found that although the absolute amount of CSR expenditures by banks has increased substantially over the years, they are primarily limited to health, education, natural disasters, and humanitarian activities. These findings are expected to have significant policy implications.

Keywords: CSR expenditures, board structure, corporate social responsibility (CSR), commercial banks, Bangladesh

1. Introduction

Since the seminal study of Sheldon in 1923, the term "corporate social responsibility" (CSR) has received phenomenal interest from different scholars as a behavioral financial tool to align business interests with society's interests [1]. CSR can be viewed as an ecosystem that aims to enhance the welfare of a society by conducting ethical business practices. According to World Business Council for Sustainable Development (WBCSD), "CSR is the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the

workforce and their families as well as of the local community and society at large" [2]. CSR is neither a charity nor a one-stop process. It is dynamic, welfare-oriented, and largely context-specific. It is enunciated under the ambit of formal and informal institutions to fulfill social obligations and ensure legitimacy in doing business. As countries worldwide tend to differ regarding economic status, regulatory forbearance, and social sanctions, so does the paradigm of CSR. Thus, CSR remains an iconic area for research to accumulate knowledge.

For empirical works, scholars tend to identify ceteris paribus CSR's determinants and impacts from different perspectives, such as governance, management strategies, industrial nature, and regulatory and financial developments [3–5]. CSR activities in developing economies also vary from developed economies. While firms in developed economies tend to allocate a significant portion of CSR budgets to gender equality, work culture, ethical business practices, and reputation, developing economies are likely to view CSR as a philanthropic activity and rarely consider such social components of CSR in the policy [6]. Scholars also tend to offer confounding empirical results concerning the economic benefit of CSR activities across countries. For example, some studies reveal a positive and significant association between CSR disclosure and firm performance [7–9], whereas others accentuate the negative relationship between them [10, 11]. In addition, some studies highlight the positive link between CSR and governance elements, whereas others do not confirm it [12–14]. More importantly, Nobel laureate Paul Samuelson strongly advocates CSR activities as a testament to noneconomic success [15]. By contrast, another Nobel laureate Friedman raises a strong voice against using corporations' money for general social interest [16]. Thus, the importance of CSR on firm values and factors promoting CSR activities remains a highly debatable issue in academic literature.

Given the above, we study CSR activities by banks in an emerging economy, such as Bangladesh, and examine whether the board elements influence the CSR activities of the banking industry to add knowledge. We consider the banking industry because this sector plays a critical role in supplying finance and promoting economic growth in developing economies, such as Bangladesh. Moreover, the banking sector deserves special attention in CSR study because the long-term success of a bank depends on both transactional and relational capital that CSR activities can increase. Also, banks can influence other businesses to practice socially responsible behaviors by incorporating CSR tools in their lending models [17].

We consider Bangladesh as a case to study CSR activities for two reasons. First, Bangladesh has been one of the leading economies in South Asia in terms of GDP growth rates in the last decade (6% plus on average). While economic development is evident in Bangladesh, the country is subject to global warming. For example, despite producing only 0.56% of the global emissions, Bangladesh is considered one of the most environmentally vulnerable countries globally [18]. It is said that by 1950, nearly 18 million people will be displaced in Bangladesh because of the increase in sea level alone [19]. Furthermore, the climate change caused by global warming will create detrimental effects on health, energy, productivity, water supply, agriculture, forestry, and the ecosystem of the country. Recognizing such severe consequences of global warming, the government of Bangladesh considered CSR as an economic policy tool in 2008 to ensure corporate accountability on the one hand and build a sound ecosystem on the other. However, empirical research on CSR activities in Bangladesh is found to be scant thus far and mostly confined to CSR disclosures in the annual reports [5, 20–25]. Therefore, updated knowledge of CSR activities in Bangladesh is crucial to policy reforms. We fill this void.

Second, Bangladesh does not have a vivid capital market that can supply necessary funds to the entrepreneurial firms, implying that the lion's share of the funds is intermediated through commercial banks. Thus, commercial banks expect to play an essential role in increasing the qualitative development of Bangladesh beyond increasing the financial depth as they can deploy creditors' rights in monitoring the firm. In this pretext, the central bank of Bangladesh (Bangladesh Bank) issued the first guideline on CSR for the banks and nonbank financial institutions in 2008 to make them part of the ecosystem by giving tax rebates on CSR spending. Of late (January 10, 2022), Bangladesh Bank issued another circular on CSR, highlighting more spending on healthcare and environmental issues to ensure the use of the funds for sustainable development. In the meantime, some studies were undertaken to understand the CSR activities of the banking system of Bangladesh, but they were mainly limited to CSR disclosures and financial performance [5, 20–25]. Thus, little has been known so far on the governance and CSR nexus in the banking industry of Bangladesh.

Given the above, we seek to answer whether the board structure mater in CSR spending of the commercial banks in Bangladesh. As a supreme authority, the corporate board is responsible for and oversees management and governance activities, is entrusted with protecting shareholders' interests, and ratifies actions supportive of the economic and social values of the firm. The stakeholder theory suggests that the extent to which a firm can enhance stakeholders' welfare depends on the demographic and cognitive profiles of the board member [26, 27]. This, in turn, directs a firm to allocate resources to facilitate social welfare. That being said, the board composition is likely to deter or promote the CSR activities of a corporation. This is particularly true in countries, such as Bangladesh, where the banking system primarily caters to the country's financial needs. However, to our knowledge, few studies have checked the board structure and CSR nexus in the context of Bangladesh. Therefore, we empirically address this issue by hand-collecting data from the annual reports of 30 private commercial banks listed on the Dhaka Stock Exchange (DSE) in Bangladesh to update knowledge. Simultaneously, we review the CSR guidelines of the Bangladesh bank and unfold patterns of CSR spending to contribute to the policy-making.

We find that board elements, such as independent directors and board size have a significant and positive relationship with CSR expenditures, suggesting that banks with larger boards and boards with more independent directors tend to spend more money on CSR activities. This finding supports the stakeholder theory and aligns with the findings of previous studies [13, 26, 28]. By contrast, we reveal that female directors tend to deter CSR spending by banks, indicating that they are either free riders or not interested in the CSR activities of the banks. Regarding control variables, we reveal that factors, such as firm size and leverage, positively influence the CSR spending of commercial banks, while firms' profitably has no such connection. As regards the pattern of CSR spending by banks, we find that although the absolute amount of CSR spending by banks has increased substantially over the years, they are limited to certain sectors, such as health, education, humanitarian, and disaster sectors, with a heterogeneous trend.

The rest of the chapter is organized as follows: Section 2 provides an overview of CSR guidelines for the banking system of Bangladesh, while Section 3 discusses the sector-wise distribution of CSR spending by Banks. Section 4 reviews previous literature and formulates hypotheses. Section 5 discusses research methods. Section 6 provides regression results, and Section 7 concludes the chapter with some policy remarks.

2. Overview of CSR guidelines by Bangladesh Bank

As a controller of financial institutions, Bangladesh Bank issues CSR guidelines for all scheduled banks and nonbank financial institutions to ensure corporate accountability, ethical practice, and social justice. On June 01, 2008, Bangladesh Bank, for the first time, issued a circular on CSR reporting for all scheduled banks and nonbank financial institutions (NBFIS) to provide equitable and meaningful solutions to social and environmental issues. In this circular, Bangladesh bank asked commercial banks to include CSR at the corporate level (board of directors of the bank), select CSR action programs, fix performance targets in consultation with the internal and external stakeholders, and disclose CSR activities ad-hoc basis. The circular outlined four sections of CSR that include: (a) introduction, (b) source materials helpful in drawing up CSR programs and sustainability reports, (c) initiating CSR programs in banks and financial institutions, and (d) monitoring of CSR performance. Also, the circular was attached with "Annexure-A," where 14 related references were given to report CSR performance. Then on June 02, 2009, Bangladesh Bank issued another circular with reference to the previous circular to help massive Cyclone Ayla affected people in Bangladesh. Then, on July 15, 2010, Bangladesh Bank enclosed a format for monitoring the CSR adoption and performance for banks and asked them to submit a statement on CSR activities following the prescribed format on a half-yearly basis within 30 days of each half-year period. These guidelines are viewed as a milestone for CSR activities for the banks in Bangladesh. It outlined some critical issues, such as financial inclusion, social projects, community investment, and the number of beneficiaries for CSR reporting, and made the CSR report mandatory for banks. After this circular, Bangladesh Bank issued another circular on December 20, 2010, asking banks to establish a separate CSR desk in banks for proper communication. Then, on February 10, 2011, Bangladesh Bank provided policy guidelines for practicing green banking. Following this circular, banks were required to report initiatives under the green banking program to Bangladesh Bank quarterly. Also, banks were asked to disclose green banking activities in their annual reports and update their websites as well. In the following circular on December 01, 2011, Bangladesh Bank focused on gender equality in the workplace and provided a format to report gender equality-related performance. The green banking initiative and gender equality in the workplace is a breakthrough in promoting CSR activities in Bangladesh.

Another significant regulatory development related to CSR activities took place in April 2013 when Bangladesh Bank established a Green Banking and CSR Department (GBCSRD) to ensure proper monitoring of the CSR activities by banks. On April 11, 2013, the GBCSRD issued a circular to submit reports on school banking on a half-yearly, green banking quarterly, and other CSR activities, such as gender equality and educational support activities quarterly. On December 22, 2014, the GBCSRD issued another circular titled "Indicative guidelines for CSR expenditure allocation and end-use oversight" to cover administrative setup, budgetary allocation process, expected range/coverage of allocations, and end-use monitoring of CSR expenditures in CSR reporting. In the expected range/coverage section, banks were asked to allocate at least 30% of total spending to the education sector, 20% to preventive and curative health care supports, and a significant amount of funds for meeting any urgency, such as environmental disasters. One of the remarkable progresses in this circular was that banks were responsible for monitoring the proper utilization of CSR funds and keeping all end-use monitoring records available for inspection by internal and external auditors and supervision officials from Bangladesh Bank.

Afterward, on June 10, 2015, the GBCSRD issued a new format for CSR reporting under the "statement on corporate social responsibility initiatives." This format outlined three critical areas for CSR reporting: Corporate governance, policy issues, and CSR expenditures. The corporate governance section emphasized reporting the initiatives for institutionalizing the corporate governance framework to add value to the stakeholders, such as shareholders, customers, partners, and employees. Policy issues covered the transmission of information approved by the board regarding CSR, and the CSR expenditure section highlighted the areas of CSR spending, including (1) social projects, (2) community investment, and (3) priority sectors. Then, on June 23, 2015, GBCSRD advised banks to include "virtuousness and anticorruption publicity expense" as CSR activity and report it in the "others" section as per the previously enclosed format. Finally, on January 10, 2022, GBCSRD issued a new guideline for CSR spending focusing more on healthcare and environmental issues to uphold the country's sustainable growth. As per this circular, banks and NBFIs were advised to allocate a minimum of 30% of total CSR expenditure for health care, another 30% for education, and a minimum of 20% for tackling the adverse impact of global warming and climate change and urban migration.

As a whole, it is observed that since the year 2008, Bangladesh Bank has taken substantial measures to enhance the CSR activities of the commercial banks. In the initial phase, CSR was recognized as a philanthropic activity for banks to report ad hoc. However, after a couple of years, CSR was included in the lending model of the banks, and it became a policy instrument for sustainable growth. Also, Bangladesh bank institutionalized CSR activities by setting up a new CSR department (GBCSRD) and widening CSR activities in areas, such as health, education, sanitary, gender equality, environmental disasters, and green banking. Simultaneously, Bangladesh Bank made CSR reporting mandatory for commercial banks and made them responsible for monitoring the end-use of CSR expenditures while keeping all those records for internal and external audits. In addition, Bangladesh Bank decided to publish the CSR activities of banks on a half-yearly basis to ensure transparency and accountability. All these initiatives indeed enhanced the CSR activities of the commercial banks, as illustrated in Section 3 of this chapter.

3. Patterns of direct CSR expenditures by banks

Table 1 presents the sector-wise distribution of direct CSR expenditures by banks over the period 2007–2020. **Table 1** reveals that CSR spending by banks scaled up from Bangladesh Taka (BDT) 226.40 million in 2007 to BDT 5273.6 million in 2015, and then BDT 9675.5 million in 2020. Among different sectors, health, humanitarian and disaster sectors received primary importance in the initial phase of the CSR evolution in Bangladesh (2007–2010). However, at this phase, banks allocated maximum CSR funds to meet other purposes, such as buying books, scholarships for students, and boat races, as there was a lack of proper guidelines for reporting CSR spending. The education sector received considerable attention in receiving CSR in 2011, although the humanitarian and disaster relief sector dominated the CSR expenditures in the last couple of years. The education sector received BDT14.30 million (6.32%) in 2007, which increased to BDT 612.48 million (28%) in 2011, then nearly BDT3800 million (38%) in 2018. However, in 2020, the education sector captured 10.8% of the CSR spending by banks because the COVID-19 hurt the education sector severely. By contrast, the humanitarian and disaster relief sector captured 42% of the CSR

Sectors	Year													
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Education (%)	14.30 (6.32)	30.50 (7.43)	94.80 (17.1)	400.79 (17.2)	612.48 (28.0)	983.69 (32.3)	1295.2 (28.9)	1508.0 (29.5)	1583.6 (30.0)	1488.6 (30.0)	2028.3 (27.3)	3800.3 (42.0)	1766.3 (27.3)	1043.2 (10.8)
Health (%)	68.60 (30.3)	112.10 (27.3)	245.50 (44.3)	689.07 (29.6)	520.42 (23.8)	435.43 (14.3)	481.68 (10.8)	1383.7 (27.1)	1111.4 (21.1)	381.80 (7.69)	587.01 (7.89)	516.80 (5.71)	733.30 (11.3)	1748.0 (18.1)
Humanitarian and disaster relief (%)	127.70 (56.4)	58.60 (14.3)	125.10 (22.6)	460.40 (19.8)	188.03 (8.59)	788.37 (25.9)	1385.8 (31.0)	949.47 (18.6)	1446.2 (27.4)	1883.1 (37.9)	3293.3 (44.3)	3308.4 (36.6)	2427.9 (37.5)	4061.3 (42.0)
Sports (%)	2.70 (1.19)	49.80 (12.1)	1.20 (0.20)	265.23 (11.4)	359.07 (16.4)	183.85 (6.03)	384.02 (8.59)	207.37 (4.06)	—	—	—	—	—	—
Arts and culture (%)	—	0.80 (0.19)	0.30 (0.05)	328.91 (14.1)	171.52 (7.84)	213.31 (7.01)	124.75 (2.79)	407.11 (7.97)	414.00 (7.85)	206.50 (4.16)	358.90 (4.82)	450.00 (4.97)	280.00 (4.32)	893.00 (9.23)
Environment (%)	—	—	—	59.78 (2.57)	138.07 (6.31)	140.23 (4.60)	106.59 (2.38)	164.55 (3.22)	150.40 (2.85)	144.11 (2.90)	84.30 (1.13)	27.90 (0.31)	330.70 (5.10)	239.10 (2.47)
Infrastructure improvement (%)	—	—	—	—	—	—	—	—	40.30 (0.76)	15.10 (0.30)	13.60 (0.18)	15.50 (0.17)	13.70 (0.21)	88.80 (0.92)
Income generating activities (%)	—	—	—	—	—	—	—	—	79.20 (1.52)	261.50 (5.26)	3.60 (0.05)	9.50 (0.11)	1.20 (0.02)	0.50 (0.01)
Others (%)	13.10 (5.79)	158.90 (38.7)	86.90 (15.7)	125.58 (5.39)	198.73 (9.08)	301.81 (9.91)	693.41 (15.5)	485.24 (9.50)	448.50 (8.50)	616.80 (12.4)	1070.9 (14.4)	917.9 (10.2)	925.60 (14.3)	1601.6 (16.6)
Total in Mil. BDT (%)	**226.40 (100)**	**410.70 (100)**	**553.80 (100)**	**2329.8 (100)**	**2188.3 (100)**	**3046.7 (100)**	**4471.5 (100)**	**5105.5 (100)**	**5273.6 (100)**	**4967.5 (100)**	**7439.9 (100)**	**9046.3 (100)**	**6478.7 (100)**	**9675.5 (100)**

Note: CSR reports of the Bangladesh Bank, different issues (2007–2020).

Table 1.
Sectoral distribution of direct CSR expenditure by banks (2007–2020).

expenditures in 2020 from 8.51% in 2011. The health sector appeared to be the third most crucial sector in capturing CSR expenditures in recent times, receiving 18.1% of CSR expenditures in 2020. The environment sector has been given priority since 2010. However, it bagged nearly 3.07% of the total allocated amount over the period (2010–2020), implying that bank officials were less concerned about the adverse effects of global warming. Notably, the two new sectors, infrastructure improvement and income-generating activities, were included in 2015 as a part of CSR spending, leaving sports as a minor priority sector. In addition, the arts and cultural sector received 9.23% in 2020, while the same was 4.16% in 2016 and 14.12% in 2010.

On the whole, we find that Bangladesh has a much narrower understanding of CSR activities because the allocated amount to CSR activities is still meager, although it has increased over the years with some exceptions. Also, CSR spending by banks on different sectors tends to follow a zigzag trend and is mainly limited to health, education, and contribution to natural disasters and humanitarian activities. These are partly due to regulators' frequent changes in CSR policies and reporting formats. It is worth noting that until the year 2014, Bangladesh Bank compiled the CSR expenditure by banks under seven different sectors, including (1) education, (2) heath, (3) humanitarian and disaster relief, (4) sports, (5) arts and culture (6) environment, and (7) others. However, in 2015, Bangladesh Bank included two other sectors, such as infrastructure improvement and income-generating activities, and made some changes to the items in the previously prescribed sectors for reporting CSR activities. For example, the sports and arts and culture sectors were advised to register under the cultural welfare sector. In addition, Bangladesh Bank guided banks to allocate CSR funds to impoverished areas, such as virtuousness and anticorruption publicity, and advised banks to report them in the others section. The changes in CSR policies resulted in banks' uneven allocation of CSR budgets to different sectors. Apart from this, some sectors, such as education, health, environment, and disaster relief, have been the priority sectors for the CSR spending by banks in Bangladesh.

4. Theories, empirics, and hypotheses

Unlike developed economies, developing countries often face some structural problems, such as poverty, deadly diseases, corruption, water and air pollution, and natural hazards, besides the well-known institutional and market lagging issues, such as regulatory forbearance, weak governance, and absence of market players for corporate control [29, 30]. In such markets, both the stakeholder theory and legitimacy theory can be put into place to discuss the board structure and CSR nexus. The stakeholder theory presumes that board members' personal and social background is critical to building a long-term sustainable relationship with the stakeholders [31]. In other words, stakeholder theory emphasizes ethical behavior, mutual interest, sustainability, and long-term relationship, which influence corporates to engage in CSR activities [32]. This implies that firms with a more diverse board tend to be more socially accountable than firms with relatively a weak board structure.

Likewise, legitimacy theory focuses on cultivating a long-term relationship with society to show the reasons for doing business in society and legitimate business activities by societal and regulatory forces. Legitimacy is a process to increase the trust of the external people. It includes stakeholder theory at the center point and focuses on the business's long-term success at the gravity level by building reputational capital. Such practice motivates firms to undertake more CSR activities to

legitimate their existence for a social cause beyond economic profits [33]. For that matter, it is the responsibility of the board to undertake activities that would enhance the financial performance of the business on the one hand and legitimize business operations on the other hand by gaining social trust. Therefore, both the stakeholder theory and legitimacy theory emphasize nurturing relationships with the stakeholders, although the former focuses more on building relationships with the powerful stakeholders while the latter discusses the importance of society as a whole to ensure long-term success [34]. Thus, we anchor on the stakeholder and legitimacy theories to explain the link between board structure and CSR spending by banks in Bangladesh.

The surrogates of board structure are board size, board independence, gender diversity on the board, and the number of board meetings. Board size is critical to promoting and monitoring CSR activities among these board elements because larger boards tend to have more voices on corporate CSR activities, such as investment in health, education, and the environment [5, 13]. However, extant literature provides mixed results on the relationship between board size and CSR performance. For example, some studies revealed a positive relationship between board size and CSR performance [28, 35, 36], while some noted an insignificant relationship between them [37, 38]. This difference in empirical results is attributed to the country-specific factors, such as corruption, business cultures, and enforcement status, of laws and regulations, suggesting more studies to accumulate knowledge.

Likewise, independent directors are instrumental in checking the social obligations of a firm because they are nonexecutive directors without having any pecuniary relationship with the firm. Also, independent directors want to protect their reputation by serving as a watchdog on the board and directing management to choose value-enhancing activities. Thus, independent directors have the power to refrain managers from building their empires through better monitoring [39]. However, similar to board size, extant studies show confounding results between board independence and CSR performance. Some studies highlighted a significant positive association between board independence and CSR performance [11–13]. On the other hand, some scholars noted a negative relationship [35, 40], while others did not find any significant connection between them. This mixed results in the relationship between board independence and CSR spending lie in the fact that independent directors may not function accurately in developing countries due to pressures from owner directors and fear of losing their job [41].

Another vital board element is the board gender diversity. Scholars argue that female representation on the board facilitates more discussion on CSR issues because women are likely to have more sensitive to ethical behavior, corporate philanthropy, and environmental pollution [42, 43]. Also, women directors tend to raise diverse issues related to women empowerment, thereby promoting gender equality in the workplace. Furthermore, women can address the concerns of various stakeholders more effectively, thereby increasing customers' loyalty and leading to financial profits. However, akin to board size and board independence, empirical works unearth inconclusive results between board gender diversity and CSR performance. Some scholars revealed a significant positive connection between female directors on board and CSR performance [44–46]. Conversely, some documented a significant negative link between them [12, 47], while others found no meaningful connection [37, 48].

Finally, board meetings can impact the CSR activities of the firm because frequent board meetings create enough room for evaluating CSR activities and help to take corrective measures to improve CSR performance. However, empirical studies concerning the link between CSR and the frequency of board meetings are

scant. Most scholars found no significant association between them [35]. We argue that in developing economies, such as Bangladesh, which has improper checks and balancing systems, frequent board meetings can help monitor the guile behavior of the management, resulting in the higher allocation of funds to CSR activities and more disclosure of nonfinancial information about the social and environmental practices by firms.

The above discussion clarifies that the connection between board structure and CSR spending is not univocal. The empirical results are confounding and often driven by a country's economic structure, cultural understanding, institutional developments, and national commitments. Nevertheless, as Bangladesh has shown remarkable progress in allocating funds to CSR activities over the last couple of years, we surmise that board elements will be positively associated with CSR spending by banks. Accordingly, we develop the following hypothesis to examine the nexus of board structure and CSR performance.

H1: There is a positive relationship between board elements, such as board size, board independence, board gender, board meetings, and CSR spending by banks.

5. Research design

5.1 Samples

Our sample consists of all the commercial banks, 30 in this case, listed on Dhaka Stock Exchange (DSE). We hand-collected necessary information on CSR spending by banks through the CSR reports published by Bangladesh Bank covering the period 2007–2020. Simultaneously, we checked the annual reports of sampled banks to check for any inconsistencies in CSR disclosures. For firm-specific data, we studied the annual reports of selected banks and obtained the required information.

5.2 Board structure and control variables

We used four board elements: Board size, board independence, board gender, and frequency of board meetings as our main variables of interest. Board size was measured by the total number of directors on the board. Board independence represented the number of independent directors relative to the board size. Board gender was indexed by the percentage of female members on the board. Finally, the frequency of board meetings was measured by the number of meetings held annually. Also, we adopted some control variables, such as firm size, leverage, profitability, and firm age, following previous literature to get robust estimates [26, 49, 50]. We proxy for firm size with the total assets (*TA*), leverage with the liability to asset ratio (*LEV*), profitability with the return on assets ratio (*ROA*), and firm age with the number of years from the year of listing to the reporting period in our study. Besides, we controlled both year and firm effects in the OLS model. **Table 2** presents the definition and acronyms of all the variables used in the study.

5.3 Regression model

We used the following regression model to examine the relationship between board structure and CSR spending by banks.

Variable	Acronym	Predicted sign	Measure
Board size	BDSIZE	+	Number of total directors on the board. We use the natural logarithm of the number of directors
Board independence	BDIND	+	Number of independent directors relative to the total number of directors on the board
Board gender	BDGEND	+	Number of female directors relative to the total number of directors on the board
Board meeting	BDMEET	+	Number of total board meetings in a year. We take the natural logarithm of the number of board meetings
Firm size	TA	+	Firm size is measured by the total assets of the company. We use the natural logarithm of the total assets
Profitability	ROA	+	Profitability is measured by the return on assets (ROA) which is the ratio of net profit after tax to total assets
Leverage	LEV	+	Leverage is measured as the ratio of total liabilities to total assets
Age	AGE	+/−	Age is the number of years from the listing year. We take the natural logarithm of the number of years

Table 2.
Definition of variables.

$$\begin{aligned}\text{CSREXP}_{it} &= \beta_0 + \beta_1\text{BDSIZE}_{it} + \beta_2\text{BDIND}_{it} + \beta_3\text{BDGEND}_{it} + \beta_4\text{BDMEET}_{it} \\ &+ \beta_5 TA_{it} + \beta_6 ROA_{it} + \beta_7 LEV_{it} + \beta_8 AGE_{it} + \varepsilon_{it}\end{aligned}$$

where CSREXP is the corporate social responsibility (CSR) expenditure, BDSIZE is the size of the board, BDIND is the board independence, BDGEND is the board gender, BDMEET is the number of total board meetings, TA is the total assets, ROA is the return on assets, Lev is the gearing based on debt-to-equity ratio. ε_{it} is the disturbance term, and β1… β8 are the coefficients of the variables.

6. Empirical results

6.1 Descriptive statistics

Table 3 portrays descriptive statistics of the variables. As shown in **Table 3**, the mean value of CSR expenditure is BDT 96.397 million with a minimum of zero and a maximum of BDT1813.6 million, indicating a significant difference between banks regarding CSR spending. As for board elements, not many banks have the majority of independent directors on the board (13.77% on an average) and board gender as well (10.50% on an average). The mean value of board size is 13.98, with a maximum of 28 directors and a minimum of five directors, indicating a large gap in board size between banks. Likewise, the average number of board meetings is 19.929, ranging between 4 and 62, indicating sharp differences between banks holding board meetings. Concerning the control variables, the banks' mean return on assets (ROA) is 1.3%, with a minimum of −13.51%. Similarly, the mean value of total assets (TA) is BDT 268,174 million, with a minimum of BDT 11,240 million. The average leverage of the bank (LEV) is 92.90% because the banking sector is highly leveraged by

Variables	Mean	Std. dev.	Min.	Max.
CSREXP (in million BDT)	96.397	188.245	0	1813.6
BDSIZE	13.98	4.038	5	28
BDIND	0.137	0.105	0	0.429
BDGEND	0.105	0.109	0	0.444
BDMEET	19.929	8.492	4	62
TA (in million BDT)	268,174	251,307	11,240	1,417,622
ROA	0.013	0.015	−0.1351	0.100
LEV	0.929	0.133	0.010	1.766
AGE (in years)	16.53	9.677	0	37
Number of observation	420	420	420	420

Table 3.
Descriptive statistics.

operation. The average age of the banks varies between 0 and 37 years. As a whole, the descriptive statistics of the variables used in the study show larger fluctuations in terms of average performance and standard deviations.

6.2 Correlation matrix

Table 4 presents the correlation coefficient matrix in the variables under study. As shown in **Table 4**, CSR spending (CSREXP) is positively associated with the size of the firm (TA), with a correlation coefficient of 0.705 ($p < 0.001$) at a 1% significant level. Also, there is a positive relationship between CSR spending and leverage of the firm (LEV), with a correlation coefficient of 0.245 ($p < 0.001$) at a 1% significance level. Similar evidence is found between the age of the bank (AGE) and CSR spending, with a correlation coefficient of 0.172 ($p < 0.001$) at a 1% significant level. However, the correlation between CSR spending and return on assets (ROA) is insignificant. As regards board structure, CSR spending has a positive relationship with the board size (BDSIZE), board meetings (BDMEET), and board independence (BDIND) at the 1% significance level. However, there is no significant association between CSR spending and board gender (BDGEND), indicating that female members on the board do not influence CSR spending by banks. Finally, we did not see any multicollinearity problem in the factors to run the regression.

6.3 Regression results

Table 5 provides regression outputs. As shown in **Table 5**, board structure elements, such as board size (BDSIZE) and board independence (BDIND), are positively and significantly associated with CSR expenditure by banks at the 1% significance level. This result strongly supports our hypothesis. However, we find that female representation on the board is negatively associated with CSR spending by banks at the 5% significance level. This result refutes our predefined hypothesis. Also, we do not find any significant relationship between the number of board meetings and CSR spending by banks. This is contrary to the proposed hypothesis that outlines frequent board meetings tend to promote CSR spending by banks. Concerning

Variable	CSREXP	TA	LEV	ROA	AGE	BDSIZE	BDMEET	BDIND	BDGEND
CSREXP	1								
TA	0.705***	1							
LEV	0.245***	−0.405***	1						
ROA	0.016	−0.045	−0.217***	1					
AGE	0.172***	0.467***	0.024	−0.092	1				
BDSIZE	0.301***	0.250***	−0.321***	0.180***	0.052	1			
BDMEET	0.228***	0.328***	−0.325***	0.009	0.317***	0.252***	1		
BDIND	0.478***	0.552***	0.002	−0.113**	0.141**	−0.242***	−0.001	1	
BDGEND	−0.039	−0.007	0.093*	−0.036	−0.251***	−0.173**	−0.073	0.148***	1

*Level of significance at 10%.
**Level of significance at 5%.
***Level of significance at 1%.

Table 4.
Correlation matrix.

Variable	Predicted sign	Coefficient	t-value	p-value
BDSIZE	+	1.062***	2.80	0.005
BDIND	+	3.137***	2.63	0.009
BDGEND	+	−1.534**	−2.33	0.020
BDMEET	+	0.270	0.85	0.397
TA	+	1.620***	8.01	0.000
ROA	+	4.923	0.80	0.424
LEV	+	1.902***	3.07	0.002
AGE	+/−	−0.529***	−3.74	0.000
Intercept	−19.976***	−8.25	0.000	
Observation	420			
Adjusted R-square	0.5844			
F statistics (8, 411)	83.51			

*The superscripts *,** and *** indicate significance at the 10%, 5%, and 1% levels, respectively.*

Table 5.
Ordinary least square regression clustered by firm and years.

control variables, we find that bank size (TA) promotes CSR spending by banks at the 1% significance level. Precisely, a 1% increase in banks' total assets can enhance nearly 162% of CSR spending. Also, **Table 5** reveals that leverage has a significant and positive connection with CSR spending. This is expected because the banking industry primarily lends funds by taking public deposits. By contrast, we find that age of the bank negates CSR spending by banks. Also, no significant relationship runs between banks' profitability (ROA) and CSR spending, although the coefficient of the ROA has been highly positive. We leave these two issues for further investigation.

6.4 Result discussion

This study yields that board elements, such as board size (BDSIZE) and board independence, (BDIND) are significantly and positively associated with CSR expenditure by banks, implying that banks with large boards and boards with more independent directors tend to spend more money on CSR activities. This result strongly supports our hypothesis, which outlines that board size and independence would promote the CSR activities of the banks. Also, this result supports the stakeholder theory and legitimacy theory in that banks in developing economies focus on creating long-term relationships with different stakeholders to achieve lending supremacy on the one hand and obtain legitimacy on the other hand by catering to the needs of society. A large board tends to have more independent directors with diverse backgrounds and expertise, thereby increasing efficiency in monitoring managerial opportunism. Thus, independent directors can direct the firm's management to spend money on CSR activities to enhance social capital. Arguably, the long-term success of the banking business depends not only on increasing transactional capital but also on improving the relational capital, suggesting that banks should undertake more CSR activities. This is particularly true for the banking sector in developing economies

because this sector takes the prime responsibility for catering to the financial needs of the country. Our findings suggest that banks should hire more independent directors to enhance social and transactional capital to legitimate their activities by the societal forces. This finding supports the previous results [11–13, 35, 36]. However, it disapproves the earlier findings of Uddin and Choudhury [41] that agued independent directors may not function accurately in developing economies due to pressure from owner-directors and fear of losing their jobs. We note that, in Bangladesh, factors, such as corruption, poor governance, and family-led politics, provide strong incentives to firm managers to abuse financial resources. In such an environment, a larger board and a board with more independent directors can effectively monitor the guile behavior of the management, which in turn directs management to discharge more funds on social and environmental purposes to get public legitimacy.

An intriguing finding of the study is that female directors on the board negate CSR spending by banks, indicating the decrease of female representation in the top echelon positions to enhance CSR activities. This result contradicts the view that women are more sensitive to social and environmental issues so that they would raise their voices on the quantity, quality, and transparency of CSR disclosure. Also, this result is contrary to the earlier findings that claim female executives can enhance CSR expenditures [43, 44]. In this pretext, we note that female representation on the board is minimal in Bangladesh; hence, they are likely to be the free-rider to protect their jobs. This is because Bangladesh bank encourages female entrepreneurship with the support of its development partner, the Japan International Cooperation Agency (JICA), and Asian Development Banks (ADB) by creating a refinancing scheme and allocating 15% of the fund to female entrepreneurs. Simultaneously, many NGOs are working on improving the health and education of female entrepreneurs, besides the humanitarian activities. As a result, the participation of female executives in CSR activities is likely to be increased in Bangladesh. Thus, the negative connection between board gender and CSR spending by banks should not be generalized to other economies, and it warrants further investigation. Another outcome of this study is no significant relationship between the number of board meetings and CSR spending by banks. This is plausible for banks in developing economies where board members are likely to discuss critical business issues other than CSR activities whenever they sit for additional board meetings. However, this issue remains a point of debate.

For control variables, we find that bank size (TA) is significantly related to CSR spending by banks. This result is logical because larger banks can allocate more funds to CSR activities than smaller, financially weak banks. This finding approves the previous results of Muttakin and Subramaniam and Hu et al. [12, 49]. Also, the positive link between leverage and CSR spending is quite plausible because the banking industry is a highly leveraged sector where success depends on relational capital and reputation, which eventually influences CSR spending by banks. Also, Bangladesh Bank firmly guides the banking system of Bangladesh for allocating CSR expenditures and disclosure of CSR information in a timely fashion to perform social obligations of banks and legitimate banking activities by the society, resulting in a positive association between CSR spending and leverage. However, this result contradicts the earlier findings [51] that note a negative relationship between CSR and leverage. Finally, we find that bank profitability is not an essential factor for CSR spending by banks in Bangladesh. This may happen because CSR spending by banks is no longer voluntary in Bangladesh. Instead, it is a direct expenditure guided by Bangladesh bank. This issue warrants further investigation. Also, we find that the age of the bank is inversely related to the

promotion of CSR activities. This result supports the earlier findings [51]. However, it disapproves of the view that banks with longer years in operation tend to accumulate financial resources and experience necessary to allocate funds for CSR activities. Hence, this remains another issue for further research.

7. Conclusion

This chapter investigated the relationship between board structure and CSR spending by commercial banks listed on DSE in Bangladesh, covering the period 2007–2020. Also, we reviewed CSR policies for the banks and explored the pattern of CSR expenditures by banks over the same period (2007–2020). Finally, we applied the ordinary least square regression model by clustering banks and years and utilized some firm-specific variables as controls to obtain efficient estimates.

Our empirical results confirm that board elements, such as board size and independence are significantly and positively associated with CSR spending by banks. By contrast, female director tends to inhibit CSR spending by banks, and the frequency of board meetings has no connection with the same. Furthermore, for firm-specific factors, we confirm that bank size and leverage positively and significantly influence the CSR spending of commercial banks in Bangladesh, suggesting that larger banks are incremental to promoting CSR spending. In addition, we note that CSR spending by banks has significantly increased over the study period (2007–2020). However, the sectoral distribution of CSR funds has been somewhat heterogeneous in areas, such as environmental pollution, education, health, gender equality, and other humanitarian activities. Simultaneously, Bangladesh Bank has taken significant measures to improve banks' CSR spending and ensure control thereon. One of such measures is to publish CSR activities on a half-yearly basis to ensure the proper use of CSR funds. Additionally, Bangladesh bank has prescribed priority areas for CSR activities for banks in recent times to enhance both stakeholders' welfare and economic growth.

7.1 Theoretical contributions

This study unearths the link between board elements and CSR spending by banks in the context of an emerging economy. The banking industry deals with multifaceted stakeholders compared to conventional manufacturing and trading firms. Also, banks play a critical role in enhancing the economic growth rates by effectively intermediating funds to various sectors, some of which are environmentally sensitive. Thus, this study falls under the ambit of corporate governance, stakeholder and legitimacy theories. Our results suggest that board elements, such as board size and independence, are essential factors for promoting CSR spending by banks. By contrast, the presence of women on the board negates the same, and board meeting frequency has no such connection. This result is critical for the literature on bank governance. At the same time, it expects to raise interest in studying CSR performance by diverse stakeholders because CSR spending can enhance a bank's relational and reputational capitals, which are needed to ensure long-term sustainable success. Also, our results can help banks restructure board elements to reap the benefits of CSR spending, which is one of the powerful financial instruments for obtaining legitimacy by societal forces.

7.2 Policy implications

Our findings have several policy implications. First, we reveal that board elements, such as board size and independence, are instrumental to CSR spending, suggesting that policymakers should pay more attention to these factors to improve board members' attitudes toward CSR spending. Second, policymakers should evaluate the role of female directors on the board as they are likely to deter CSR spending by banks. Third, bank size is critical to CSR spending, suggesting that policymakers should direct large banks to incorporate CSR in their lending portfolios. Finally, Bangladesh Bank should formulate clear-cut strategies for the scheduled banks to ensure the allocation of CSR funds to the priority sectors and invigorate ethical and social justice. Apart from this, policymakers should not overlook the quality, quantity, and level of CSR disclosures.

7.3 Limitations

This study is not free of limitations. Due to data limitations, we studied the CSR spending for the domestic private commercial banks, although there are foreign and state-owned commercial banks. Also, we did not examine the role of ownership and audit elements in motivating CSR spending by banks, which may have critical implications for CSR spending. An analysis by decomposing the banks into different age groups may provide further insight in this respect. In addition, our results may not remain consistent if estimation issues, such as reverse causality and endogeneity, are considered. We leave all those issues as avenues for future research.

Acknowledgements

We greatly appreciate anonymous reviewers and editors for their comments.

Conflict of interest

The authors declare no conflict of interest.

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Chapter 16

Corporate Social Responsibility and Social Report: A Case Study in the Basque Country

Vincenzo Basile

"Responsabilidad means no perder nunca la capacidad de respuesta".
José Ortega y Gasset

Abstract

This chapter illustrates the case of the Spanish company *Telefónica* SA, a world leader in the telecommunication industry. The main research question is to understand if social responsibility can play a main role in an uncertain scenario. Or better, understand how Corporate Social Responsibility (CSR) can be organized, managed, and measured to be considered a sustainable choice detached from any greenwashing policy. In terms of the socioeconomic environment with the combination of external social and economic conditions that influence the operation and preformation of an organization, the company should be a system not only capable of generating profits but at the same time contributing to society and environmental protection, integrating social responsibility as a strategic investment in the framework of their competitive strategy, in their management tools and their operations. The analysis of this case study aims to offer a model of CSR analysis and measurement tools such as the social report for managers who will have to face the important challenges of sustainable growth in compliance with the 2030 Agenda and SDGs paradigm (Sustainable Development Goals).

Keywords: corporate social responsibility, sustainability reporting, social report , business ethics, environmental, social, and corporate governance

1. Introduction

If the concept of responsibility could be summed up in a single sentence, surely this quote from the Spanish philosopher would fully reflect its meaning. Responsibility, in fact, "never loses the ability to respond," both to the challenges of current problems and the new generations. The debate on Corporate Social Responsibility (CSR or corporate social responsibility CSR, according to the equivalent meaning of the English language) has taken on a particular consistency and liveliness in recent years [1]. The CSR dissemination policies adopted by the European

Commission have stimulated the comparison between the different perspectives of the definition and analysis of the concept present on the international scene, offering a multitude of concepts of great interest [2]. The concept of CSR essentially means that they decide on their initiative to help improve society and make the environment cleaner [3]. As the European Union tries to identify common values by adopting a Charter of Fundamental Rights, it is natural to expect that a growing number of companies will increasingly recognize their responsibility and consider it one of the components of their own identity [4]. This responsibility is expressed toward employees and, more generally, all parties involved in the company's business who can, in different ways and forms, affect its success [5]. The choice of *Telefónica SA* is due to the position of primary importance that it has managed to acquire in the last decade on the international political and economic stage, thanks to its continuous and proactive interest in issues such as social responsibility, the environmental issue, and sustainability [6]. It is a concrete case of a *socially-oriented* company in the context of the Spanish one that thanks to the push toward investment and liberalization policies in the last decade have managed to achieve economic growth rates of over 3.5% per year, despite having to address the crisis that in recent years has affected the entire world economy. When CSR constitutes a process of managing its relationships with a whole series of interested parties that can affect its free functioning, the commercial arguments are clear [7]. Consequently, CSR, as well as quality management, must be seen as an investment and not as a cost [8]. Firm roach that integrates financial, commercial, and social aspects, thus developing a long-term strategy that minimizes the risks associated with uncertainties [9]. Sarfraz et al. [10] stated that CSR has a moderating role in project financing decisions and environmental risk management, stakeholder, and credit risk assessment. Companies should realize their social responsibility not only nationally, but globally, including the entire production chain. The future challenge to be met is to determine how CSR can help achieve these objectives, namely, to build a dynamic and competitive knowledge-based economy based on cohesion.

2. Corporate social responsibility *at a glance*

2.1 Theoretical contribution

The first official input in this regard comes from the OECD (Organization for Economic Cooperation and Development) and the ILO (International Labor Organization), international organizations that, since the second half of the seventies, define the first guidelines for companies' multinationals. In 1992, the Rio De Janeiro Earth Summit was held to discuss the planet's environmental problems and their links with the problems of social development. Here, various documents are approved for the commitment to environmental protection and sustainable development, including Agenda 21, or an action program for the international community (UN, States, Governments, NGOs, and the private sector) and the sustainable development of the planet. From 1994 to 1999, various resolutions of the European Parliament followed one another on specific issues relating to CSR: transparency of company relocations and restructuring and the introduction of social clauses in international agreements, social labels for categories of products, human rights, fair trade and supportive, etc. In 1998, the EU itself defined the first guidelines for large companies operating in its Member States, for more socially responsible

management. The first major codification of guidelines for large companies operating in UN member states dates to 1999, with the birth of the Global Compact, an international initiative in support of nine universal principles relating to human rights, work, and the environment [11]. In 2000, the OECD drew up guidelines aimed at multinationals that contain the main cornerstones of CSR, and that involve the social partners and national governments. Through the guidelines, 30 governments require multinationals to operate in harmony with social and environmental [12] policies and expectations. In March 2000, the extraordinary European Council of Lisbon was held, dedicated to the economic and social issues of the European Union, capable of achieving sustainable economic growth with more and better jobs and greater social cohesion. With the publication of the Green Book[1] *"Promoting a European framework for corporate social responsibility,"* in July 2001, following the European Council of Gothenburg in June of the same year and the Communication of the European Commission relating to *"Corporate social responsibility: a contribution of companies to sustainable development"* of July 2002, the challenge is officially launched in determining how CSR can help achieve the Lisbon objective, opening a wide debate at international level on the very concept of CSR [13], defining the procedures for establishing a partnership aimed at encouraging the development of a European structure to promote this concept and the Community strategy for promoting it, illustrating proposals for actions aimed at the European institutions, the Member States, the social partners, business and consumer association actors, as well as to individual companies and other interested parties. Concerning the ethical notion of company economy, it is possible to identify different theoretical approaches, among which it is necessary first to mention the ethical theory and the utilitarian one [14–16]. According to the ethical orientation, the company should subordinate its behavior to ethical rules, even at the expense of profit [17]. The utilitarian perspective, on the other hand, argues that profit maximization contributes to better achieving collective well-being. The ethical doctrine puts in order the needs of competitiveness and profitability concerning the much nobler aims of a social nature [18]. On a diametrically opposite level, there is the utilitarian theory that refers to the iron laws of the market economy. According to this approach, it is the social ends that must be subordinated this time to economic ends. The pursuit of profit is always and in any case a duty and deserving of approval, regardless of the social repercussions it determines. It is true that the company essentially plays an economic role, consisting in producing wealth, that is, goods and services having a value greater than that of the factors used in the production process; however, for this value to be positive, the company must serve the needs of customers by enhancing and developing the resources at its disposal; otherwise, the value may also be negative, thus giving rise to the destruction of wealth. Thirdly, it would be possible to identify a logic of reconciliation based on a compromise between economic and social issues. Thirdly, it would be possible to identify a logic of reconciliation based on a compromise between economic and social issues. However, even this approach does not seem suitable for correctly identifying the corporate finalism, because it ends up not fully satisfying either type of request. Given that the knowledge first stated is now part of the cultural baggage of management, it is the

[1] The Green Paper is communication with which the European Commission illustrates the state of a particular sector to be regulated and clarifies its point of view regarding certain problems; it is part of the so-called "atypical acts" envisaged but not governed by the EEC Treaty, and this type of communication can have an informative, decision making, declarative, or interpretative nature, and is subject to the advertising regime.

last to be able to constitute a real competitive advantage for the modern company. In conclusion, it seems that the road to take is that of *"an idea of business development to be pursued continuously over long periods, because only in the long term does it become possible to synergistically combine needs that appear to be conflicting in the short term"* ([19], pp. 792, 795; [20], p. 95).

2.2 What is meant by social responsibility today?

The term responsibility indicates the *"congruence to an assumed commitment or behaviour, as it matters and implies the acceptance of every consequence, especially from the point of view of the moral and legal sanction"* [21]. The responsibility, therefore, appears, even before being a category of law, as an ethical and moral category firmly linked to the human person. It must always be borne in mind that the violation of a written norm involves easily identifiable responsibilities, while the same cannot be said in the case of social responsibility where there are no probative norms. However, a plurality of meanings is attributed to the term social responsibility, since its definition changes depending on the historical moment and the environmental context in which the company operates; therefore, over time different configurations of sociality [22] have followed one another [23]. However, it should be emphasized that the problem of CSR does not consist in repairing the damage caused to the company in some way, in repairing those damages that benefit one's interests or even in implementing philanthropic actions [24], and so on; rather, in posing the problem of the interrelationships existing between their purposes, their structures and their organization and the purposes, structures, and organization of the other subjects of the social system considered as a whole. It is also necessary to distinguish the content of social responsibility from the tools that guarantee the morality of behavior, such as external legal regulation, self-regulation, or the creation of an ethical corporate culture [25]. These tools constitute the reference ethical system and based on the latter; the content of social responsibility is judged. Matacena [26] speaks of the life cycle of the social problem and expresses the gradual recognition of the social implications and therefore social responsibility. However, it is important to underline that the problem of CSR does not consist in repairing the damages caused to society in some way, in repairing those damages that benefit one's interests or even in implementing philanthropic actions, and so on, rather, in posing the problem of the interrelationships existing between one's aims, structures, and organization and the aims, structures, and organization of the other subjects of the social system considered as a whole [27]. It is also necessary to distinguish the content of social responsibility tools that guarantee morality from behavior, such as external legal regulation, self-regulation, or the creation of an ethical corporate culture. These instruments constitute the ethical system of reference based on the last one that judges the content of social responsibility. Social responsibilities can be seen under a double aspect, subjective and objective. The area of external responsibility centers on responsibilities toward external groups. In any case, given that the activity of the company is unique and unitary, its responsibility must also be this is how the concept of global corporate responsibility is introduced: The company obtains the consent and legitimacy of its work from its interlocutors based on both economic and social results. Matacena [28] rightly observes that *"if companies do not take on social responsibilities consistent with the intensity and extent of the existing interchange relationships with the environment, the companies themselves could be forced into spaces that are so narrow as to be non-vital. It follows that as the company's economic power grows, the level of the social objectives it pursues must increase."* Given the undertaking of social responsibility by the company, this must inform third parties

not only of the achievement of the economic objective, thus safeguarding its image as an effective economic transformer, but also of the pursuit of its social equilibrium, so *"to use the 'information as an instrument for the protection and maintenance of a correct social and societal climate, that is, of a state of controlled conflict that does not compromise its legitimacy and therefore its survival"* ([29], p. 76). Accurate mapping and definition of the so-called stakeholders already represent a significant contribution to the management of any organization. The stakeholder (evident the analogy with "stockholder" and "shareholder," which documents the terms the action terminate) comes from a dated 1963 of the Stanford Research Institute (USA) and defines those groups without whose support an organization ceases to exist [30]. Etymologically, the word stakeholder is composed of "stake," which means *"interest in a company,"* and "*holder,*" which means "*owner, holder*"; consequently, stakeholders indicate the bearers of the company, that is, those subjects, or groups, who depend on a single individual interest, be it cooperative or competitive, in the business of the company, and which must not necessarily be economic [31]. In essence, the stakeholders are direct and indirect to the overall business of the company, who are affected by the effects of its behavior in satisfying their needs and achieving its objectives [32]. Each organization, according to its nature, therefore, has a plurality of stakeholders, which can be divided into a) primary stakeholders, that is, those without whose continuous participation in the management the company cannot survive customers, capital holders, employees, investors, and suppliers; b) secondary stakeholders, that is, those who influence the company or are known by its but are not involved in transactions with the organization and do not jeopardize its survival [33]. It is possible to represent the relations between the company and the stakeholders in **Figure 1**.

The company, assuming a social responsibility, must therefore proceed as a preliminary step to the detailed identification of its stakeholders, to be able to reconcile their different legitimate interests, to resolve or at least mitigate the conflictual character that distinguishes the different requests put forward by the interlocutors. To this end, in the face of conflicting interests, it is appropriate to adopt a relational logic and negotiation and contractual method, which, by assigning "relative weights" to the requests made by the various stakeholders, allows them to be balanced in the conduct of the business [34].

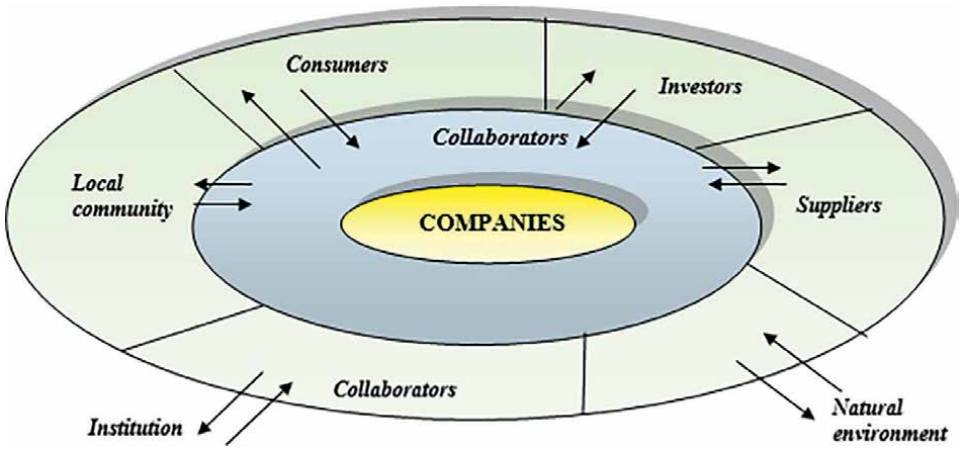

Figure 1.
Company stakeholder's representation. Source: Own elaboration.

2.3 Research design and methodology

This chapter investigates the following research question: *"How does the CSR adopted by a leading international company in the telephonic industry?"* The research methodology was qualitative and based on the *Telefónica* Sa case study [35–37] and key informants' in-depth interviews with the top management [38–40]. The case study represents a strategy for doing research, which involves an empirical investigation of a particular contemporary phenomenon within its real-life context [41]. Furthermore, was considered a secondary source [42] for data collection. Common sources of secondary data for social science include reports, censuses, information collected by government departments, organizational records, and company data. Secondary data analysis can save time that would otherwise be spent collecting data and, particularly in the case of quantitative data, can provide larger and higher-quality databases that would be unfeasible for any individual researcher to collect on their own [43]. In addition, analysts of social and economic change consider secondary data essential, since it is impossible to conduct a new survey that can adequately capture past changes and/or developments [44]. Three semi-structured interviews were conducted in February and April 2010 and lasted for an average of 90 min. However, the authors conducted semi-structured interviews to avoid limiting the interviewees and the possible serendipity of any additional evidence that might be used to revise or strengthen our research. In particular, the authors interviewed: *(a) Director at Telefónica; (b) Head of Internal Communications; (c) Head of Marketing (d) Director of Corporate Strategy; and (e) Global Human Resources Manager.* The in-depth interviews [45] concerned questions on the corporate sustainability and organization of *Telefónica SA* activities related to stakeholders. The objective was to shed more light on the role of the company in enhancing sustainable development, and the enablers and barriers to the adoption of social reports [46, 47].

The interview protocol framework is comprised of four stages: *(a) ensuring interview questions align with research questions; (b) constructing an inquiry-based conversation; (c) receiving feedback on interview protocols; and (d) piloting the interview protocol*. The author preserved the conversational and inquiry goals of the research act by including open-ended questions and discussions diverged from the interview guide, and the experts were encouraged to interact. The author collected data through interview notes, and tape recordings were utilized to allow for more consistent transcription [48]. The author adopted the two-pass process for data verification, notated the interview comparisons with audio files, and received written approval of the transcripts from the participants. Finally, after the validation and testing of the *Telefónica* sustainable model by the stakeholders and the questionnaire, the model was applied to another case study regarding different country setting where *Telefónica* operates (e.g., Latino America).

3. The case study *Telefónica*

3.1 *Telefónica* group profile

This chapter explains the strategy that *Telefónica* designed and implemented concerning CSR and the tools it uses. It was chosen for this work, from among Spanish companies, because of the impact of its CSR actions and the strength and

coherence of its approaches. *Telefónica* is not just a "plant" of strategies, policies, and CSR actions but also actively participates in the development of tools to support these issues [49]. With the analysis of a company that applies CSR, the vision is complete, and we can draw a systemic picture of the ongoing process. *Telefónica* focuses its social responsibility as a relationship strategy with its stakeholders, and the value of the company [50] largely depends on how to make these contacts. The corporate strategy analysis highlights that the clear goal it wishes to achieve is to increase the trust of its stakeholders and the social responsibility of the companies with which it operates, which is essentially explained by the relationship it has with these external interlocutors. *Telefónica* S.A. is the largest Spanish telecommunications company and operates mainly in Spain and Latin America. It is one of the largest fixed and mobile telecommunications companies and is ranked third in the world after China Mobile and Vodafone. It was created in 1924, and until the liberalization of the market in 1997, *Telefónica* was the only telephone operator present in Spain and held a dominant position, with over 75%, in 2004. The Spanish government privatized the telephone market in 1997 and currently, *Telefónica* is a public company, without a controlling shareholder. Among the largest shareholdings are those of *Banco Bilbao*[2] and *Caixa*, whose shares of 5.17 and 5.013%, respectively, do not, however, allow control of the company [51]. The year before Movistar was born, the mobile telephony division of the company, the group operates mainly in Spain, the Czech Republic (with Český Telecom), the United Kingdom, Germany, the Isle of Man (acquiring O_2), Argentina (with *Telefónica* de Argentina), Brazil, Chile (with *Telefónica* Móviles), Peru (with *Telefónica* Móviles), Colombia (with the Movistar brand), Puerto Rico (with *Telefónica* Empresas and *Telefónica* Larga Distancia), China (with a 5% stake in China Netcom)- and Morocco (with Méditel), while in Portugal and Italy, it is a shareholder of the former monopolists Portugal Telecom and Telecom Italia. The internationalization strategy of the *Telefónica* group provides 40% of revenues from abroad and it operates in many countries that are developing. Today, it has fixed ADSL telephone lines and mobile telephone customers in 16 countries; it has a significant presence in Latin America and does business with nearly 50 different countries. The countries in which it operates are 1) Europe: Spain and Germany; 2) America: Colombia, Mexico, Peru, Guatemala, El Salvador, Nicaragua, Ecuador, Chile, Argentina, Uruguay, Brazil, Panama, and Venezuela; 3) Africa: Morocco. Establishing a precise and unambiguous strategy for managing relations between the interested parties of the *Telefónica* group is a difficult undertaking, and in fact, many actors participate in this process, as the following table shows (**Table 1**).

The methodology used to conduct this study was an empirical analysis of *Telefónica* and the direct observation and study of the documentation on CSR plans and verification of the annual corporate responsibility reports [52]. The development

[2] Banco Bilbao Vizcaya Argentaria (BBVA) is a Spanish multinational banking group with a strong regional origin (Basque Country). Its origin dates to the merger of Banco Bilbao Vizcaya and Argentaria in 1999, which led to the creation of the second-largest Spanish bank, behind Banco Santander Central Hispano. It is the 10th European bank by capitalization with 64.6 billion capitalizations and is highly sensitive to issues of social responsibility and environmental sustainability, and in fact, according to the President of the BBVA Foundation Francisco Gonzàles Rodrìguez, as well as the Guggenheim and Fine Arts Museum of Bilbao: "There can be no sustainable development without a sustainable financial system."

Shareholders	€2.7 million
Customers	€182 million
Employees	113,182
Suppliers	18,500
Revenue	€43.076 billion
Operating income	€4.139 billion
Net income	€1.582 billion
Total assets	**€105.501 billion**

Source: Telefónica S.A. company Web site updated to 2020.

Table 1.
Number and type of interlocutors of the Telefónica group.

of the guides on AENOR's[3] CSR standards starts from *Telefónica*, differentiated into three levels of work where it is possible to study its strategy on social responsibility and the leadership position held by the group in the telecommunications industry.

3.2 Organization of CSR in *Telefónica*

Telefónica has a centralized unit within its organizational structure whose function is to coordinate the CSR strategy. Social responsibility is an integral part of its global strategy for this company. It is relevant that the organizational structure created to design and manage the CSR is integrated within the general management of reputation and brand. This form of organization is also highlighted by the functions of the general manager of corporate communication (**Figure 2**). Furthermore, the profile of the heads of the general management and the communication professionals is relevant in light of the emphasis currently placed on the "brand," so the choice of these people is made very carefully. In this structure, at the first level of *Telefónica*, there are the presidents of the companies of the group and the managing directors, and the president has significant importance in the four "staff" functions. The Directorate-General for Corporate Communication (with its CSR functions) is one of the components of this staff, and from this position, it supports the whole group, including the branches of *Telefónica* Peru, *Telefónica* Moviles, and *Telefónica* Latin America (Graph 7).

In the representation of the organizational structure of the *Telefónica* group, there are several business divisions and, in addition to those included for personnel, there is the Directorate General on "development, planning and regulation" and one on "finance and resource sharing." Furthermore, these two directorates-general members are members of the management committee and the presidents of the most important companies. In this matrix structure, the strategies, management systems, and management tools used are common and derived from the top business centers. The work assigned to the general management of reputation, brand, and CSR is to reproduce an idea of leadership, the champion of a specific objective. An important coordinating role is therefore required, due to the multinational nature of

[3] AENOR is a private, independent, and non-profit Spanish organization recognized nationally, in Europe, and internationally that contributes to the improvement of quality in companies, their products and services and to the protection of the environment, and, consequently, to the well-being of the company, through the development of standardization and certification of company activities.

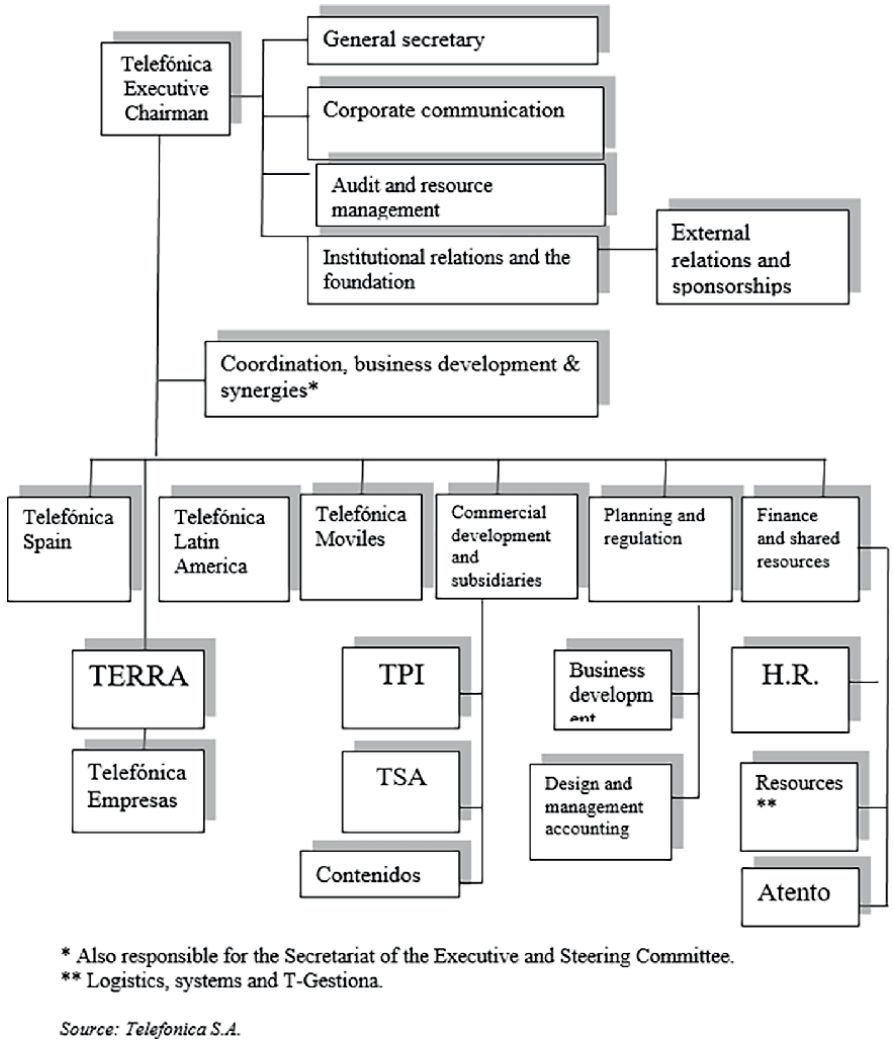

Figure 2.
*Organization chart of the Telefónica group. *Also responsible for the Secretariat of the Executive and Steering Committee. **Logistics, systems and T-Gestiona. Source: Telefónica S.A.*

the company and the diversity of the *Telefónica* Group. The management principles include a focus on CSR, as well as on quality, which must permeate all the processes and activities of the company because its implementation must be transversal, and to be effective the commitment of each unit should be encouraged. In groups of companies such as *Telefónica*, the approach to CSR must be promoted at the central level, even when responsibility is assumed by each of the peripheral units; therefore, the only efficient solution is to have a good organization capable of managing CSR in the companies of the group. However, it must be clarified that in a company of *Telefónica*'s size and history and given the territorial vastness in which it operates and the different nations in which it is present, there may be various CSR policies and actions within it. In this sense, the first reference to consider is the activity carried out by the Fundación *Telefónica*. As indicated in the graph, there is a directorate-general (DG) of institutional relations and the social action by the group largely corresponds

to the work of its foundation. Another important organizational unit whose function has been included in the broader field of social responsibility is that of environmental responsibility. In the case of *Telefónica*, environmental developments have been promoted by *Telefónica* I + D[4], which is one of the group's support subsidiaries and acts as a catalyst for innovation activities.

4. Discussion

4.1 The CSR strategy in *Telefónica*

As already indicated, the CSR strategy in *Telefónica* is an integral part of the reputation strategy. For *Telefónica*'s Director of Corporate Responsibility, the importance of reputation is underlined by the collapse of the stock market in the 90s (twentieth century). The previous system was centered on the creation of value by keeping only two parties in check, namely the investors and the media, which proved insufficient. The different approach to CSR suggests that we must address the entire environment in which the company operates, taking care of its relationships with the community, its customers, employees, and society in general [53]. *Telefónica* launched its Proyecto de *Reputación Corporativa (PRC)* in November 2001, which outlined an operational plan that was then achieved over time and is described and discussed in the following paragraphs of which Andreu[5] himself became the bearer.

4.2 Proyecto de Reputación Corporativa (PRC)

The PRC has two objectives: 1) to identify the risks that could affect the reputation of the company in its daily relationship with its stakeholders; 2) to identify the common management lines that should be implemented in all business lines and in all countries to strengthen the reputation of the *Telefónica* Group and minimize the potential impact of risks deriving from non-pursuit of the latter. A transversal process was launched to achieve this goal with the group's contribution from all the areas and management. A centralized approach was not considered effective since the reputation of the company is established through the daily activity of all the units. This first objective of identifying the dangers was achieved at the end of 2003, thus obtaining the basic information required to proceed with the PRC [54]. **Figure 3** shows the risk identification process in its five phases, as well as the agents involved in each process and the results achieved.

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[4] *Telefónica* I + D is the innovation company of the *Telefónica* Group. Over the past few years, *Telefónica* I + D has grown within the global market to become a network of centers of technological excellence that extends far beyond the Spanish borders, starting its R&D activity up in its offices located in Barcelona, Granada, Huesca, Madrid, Valladolid, São Paulo, and Mexico. In addition to the numerous technical awards, it has won since its founding, the company received the Príncipe Felipe for Business Excellence Award in 2002.

[5] Graduated in Law from the Pontifical University of Comillas, he was an MBA from the Instituto de Empresa and at this School of Business he began his career in the research department and went on to become Associate Professor of Organization of Behavior and Communication. He is a member of the Committee of CSR experts of the Ministry of Labour and Social Affairs, of the Spanish Commission of the United Nations Global Compact, of the Patronage of the Chair of Ethics Javier Benjumea of ICADE, on the boards of directors of the Institute of Analysis of Intangibles and the Spanish Forum for the Main Brands.

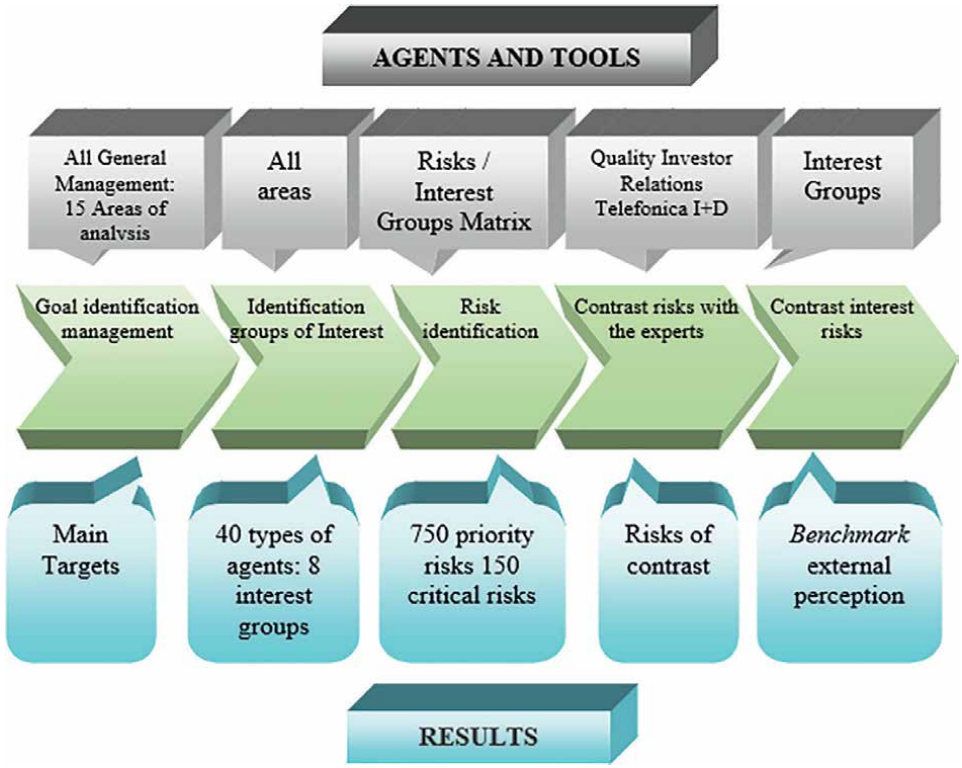

Figure 3.
Identification of corporate reputation risks in Telefónica. Source: Own elaboration.

All the general departments participate in the identification phase of the management objectives, with a total of 15 areas of analysis, which have identified their main operational targets. In the next phase, identifying the interest groups, the *Telefónica* Group is considered as a whole, identifying the relationships with the 40 types of agents, and the latter are categorized into eight interest groups: *Customers, Investors and Shareholders, Staff, Partners, Regulators, Providers, Agency, Media.* From what we read above, the partners and the media have been included in the list, which indicates the importance that the author of the project has granted them. Each area identifies the main relationships and the main comparison interfaces in the subgroups. The classification of interest groups in *Telefónica* has undergone some corrections, from the first version made in 2003, to the most recent and simplified version of 2005, which is used in the ordinary management. The risk identification phase of corporate responsibility was completed with the construction of a matrix, in which the forces in order are the interest group (the eight indicated) that could be affected by different types of risks, including *Financial, Communicative, and Management, Technological, Social* and *Legal*. The risks considered relate to the possibility of causing repercussions to the central corporate structure beyond their effects on isolated units. Although risks can be localized so as not to affect other units, such as the brand, one of the ongoing consequences of the global information environment is that, with an ever-increasing percentage of risks, they affect the entire corporate structure. More than 750 risks are identified, of which over 50% are included in the operational management,

corresponding to the daily activities that take place in relationship with the stakeholders. In the risk analysis, 150 were selected, considered critical, with treatment priorities, and the two selection characteristics were damage caused and probability of occurrence. To manage the risks appropriately, they have been grouped according to the intangible element that is affected; eight groups of intangible items were considered as indicated in **Table 2**.

The higher risk of intangible elements affects the strategy and organization of *Telefónica* with 30% of the total, but much importance is also assumed by CSR in controlling these risk factors with a 20% incidence. In the phase of *"contrasting the risks identified by the sectors of competence of the company,"* the relationship between consequences and their criticality was tested with the opinion of the *Telefónica* units that have experience in dealing with these certain risk factors. Thus, to counter the critical issues in the relationship with investors, the analysis was carried out by the Investor Relations Department with particular attention given to the shareholders of *Telefónica*, while the risks associated with the company regarding quality and the environmental issue, as well as the technological risks, were analyzed by *Telefónica* I + D. In the last phase, "contrasting the risks identified by the interest groups," different results are presented about the quality of the work carried out and the variables involved. Through this contrast, we get a) the external perception, which is always of great interest; b) information on the situation concerning other companies in the telephony sector, from which it is possible to obtain a "benchmark" concerning the best; and c) identification of the minimum management municipalities that minimize the reputational risks. To achieve this goal, we are working in three directions: 1. the creation of a self-management model: an integrated model of corporate reputation, *Modelo Integrado de Reputación Corporativa* (MIRC); 2. the definition of an institutional framework for *Telefónica*; and 3. a workshop on corporate responsibility.

4.3 Modelo Integrado de Reputación Corporativa (MIRC)

The MIRC was designed to have a tool capable of organizing work related to reputational risks. The purpose of this tool is to ensure balance in *"bringing value for*

Intangible items affected	**%**
Ethics	1
Values	3
Company vision	6
Strategy and organization	30
CSR (social action, working conditions and environment)	20
Identity	15
Corporate governance	5
Communication	20
Total	**100**

Source: Telefónica S.A.

Table 2.
Classification of corporate reputation risks at Telefónica.

all stakeholders in the long term… it is a guide to building a risk-proof reputation" ([55][6]). *Telefónica* recognizes a dual objective in the model: external, which benefits interest groups, and internal, which benefits society because it acts as a shield for possible risks. The MIRC is structured in three levels. The first level is the one that *Telefónica* represents and includes the four elements that represent the foundations of a company: 1) ethics (the only basis on which an organization based on trust can be built) [56]; 2) values (as the ultimate reference of the conduct of a company); 3) the vision and mission (as the ultimate goal of the company); and 4) the strategy and organization (such as the way of working and procuring resources to achieve the mission). The second level is what *Telefónica* does, through the three main elements of corporate responsibility: 1) social responsibility (social action, the social impact of activities, safeguarding the environment); 2) corporate identity; and 3) corporate governance: transparency, control, and monitoring mechanisms on the implementation of *Telefónica*'s strategies (Grant, 2006). The third level is what *Telefónica* maintains: *"Communication with all our stakeholders, coherent and transparent, is the greatest capacity of the Group to generate more value than is possible through the economic aspects"* (Trujillo, 2003). In the above description, it is noted that the source of value lies in the communication with all the companies of the group and with the whole community. Similarly, it is observed that the ability to generate value requires communication to adopt the certain characteristics of quality and effectiveness such as consistency and transparency. This is a major challenge for *Telefónica*'s communications function, and therefore, for this reason, a great responsibility. For *Telefónica*, the management of corporate responsibility (or RC, *Responsabilidad Corporativa*) presupposes that there is consistency in the three levels indicated and that there are no differences between the three postulates *"what I am, what I do and what I say I do,"* which represent the mantra of the group's basic strategic vision [57].

4.4 Definition of an institutional framework for the group

Telefónica seeks to define a strengthened institutional framework to facilitate the development of CSR and mitigate the risks. With this objective, various projects have been implemented throughout the company: a) development of corporate values; b) code of business conduct—institutional presence; and c) the *Foro de Reputación Corporativa* (FRC). Through these large-scale projects, *Telefónica* implements strategic management, and plans, and integrated them through various actions. This management is reflected in the "discussion forums" organized over the years on CSR, and this has been one of the reasons for choosing *Telefónica* for this job as a harbinger and implementer of active and innovative strategies on corporate responsibility. The central value identified by *Telefónica* for development was the "trust," which each interest group has received and that is reflected in the choices expressed in **Table 3**.

The communication campaign carried out by *Telefónica* in 2004 had the importance of "trust" as its basic value. This means that the company, as has been found in the various media (newspapers, radio, TV, etc.), has given priority to this aspect for the implementation of the MIRC. The relationship between communication and corporate responsibility will be highlighted as an application value in all types of tools used

[6] Esther Trujillo is the Head of Territory Development of the Sol Meliá hotel chain but has developed much of her career in the *Telefónica* Group, where she has worked for the past 12 years, mainly in the network management and institutional participation in social responsibility initiatives and sustainable development. She has edited for the Spanish telephone group the annual reports on the management model of the RSC and the complications in its application in the value chain.

Interest group	Basics for building trust. attributes	Effects
Shareholders	Profitability and transparency	Sustainable leadership
Clients	Quality and compliance	Satisfaction
Employees	Clarity and development	Mutual commitment
Society	Contribution and closeness	Respect and admiration

Source: Own processing of information on the Informe Anual de Responsabilidad Corporativa, 2006 by Telefónica S.A.

Table 3.
The basic tools for building trust.

by the group, including periodic reports (annual and semi-annual reporting). The reputation strategy must be established on a real basis of excellence in a service, which requires the considerable effort by the whole organization. CSR plays an important role in empowerment, and in enhancing this effort. *Telefónica*, being a telecommunications service provider, had to manage intangible (non-cumulative) aspects concerning those of the products according to their characteristics [58]. In services, reliability is a determining factor; in fact, more contracts are formalized with operators that from experience can give a better service, full of quality, and transparency. Quality can include the customer's degree of indifference to a repair, the certainty of a billing error, or the fact that the line is operational without interruption. Therefore, customer satisfaction will be the result of compliance with their expectations and the quality of service offered by the company [59]. The Corporate Code of Conduct, like other tools of its kind, is a framework for the integrity of professional relationships. It is inspired by the values of the *Telefónica* Group, which translates into principles, which in turn governs the behavior of the staff and indicates the conduct toward their main interest groups and is based on the concepts of right and duty. Therefore, it is not "compulsory" conduct, but rather, it is embodied in behavior to be followed (Trujillo, 2004). *Telefónica* has an institutional presence in numerous permanent job forums, holding important positions in them. **Table 4** shows some of the main forums in which the company participates, and the role played in each one.

The organizations listed above form the networks that promote CSR, with the different alliance relationships; in these partnerships, each organization is integrated and in close collaboration with the others and makes an important contribution to resolving the idiosyncrasies that may occur over time. The objective of the network is to develop CSR and training tools, such as the AENOR-CTN50[7] Technical Committee, which can monitor the added results and disseminate them through corporate communication. Looking at the sectoral forums, one observes, first, the diversity among them and their complementarity. Each forum can be defined by six characteristics (areas of implementation), and for each of these, there are two types (national and international). Furthermore, it indicates the characteristics (first column) and the possible types (second and fourth column). It also summarizes the number of holes in each feature (third and fifth column); the nine national forums are thus identified, while the remaining four are international (**Table 5**).

[7] Comité Técnico de Normalización 50 AENOR-CTN50 Documentación; the main functions of the committee (in the abbreviation AEN / CTN50) are the development and updating of the documentation related to UNE-EN ISO 9001 (the brand used to indicate the certifications issued by AENOR), as well as monitoring the reports on the work of technical committees on quality and safety, proposing opinions and comments through technical documents and nomination experts and national delegates participating in international meetings.

Organization	Workplace	Type of participation
Pacto Mundial	Asociación Española del Pacto Mundial de UN (ASEPAM)	Member of the board of directors of ASEPAM
Ministry of Labour and Social Affairs	Plataforma española Pacto Mundial	
CEOE	Foro de Expertos de la Responsabilidad Social de la Empresa	Member
AENOR	Committee on CSR	Member
Global Reporting Initiative (GRI)	Technical Committee 165-Ethics	Member
	GT2 Working Group	Member
Foro de Reputación Corporativa (FRC)	CSR ad hoc group	Member
	Stakeholders' Council	Member
	FRC	Co-founder
Asociación Española de Contabilidad y Administración de Empresas (AECA)	Committee on CSR	Member
	Business in Society Mission	Member
International Chamber of Commerce (ICC)	Anti-Corruption Commission	Member
	Corporate Reputation Forum	Affiliated to the Spanish network
Reputation Institute		

Source: Own processing of data from Telefónica S.A.

Table 4.
Type of participation of Telefónica S.A.

Characteristics	Typology	N° forum	Typology	N° forum
Scope	National	9	International	4
Homogeneity of members	For businesses only	5	Several agents	8
The endowment of the organizational structure and operational resources	Equipment and autonomy	5	Without equipment	8
			Joined the project	12
Sponsored by *Telefónica*	Founder	1	Only the study of Corporate Responsibility (CSR)	0
Creators of CSR tools Priority in the use of the concept	Toolmakers (guides, measurements, periodic information reports)	13	Company CSR	11
	Corporate responsibility	2		

Source: Own elaboration starting from Telefónica S.A. data.

Table 5.
Characteristics of permanent job openings with the institutional presence of Telefónica S.A.

It is noted that international organizations can develop subnets, to facilitate the incorporation and integration of corporate culture, so that at a centralized level and with a good information and communication service, it is possible to involve

all interested members. In the case of the *Pacto Mundial de las Naciones Unidas*[8], a Spanish section has been created; for the International Chamber of Commerce (ICC[9]), there is a general manager in Paris, which represents all the countries, considered as the "voice of companies" and with a global commercial presence. The greater or lesser success of the centralized or decentralized structure depends on many factors, including finding an adequate leader in each country, or even just the idea of a strong ideology regarding these issues is very important. The two organizations mentioned are among the largest active members in the working groups and are devoting themselves to developing ISO guides. As for the homogeneity of the members that make up the association, there are two types of forums. A plurality of different agents that, in addition to companies, includes the government, NGOs, and research centers is promoted by the UN, MTAS[10], AENOR, GRI, and AECA. On the other hand, it is the forums that respond to purely business problems created starting from the International Chamber of Commerce, the CEOE[11], the *Foro de Reputación Corporativa*, and the Reputation Institute. It is interesting to note that there are agents from all interest groups in more than half of the forums described, which is an important sign of the necessary openness to development and awareness in research in the field of CSR. The endowment of a differentiated structure of the promoter is a very important step that organizations give to CSR. Thus, the *Pacto Mundial* has its organizational structure and operational autonomy. However, the working commissions within the International Chamber of Commerce do not have a differentiated organizational structure that allows them to be autonomous. Of the cases analyzed, five forums have their organizational structure and a certain autonomy, while eight do not. Another specific forum was then examined, the Observatory on CSR (*Observatorio de la RSC*), which can be considered the mirror organization of the Corporate Reputation Forum (*Foro de Reputación Corporativa*) mentioned above. In addition to the forums and

[8] Ethical commitment initiative, intended for companies in all countries of the world that adopt the 10 principles of behavior and respect for human, labor, and environmental rights as an integral part of their strategy and conduct and are working to fight corruption. The idea of a United Nations Global Compact in the field of corporate social responsibility was launched by UN Secretary-General Kofi Annan at the World Economic Forum in Davos on January 31, 1999. In recent years, platforms and local networks in many countries of the world the principles on which the organization is based have been acknowledged and shared by all institutional and corporate members as well as by civil society [60].

[9] An organization that strives for the global economy as a force for economic growth, job creation, and prosperity. Because national economies are so closely intertwined today, government decisions are much stronger internationally than in the past. The ICC as the only global contact states that it is more determined to express opinions on the businesses in progress. Its activities cover a broad spectrum of functions, from arbitration to dispute resolution, to promote free trade and make the market economy system transparent: from self-regulation to the fight against corruption and commercial crime. The ICC has direct access to national governments around the world through its national and international committees and is based in Paris.

[10] Ministry of Labour and Immigration (Ministerio de Trabajo y Inmigración de España).

[11] The specific interests of small- and medium-sized enterprises are represented by the Spanish Confederation of Small and Medium-sized Enterprises, a national organization and member of the CEOE. An organization for progress, the CEOE continuously analyzes the socioeconomic activities of Spain, in order to improve and propose the best competitive solutions for companies. The CEOE is active internationally through the presence of offices in different parts of the world. Another sector activity of the CEOE is that of protecting the artistic heritage and what it represents as well as the interest in the research and development of a country.

permanent working groups mentioned, *Telefónica*'s Directorate-General on Corporate Reputation, Brand and Social Responsibility is maintaining a constant presence in the non-permanent CSR forums. This effort of participation and dialog is aimed at achieving the objective of obtaining a *"strengthened institutional framework to facilitate the development of corporate reputation,"* because in this way *"the risks will be mitigated."* Within CSR, a company aspect of interest is the performance on responsibility in one's own business [61]. So, one of the questions that telecom operators are asking is how they can help promote development and reduce the "*digital divide.*" *Telefónica* based on its experience believes that these cultural and social differences in access to information technologies can be reduced by the following:

- *Network availability and quality*
- *The "democratization" of communication*
- *Development of the information society*
- *Development of new technology*
- *Reduction of the economic gap, which is the basis of availability*

Telefónica's expansion strategy makes extensive use of elements that, as indicated, narrow this digital divide. The concept of social responsibility *"leads to the awareness that we are a powerful force for social, economic and technological development"* [62]. In these statements, the general management on social responsibility and corporate reputation of *Telefónica* highlights the importance of the workers themselves, aware of the social impact of their daily activities. In almost every forum that *Telefónica* joined, the association was already active, that is, promoted by others; only in the case of the FRC (Foro de Reputación Corporativa) did it have a promoting and founding role. This is indicative of the synergy that has been achieved in partnerships between organizations that have a common goal; the creative effort was born from some subjects, while the resulting advantage is shared by all the organizations that ally. Furthermore, the benefits of the network are greater in terms of its breadth and influence, and to this extent, its strength is often found. The relative weight of *Telefónica*'s size is the activity carried out by its representatives who are holders of a strategic position and who make a significant contribution to the policies implemented by the company, communicated through the forum. For *Telefónica*, the creation of the FRC responds to a common vision between 11 companies of the group, which makes it possible to obtain synergies through mutual collaboration. The common vision is therefore the following: "*The value of intangible assets in the company is very important and corporate responsibility is a critical component of this aspect.*" The strategy to fulfill this vision consists of *"unearthing intangible assets that generate a better reputation that can increase the perceived value of the company"* [63]. Considering these statements, the actions proposed in 2010 by *Telefónica* to develop a strategy for creating a greater reputation are as follows: a) identifying the best management methodologies for RC (*Responsabilidad Corporativa*), CSR (*Corporate Social Responsibility*), and ethics, which are integral for the FRC (benchmarking); b) promoting and disseminating the knowledge and management of RC; and c) promoting the creation of a stock index (national or European) for "responsible" companies. The actions are outlined to show how large companies have implemented the sharing of experiences and knowledge

of the best management methodologies in the FRC plan, obtaining advantages from this strategic option. And in fact, the information that derives from it would seem more qualified and coherent than that obtained through external *"benchmarking,"* as used today by many companies. The second action of the FRC indicated by *Telefónica* relates to the promotion and dissemination of knowledge as well as the management of RC. It is therefore a general action for the promotion of RC on management concepts and systems. This type of generic promotion has an impact on all intangible assets, the value of which depends on widespread acceptance [64]. The third action proposed in the FRC concerns the creation of an equity index, in which the criterion of differentiation is CSR. In analyzing the impact that this index can have, it should be noted that this tool, like all those of this type, implies the following: I) the assessment of the reputation achieved by each company; II) the classification of company valuations and the reporting of the levels that need to be included in the stock index; and III) the increase in demand in the stock market and the valuation of the shares of companies that have a good score on the liability index. Once the desired results are achieved, an increase in the value of the company should be achieved through its intangible assets, which is the point of view held and shared by the companies that have implemented the FRC. It is noted that *Telefónica*, as a company committed to full immersion in this field, needs concrete results that allow it to make subsequent efforts by quantifying the results achieved. One of the most revealing findings from the analysis carried out in the previous table is that all the forums in which *Telefónica* participates develop some type of tool for the promotion of CSR. Among these, the *Pacto Mundial*, the GRI, the AENOR, and the Reputation Institute were created precisely for this purpose, or in them, the promotion of the CRS is at the center of the activity carried out. These, once involved in the analysis of the CSR, propose the measurement tools or guidelines to facilitate the implementation of strategic conduct [65]. A special case, different from the others, is the "forum of experts on corporate social responsibility" of the Ministry of Labour and Social Affairs[12], which, although not aimed at developing tools, carries out an information-gathering activity that could be an advantageous opportunity to achieve, shortly, the enactment of a law on corporate social responsibility in Spain. The promotion of a stock index, such as the one described above, did not seem outlined in the previous proposals as key points of application were more general*: "Valuing intangible assets. Definition of development indicators and measurement systems for corporate reputation or related to quantifying the impact of corporate reputation policies: ethics, social responsibility, identity, brand, and corporate governance. Influence and interaction after between are the main intangible variables of corporate reputation"* [55]. These measurement objectives are aimed at verifying the effectiveness of the actions undertaken and selecting the variables with the greatest impact; they are therefore the objectives of improving the methodology before 2004 the *Telefónica Group* was included in the *Dow Jones Sustainability Index* (DISI), after having achieved a score of 75 points for its leadership with sustainability criteria. Moreover, at the European level, the minimum is 72 points and global with the minimum of 70 points and starting from 2004 with the inclusion in the

[12] In the Spanish government, the Ministerio de Trabajo y Asuntos Sociales is managed by the Undersecretary of Labour and Social Affairs of the Ministry of Labour and Immigration, established by royal decree on May 8, 1920.

FTSE4Good[13] index, which uses, for the selection of companies, ethical, social, and environmental criteria applied through quantitative indicators. The latter consideration is so strong that there is a negative relationship between boardroom gender diversity and a firm's financial performance. According to Ajaz et al. [66], females in boardrooms either cause negative effects or have no impact on the firm's financial performance. Similarly, there is no significant relationship between the presence of women in boardrooms and a firm's reputation.

4.5 Corporate Reputation (CR) workshop

The implementation of the plans described by *Telefónica*'s CR requires sharing and implementation by all management areas in the various countries where the group operates. Therefore, the general manager has set up a series of workshops[14] to facilitate the learning of methodologies to promote responsibility in the different areas. This is done through the analysis of "best practices," through the strategic analysis of future growth scenarios in terms of sustainability and development, but also thanks to other more creative techniques such as brainstorming where problems are analyzed to give shared answers that are accepted by the whole organization.

5. Practical implication

5.1 The management of CSR in *Telefónica*

In the CSR management systems in *Telefónica*, two issues are of particular interest for this survey, as they relate to the measurement of progress in the level of CSR obtained and because the relationship with the interest groups depends on the evaluation of the company: a) the interest that progressive accreditation has for society and the types of policies and actions envisaged for the gradual progress toward its objectives; and b) management systems about its stakeholders, with particular reference to suppliers and the introduction of CSR criteria.

5.2 The challenge of progressive accreditation

This section provides a general reflection on the impact that progressive accreditation has on *Telefónica*. The implementation of a gradual and progressive accreditation

[13] The FTSE Group (FTSE) is a world leader in the creation and management of more than 120,000 stocks, bonds, and alternative asset class indices. With offices in London, Frankfurt, Hong Kong, Beijing, Boston, Shanghai, Madrid, Paris, New York, San Francisco, Sydney, and Tokyo, the FTSE Group works with partners and clients in 77 countries around the world. FTSE is an independent company jointly controlled by the *Financial Times* and the London Stock Exchange. These FTSE indices are widely used by a variety of investors, such as advisors, asset owners, fund managers, investment banks, exchanges, and brokers. The indices are used for the purposes of investment analysis, performance measurement, an asset at the location, risk-hedging profiles, and the creation of fund monitoring indices.

[14] For further study, the Talleres de Reputación Corporativa held by *Telefónica* S.A. can be considered, periodically, the workshop of the Conferencia Interamericana de RSC de la Empresa held in Panama on October 28, 2003, on Reputación y Responsabilidad Social Corporativas.

is highly appreciated by companies and organizations that have become spokespersons for the adoption of a management system based on CSR. It arises as a cumulative process, which makes it possible to maintain a medium-term objective, following an action plan to advance in the implementation of the subsequent phases. In many forums that have been created to promote strategies and actions, CSR highlights the need for elements of verification to ensure the truth of what organizations communicate and advertise. As CSR policies tend to produce greater value in a company's intangible assets (such as brand and reputation), there is a need for effective enforcement and verification mechanisms that are accepted by the organizations represented. The gradual introduction of social responsibility management systems is seen to increase the very feasibility of CSR; the approach with progressive advancement is also valid for relations between interested parties. Although it is a challenge to accept that everything can be divided into distinct parts and that there is a way to advance through a series of distinct stages, it is plausible that each one involves difficulties and costs, such as in justifying the achievement of even partial goals. Those responsible for the implementation of CSR in companies are also interested in "partial recognition" as a clarifying tool, both for themselves and for senior management, that can facilitate their work and increase the probability of giving continuity to the strategic plan pursued. However, important issues to be outlined include the minimum coverage of each stage, the speed of implementation and the type of recognition possible, as well as the conditions for its use. In general, progressive-type solutions are suitable for collaboration strategies, with many interested parties, where each one offers a different contribution, and one crucial factor is the need to go slowly in gaining trust among the participants, while also considering the cost-benefit that everyone gains with the alliance. Furthermore, when the field of action is new or its scope unknown, caution is advised in the implementation of the progressive system. The basic alternatives for progressive implementations are I) partial scope, where the standard is subsequently applied to various parts of the organization [67]; and II) subsequent assumption of principles or requirements and assessment of the degree of conformity. These two basic progression options can be combined in mixed solutions. The two schemes were applied, respectively, for the ISO quality and environmental standardization systems (with subsequent partial certifications) and the excellent management systems (with initial self-assessment and external assessments, as in the case of EFQM[15]). The partial field of application can be achieved according to various criteria: 1) structural differentiation of organizational units (departments, business units, subsidiaries of a group, work centers); 2) for the processes of the activities; and 3) for the interest groups involved. An easy way to measure progress is to list the tools and developments that are required for the implementation of the comprehensive, previously known, and accepted management system—for example, the policy approved by the board of directors, the creation of a body in the organizational structure that will be responsible for the process. Some evaluations include not only the results but also giving some evaluation of the performance predictions. This strengthens the systematic organizational commitment to progressive advancement, but it can be at risk of overestimation. This approach was applied in the "*implementation and continuous*

[15] The foundation aims to promote a reference model in order to improve company performance through a more extensive and articulated overall approach than the classic ISO 9000 models. In the EFQM model, the company is analyzed based on many elements, which are then grouped into nine main criteria, each with its own weight. The grade obtained with respect to each criterion then contributes, based on the weight envisaged by the model, to the final evaluation of the company.

Phases	Description
First	First the commitment of top management
Second	Internal analysis
Third	Implementation
Fourth	Measurement of results
Fifth	Communication
Sixth	Control
Seventh	Improvement and excellence

Source: Own processing based on Telefónica data.

Table 6.
Phases of the Modelo de Implantación Progresiva (MIP) in Telefónica.

improvement questionnaire" aimed at organizations that have formalized their adhesion to the *Pacto Mundial* in Spain. Some authors[16] also propose another dimension or point of evaluation of CSR strategies and policies: philosophies or attitudes adopted, generated between proactive and reactive. However, it has been observed that if it is claimed that this categorization measures the variables involved in degrees or levels, this can have difficulties and objective aspects that are difficult to evaluate and quantify. Following the "model for the gradual implementation of CSR" designed and implemented by *Telefónica*, we note that it has had a significant impact on the company's operational strategy and has also served to promote both inside and outside the company's social policy. It is not intended to convey a summary of the actions taken by the company at each stage, but only to highlight some facts that are considered representative and relevant for the analysis. The comments provided are general in scope and do not refer directly to the *Telefónica* company, but to all the research, and are a good example for observing design variables and problems to be overcome. The MIP model is like other systems designed for management and is a circular, feedback model, such as the PDCA[17] cycle, although it is adapted to the specific interests of the CSR system (**Table 6**).

Phase 1. To make this commitment public, the *Informe Anual de Responsabilidad Corporativa 2003* begins with a letter from the president regarding the requirements of the GRI. In his message to the reader, he indicates that the vision of the company is

[16] In this regard, it is possible to consult the publications on the subject produced by important corporate responsibility scholars Carroll [68] and Joyner and Payne [69].

[17] It serves to promote a culture of quality that is aimed at the continuous improvement of processes and the optimal use of resources. This tool starts from the assumption that in order to achieve the highest quality, constant interaction between research, design, testing, production, and sales is necessary. To improve quality and satisfy the customer, the four phases must constantly rotate, with quality as the main criterion. Edwards Deming in Japan in the 1950s. In those years in Japan, quality production was ensured simply by the testing phases. Post-process inspections only made it possible to discard the defective parts and, following this logic, the increase in quality would have meant an increase in inspections and consequently in costs. Waste and costs were not in tune with the concept of quality sought by Japan. Edwards Deming, to introduce tools to ensure a progressive improvement in quality. The Japanese subsequently reinvented the Deming wheel and called it the PDCA Cycle, constituting a method to be applied to all phases and situations. Now, the concept of constantly spinning the Deming wheel to generate continuous improvement is extended to all phases of management, and the four stages of the wheel correspond to specific activities.

aimed at being a "trusted operator" and that the only way to access this trust is to fulfill one's commitments and maintain a position of proximity in understanding the needs and the expectations of customers, shareholders, employees, suppliers, or simply citizens. The CSR approach, to be effective, should be promoted as a value and a strategy that starts from the top management, through a plan to be implemented in all company activities. This push from top management must include the provision of necessary resources, how much they will have to compete with other objectives, and the correct priority among objectives for the allocation of resources. Therefore, the level within the organizational structure of the company and those responsible for each process are the important factors in resolving conflicts, but at the end, it will be the top management who will have to decide between the strategies if there are valid operational solutions. The formal organizational structure created for the management of CSR is often a sublevel of general management or corporate management in large companies, as indicated in the case of *Telefónica*. As for the informal structure, its proximity to the presidency and its mandate as the executor of a particular strategy, in practice, increase the level of enforceability. However, the level indicated refers only to the few companies that have bet heavily on CSR, as in many large and small businesses, the functions are shared. CSR managers are often told that their most challenging work begins with the work of internal conviction and in the rest of the structure in responsibility, personal commitment, and effort in resources. This difficulty is like that of the closest management systems such as the quality of the environment. The design of an incentive system for managers and employees is necessary so that they have a utility function consistent with the objectives of the company. However, the incentives can cause unexpected side effects, which can heavily affect the internal balance of the company or firm on the market. For example, stock options have been used to try to reduce the agency problem, which links executive remuneration to the value achieved through shares; however, they were also the cause of an increase in accounting fraud in the main listed companies in the late 1990s. These practices resulted in the loss of reputation of the company in which they were carried out and a significant loss of confidence in the market system[18]. It is this loss of confidence that is one of the main reasons why large companies are developing CSR strategies. Phase 2. Given the size and complexity of the company, the activities that the different business units carry out in the field of CSR are brought together, forming a sort of catalog. This collection made it possible to carry out, first, an analysis of the situation, the identification of evident absences, and the assignment of priorities to the initiatives. It also facilitated the identification of best practices, so that they could be exported to other units. The first consequence of this methodology is the internal benchmarking procedure, which is useful in large companies with different operating units and various geographical areas. Among the companies that were consulted in this research, it becomes clear that the initial diagnosis phase presents great difficulties, deriving mainly from the uncertainty of the very concept of CSR, from the presence of various definitions of CSR, relating to the inclusion or exclusion of principles, as well as the degree of participation of the interested parties.

[18] For an in-depth analysis, see the paper "Determinants of collateral" in which the authors conduct an extensive examination of the effects of information asymmetries and of the relationships of the financial and banking market in the various economic cycles: GABRIEL JIMENEZ (Banco de España), VICENTE SALAS (Universidad de Zaragoza and Banco de España), and JESUS SAURINA (Banco de España), February 2004.

The managers of the company have different functions and are often of opposite opinions, and therefore, they are forced to choose one among them to create a common culture and conduct internal awareness campaigns. However, significant progress has been made to clarify the concepts and actions that need to be taken to implement a CSR system. The creation of economic value from the CSR strategy is based on certain requirements or expectations of its stakeholders to allow it to obtain a competitive advantage (Porter, 1985). These include a trust that the customer does not change supplier, proximity capable of decreasing the image of distance that a multinational can have; the issue of human rights compatible with the growing pressure of society against violations of privacy and abuse of a person; the image of efficiency and devotion of the company to reduce the advantage of competitors in the reference competitive sector; and the relationship with public institutions of the state. Phase 3. Based on this survey, the strategy was defined in *Telefónica*, assessed through the resources for implementation and the necessary organizational structure. It corresponds to the organizational structure to plan the methodology to be applied. If we compare the MIP model with the general management scheme, we see that planning and organization activities are included in the implementation phase. They have been concentrated; this does not mean the realization of a smaller number of phases, but an attenuation of the importance given to the other phases. Phase 4. The information systems that existed before 2002 in *Telefónica* provided only part of the information required by the new area of CSR, so it was necessary to create a specific information network. An "integrated management system" was launched in the field of CSR and it was necessary to work diligently to systematize the information, which was dispersed and uneven. To select the indicators, the guidelines of the Global Reporting Initiative were used together with the ratios and data pertinent to the specific activity; *Telefónica* itself participated in the development and organization of the GRI as well as in the creation of the reference guides for the telecommunication sector. To ensure the quality of the information, a determining factor has been identified: the accountability that provides information [70]. Furthermore, a double control was used, guaranteed, and made possible by the organizational structure of the company: the participation of the heads of each operational line or corporate center and the involvement of the company departments. CSR must be developed through a transversal management system that penetrates the various activities, integrated with other management systems. Therefore, the variables and results relating to CSR are combined in the management control systems of branches and business units [71]. For standardization, an internal regulation has been developed for carrying out CSR reports and the internal control department has participated in its elaboration. The control phase, which in general models, is usually identified as unique, and in *Telefónica*'s CSR MIP, on the other hand, unfolds in three phases: measurement, communication, and verification. This approach is indicative of the importance that communication plays in the management of CSR since its development is correlated with interest groups. Based on the decision to consider verification as a separate phase, the argument supported by the various companies in the forums could be indicative: There is still little maturity in the field of CSR and it is necessary to proceed slowly and safely, identifying the groups of interest. It should be noted that the difficulty of obtaining homogeneous information on CSR in large companies motivates the choice to finalize the first stages of the implementation of the strategy in the creation of the information system. The same experience described for the telephone operator was compared among BBVA and other large companies.

However, in PYMES[19] this part of the process would be much easier. The responsibility of the information generators is indicated in the sustainability report [72]. Indeed, one of the steps that have been considered most effective since the financial scandals of the 2000s is the clarification of personal responsibility in the information provided, which is institutionally promoted. The result measurement phase is closely linked to the principles of transparency and anti-corruption that accompanies CSR. Likewise, it is also essential in any management system for results and continuous improvement. The strategy and entrepreneurial activity can simultaneously influence relations with the various stakeholders. For example, if anticompetitive practices are used, reference is made to the interest group of competitors, the relationship with the public administration and customers, even if it is only a reflex moment. In many cases, it is not easy to determine where the commercial practice ends and those that are not accepted begin. Phase 5. The *"Annual Report on Corporate Responsibility of Telefónica S.A."* was released in 2007, 2008, and 2009, and every year, there was a notable improvement in the contents and in the processing of information, as well as in its dissemination. Phase 6. Within the *Telefónica* MIP are the following steps in the verification process: internal audit on the correctness of the information; external audit; certifications; and verifications [73]. All the processes relating to the customers of *Telefónica* and *Telefónica Moviles* in Spain are certified according to the ISO 9001/2000[20] standard, and in *Telefónica* America Latina, they were carried out in 2004. Two characteristics can be observed in the design of these certifications: a) The development achieved is measured in proportion to the certified processes; and b) the priority of certification is assigned to the processes closest to the customer, who is the main beneficiary of quality. These continuous quality improvement plans include "service indicators" and *"strategic quality indicators, with objectives of improvement and comparison with the quality perceived by the customer."* *Six Sigma*[21] is the reference methodology for process improvement and staff training. These systems include internal controls. In 1996, *Telefónica* of Spain acquired the environmental commitment of ETNO (European Telecommunications Operators), and in 1999, the development of an "environmental management project" takes the UNE EN ISO 14001 standard as a model. The environmental management system for *Telefónica* Moviles in Spain covers all its activities and is certified by AENOR by the UNE EN ISO 14001 standard. The various collective agreements of the company are applied to more than 100,000 employees of *Telefónica*. It is important to underline a way of expressing and communicating the ISO certifications that were used in the report produced by

[19] Acronym corresponding to the Italian PMI (small and medium enterprises), PyMEs (pequeñas y medianas empresas).

[20] The standard that specifies the requirements for a quality management system in which an organization must demonstrate its ability to consistently supply products that satisfy the customer and the applicable regulatory requirements, aiming to increase customer satisfaction through the effective application of this system, including processes for continuous improvement and customer compliance assurance. All requirements of this international standard are generic and are intended to be applicable to all organizations, regardless of the type, size, and product supplied.

[21] This denomination indicates a quality management program based on the control of the mean square deviation, which aims to bring the quality of a product or service to a certain level that is particularly favorable for the consumer. This variability is so limited that initially the common opinion was that it was impossible to achieve, and many believed that a three-sigma strategy might be acceptable. This guarantees a direct impact on the customer, intended as a user of the process or product.

Telefónica. The reference to the percentage of processes subject to certification is clear information and should be standardized by quality managers (certifiers, consultants, and companies with quality systems). The 2000 edition of ISO 9001 provides for the focus of society as an integrated set of processes, and it is this vision of integration that should be strengthened. And this contrasts with the widespread practice among companies of citing the number of certificates earned (on quality, on the environment) as to their merit, without referring to what they represent for all processes in society. Thus, the reader could interpret a company, A, with four certificates as being in a better position than another company, B, with a single certificate, when the reality may be that company B has certified all its processes, and only some of these. Phase 7. The improvement phase is seen as the analysis of, and reflection on, the overall path and includes external recognition. This recognition can be evaluated in terms of awards obtained and by other means or methods that the market and institutions can design and use. Finally, in this phase of improvement, and through a DOFA[22] analysis, the diagnosis is fed, with which the next cycle begins, before continuing toward excellence. *Telefónica* has received many awards and recognitions for its commitment and its application to the principles of CSR. However, the field of international recognition of the progress achieved in social responsibility will never be complete without a common interpretation and evaluation of information by interest group representatives. There are at least four elements of variation, and they are difficult to interpret: the agent who subsidizes it; the means used for the assessment; the characteristics; and the degree of recognition granted. Concluding the discourse on the progressivity in the analysis of the *Telefónica* case and on the other elements observed, it is shown that the progressive advancement systems for the establishment and accreditation of the CSR are of a mixed nature, including progress in the unity of the organizational structure, in the processes, and in assessing compliance with the principles [74]. As a detail on the possible developments during the evaluation, the improvement in the quality and transparency of the communication is highlighted, which is to report the percentage covered by a certification process, rather than the number of certifications. Progress is also being made in the standardization, measurement, and accounting of the results achieved with CSR, particularly for the improvement and expansion of the reports made by the GRI [75], which with its guides since 2002 has started the elaboration of an articulated reporting on the sustainability [76]. However, it is still a process that requires a lot of development, especially in the use of measurements and in annual and cross-cutting improvement. It is internally validated that the reports are made according to the GRI guidelines, but they are not being carefully checked.

5.3 Focus on interest groups in *Telefónica*[23]

Telefónica's approach to its stakeholders is to recognize legitimate interests and try to demonstrate their commitment and earn their trust. The following statement, which

[22] The analysis can concern the internal or external environment of an organization. The usefulness of SWOT analysis is not limited to organizations for profit. SWOT analysis can be used in any decision-making process where the desired end state has been defined.

[23] With this expression, *Telefónica* wants to include all the subjects and interested parties who meet the company; this expression could also be translated with the common term of Anglo-Saxon derivation "stakeholder."

is exhaustive of the policy implemented by the Spanish group toward all its interlocutors, is reported on the company Web site on *Telefónica*'s corporate responsibility: *"A company of this size generates, every day, millions of contacts with groups that, directly or indirectly, maintain a legitimate interest in it: customers, shareholders, investors, employees, partners, media and suppliers. Furthermore, following these relationships, the Telefónica Group also maintains close contacts with all the companies and countries in which it operates. Each of these relationships is an opportunity to demonstrate Telefónica's commitment to its interest groups ... and therefore it is a chance, whether or not to win your trust."*[24] The previous quotation highlights a direct relationship with the six interest groups, while the reference to contacts with companies and the countries in which the company operates is presented because of relations with those groups. In the classification of *Telefónica*'s interest groups, the following distinctive features must be noted: 1) special mention, to divide shareholders and investors even if it is considered the same interest group; 2) express reference to shareholders and consideration as an interest group; 3) governments (regulators) are excluded from the interest groups; 4) it includes the means of communication (mass media); and 5) no specific consideration of the "company" as an interest group but derivative of the relationships with the seven interest groups. Furthermore, they do not mention the concept of "company," but a plural and diversified "company and countries in which it operates." *Telefónica* has recognized, in its sustainability communication, suppliers as one of its stakeholders. The procurement process is a process that has standardized the *Telefónica* group, with standardization being carried out through the application of a "common management model," already applied by 100 companies from the group, called the *Sistema Avanzado de Compras* (SAC). The SAC is a manual of conduct that states *"the importance of intervening with rigour, objectivity, transparency and professionalism in the purchasing function, and which reflects the principles and guidelines that should guide actions with suppliers."* This manual is mandatory for all people involved in the procurement process, whether in commercial areas or working in different units. The manual includes 13 general principles, including those most directly connected with the principles of CSR, and the six approaches are as follows: I) customer satisfaction [77]; II) compliance with commitments; III) transparency in the procurement process; IV) equal opportunities for suppliers; V) objectivity in the decision-making process; and VI) contribution to the development of society. To strengthen the implementation of these principles, the manual underlines the *"guidelines to be followed in situations deriving from the relationship with suppliers that can generate conflicts of interest"* and indicates what to do in the working relationship with *Telefónica* suppliers and in other situations of constraint with a supplier, as well as the prohibition of accepting gifts or personal benefits associated with purchases (**Figure 4**).

The procurement process has five stages or phases, as shown in **Figure 4**; these phases are represented by their principal or actor, and in the same way, it is indicated in each phase how to proceed with the distinctive approach in CSR, resulting from the application of the six principles of the conduct manual (SAC). *Telefónica* has classified the acquisitions necessary to satisfy any type of need in five product lines (network infrastructures, services and works, products, market information systems, advertising, and marketing) in the definition of the requirements

[24] The text is taken from the *Telefónica* Web site in the specific section dedicated to RC and sustainability 2009 (www.telefonica.com/es).

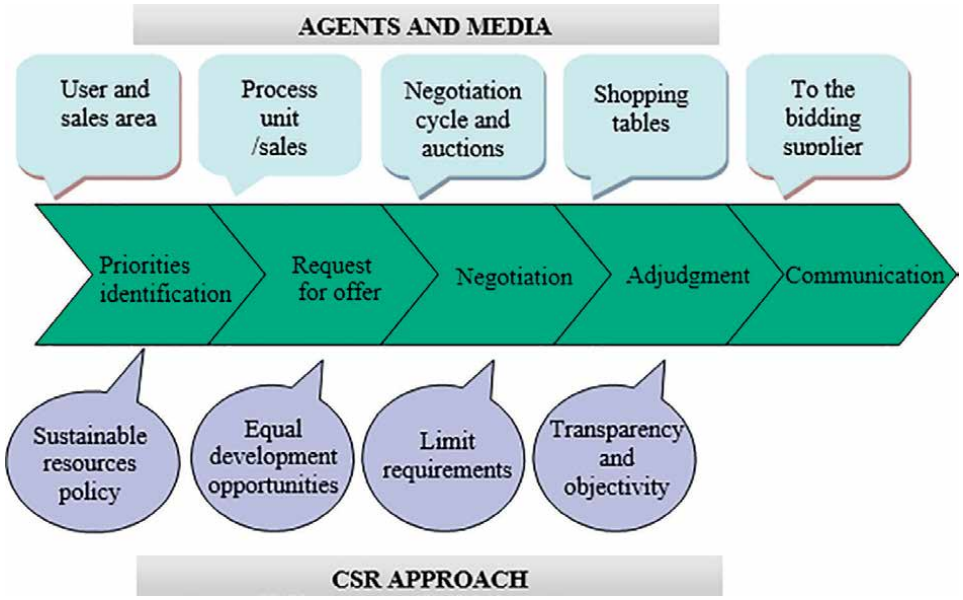

Figure 4.
The Telefónica procurement process, CSR approach. Source: Own elaboration from Telefónica S.A. data.

considering the global policy of sustainable development of society. Homogeneity is applied in requests for offers so that the information provided to suppliers (through the purchasing area) is the same for everyone to ensure equal opportunities for all interested groups. Another principle is contributing to the development of society, so the policy aims to promote the country's economic activity, which influences purchases. The whole process up to the tender requires the supplier to be approved. The approval of suppliers is achieved by registering in the "supplier catalog," which includes a presentation of the company and the opening of a register managed by the corresponding SAC process unit (there is at least one in each of the 19 countries in which *Telefónica* operates), to the verification process after inclusion in the catalog or to rejection. For the approval or rejection of the supplier, among other things, the criteria set out by the CSR are considered. Purchasing management is done through seven purchasing tables, which are in Madrid, São Paulo, Rio de Janeiro, Buenos Aires, Santiago de Chile, Lima, and Mexico City. Some products require technical approval before being used and therefore require a specific approval process. The specifications of the products/services being assessed include elements of social responsibility, such as those relating with respect to the environment. The negotiation phase is governed by a set of guidelines to ensure compliance with the supplier's treatment, transparency, and objectivity; here are some guidelines for specific situations: a) Limit the requisites required for suppliers, without using the purchasing power of *Telefónica* because the supplier accepts abusive conditions well below the market; b) no offer will be negotiated without any possibility of awarding; c) confidentiality of information obtained from the supplier on offers and other aspects of the purchase tables; and d) there will be no meals or recreational activities during the negotiation period. The trading phase is carried out using the method of trading cycles or auctions. The management of the

purchases of some product categories is carried out through an electronic commerce platform: e-Sourcing Adquira[25], with over 4,300 affiliated providers. The ratio of products purchased by these means is not identical in the seven purchase tables and includes a series of items for each of the five product lines. This platform allows the management of bids and negotiation, as well as the implementation and management of purchase auctions. Transparency and objectivity are the principles of CSR that directly affect this phase. It must also ensure that the contract entered reflects what is negotiated with the supplier. In the final phase of contract implementation, the affected areas that they manage must strictly abide by the agreement and check that the supplier complies with its commitments. For the award, the calendar and the specifications of the offer will be considered. As the main aspect of the process analyzed in *Telefónica*, the principles of transparency and objectivity are preferred for the IT solutions that are transforming the company's purchasing system. They point out that there is also an improvement in the efficiency of the system by reducing process costs, which affect both the supplier and the buyer. *Telefónica* is automating all purchasing processes in the value chain with the supplier. Together with the e-Sourcing, the e-Procurement company platform supports all internal procurement cycles (post-purchase), including the delivery of orders.

6. Communication on CSR in *Telefónica*: the annual reports on social responsibility

The first social report published in Spain was that of *Banco Bilbao*[26] in 1978, and this was followed by other large companies such as *Telefónica*, RENFE,[27] and *Construcciones Aeronáuticas*[28]. These relationships represent the aspect of social, not economic, indicators referring to customers, employees, the environment, and the community. However, this effort was soon stopped, due to the accentuation of a purely financial approach in the 1980s, which emphasized the relationship with investors, shareholders, and the media. The increase in CSR, as well as the importance within it of the information provided to interest groups, motivated *Telefónica* to decide to present the reports on corporate responsibility, for which it adopted the methodology of guidelines of the Global Reporting Initiative (GRI). *Telefónica* has also undertaken an attitude of active participation in the GRI, forming part of its

[25] Adquira is the leading trading and provisioning solutions company in Spain, striving to facilitate business relations between businesses through an integrated e-commerce platform. Its mission is to enable companies to take part in e-commerce, meeting their procurement needs, allowing them to do business with significant competitive advantages and offer reliable solutions. Adquira began operating in 2000 as an initiative of four of the largest companies in Spain: BBVA, *Telefónica*, Iberia, and Repsol YPF; the company has a very full database of more than 4,500 suppliers in Spain, in order to improve the purchasing processes of its customers. Its activity, with almost 10 years of experience in the market, allows it to offer specialization, experience, and guarantee of service.

[26] Bank founded in Bilbao in 1857 that gave rise (through subsequent mergers) to the current BBVA group (Banco Bilbao Vizcaya Argentaria, S.A.).

[27] The *Red Nacional de Los Ferrocarriles Españoles* is a Spanish state structure of railway transport founded in 1941 and in force until 2004–2005, which was divided into ADIF (Spanish railway infrastructure management body) and Renfe Operadora (the company that deals with the railway service).

[28] The *Empresa Construcciones Aeronáuticas* S.A. (CASA) created by José Ortiz Echagüe on March 3, 1923, was the first Spanish company in the aerospace sector.

Stakeholder Organization (SO) and being represented in its Stakeholder Council by its General Management of Reputation, Brand and Social Responsibility. *Telefónica* creates an integrated corporate responsibility report for the whole group, but it has also left certain freedom to the companies that want it to carry out their reports independently on sustainability; in fact, the following five companies appear in the list of Spanish companies in the GRI database: *Telefónica* S.A., *Telefónica* de España, *Telefónica Móviles España*, *Telefónica Publicidad y Información, S.A.* (TPI), and *Telefónica Investigación y Desarrollo* (*Telefónica* I + D). The logic of this plurality of relationships is that companies have considered it as an element of competitive advantage relevant to their strategy in every sector. In other groups of companies (Ferrovial, BBVA, and Repsol YPF), this proliferation does not occur. The GRI database has a temporary delay concerning the publication of the reports on the Web site of each company; this may be due to the request of the GRI to grant the status of "in accordance" with the reports, which implies a review by this organization. *Telefónica*'s reports are increasingly complete and sophisticated in trying to achieve the stated goal of more transparent information. Similarly, the effect of the improvements in the tool used is felt, following the publication of the 2008 edition of the GRI guidelines. *El informe anual de responsabilidad corporativa 2008*[29] by *Telefónica* begins with the president's statement[30] and with a specific chapter for each interest group. The information is structured and standardized according to guidelines provided by the group and contains indicators both on the general commitment and on specific areas in the field of telecommunications. The list of indicators (referring to the 2008 report) is shown in its content in the following tables and graphs. In addition to the ratios, the company's annual report includes the company profile, structure, governance [78], stakeholder engagement, and global policies. It should be noted that there are several indicators of social performance suitable for analyzing working conditions, respect for human rights, the relationship with society, and product responsibility because the company is very committed to this type of policy as also demonstrated by the annual report produced by the OSE[31]. *Telefónica* is a driving force for economic, technological, and social development in the countries where it operates. In 2008, the company generated more than 69,000 million euros in revenue. These revenues made it possible to pay 6,767 million euros to its employees (5% more than in 2007), 10,336 million euros to public administrations (4% more than in 2007), 32,832 million euros to its suppliers (2% more than in 2007), and approximately 6,700 million euros to its shareholders (22% more than in 2007). This is how society has distributed the wealth created. In 2008, *Telefónica* set aside more than 4,600 million euros for technological innovation, which represents a 6% increase compared with 2007. From this amount,

[29] *Telefónica* presents in this annual report on corporate responsibility its behavior toward customers, employees, shareholders, suppliers, society, and the environment. The content is part of the company's CSR strategy and includes information on *Telefónica*'s achievements in this area, its objectives, and challenges for the future.

[30] Cesar Alierta Izuel graduated in Law from the University of Zaragoza in 1967 and after 3 years earned a master's in business administration from Columbia University in New York, United States. Executive President of *Telefónica* S.A. since July 26, 2000, he has contributed significantly to the growing development of the Spanish telephone group in recent years.

[31] The *Observatorio de la Sostenibilidad en España* is an independent project in operation since February 2005, based at the University of Alcalá, and starts its activities following an agreement signed with the Ministry of the Environment, the Foundation for Biodiversity, and the General Foundation of the University of Alcalá.

668 million euros were invested in research and development (R&D), meaning that *Telefónica* ranked sixth in the world in this category and first among Spanish companies, with an amount dedicated to investments that were four times than those of the runner-up in this *ranking*[32]. Significant progress in some areas of the group in the field of *corporate responsibility* and the need to improve implementation in others, together with the objectives set for 2011, constitute the reference target for 2009; this is the central message of the 2008 annual report by *Telefónica*. Here are the "milestones": *Corporate Responsibility* and *Business Principles*. At the end of 2008, about 50% of the group's employees (excluding Atento teleoperators) had received training in *Business Principles*, which represents 60,219, double the figure for 2007. The aim of promoting dialog with employees on business principles was achieved through the development of forms of internal communication such as publications (e.g., *Somos* magazine), and a variety of presentations in various locations and forums. Abdullah et al. [79] suggest that employees who value CSR campaigns and other practices identify with their company to a greater degree, work with more devotion and loyalty, and show more creativity in their work performance. Or better CSR practices have a significant influence on employee performance in terms of relationships between employee perception of CSR and employee outcome for firms [80]. Training initiatives were launched for employees in Ecuador, while CSR continued its consolidation process in the remaining countries where it had begun to be applied in 2007. Thematic panels

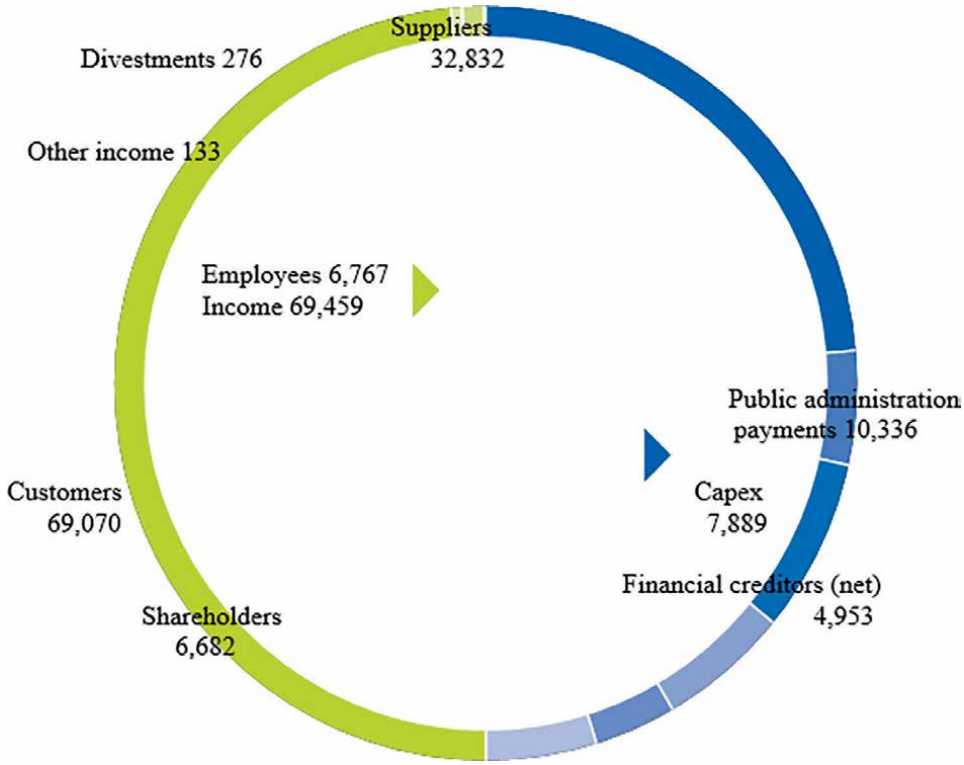

Figure 5.
Driving force of progress in Telefónica. Source: Annual Corporate Responsibility Report Telefónica S.A. 2008.

[32] The 2008 EU Industrial R&D Investment Scoreboard.

were promoted in Peru on social inclusion in the sector of telecommunications, the *Intégrame Project*, and the 1st Forum on Antennas and Health. *Telefónica O2 Germany*[33] confirmed its status as the best company in relations within the group and the online dialog issue (**Figure 5**).

To encourage initiatives aimed at ensuring responsible behavior by interest groups and to help consolidate the companies and the good perception of *Telefónica*, the CSR guidelines have been developed for 10 countries, including the 2008 targets. *Environment:* An Environmental Management System has been developed for the entire group based on the ISO 14001 standard. A model that emphasizes the energy efficiency of equipment and products has also been implemented by suppliers in the work area of the OCC. Hang et al. [81] identified a significant and positive impact of CSR and green product innovation on organizational performance. Accordingly, green product innovation positively influences competitive advantage. Competitive advantage mediates the relationship between corporate social responsibility, green product innovation, and organizational performance. Measures aimed at improving energy efficiency, promoting the use of renewable energy and Green IT models, have been developed and implemented as part of the activities of the work area in the *Climate Change Office*[34]. The year 2008 marks the development of the *Telefónica Environmental Performance Index* (EPI)[35] based on a *balanced scorecard*[36] of environmental indicators. The rules that are expected to be implemented in 2009 and 2010 in all operations were designed in 2008 as part of the *Global Environmental Management System*[37]. These regulations cover aspects such as waste management, noise pollution control. *Customers:* Efforts invested in the *Customer Experience*[38]

[33] *Telefónica* O2 Germany GmbH & Co. The company offers its German private and commercial customers fixed and mobile telephone services with prepaid contracts, as well as innovative mobile telephone and data transmission services based on GPRS and UMTS technologies, thus becoming an integrated high-speed communication provider, the leader in Germany by market share. In it, the communications company provides information on key performance indicators for 2009 and its commitment to customers, employees, and the community, as well as its CSR goals for 2010.

[34] The Office of Climate Change was established in September 2006 in the UK to help and support the analysis work on climate change and the development of policies and strategies for the future. The organization's goal is to reduce the environmental impact deriving from "hardly responsible" choices by companies and to promote and raise public awareness of issues of great interest today, such as human health and sustainability.

[35] The EPI aims to give the company a more accurate picture of the state of environmental progress, for each company, by providing reliable quantitative information; the index will help evaluate the measures taken so far and facilitate decision making for the future. These indicators reflect characteristics such as environmental objectives, ongoing legal proceedings, and employee training.

[36] For an extensive discussion of the BSC as an "integrated dashboard of indicators" see Vigano, "The value of the company. Historical analysis and determination objectives" 2001, chap. 3, pp. 93–101.

[37] In 2008, the company designed an Environmental Management System in accordance with the international standard ISO 14001 to set environmental management guidelines for all group companies. The documents that make up the Environmental Management System worldwide are the environmental policy, the Basic Standard, nine specific environmental management standards, and the Environmental Sustainability Index.

[38] The CSI is an "average" synthetic indicator, built based on the assessments given by customers on the individual aspects that put the customer in a relationship with *Telefónica* and on the level of importance that the individual aspects have for each customer. For a careful analysis of the index, see Bryant and Fornell, "American Customer Satisfaction Index, Methodology Report," April 2005.

methodology that was introduced in 2007 resulted in an improvement in the Customer Satisfaction Index, bringing it up to 6.92% with an improvement of 2%. According to a pre-established work plan, in 2008, advice was distributed to customers and the public on the responsible use of technologies, with recommendations on safety, recycling, the use of technologies by children, intellectual property, and the use of technology in public places. The analyses include surveys involving approximately 85,000 children from 800 schools in Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela; the conclusions were recorded in the White Book and will form the basis for the development of future educational initiatives. Ten principles that constitute the golden rules on advertising have been defined and are included in the Agencies Evaluation Model and are applied as part of the contractual conditions with these agencies. *Employees*: The ongoing initiatives have led to an improvement in the Employee Satisfaction and Commitment Index, bringing it up to 69%, three percentage points more than in 2007 and with participation in questionnaires equal to 70.4%. Progress has been made in dissemination and implementation tasks across the internal areas that will constitute the future Diversity Committee. The *Telefónica* Group work accident analysis procedure was developed to establish a set of common criteria to analyze the working conditions in all companies that belong to the *Telefónica* Group. *Providers: Telefónica* has more than met its 2008 target of assessing the risks of the value chain of 1,000 suppliers and carrying out 50 audits, reaching figures of 1,100 and 55, respectively. *Community:* Nearly 107,602 children were introduced to primary schools in 2008, doubling the previous year, in Latin America. The *EducaRed*[39] model was used to provide teachers, pupils, and families with the technological tools necessary to guarantee access to learning processes and teaching quality. Progress has been made in the following areas covered by the Accessible *Telefónica* Plan: accessibility of *Telefónica* mobile phones, ease of the integration process in the workplace, accessibility of procurement procedures, web accessibility, accessibility in stores, accessibility of digital TV, and accessibility of hardware. In addition to these results, communication actions and consolidation of the network of collaborations have been launched with other interested parties as well as constant support for innovation initiatives. At this point, it appears essential to analyze the strategic system of *Telefónica*; corporate responsibility is considered an integral part of its objectives for the group and how it conducts its activities is based on doing business in the "right way." Its initiatives are in the correct balance between positive and negative effects to prevent the adverse impacts affecting the value chain for each stakeholder. *Telefónica*'s vision is to *"improve people's lives and business performance, as well as the advancement of the communication technologies in which it operates, offering innovative services based on information and communication technologies" (ICT).* The objective of the strategy is to contribute to the sustainability of its business in the long term through the implementation of policies in favor of ethics and honesty, which in turn contributes to improving the satisfaction of customers, employees, shareholders, and, above all, the community, as summarized in the diagram below (**Figure 6**).

The philosophy of *business excellence*, that is, doing business in the "right way," is the key principle of *Telefónica*'s CR policy and underlies the whole context of its

[39] This program, sponsored by the Fundación *Telefónica*, aims to encourage the use of the Internet as a tool for innovation and pedagogical training for teachers, parents, and students of primary, secondary, high school, and intermediate training cycles. To do this, for 10 years, it has operated through a dedicated portal signed by more than 12,000 Spanish centers and holds an international congress every 2 years with an influx of thousands of teachers.

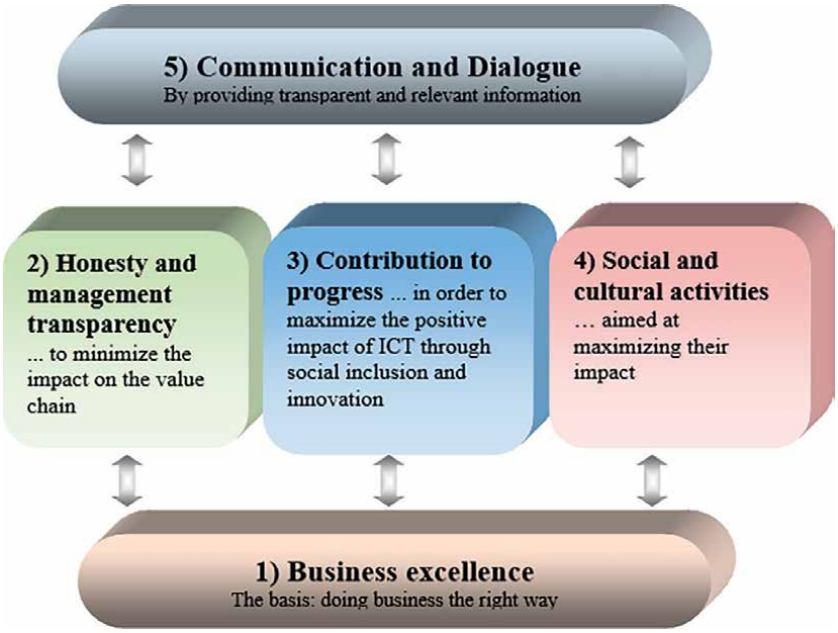

Figure 6.
Reference framework for the management of social impacts in Telefónica. Source: Adaptation from the Corporate Responsibility Report 2008, Telefónica S.A.

strategy. The company uses various indicators to measure its degree of implementation in these dynamics: in addition to the Customer *Satisfaction Index*, there is the *Employee Satisfaction Index* and the *RepTrak*™[40], further highlighting the need to keep the focus on excellence, keeping the commitments made with customers. *"Honesty and transparent management aimed at minimizing the negative impact of the value chain, through a commitment to ethics and honesty."* This represents the basic set of rules set out in the *Business Principles*, aimed at generating policies and regulatory frameworks necessary for the fulfillment of these objectives. The following graph better defines the role of corporate responsibility in the public and social aspects together with the economic and environmental impacts in a dynamic framework of variables. It must be emphasized that *Telefónica* tends to underline these objectives in its annual report precisely to highlight and guarantee its maximum transparency. *Telefónica* contributes to progress by maximizing the positive impact of its business and thus offering a contribution to improving the lives of people and other companies with which it enters a relationship. Educational programs for the use of ICT also have a positive impact on the environment and the productivity of businesses due to their ability to help reduce the consumption of natural resources and promote the fight against climate change. Social and cultural activities reinforce the impact of

[40] The tool is used by the Reputation Institute to measure the reputation among stakeholders, interested countries, and industry. The Reputation Institute is involved in an ongoing effort to measure and monitor the corporate reputation of companies around the world. The Global Pulse project measures the overall reputation of the world's largest companies by capturing consumer data in 27 countries using the core of the RepTrak™ model. In 2006, the RI did a multicenter, national study to understand how reputation had evolved over the previous decade.

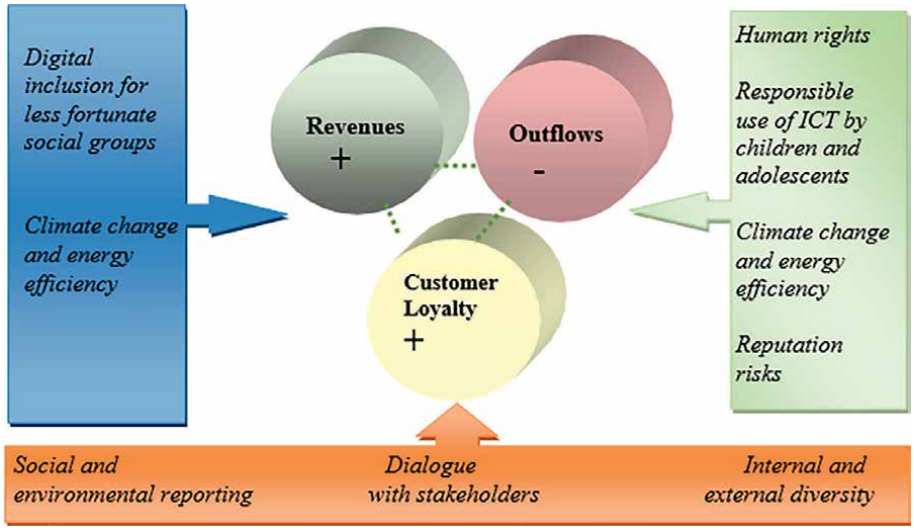

Figure 7.
Interrelations between public and private aspects with the economic prospectus. Source: Adaptation from the Corporate Responsibility Report 2008, Telefónica S.A.

social action, allowing anyone, regardless of social position or cultural condition, to enjoy the benefits of progress. These activities are carried out through the Fundación *Telefónica*, ATAM[41], the politics and sponsorships of *Telefónica* Europa, the Proniño project[42], EducaRed, and other important initiatives such as *Telefónica Voluntarios*, *Debate y Conocimiento*, and *Arte y Tecnología*. Improving the benefits of CSR through initiatives of transparent communication and constructive dialog with stakeholders in *Telefónica* helps to define a guide and an economic, technological, and social progress force. The Spanish group publishes annual reports on CSR in 17 countries where it operates, which are compiled using the GRI standards, with 12 of these reports also being screened by the AA1000AS standards. In contrast, social and cultural action is evaluated with the LBG standards. To ensure that the initiative keeps pace with stakeholder expectations, an ongoing dialog with these interest groups is essential. The general objective is to move away from a mono-stakeholder strategy to implement a multi-stakeholder approach, which allows the company to develop a closer understanding of the interests of all these groups and to identify the most significant aspects and existing criticalities (**Figure** 7).

[41] State non-profit association, declared to be of public utility, with the agreement of the Council of Ministers, adopted at the meeting of 09/12/1977. Its purpose is to coordinate and support disability prevention efforts and protect the rights of disabled people by providing resources whose primary objective is the social integration of people with disabilities. It focuses its activity based on the following approach: "*... to be the first prestigious reference in the world on disability, as an institution that provides complete assistance for people with disabilities, to offer our beneficiaries a personalized, professional, efficient continuous and fully satisfactory, throughout their life path.*"

[42] The social action program of the *Telefónica* Group, managed by its Foundation with the mobile phone operators of 13 Latin American countries, contributes significantly to eradicating child labor in the region. The program is aligned with the regional objectives of the Organización Internacional del Trabajo (OCT), seeking to eliminate the worst forms of child labor by 2015, and all child labor by 2020.

7. Study limitation

Empirically [82, 83], it was demonstrated that qualitative research helps entrepreneurs and small businesses understand what drives human behavior. It is also used to see how employees feel about workflows and tasks. However, qualitative research has many limitations that include possible small sample sizes [84], potential bias in answers [85], self-selection bias [86], and potentially poor questions from researchers [87]. It also can be artificial or unusual because in terms of it is not typical to observe participants in focus groups, ask them questions at work, or invite them to partake in this type of research method [88]. The significant limitations of this chapter's contribution are associated with the study's theoretical nature and the qualitative inquiry due to the unique case study analyzed [89].

8. Conclusions

Through this work, we have tried to bring some order to a subject characterized by a strong and constant evolution, in need of certain points of reference, from which to start for a better and more rigorous methodological definition. First, it emerged quite clearly how, at least in the medium to long term, the assumption in the field of social communication of a superficial, or even elusive, attitude toward the expectations of stakeholders can determine unfavorable consequences not only in terms of image but also from an economic/financial point of view, especially in large companies. Based on these considerations, it is necessary to ask what the most effective tools are for communicating the assumption of responsibility of the company. The ongoing debate on the methods and tools most suitable for representing and disseminating corporate responsibility in the social, environmental, and economic fields is going through a crucial phase. After a series of effective initiatives by public or private organizations, the impression is that among business representatives there is a real desire to collect the disjointed results produced so far in an organic project. At an international level, efforts are being made to re-organize the various standards and models developed in the context of economic, environmental, and social sustainability (the so-called "triple bottom line"). The broad process of involvement and consultation of stakeholders is fundamental, as they are the real arbiters of corporate success. Some of these initiatives (such as the AA 1000 of the ISEA or the "Guidelines" of the GRI) are characterized by an appreciable dynamic character, of a "work in progress" one could say, since "they do not foreshadow a final and definitive solution," but rather involve a voluntary and continuous process of verification and review. This is more important the more one reflects on the problematic, and perhaps uncertain, the definition of the areas of responsibility of the company. The hope for the coming years is that principles and general criteria can be defined in a univocal or widely shared way, which can guide any organization, regardless of geographic location, size, and activity, in accounting processes, auditing, and reporting. If the various initiatives in progress converge into a single project, which integrates them efficiently, the dispersion of efforts and ideas on the subject, as happened in the past, could be avoided [90]. It is with this spirit that the study group for the establishment of the principles of drafting the social report (GBS) is working in Italy [91]. Founded in 1998, bringing together the main scholars and operators in the sector, the study group is still working to disseminate and improve social communication, based on certain principles and procedures for creating the social report [92]. The document presented

in last May represents only the first step toward a more organic definition of the controversial subject under consideration. However, we can affirm that some critical problems in the field of social reporting have already been identified; these are the following aspects: a) *poor standardization in content and subsequent difficulty in making inter-company and inter-temporal comparisons; b) poor reliability and credibility of social reporting tools; and c) difficulties for SMEs (small- and medium-sized enterprises) in adopting these tools due to the scarce economic convenience in drafting them.* About the first point, the solution could be to start from a single aspect (e.g., through the creation of thematic balances), normalize their content by pursuing certain guidelines, and then progressively incorporate the other aspects, to arrive at a more complex and complete tool such as the social report [93]. In this process, the guidelines defined by the GBS and the GRI should be followed: In this way, companies would be stimulated and incentivized to adopt a single reporting model, while those that intend to depart from it would at least be required to explain their reasons. As regards the low credibility and reliability of corporate documents, which for a long time have been translated into simple "books of good intentions," it is necessary to proceed in the direction of certification (auditing). Both are based on standards recognized by international organizations and by these certificates (HDE index, SA 8000, etc.), and by having external auditing firms certify the social financial statements. About the latter, an important role is played by the added value, which allows the social balance to be anchored to certain accounting data, as it derives from the financial statements. Finally, as regards the last point outlined above, it will be appropriate for SMEs to prepare a simple social report formed, for example, by the added value account and the surplus account; these are immediate processing that even the smallest company can conduct with very low costs since it simply requires a reprocessing of accounting data already collected. In conclusion, it is appropriate to clarify how the various social reporting tools and the social report serve not only to bring out the issues discussed so far in a public and transparent way but also to verify how they have been dealt with (through the comparison of subsequent documents) and what steps have been taken to resolve them. Specifically, it is necessary to encourage correct disclosure among companies of the principles and purposes of the social report, to avoid distortions in its interpretation [94]. It cannot be seen as a simple means of protecting or promoting the corporate image, but rather as an effective communication, management, and control tool that renders an effective service to the management of the company and its stakeholders. From these premises and other observations relating to the issues analyzed during this work such as CSR, sustainable development, and social ethics, *Telefónica* has built within it a "system of values," based on a structure capable of fully merit understanding and responding to the new economic and environmental challenges of the international scene. The *Telefónica* case, therefore, represents a successful example of the integration of commercial, social, and environmental policies that find their strategic position within the group. This does not create critical issues but becomes the basis for building the "new competitive proposal," where natural and energy resources tend to run out inexorably; in the not-so-distant future, the only way to be able to compete will be in social and environmental performance.

Acknowledgements

This work is based on research carried out in the Basque Country during a 6-month Erasmus study period abroad. The research was the subject of the master's

degree final thesis in the Business Economics course of the Federico II University of Naples. I thank the University of the Basque Country and my Italian tutor of Federico II University of Naples, Professor Riccardo Viganò, for the opportunity. I also thank the company *Telefónica* S.A. for the valuable interviews and company materials provided for the drafting of the chapter.

Conflicts of interest

The author declares no conflict of interest.

Sitography

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Edited by Muddassar Sarfraz

Corporate social responsibility (CSR) is a fundamental part of corporate entities to assist human efforts toward addressing global challenges rather than exacerbating them. CSR helps companies to achieve social, economic, and ecological legitimacy. It also shapes industrial practices by maximizing socio-ecological sustainability. This book provides a practical understanding of CSR arrangements and practices. It demonstrates the significance, commitments, challenges, and benefits of CSR in different parts of the world. It includes seventeen chapters that address such topics as sustainability and corporate innovation, CSR in the era of COVID-19, CSR and blockchain technology, CSR in universities, gender diversity in CSR, and much more.

Taufiq Choudhry,
Business, Management and Economics Series Editor

ISSN 2753-894X
ISBN 978-1-80356-166-0

Published in London, UK

IntechOpen