This Edited Volume on Corporate Social Responsibility is a collection of reviewed and relevant research chapters, offering a comprehensive overview of recent developments in corporate behavior. The book comprises single chapters authored by various researchers and edited by an expert in the field. All chapters are complete in themselves but united under a common research study topic. This publication aims at providing a thorough overview of the latest research efforts by international authors and opening new possible research paths for further novel developments.
Corporate Social Responsibility

*Edited by Beatrice Orlando*

Published in London, United Kingdom
Supporting open minds since 2005
We are IntechOpen, the world’s leading publisher of Open Access books
Built by scientists, for scientists

5,700+
Open access books available

140,000+
International authors and editors

175M+
Downloads

156
Countries delivered to

Top 1%
Our authors are among the most cited scientists

12.2%
Contributors from top 500 universities

WEB OF SCIENCE™
Selection of our books indexed in the Book Citation Index (BKCI) in Web of Science Core Collection™

Interested in publishing with us?
Contact book.department@intechopen.com

Numbers displayed above are based on latest data collected.
For more information visit www.intechopen.com
Meet the editor

Beatrice Orlando is an Adjunct Professor of Strategies for Business Growth at Sapienza University and of Business Management at UNINT – Rome. Professor Orlando received a Master in Finance and Ph.D. in Business Management and Corporate Finance from the Sapienza University of Rome, where she also graduated with a degree in Economics. She had taught several strategies and business management courses over years. In 2010, she was a visiting researcher at London Business School, United Kingdom, at the Department of Management and Operations. Professor Orlando’s current research focus is on entrepreneurship and innovation. Specifically, her research interests are innovation adoption, open innovation, behavioral strategies of the firm, diversification, organizational slack, and firm’s decision making. She has published numerous articles in leading scholarly journals, such as Production, Planning and Control, Technology Analysis and Strategic Management, Corporate Social Responsibility and Environmental Management.
## Contents

**Preface**

**Chapter 1**
CSR and Innovation: Two Sides of the Same Coin  
*by Zaineb Hlioui and Ouidad Yousfi*

**Chapter 2**
Business Process versus Human Resources Performance  
*by Jozef Stašák and Eva Škorvagová*

**Chapter 3**
Between Outcomes and Processes: Revisiting the Discourse on Corporate Social Responsibility Impacts  
*by Addmore Tapfuma Murwiwa, Wilson Akpan, Fhulufhuwani Hastings Nekhwevha and Nono Godfrey Tshabalala*

**Chapter 4**
Corporate Social Responsibility and Sustainability in Corporate Strategy: Brazilian Cases Studies  
*by Fernanda Gabriela Borger and Ana Paula P. Costa*

**Chapter 5**
A State of the Art of Corporate Social Responsibility in Financial Institutions  
*by Stefano Dell’Atti, Francesca Donofrio and Grazia Onorato*

**Chapter 6**
The Ethical and Responsibility Components in Environmental Challenges: Elements of Connection between Corporate Social Responsibility and Social Impact Assessment  
*by Coscia Cristina*

**Chapter 7**
CSR: A Moral Obligation or a Strategic Behavior?  
*by Sourour Hamza and Anis Jarboui*

**Chapter 8**
Human Resources Remain Our Biggest Assets  
*by Shiksha Gallow*
Chapter 9
CSR: What Does Board Diversity Bring to the Table?
by Ouidad Yousfi and Rania Béji

Chapter 10
Measuring Corporate Social Responsibility Performance: A Comprehensive AHP Based Index
by Asma Mohammed Bahurmoz

Chapter 11
Social Responsibility and Financial Performance: The Case of STOXX Europe Index
by Cristina Gaio and Rita Henriques

Chapter 12
Financial Fraud and Managers, Causes and Effects
by Mohamed Bechir Chenguel

Chapter 13
The Corporate Culture of the Enterprises of the Military-Industrial Complex
by Sergei Zainullin and Olga Zainullina

Chapter 14
Corporate Social Responsibility and the Public Health Imperative: Accounting and Reporting on Public Health
by Obiamaka Adaeze Nwobu

Chapter 15
Corporate Social Responsibility (CSR) Model in Improving the Quality of Green Open Space (GOS) to Create a Livable City
by Wikantiyoso Respati, Suhartono Tonny, Sulaksono Aditya Galih and Wikananda Triska Prakasa

Chapter 16
Inclusion of Home-Centred Women
by Aleksandra Bordunos, Sofia Kosheleva and Anna Zyryanova

Chapter 17
Integrity of the Corporate Social Responsibility and Management of Financial Services in the Digital Era
by Darina Saxunova, Heiko Hector, Jana Kajanova and Peter Slivka

Chapter 18
Corporate Social Responsibility Strategy to Raise the Value to the Community in the Mining Industry
by Cesar Saenz

Chapter 19
The Impact of the Strategic Interests and Communicative Actions between the Socially Responsible Entrepreneurial Universities and University - Industry Collaboration Ecosystem
by Dorian Aliu and Armando Aliu
Chapter 20  
Empowering Professional Competence and Moral Responsibility for Corporate Sustainability: Insights from Industry and University Strategic Alliance  
by Miftachul Huda, Roslee Ahmad, Mohd Aderi Che Noh, Azmil Hashim, Mohd Hairy Ibrahim, Badlihisham Mohd Nasir, Siti Suhaila Ahwani, Arief Saleh Rosman, Nik Mohd Zaim Bin Ab Rahim and Monika Munirah Abd Razzak

Chapter 21  
How to Do CSR with Dialogic Meeting Talk: A Conceptual Framework for Managing Change in Cross-Sector Social Partnerships  
by Christa Thomsen

Chapter 22  
What is the Business of Business? Time for Fundamental Re-Thinking  
by Frederick Bird

Chapter 23  
Implementation of Corporate Social Responsibility to Increase the Value of Companies Listed on the SRI Kehati Index Indonesia  
by Eddy Winarso

Chapter 24  
The Moderating Effect of Firm Visibility on the Corporate Social Responsibility-Firm Financial Performance Relationship: Evidence from France  
by Zyed Achour and Sonia Boukattaya

Chapter 25  
The Institutional and Cultural Challenges of Corporate Social Responsibility: Case Study in Indonesia  
by Melia Famiola, Bambang Rudito, Prameshwara Anggahegari and Neneng Nurlaela Arif

Chapter 26  
Corporate Social Responsibility in India: The Saga Continues  
by Shouvik Kumar Guha and Anuradha Roychowdhury
This Edited Volume is a collection of reviewed and relevant research chapters, concerning the recent developments in corporate culture. The book includes scholarly contributions by various authors and is edited by an expert pertinent to entrepreneurship and innovation. Each contribution comes as a separate chapter complete in itself but directly related to the book’s topics and objectives.

The book has 26 chapters. The target audience comprises scholars and specialists in the field.
Chapter 1

CSR and Innovation: Two Sides of the Same Coin

Zaineb Hlioui and Ouidad Yousfi

Abstract

In this chapter, we analyze the association between CSR and innovation. We state that CSR concept has evolved over time and has changed the way innovation is conceived. The state of art shows that CSR activities have been responsively introduced to achieve the stakeholders’ needs and standards, to become gradually more strategic activities. In fact, many firms have been involved in CSR projects dealing with the reputation enhancement, the stakeholders’ reciprocation, the risk mitigation, and the improvement of the innovation capacity mechanisms. We show the presence of a virtuous dynamic between strategic CSR and innovation: firms have to present strategic CSR activities in the core of their innovative strategies. Sustainable innovations are effective tools to foster CSR activities and, therefore, social performance. Furthermore, we show that the CSR-innovation influence is driven by specific channels such as the company’s competitiveness, strategies’ developments, and framework. Besides, we shed light on the effects of board diversity, managerial cognition, and corporate cognitive-governance on CSR-innovation association. Finally, we provide an empirical evidence from the SBF120 French companies over the period from 2010 to 2016. We present the nonlinear effect of innovation on the current CSR scores, using a semi-parametric estimation. Our results confirm the divers perception of CSR and its components at the different innovation levels.

Keywords: innovation, responsive CSR, strategic CSR, managerial cognition, competitive advantage, penalized splines

1. Introduction

Given the global grand challenges such as urban mobility, poverty alleviation, endemic violent conflict and the worsening of the ecological crisis, the current complex multidimensional corporate framework intensified the requirements of corporate social engagements. Thus, a common refrain of businesses nowadays is the necessity of adopting socially and ecologically responsible behaviours while ensuring their growth. Besides, since innovation is a key factor to heighten the company’s growth and competitive advantage, firms should invest in innovative as well as social matters to gain legitimacy and to respond to the different interested actors’ expectations. With the fourth industrial revolution, innovation has been the driver of sustainability. It shapes future production, strengthens competitiveness and improves human well-being as well as decreases the environmental damage [1]. Numerous examples of new innovative products and methods such as the BioMat project between Faurecia and Mitsubishi Chemical or the Flaxpreg project, developed in collaboration with PSA Peugeot-Citroën, Lineo and the French University
of Reims Champagne Ardenne, show the strong bonds between innovation and corporate social engagements. Moreover, it underscores the crucial role of collaborations and strategic partnerships in developing a competitive advantage.

Innovation could help to better satisfy the needs of different stakeholders’ groups and to go beyond their expectations by getting involved in more strategic CSR policies. Innovation could, therefore, drive more socially responsible projects. According to [2] it is an urgent need to solve the socio-ecological problems. In a similar vein, [3] pointed out that innovation is commonly considered as the most viable path to support and strengthen the current standards of living while treating and overcoming environmental crises. Therefore, numerous studies assumed that innovation supports social practices [4–6], which complies with the circular economy (CE) plan launched by the European Commission in 2014. This plan aims to unlock the related growth while boosting the European Union competitiveness using new business opportunities as well as novel methods of production and consumption. Nevertheless, due to resources scarcity, conflicting interests, and the riskiness of innovative investments, firms might face difficulties to balance and define their priorities. For instance, [3] pointed out the lack of an innovative potential broad overview in the field of circular economic-related technological developments.

Due to the importance of the innovative and social strategies application, numerous investigations about these two crucial investments were conducted. Nevertheless, very few studies have explored the innovation–corporate social responsibility (CSR henceforth) association. These studies show mixed results. While certain studies tested the synergetic effect that might occur between innovation and CSR, others have debated their positive or deleterious linkage. For instance, London [7] claimed that understanding and analyzing community problems help to identify which efficient solutions should be applied and which resource can be used for social benefit. Through this identification, firms can generate new approaches and products that allow them to create new markets. Therefore, social needs are determinant factors of corporate innovation orientations and success, while innovation is the solution to solve social matters. Yet, according to Mithani [8], managers’ engagement in CSR can weaken innovation investment initiatives. He argued that corporate innovation and social investment effects on economic growth follow a specific pecking order in the Indian market. This lack of convergent empirical evidence was explained in previous research by three main reasons:

• First, the diversity of innovation classifications such as the process and product innovation [9], the responsible innovation [10] or the exploratory and exploitative innovation [11]. According to Desjardins [12] there are 10 types of innovation.

• Second, the dynamism of the CSR conception. Indeed, the CSR concept has been developing since its appearance [13]. Each version responds to certain criteria that influence innovation differently. These versions can be classified into two fields: the strategic CSR and the responsive CSR [9, 14–18]. As a result, the CSR–innovation direct linkage alters depending on the CSR conception that - on its turn - changes based on the legal and social framework as well as the corporate commitment and proficiency.

• Third, the moderating and mediating effects of several factors such as corporate cognitive-governance or ethnic and cultural diversity. For instance, Costa et al. [11] pointed out that innovation and CSR synergy occurs only if the enterprise has a high level of social commitment. In a similar vein, Domínguez-Escrig et al. [19] highlighted the association between Stewardship
behaviours and innovation success. Their findings show a mediating role of radical innovation in managers’ social behaviours and innovation success relationship.

Due to the importance of the innovative and social strategies application, further investigations about the linkage between these two crucial investments have to be conducted. One explanation of this lack of interest is the intricacy of the CSR concept and its misunderstanding. Weller [20] pointed out that numerous managers who implement ethical strategies and socially responsible ones do not understand their meaning. Dahlsrud [21] provided in his study 37 different definitions of CSR. Despite the complexity of the various CSR descriptions and corporate frameworks, academic research and international organizations have shared five common CSR dimensions. Using coding schemes, he claimed that the different used terms refer generally to these dimensions, which are the stakeholder dimension, the social dimension, the economic dimension, the voluntariness dimension, and the environmental dimension. In fact, the divers’ used dialects are the real reason beyond the lack of one universality definition. These confluent definitions enable us to understand the construction of CSR in specific contexts. Yet, they fail to give guidance on how to face CSR challenges and how to consider it while developing business strategies.

The current chapter contributes to this debate on CSR definition. Specifically, we focus on the development of CSR conception over time and how it does shape our understanding of the CSR-Innovation association. Then we analyze how taking into account the cognitive and individual characteristics of top managers, and board directors could help to set a more inclusive framework of this association.

Our chapter is organized as the following. Section (2) presents the evolvement of the CSR and innovation nexus based on the evolutionary CSR concept. In this section, we distinguish between the strategic and responsive CSR. We analyze the moderating effects of the managerial characteristics on CSR-innovation association in section (3). In the penultimate section, we present our empirical investigation. The last section concludes the chapter.

2. Does CSR depend on innovation?

Since the second half of the 20th century, the corporate responsibility towards ecological and social matters has attracted a lot of interest, especially with the meta-environments in which firms operate nowadays [22, 23].

First, corporate sustainability has been presented as an exception [24]. In order to survive, firms have to provide continuously several resources and energies mobilized in a strategic plan, consistent with the framework rules and norms; otherwise, it will eventually fade. In other words, companies need to allocate their resources to create value and competitive advantage through a greater network development as well as an innovation encouragement [25]. According to the slack resources theory, due to the resources scarcity firms should arbitrate to select sustainable investments. Nevertheless, combining the divergent goals of stakeholders to find the optimal resources allocation function is the hardest mission for every company.

With the increase of multiple pressures and law evolvement, firms’ ethical and social practices no longer present a simple voluntary decision, which explains the CSR development over time. Visser [13] considered that CSR versions missed the promotion of our community and ecosystem health, quite the contrary, they made it worse. Specifically, they failed to introduce innovative tools dealing with the existing environmental issues. He argued that the CSR understanding has been
evolving according to overlapping ages: The age of Greed, the age of philanthropy, the Marketing age and the Management age. While the three first ages have introduced a responsive CSR stream, the management age has established CSR in the core of business. It generates a strategic CSR.

When the firm is involved in CSR activities that meant to exclusively respond to stakeholders’ basic needs and reporting standards, its CSR policy is responsive. However, when more pioneering initiatives are undertaken and going beyond standards and regulations, CSR activities are strategic [9, 27, 28]. We should also mention that another more civil version of CSR is taking place, namely the transformative CSR [13]. Nonetheless, we consider that this version is still in an embryonic stage for the profit-oriented enterprises.

The coexistence of these ages depends on the space–time setting. Hence, to explain the CSR and Innovation nexus we have to understand the evolvement of the CSR concept and its continuous interaction with corporate innovation.

2.1 The responsive CSR

The responsive CSR concept has been used in recent studies. Porter and Kramer [14] considered CSR as responsive if it has two goals: good corporate citizenship and risk mitigation. Put differently responsive CSR has no specific plan and strategy that allow the firm to create a competitive advantage. Indeed, there is no specific study that provides a clear development of responsive CSR conception. Vishwanathan et al. [18] described the non-strategic side of CSR as a blind spot to CSR researchers. Indeed, investigations’ focus has been oriented to the strategic CSR. Researchers consider that firms which do not apply CSR strategically are applying it responsively.

This narrow development of responsive CSR made the firms’ classification absolute. From a theoretical perception, a company is whether strategic or responsive, while in reality, it can be both especially since responsive CSR versions can share some strategic CSR criteria. We should point out there is no sole definition of the strategic CSR, which makes the responsive CSR understanding more blurred. For instance, Visser [13] argued that responsive CSR is meant to orient its activities in specific areas that are not specifically related to the core business. He identified the following forms of non-strategic CSR: the defensive, charitable and promotional CSR strategies.

Bocquet et al. [9] found that responsive CSR lessens the different corporate innovation types while strategic CSR promotes them. In contrast, Bocquet et al. [17] underlined the positive effect of the responsive CSR on the technological innovation for the SMEs. Thus, to give better insights into these controversial results, we analyze the interaction between innovation and the responsive CSR version previously mentioned.

In the following, we address the different strategies of responsive CSR and their influence on innovation strategies.

2.1.1 The defensive CSR

As business requires creativity, it is assumed to be naturally innovative [29]. Yet, what makes the ages different is to which goal this business creativity is directed. The first age of the CSR development is the age greed, in which CSR was perceived as a tool to serve shareholders’ interests by taking into account only aligned stakeholders’ interests. During this age, and consistent with the

---

1 An age refers to a prevailing culture or context Visser [26].
shareholder theory, CSR activities were defensive as they were undertaken only to protect the financial result.

For example, according to “Fortune” magazine, the American company Enron was one of the most innovative firms from 1996 to 2001. It was listed among the 100 best American companies by the same magazine. Enron practice of CSR was widely known, specifically its green model. It built a great image that hides the true nature of its practices. However, its collapse was unavoidable since it was the result of greed. Some studies considered the Enron scandal as a juncture in the CSR understanding [30, 31]. They analyzed the CSR evolution after the post-Enron era.

After the 2008 Crisis, economic actors realized that they misunderstood CSR conception. Miller [32] considered the confusion between legitimate economic rationality and greed, more specifically excessive desire, is the main trigger of crisis. It is straightforward to see that Enron only acted socially responsible when it is financially profitable. Hence its scandal has been one of the greatest examples of CSR in the age of greed.

Even though CSR activities also have to generate cash-flows, considering the financial performance as the sole gain could never foster sustainability and innovation. Indeed, enhancing financial performance provides more funds for innovation investments. Nevertheless, defensive CSR cannot provide a good understanding of multiple needs of different groups, which increases agency conflicts. Furthermore, it cannot rebuild the corporate reputation, which in return threatens innovation success, especially in casino economies where high-risk levels are taken. Bertrand et al. [33] described the defensive CSR as a “poor vector” of innovation.

2.1.2 The charitable CSR

The second age of the CSR development is the philanthropic age, where CSR is presented as a charitable action. Carnegie [34] claimed in his article “The Gospel of Wealth” that wealthy investors have to use their fortune for the community’s well-being and empowerment. In line with Stiglitz’s [35], wealth should be distributed equally to avoid the inequality costs and, therefore, recession. Put differently, we need charities to drive growth. The charitable actions can help innovation improvement. Bereskin and Hsu [36] emphasized that the corporate philanthropy with universities and non-profit organization improves the corporate research partnerships and strengthen its network. Thus, innovation efficiency is increased. Charity and philanthropy are mobilized to establish collaborations. Yet, to take advantage of the corporate philanthropy and boost corporate creativity, a long-term strategy of charity should be elaborated [37]. Otherwise, the charity can lead to waste the financial resources and consequently limits innovation investments.

Despite the beatific view of charitable CSR, it has failed to face systemic problems and solve social and ecological matters. This failure was due to two main reasons.

First, charitable activities’ goals do not incorporate the improvement of the financial performance and since companies are for-profit organizations, increasing their gain, and using their cash flows to create a competitive advantage should be out of the question. Therefore, non-strategic social actions can damage the corporate competitive position. Protecting and improving financial results should be neither out nor the core of the CSR scope. In other words, companies should capture

---

2 An economic framework that fosters high risk taking in the quest for higher profit which might lead to crises, for example, the Asian crisis of 1997, the Argentine 1999 to 2002 economic crisis and 1998 the wall street market during the 2007–2008 financial crisis.
private benefits from their social strategies while responding to the philanthropic criterion, which is one of the strategic CSR dimensions, named ‘specificity’ [38].

The second reason is the limited capacity of firms to respond to all social and ecological needs. Non-strategic philanthropy is like trying to fill a bucket, which is leaking from the inside. Porter and Kramer [14] underlined that no business is able to solve all of society’s challenges or bear its costs. Therefore, each company has to select issues that cross its business and field of knowledge. Furthermore, CSR actions must fit the corporate missions and goals. Investing in generic social issues with no dynamic effects and which are neither significantly influenced by the enterprise’s operations nor affect its long-term competitiveness is a waste of corporate wealth. De Silva and Wright [39] indicated that strategic philanthropy is most often associated with open innovation. Accordingly, profit companies are likely to collaborate and co-create value with non-profit organizations through open innovation approaches.

2.1.3 The promotional CSR

The Marketing CSR also called promotional CSR is another form of responsive CSR. A promotional CSR is a reputation-building CSR. It encompasses social practices public relations’ opportunities with the aim of enhancing corporate reputation and brand image. It focuses generally on the stakeholders’ perception of the company and tries to find an optimal strategy that satisfies the interested actors and gives the firm a sound depiction. Therefore, it improves the financial result, provides more environmental support, reduces reputational risk, and builds a greater trust level [40–44]. The main aim of promotional CSR is to guarantee and promote more ‘Visibility’. Singh and Dhir [45], cause-related marketing has become an emerging field of research.

According to the founder of Virgin Group Richard Branson, “Young people today want to see change. They want a better world”3. Hence, being socially responsible is the best promotional way used by firms to achieve stakeholders’ satisfaction. Promotional CSR should start from the inside with an integrated marketing model. Moreover, it is likely to promote exploratory innovation, especially with the reputational risk mitigation. Lefebvre [46] underlined that social marketing is an evolutionary concept planned to foster innovation. Responsible marketing is most often positively associated with more marketing innovation. However, in practice, markets-makers and practitioners face challenges to align social/human and business issues. Hence, the spread of innovation that aims to solve the relative concerns become harder Lefebvre [47].

This CSR version might look sound. Nevertheless, it has several deficiencies. According to Singh and Dhir [45], around two-thirds of customers believe that companies’ spending on marketing is quite large compared to the social matters spending. They are not focusing much on real social issues. With limited knowledge of social or environmental matters, firms might apply CSR actions for greenwashing. Indeed, without a real social goal, using chaotic and disordered actions in a responsive way can only have a short-term impact. Thus, ensuring a corporate gain from the applied action might be harder. In the worst cases, CSR leads to antithetical results. Esper and Barin Cruz [48] discussed how CSR could be a hypocrisy tool to influence the market perception. With the presence of a large gap between the way in which a company shows off and the way in which it acts, stakeholders could

be manipulated and suffer manoeuvering hypocrisy, which leads to social scandals and trust collapse.

This CSR's poor understanding and active talking about CSR commitment while covering profitable practices that are socially and environmentally dubious trapped not only small businesses but also multinationals. Volkswagen test cheating, Siemens bribe scandal, BAE corruption scandal, General Motors defective ignition switches, Mitsubishi products falsified data, as well as Wells Fargo account fraud scandal and so on, are businesses that have gone responsibly astray. Brenkert [49] pointed out that we need to rethink CSR efforts to close the immoral gaps.

To conclude, a large body of research has highlighted the negative results of cosmetic CSR practices. In fact, CSR can be considered as a double-edged sword. It could generate extra costs that hamper corporate survival and innovativeness. Hence, firms have to select the appropriate social practices that foster the firm's position and enhance its profit and growth. In other words, companies should view CSR strategically.

2.2 The strategic CSR

Under the high social pressure, several firms have undertaken CSR initiatives that go beyond CSR regulations and standards to gain the stakeholders’ trust. CSR could have positive influences if it is used strategically. According to the institutional theory, the corporate framework is based on the cohesion of the interdependent components. Hence, enterprises are affected and could affect their environment. To face CSR challenges and reach the optimal CSR practices effects firms should classify social acts into three main streams [14]:

- The generic social impact is generated by social matters which are not affected by the company’s actions. The CSR practices do not influence the company competitiveness. Investing in this category is by no means strategic.

- The value chain social impact: where we find the possible actions through which the firm can influence its environment. Given the tremendous social issues, no firm has the capacity to solve the whole social problems. Therefore, it should select social programs that can be affected by the company’s actions. The value chain social impact actions can be strategic or responsive it depends on the ability of the company to benefit the community while reinforcing its strategy.

- The third stream is the social dimensions of competitive context: In this category, we find the social issues that influence significantly the firms’ competitiveness. The CSR actions under this group are strategic.

Based on this classification companies should select more strategic CSR activities that affect the competitive context of the company and improve the social environment. Along the same line, Burke and Logsdon [38] pointed out that social action could create a measurable economic benefit under the five following conditions: the centrality, the specificity, the proactivity, the voluntarism, and the visibility. To establish strategic CSR companies’ social actions should be within its field of knowledge. In other words, firms have to prioritize social issues based on their salience to the business activity. Enterprises have to create a shared value, to capture private benefits due to social actions. These actions should be in line with the corporate environmental evolvement and should reflect the firm's anticipation of its framework evolution.
The efficiency of these actions will depend closely on the identification of the key stakeholders; the firm has to be concerned about their interests. More recently, Vishwanathan et al. [18] introduced a more inclusive framework for strategic CSR where they considered strategic CSR as the intersection between the social enhancing activities and the financial performance-enhancing actives. Accordingly, financial performance enhancement is a multidimensional result that depends on all CSR determinants, namely the firm’s reputation enhancement, the stakeholder reciprocation, the risk mitigation, and the innovation capacity improvement.

2.2.1 The strategic CSR Pillars

Strategic CSR conception was developed first by Burke et al. [50]. It means relating CSR to the corporate core business, the implementation of social management systems, and the setting of social targets, auditing, and reporting. In the same line, Athanasopoulou and Selsky [51] defined strategic CSR as a continuous process that takes into account its own effect. More precisely, a company can pursue its business goals while considering the stakeholders’ engagement through strategic CSR [52]. Thus, the efficient implementation of CSR strategies depends on corporate activities, skills, and capabilities. While other CSR versions can have different opposite linkage with innovation depending on their strategic application, innovation enhancement is one of the strategic CSR pillars. Vishwanathan et al. [18] explained how strategic CSR enhances the firm reputation, increases stakeholder reciprocation, mitigates firm risk, and strengthens innovation capacity. These effects cannot be achieved through the non-strategic CSR.

- The reputation enhancement: It is one of the most used mechanisms to explain the positive effect of CSR on the firm’s competitive position and financial performance increasing. The legitimacy theory and the signal theory give it a robust theoretical foundation. Axjonow et al. [40] described CSR as a tool for reputation management. Indeed, if CSR succeeds to improve financial performance through enhancing the corporate reputation, then it has satisfied one of the strategic CSR pillars. Abugre and Anlesinya [53] stressed that reputation enhancement is a mechanism that mediates the CSR and financial performance link. For Zerbini [27] and Janney and Gove [54], reputation is a strategic asset. In the 21st century, social reputation and digital reputation play an important role in the CSR promotion.

- The stakeholder reciprocation: One of the main and well-known theories that have supported the CSR positive effect is the Stakeholder theory [55]. Applying strategic management aim to optimize the different stakeholders’ satisfaction. McWilliams and Siegel [56] indicated that when firms are engaged in CSR, their actions should be beneficial to at least certain stakeholders. Hence, selecting the key stakeholder groups is crucial to apply strategic CSR. While the reputation improvement mechanism has to be visible externally, the stakeholders’ reciprocation mechanism aim is creating benefit for the existent stakeholders. This mechanism has to improve the cooperation between the firm and its stakeholders [18].

Lins et al. [57] found that during crises trust between stakeholders and companies is built through socially responsible investment (SRI). Employees’ productivity is higher for socially responsible firms and creditors have more faith in these firms’ transparency. In the same line, Hasan et al. [58] concluded that social considerations of the principal stakeholders are precious especially for firms that dispose of higher
discretionary cash levels. Similarly, Govindan et al. [59] proved that CSR practices influence the suppliers’ selection, which affects corporate competitiveness.

- The risk mitigation: CSR strategies should reduce information asymmetry [43], which limits the agency conflicts. Harjoto and Laksmana [42] pointed out that CSR serves as a control mechanism for corporate risk. Consistent with Vishwanathan et al. [18], CSR engagement leads to get in touch with diverse stakeholders, which extends the company’s connections and gives access to new information. This information reduces corporate-specific risk. Besides, Mayberry [44] marked that CSR strategies reduce firms’ risk and grant insurance-like benefits. Recently the environmental risk was given greater consideration, Zhou et al. [60] focused on the carbon risk management as one of [61] emphasized that natural resources such as the water for the food and beverage sector create conflicts between industries and stakeholders. Indeed, legislation in Europe has been considering the social risk management through several enacted laws. Jung et al. [62] documented a positive relationship between the carbon risk and the cost of the corporate debt. Failing to respond to the Carbon Disclosure Project increases the environmental risk, which leads to an increase in the debt cost.

- The innovation capacity improvement: Previous research and practitioners endorse that innovation enhances corporate competitiveness. It enables companies to differentiate and overcome competitors. Nevertheless, innovation is risky. Its success requires some specific capacities such as the deep comprehension and support from the stakeholders, which can be achieved through the strategic social practices. For instance, Flammer [63] highlighted how responsible companies are favoured and receive more government procurement contracts due to the stakeholders’ interest consideration. Moreover, employees are more motivated, they feel safer and more comfortable in responsible firms, which drives better information sharing. Furthermore, the stakeholders’ synergy, built through CSR, promotes identifying new opportunities. Interacting and understanding stakeholders’ needs should lead to greater innovation opportunities detection. Cegarra-Navarro et al. [64] presented, in their alternative model, innovation enhancement as a CSR mechanism that improves financial performance. Their results support the mediating role of innovation in the CSR-CFP relationship, which is confirmed by Bocquet et al. [9]. Halkos and Skouloudis [65] underlined that strategic CSR is a multifaceted construct that provides a variety of opportunities to innovate regardless of the innovation type. Strategic CSR should lead to thinking-out-of-the-box in a way that improves the corporate creativity and enhances innovation capacities.

It is straightforward to notice that the enhancement of the innovation capacity influences its intensity and initiative. The other mechanisms also can affect innovation success. For instance, a better relational with different stakeholders groups helps the firm to understand their desire and expectations and generates more innovation opportunities. In a similar stream, Porter and Kramer [14] underlined that strategic CSR is a source of innovation and competitive advantage creation. Its effect on innovation can be more pronounced when the company improves its CSR process, which in turn drives social innovation [66]. One of the examples that can show how strategic CSR fosters innovation is Denmark’s biggest energy company Orsted. In 2012 and after the financial crisis the price of natural gas was dropping by 90%. To face these circumstances, Orsted’s board hired as a new CEO Henrik Poulsen a former executive at LEGO. While several companies adopted crisis
management strategies to overcome the situation, Poulsen detected the opportunity and need for crucial change. The company at this level switched based on their new innovative responsible strategy from black energy to the green one. It was a radical transformation with the new core business, new management methods and new process that grants sustainable growth.

Similarly, Ecolab was a company that sells food safety services and cleaners with a modest growth level, around 10% annually in the early 2000s. When Douglas M. Baker Jr. became the CEO in 2004 he felt that moving to the adjacent markets will not provide the desired growth. In line with Bocquet et al. [9], strategic CSR has to understand and consider the stakeholders while making strategies. Ecolab started its transformation by asking customers among others to understand the real needs and what is really lacking in the market. Through this understanding and collaboration with Nalco Company, Ecolab was able to present new products and cover $12 billion market cap in 2011.

These examples not only reflect the strong positive association between the strategic CSR and the innovation but also reveal the vital role of the managerial characteristics of this relation.

3. Why do cognitive and social traits in top management positions matter?

CSR and innovation are the key drivers of responsible and sustainable competitive advantages. Hence during this last decade investigations about their linkage presented a significant strand of research. Based on several real examples, studies [17, 67–69] highlighted the crucial influence of the managerial characteristics (the entrepreneurial orientations, cognition, perspective, culture, and so on) on the CSR and innovation nexus. Indeed, managers’ characteristics provide the exact CSR age to which the firm belongs. Yang et al. [68] focused on the managerial cognition association with the CSR and innovation link. According to their study, the proactive environmental strategy focus is positively linked to two factors the managers’ perceived business and social pressures. This association prompts the corporate innovation capacities. Similarly, Pedersen et al. [69] tested the mediating effect of organizational values such as the management style or the organizational structure and culture on the CSR and innovation nexus. They concluded that the CSR and innovation association depends deeply on the managers’ rooted values and flexibility.

The age of CSR in which the company is positioned depends on the managerial characteristics. Furthermore, managers’ perspective is able to create the appropriate climate to facilitate the CSR conception transformation. However, this managerial perspective can be oriented due to the legal and social framework pressure, consistent with the institutional theory. Scott [70] indicated that the normative, regulatory, and cognitive elements form different kinds of pressures shape the managers’ cognition in strategy establishment. Indeed, the existence of unavoidable restraints can make the CSR and environmental management unsustainable [71].

3.1 The CEO traits

System builders such as the corporate innovators, managers and board members are the main actors that orient the firms’ decision-making. Their attitudes and actions influence corporate strategies and the interaction between its decisions. The CEO position is considered as the highest in the company’s organogram. Hence, we
focus on its traits’ effects on the CSR-innovation nexus. Cho and Kim [72] mentioned that the CEO’s career is significantly affected by risky strategies such as innovation, research and development, CSR and capital expenditures. Consequently, young and less experienced CEOs are less likely to undertake innovative or social investments. Nevertheless, the exploitation of the old knowledge and the CEOs’ willingness to preserve their value and success may alleviate this negative impact. In a similar vein, Lin et al., [73] provided evidence for the positive association between the CEO educational degree and innovation initiative. Bendell and Huvaj [74] emphasized that CEOs with high tenure are more likely to invest in innovation when they adopt CSR strategies. Their position allows them to bring more attention to the organizational network with different external stakeholders, which increases their innovation incentive. They concluded that the CSR and innovation linkage is strong when CEOs have long execution periods. Thus, the CEO experience, knowledge and network moderate the CSR–innovation linkage, which explains the universities current development. We notice that universities’ curricula, specifically management and corporate programs have been updated and have become more focused on social performance and CSR. Managers aim to acquire legitimacy through their social practices while gaining competitive advantages through innovation.

3.2 The board diversity

Board diversity in large companies plays a crucial role in the decision-making process. Indeed, the directors’ attributes such as gender, nationality, age, educational level and independency mediate the innovation-CSR linkage [17, 75].

The gender diversity more specifically the gender equality, which is one of the CSR components, forms a responsible innovation pillar, according to the European Commission report. Several previous studies stressed that female directors are more risk-averse and avoid risky investments [76]. Thus, they invest less in innovation. Nevertheless, this risk aversion is influenced by the female manager experience. With their specific knowledge and higher flexibility [77], women presence on the board creates complementarity which promotes innovation. Elstad and Ladegard [78] underlined that the presence of women on the board influences the decision- making dynamism. Attia et al. [79] pointed out that gender diversity can enhance corporate product innovation. The presence of women can create better interaction and greater complementarity between R&D teams.

Another pillar of responsible innovation is the Governance dimension. The CSR-governance is associated with the presence of independent directors. Besides, the presence of foreign directors provides greater community involvement [80]. These criteria reflect the company’s transparency and social performance, which affect the stakeholders’ trust and reduces corporate risk and consequently improves innovation. According to Attia et al. [79], independent directors’ presence fosters the innovation intensity and process innovation.

The educational level also is one of the board diversity forms. Haniffa and Cooke [81] focused on the ethnic and cultural background of the board’s members. They argued that a higher educational level is associated with better stakeholders understanding. This understanding helps the board members to predict the adequate innovation fields. Moreover, a higher educational level provides a better knowledge, which foster innovation.

---

3.3 Human dimension, knowledge and innovation in the fourth revolution area

Digitalization has been speeded since the ending of the 20th century. This development presented the trigger of the fourth industrial revolution. A revolution based on the interaction and the fusion of the real sphere, the digital sphere, and the biological one. What makes this revolution exceptional is its high speed that has no historical precedent. With an exponential rather than a linear pace, industries in every region have to update their systems of management, production and governance to face the depth of the environmental changes [82]. The world economic forum [83] project aims to accelerate sustainable production. This project is based on using innovation to drive efficiency, decreases the environmental damages, boost competitiveness and enhancing the human well-being. Hence, to reach this goal, shaping future production and promoting new levels of collaborations is required. Through the interactions between the different interested actors, an informational and knowledge exchange process occurs, which in turn generates greater innovations [84]. Soto-Acosta et al. [85] pointed out that digital technologies created new tools of communication that can enhance the management of knowledge and the corporate network. Besides, they focused on open innovation importance. Indeed, collaborating or including stakeholders in the decision-making process helps to open the company’s view [86]. Hence, it boosts the social strategic engagement while improving innovative capacities. Moreover, corporate innovation interacts with the management systems. Singh et al. [87] claimed that transformational leadership increases the employees’ motivation and enhances their communication which helps them to realize their green potentialities and boost green innovation, thereby ensuring their competitive position. Del Giudice et al. [88] presented a detailed analysis of human resources management and the open innovation link in modern enterprises. Human dimensions are pivots of innovativeness and social and ecological commitment. Projects such as CAYLEY, FlaxPreg, VOILIN, and so on are great examples that show the vital role of collaboration, inclusion and networks enhancement to generate sustainable innovative projects and to improve creativity.

With the fast evolvement of the corporate framework and under the fourth revolution circumstances, new industries are emerging while others are fading. Hence, having better knowledge will enhance corporate abilities to predict future development. Nevertheless, having knowledge does not grant its efficient use. Del Giudice et al. [89] pointed out the importance of collaboration and information sharing in enhancing knowledge use. They shed light on the role played by new technologies in harmonizing the corporate knowledge needs and the informational flows.

4. Empirical study

The dynamism of the CSR conception was one of the reasons that explain the CSR-innovation ambiguous link. According to Vishwanathan et al. [18], the corporate innovative capacity should present one of the strategic CSR pillars. Hence, assuming a positive linear link between CSR and innovation is expected if the CSR measure is a strategic one. In our investigation, we attempt to extend the previous studies by using a more flexible semi-parametric model to seize the shape of the innovation effect on the CSR index. This method relaxes the econometric assumptions, thereby, grants more accurate results that are inspired by reality. We use the ESG index and its components to measure CSR, while we consider the natural logarithm of patents as the innovation proxy. The aim of this study is to verify whether the current ESG index and its components reflect strategic CSR measures.
Put differently, how can companies include CSR in their strategies and orient their innovativeness toward the social and ecological commitment, thereby, generate innovative projects that create shared value. Our main assumptions are:

H: The corporate innovativeness does not affect CSR linearly. Thus, CSR is not always presented in the core of the companies strategies.

To reach our goal, this section will be as flows. First, we present our sample and data. Second, the variables descriptions followed the methodology and Model. Finally, we present and analyze the empirical results.

4.1 Sample and data

To test the effect of corporate innovation on the CSR scores, we conduct our study on the SBF 120 French companies. Thanks to the French Parliament enacted Grenelle Acts in 2010 large French companies have to communicate their CSR activities, which enable us to have a clearer view of the CSR strategies for these companies. Our panel data, which covers the period from 2010 to 2016, are collected from two main sources. The Bloomberg database was employed to measure the CSR through the ESG score and its components. Besides, we use the annual sectorial survey of the National Institute of Statistics and Economic studies to determine the corporate innovation through patents number.

4.2 Variables’ descriptions

Tables 1 and 2 present the variables’ description used to conduct our study. In Table 1, we consider the Natural logarithm of patents (Ln_PA + 1) as an innovation proxy, which is the independent variable. The CSR measures are the dependent variables. The ESG presents the global score of the CSR while the specific environmental, social and governance scores are presented respectively by the ENV, SOC and GOV. Table 2 describes our controls. Based on the prior research, we selected the board specifies, the ownership structure and the financial performance variables.

4.3 Methodology and Model

Imposing the linear econometric assumption of innovation effect on the CSR might not be accurate especially with the dynamism of the CSR conception. Aiming to define a pragmatic shape, we use in this study a semi-parametric model. Through
Corporate Social Responsibility

this method, we relax constraints for the innovation effect while maintaining the linearity assumption for the controls. Hence, our model is as follows:

\[ CSR_{i,t} = \alpha + f \left( \text{innovation}_{i,t} \right) + \beta \text{controls}_{i,t} + \epsilon_{i,t} \]  \hspace{1cm} (1)

CSR refers to the CSR variables (ESG, ENV, SOC, GOV) defined previously. Innovation is measured by the Ln_PA + 1 and controls matrix includes all the controls variables presented in Table 2. Finally, \( \epsilon_{i,t} \) is the estimation error term.

This model has two main parts. The first is \( \alpha \) and \( \beta \) controls \( i,t \) which presents the parametric linear part while the second is \( f \left( \text{innovation} \right) \) namely a function of the CSR-innovation link. This non-parametric presentation can be estimated using several smoothing methods. In our investigation, we use the penalized splines. According to Keele [95], the splines methods provide the best mean squared error fit. Besides, the smoothing splines are designed to avert the overfitting. The splines estimation does not pre-specify ad hoc cut-off points. Hence, it minimizes the objective function to have the most pragmatic estimations.

\[ \min \left\{ \frac{1}{n} \sum_{t=1}^{n} (CSR - f \left( \text{innovation} \right) - \alpha - \beta \text{controls})^2 + \lambda J \right\} \]  \hspace{1cm} (2)

The n index refers to the number of observations and \( J \) presents the roughness of the objective function. This function optimum depends on the minimization of residuals squared and the maximum possible smoothing of the innovation function. The \( \epsilon \) term is the key to this tradeoff. There are diver types of splines smoothing such as the Quadratic, the Cubic or the Natural splines. In our study, we use the penalized splines since it has fewer parameters and empirically leads to similar results. Hence, the minimization equation presented in Eq. (2) become.

\[ \min \left\{ \frac{1}{n} \sum_{t=1}^{n} (CSR - f \left( \text{innovation} \right) - \alpha - \beta \text{controls})^2 + \lambda \int f' \left( \text{innovation} \right) d(\text{innovation}) \right\} \]  \hspace{1cm} (3)

The \( f' \) is the second derivative of the function \( f \). Thus, the roughness of the innovation function is captured by this new expression. Finally, we compare the explanatory power of our semi-parametric regressions with the linear regression

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>B_SIZE</td>
<td>Number of the board members</td>
<td>Discrete</td>
</tr>
<tr>
<td>WO_B</td>
<td>% of women on the board</td>
<td>Continuous</td>
</tr>
<tr>
<td>B_AGE</td>
<td>Board average age</td>
<td>Continuous</td>
</tr>
<tr>
<td>ESG_BONUS</td>
<td>Remuneration for CSR policies</td>
<td>Dummy</td>
</tr>
<tr>
<td>Ln_TE</td>
<td>Natural logarithm of total employees</td>
<td>Continuous</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on assets</td>
<td>Continuous</td>
</tr>
<tr>
<td>LEV</td>
<td>Debt book to total asset ratio</td>
<td>Continuous</td>
</tr>
<tr>
<td>INDP_B</td>
<td>% of independent on the board</td>
<td>Continuous</td>
</tr>
<tr>
<td>Duality</td>
<td>Board duality</td>
<td>Dummy</td>
</tr>
<tr>
<td>IN_PROP</td>
<td>% of the institutional investors’ share of capital</td>
<td>Continuous</td>
</tr>
<tr>
<td>STAT_PROP</td>
<td>% of the state’s share of capital</td>
<td>Continuous</td>
</tr>
<tr>
<td>FAM_PROP</td>
<td>% of the family’s share of capital</td>
<td>Continuous</td>
</tr>
</tbody>
</table>

Table 2.
The controls description.
using the likelihood ratio test (LR test) since our estimations apply penalized iteratively reweighted least squares.

\[
LR = -2 \left( \log \text{likelihood}_{\text{restricted}} - \log \text{likelihood}_{\text{unrestricted}} \right)
\] (4)

Follows an approximate \( \chi^2 \) distribution, the null hypothesis of this test supposes the equality between likelihoods. The degree of freedom is determined through the difference between the numbers of parameters of each model. Put differently, if the semi-parametric regression has a higher number of parameters then the linear regression is not appropriate.

### 4.4 Empirical results

In Table 3 we present the descriptive statistics of our study. We focus on the averages of our variables and their dispersion.

With an average of 59.67, the SBF120 companies have innovative potentialities. Nevertheless, the patents number presents a significant dispersion with a high standard deviation. For the CSR measures, the average of the ESG scores is 43.474, more precisely; the highest mean of the ESG components is the governance score with an average of 58.37 against only 36.656 the lowest for the environmental score. These statistics shed light on the environmental current issues and the required efforts needed by these companies to improve their environmental disclosure. Besides, we found that 18.4% of companies are using a remuneration bonus policy to enhance the ESG performance this might drive more attention to the ESG matters and help companies to view CSR more strategically.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Max</th>
<th>Min</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patents</td>
<td>59.672</td>
<td>250.853</td>
<td>2448</td>
<td>0</td>
</tr>
<tr>
<td>Ln_PA + 1</td>
<td>1.128</td>
<td>1.949</td>
<td>7.803</td>
<td>0</td>
</tr>
<tr>
<td>ESG</td>
<td>43.474</td>
<td>12.942</td>
<td>68.182</td>
<td>5.785</td>
</tr>
<tr>
<td>ENV</td>
<td>36.656</td>
<td>14.042</td>
<td>67.442</td>
<td>1.55</td>
</tr>
<tr>
<td>SOC</td>
<td>49.193</td>
<td>14.469</td>
<td>80.702</td>
<td>3.509</td>
</tr>
<tr>
<td>GOV</td>
<td>58.368</td>
<td>9.032</td>
<td>76.786</td>
<td>14.286</td>
</tr>
<tr>
<td>B_SIZE</td>
<td>12.627</td>
<td>3.419</td>
<td>23</td>
<td>4</td>
</tr>
<tr>
<td>WO_B</td>
<td>.237</td>
<td>.125</td>
<td>.579</td>
<td>0</td>
</tr>
<tr>
<td>B_AGE</td>
<td>58.573</td>
<td>4.952</td>
<td>68.778</td>
<td>15.384</td>
</tr>
<tr>
<td>ESG_BONUS</td>
<td>.184</td>
<td>.387</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Ln_Te</td>
<td>10.027</td>
<td>1.775</td>
<td>13.071</td>
<td>0</td>
</tr>
<tr>
<td>ROA</td>
<td>3.798</td>
<td>10.585</td>
<td>276</td>
<td>-23.067</td>
</tr>
<tr>
<td>LEV</td>
<td>25.677</td>
<td>16.223</td>
<td>96.083</td>
<td>-80.736</td>
</tr>
<tr>
<td>INDP_B</td>
<td>.538</td>
<td>.204</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Duality</td>
<td>.203</td>
<td>.402</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>IN_PROP</td>
<td>.408</td>
<td>.248</td>
<td>.907</td>
<td>0</td>
</tr>
<tr>
<td>STAT_PROP</td>
<td>.04</td>
<td>.15</td>
<td>.922</td>
<td>0</td>
</tr>
<tr>
<td>FAM_PROP</td>
<td>.089</td>
<td>.182</td>
<td>.805</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 3. Variables description and summary statistics.
For the percentage of women’s presence on the board, we register an average of 23.7%. After the Copé-Zimmermann enacted law in 2011, this average has increased considerably compared to prior periods. Nevertheless, the female directors occupy rarely executive positions. The board average age is 58.57 years old. It is also a positive signal on the degree of expertise of the directors as most of them have been board members in the past or have a business experience. However, with such a

<table>
<thead>
<tr>
<th></th>
<th>ESG</th>
<th>ENV</th>
<th>SOC</th>
<th>GOV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ln_PA + 1</td>
<td>3.881***</td>
<td>7.214***</td>
<td>0.756**</td>
<td>−0.972 (1.217)</td>
</tr>
<tr>
<td>B_SIZE</td>
<td>1.090***</td>
<td>0.829***</td>
<td>1.127***</td>
<td>1.034*** (0.142)</td>
</tr>
<tr>
<td>B_AGE</td>
<td>−0.373***</td>
<td>−0.212 (0.117)</td>
<td>−0.200 (0.141)</td>
<td>−0.374 (0.141)</td>
</tr>
<tr>
<td>ESG_BONUS</td>
<td>3.486***</td>
<td>2.410***</td>
<td>2.646***</td>
<td>5.458*** (1.139)</td>
</tr>
<tr>
<td>Ln_Te</td>
<td>0.977***</td>
<td>0.906***</td>
<td>0.810***</td>
<td>−0.053 (0.257)</td>
</tr>
<tr>
<td>ROA</td>
<td>−0.048 (0.037)</td>
<td>−0.046 (0.043)</td>
<td>0.009 (0.044)</td>
<td>−0.006 (0.044)</td>
</tr>
<tr>
<td>LEV</td>
<td>0.024 (0.029)</td>
<td>−0.011 (0.035)</td>
<td>−0.025 (0.036)</td>
<td>−0.030 (0.036)</td>
</tr>
<tr>
<td>Duality</td>
<td>0.621 (1.094)</td>
<td>−0.627 (1.320)</td>
<td>1.478 (1.335)</td>
<td>0.460 (1.335)</td>
</tr>
<tr>
<td>IN_PROP</td>
<td>8.487***</td>
<td>9.379***</td>
<td>8.183***</td>
<td>1.941 (2.034)</td>
</tr>
<tr>
<td>STAT_PROP</td>
<td>1.462 (2.748)</td>
<td>8.959***</td>
<td>−1.502 (3.365)</td>
<td>−0.194 (3.365)</td>
</tr>
<tr>
<td>FAM_PROP</td>
<td>0.794 (2.733)</td>
<td>6.353 (3.366)</td>
<td>−9.121*** (3.397)</td>
<td>4.445** (3.397)</td>
</tr>
<tr>
<td>FOR_PROP</td>
<td>2.426 (2.127)</td>
<td>−2.032 (2.506)</td>
<td>6.783*** (2.518)</td>
<td>1.085 (2.518)</td>
</tr>
<tr>
<td>_cons</td>
<td>24.007 (7.161)</td>
<td>9.370 (8.568)</td>
<td>25.675*** (8.529)</td>
<td>47.106*** (4.652)</td>
</tr>
<tr>
<td>Number of obs</td>
<td>681</td>
<td>648</td>
<td>657</td>
<td>681</td>
</tr>
<tr>
<td>pilot goodness-of-fit chi2 (P-value)</td>
<td>64.78 (0.0016)</td>
<td>57.34 (0.0000)</td>
<td>22.71 (0.9458)</td>
<td>79.38 (0.0000)</td>
</tr>
<tr>
<td>Log restricted-likelihood (P-value)</td>
<td>−2404.585 (0.0000)</td>
<td>−2375.429 (0.0000)</td>
<td>−2421.249 (0.0000)</td>
<td>−2132.486 (0.0000)</td>
</tr>
<tr>
<td>LR test vs. linear model: chibar2 (P-value)</td>
<td>7.14 (0.0038)</td>
<td>7.09 (0.0039)</td>
<td>−</td>
<td>5.95 (0.0074)</td>
</tr>
</tbody>
</table>

Values between the parentheses presents the standard errors of the estimated coefficients.
*p-value < 10%.
**p-value < 5%.
***p-value < 1%.

Table 4.
The innovation effects on the CSR proxies.
high average age, modern trends might not be appreciated. On one hand, this might reduce conflicts during the decision making process. On the other hand, it risks neglecting the youth population trends and views. Concerning the board independency, on average more than half of the boards’ members are independent (53.8%), which reflect a great level of transparency. Besides, this help to open the companies view and have an outsider perception.

To reach the aim of this investigation, Table 4 as well as Figures 1–4 reflect the innovation effect on the CSR proxies.

Figure 1 presents the innovation effect on the global ESG score. According to its result, we underline the generally positive impact of innovation on the CSR scores, which is consistent with Table 4 coefficient (significant at the 10% level). Indeed, this graph can be divided into three main parts based on the innovation intensity.
(when $\text{Ln}_{\text{PA}} + 1$ less than 4; between 4 and 5, and higher than 5). In the first part, an increase in corporate innovation enhances CSR slightly. Firms belonging to the first category of innovation intensity tend to consider ESG matters while innovating. The second part reflects a negative association between CSR and innovation. Companies in the second category are inventing without focusing on the ESG issues quite the contrary their innovation might reduce their ESG scores. In other words, those companies are not applying CSR strategically. They only focus on CSR matters if it grants financial benefits. Finally, the last category is where innovation can boost ESG scores. At this level of innovation, we found a remarkable positive effect of the corporate innovativeness on CSR. The most innovative companies are those that apply CSR strategically. They put CSR in the core of their innovation process. We might assume their adoption of open innovation, which allow companies to
share knowledge and better understand stakeholders, consequently improves ESG scores. The positive effect of this third category is confirmed not only for the ESG global score but also its components. Nevertheless, it is not the case of the two first categories. While Figure 3 supports the linear shape between social engagement and innovation, Figures 2 and 4 show similar curves’ shapes with different flattening level. Innovation is always socially beneficial.

Concerning the controls’ linear effect on the CSR scores, we should drive attention to the positive influence of the board diversity and boar size in enhancing the CSR engagement. Moreover, the ESG remuneration fosters the ESG scores. Its effect is more pronounced in the governance score. Besides, we find a non-significant influence of the board duality and the financial variables. Furthermore, foreign ownership only increases social commitment. The family ownership decreases it while enhancing the governance scores. Finally, we point out the state and institutional ownership effect on boosting environmental engagement.

5. Conclusion and implications

The evolvement of social and ecological requirements created a dynamic corporate framework that leads to alternate business practices. This evolution has widened the CSR scope. Hence, CSR went from a defensive or a philanthropic extra activity to a part of the core business. These successive mutations influenced the CSR-innovation link. In this chapter, we analyzed the evolvement of the CSR conception based on four ages: the age of greed, the age of philanthropy, the marketing age and the management age. Moreover, we presented the links between the different CSR versions and corporate innovation. This link is associated with corporate competitiveness.

CSR forms a road map for an emerging innovation paradigm if it is strategically perceived. Indeed, the CSR and innovation nexus is influenced by the managerial perspectives, which are the cores of the CSR understanding and innovation initiatives. However, the managers’ social commitment is not an independent factor. It is affected by the institutional framework. In other words, it depends on the legal, social and economic pressures as well as the digital transformation. With an economic system similar to a Matryoshka doll, decision-makers have to predict future evolutions through strengthening their social network. They have to identify the right moments and persons with whom they should collaborate to create shared value, enhance their innovativeness and improve their environment comprehension. Regulators should consider the continuous evolvement of the business-work and the technological improvement to control the irresponsible behaviours. They can help firms to identify the appropriate timing of the CSR and innovation synergetic effect occurrence.

Finally, we draw attention that the strategic CSR version is not the last one. Nowadays, a transformative CSR is taking place. The difference between these two CSR versions is that while strategic CSR has been included in the core business, the transformative CSR is the trigger of the business. Investors are creating new social start-ups where business innovativeness is driven by social and ecological matters. Thus, their innovativeness is a responsible innovation.
Author details

Zaineb Hlioui¹,²* and Ouidad Yousfi¹

¹ MRM-University of Montpellier, France
² GEF2A-The Higher Institute of Management of Tunis, Tunisia

*Address all correspondence to: zainebhlioui@gmail.com
References


[29] Visser W, CSR 2.0: From the Age of Greed to the Age of Responsibility. Reframing corporate social responsibility: Lessons
from the global financial crisis.
S2043-9059(2010)000001016

[30] Owen D. CSR after Enron: A
role for the academic accounting
profession? European Accounting
Review. 2005;14 (2):395-404. DOI:
10.1080/09638180500126892

[31] Heath J, Norman W. Stakeholder
theory, corporate governance and public
management: what can the history of
state-run enterprises teach us in the
post-Enron era? Journal of business
ethics. 2004;53 (3):247-265. DOI:
10.1023/B:BUSI.0000039418.75103.ed

[32] Miller R T, Morals in a market
bubble. University of Dayton Law
Review. 2009; 35(1): 113-137. DOI:
https://ssrn.com/abstract=1626019

[33] Bertrand D, Le Bas C, Mathieu A,
Chapuis SM. Types of innovation and
firm societal commitment intensity:
Analytical and empirical insights.
Innovations. 2020;62 (2):221-247. DOI:
https://www.cairn-int.info/revue-
innovations-2020-2-page-221.htm

[34] Carnegie A, 'Wealth'/'Gospel of
wealth', North American Review. 1889;
148(391); 653-64. DOI: https://www.
oxfordfirstsource.com/view/10.1093/
acref/9780199399680.013.0253/
acref-9780199399680-e-253

[35] Stiglitz J E, 'The price of inequality:
How today's divided society endangers
our future. WW Norton and Company;
com/books/the-price-of-inequality/

[36] Bereskin FL, Hsu PH. Corporate
philanthropy and innovation: The
case of the pharmaceutical industry.
Journal of Applied Corporate Finance.
2016;28 (2):80-86. DOI: 10.1111/
jacf.12179

Develop a Long-Term Strategy for Your
Philanthropy?. Wealth of Wisdom:
The Top 50 Questions Wealthy
Families Ask; 2018. p. 297-301. DOI:
doi:10.1002/9781119331568.ch44

[38] Burke L, Logsdon JM. How
corporate social responsibility
pays off. Long range planning.
1996;29 (4):495-502. DOI:
10.1016/0024-6301(96)00041-6

[39] De Silva M, and Wright M,
Entrepreneurial co-creation: societal
impact through open innovation.
RandD Management. 2019; 49(3): 318-
342. DOI: doi:10.1111/radm.12362

[40] Axjonow A, Ernstberger J,
Pott C. The impact of corporate social
responsibility disclosure on corporate
reputation: a non-professional
stakeholder perspective. Journal of
DOI: 10.1007/s10551-016-3225-4

[41] Ting PH, Yin HY. How do corporate
social responsibility activities affect
performance? The role of excess control
right. Corporate Social Responsibility
and Environmental Management.
2018;25(6):1320-1331. DOI: 10.1002/
csr.1641

[42] Harjoto M, Laksmana I.
The impact of corporate social
responsibility on risk taking and firm
2018;151(2):353-373. DOI: 10.1007/
s10551-016-3202-y

[43] Cui J, Jo H, Na H. Does corporate
social responsibility affect information
2018;148(3):549-572. DOI: 10.1007/
s10551-015-3003-8

[44] Mayberry M. Good for managers,
bad for society? Causal evidence on
the association between risk-taking
incentives and corporate social
responsibility. Journal of Business
Finance and Accounting. . DOI: 10.1111/
jbfa.12451


[77] Teruel M, Parra M D, & Segarra Blasco A, Gender diversity and innovation in manufacturing and service firms, Document de treball. 2015; 15. DOI: http://hdl.handle.net/2072/249234


[80] Beji R, Yousfi O, Loukil N, Omri A. Board Diversity and Corporate Social


Chapter 2

Business Process versus Human Resources Performance

Jozef Stašák and Eva Škorvagová

Abstract

The contribution deals with qualitative and quantitative analysis of relationship between business processes performance to be investigated (hereinafter BP) versus performance of employees who are interested in that BP functionality hereinafter known as Employees). The qualitative analysis deals with human resources performance psychological aspects, while the quantitative analysis is closely related to BP and Employee performance quantification and modelling. On one hand, the qualitative analysis describes psychological aspects concerned to human resources and the investigated BP performance. On the other hand, the contribution deals with quantifying those relationships with use of linguistic sets, which create basis of business process linguistic modelling (BPLM) approach as well. The PBPL (Principle Business Process Linguistic) Equation is applied in order to create a conceptual model of the objective oriented expert system, which operates over the knowledge base, which contains adequate semantic networks (SNWs) and reference databases (RDBs), while an appropriate inference engine is applied for user communication with that expert system too.

Keywords: Business process, business processes performance, performance of employees, psychological aspects, employee performance quantification, quantifying relationships via linguistic sets, business process linguistic modelling, semantic networks, reference databases

1. Introduction

Any firm, company, institution or enterprise (hereinafter known as the Firm or Company) has its own business mission statement and business objectives, declared in via set of goals postulated within its business strategy, while they are described qualitatively via text in natural language (hereinafter known as TNL text) and quantitatively via set of adequate key performance indicators (hereinafter known as KPI Indicators) [1]. In order to fulfil predefined business strategy goals a set of appropriate activities should be provided, while they usually are represented by a set of appropriate business processes, which run within any firm or company. The main goal of the above-mentioned business processes is to generate outputs predefined within the firm or company business strategy with the use of appropriate inputs. However, any business process (BP) is described via its own structure and functionality, where the BP performance plays a role of principal importance as well, while any BP should be managed with respect to set of rules closely relate to process management. The process management is based on the principle that no BP
should be an orphan; it means that that no responsible personality is assigned to the actual BP, while the responsible personality might play a role of the BP owner, operator or executor. With respect to the above-mentioned considerations, we can say there is a direct relation between BP performance and the BP management participant performance as well, while those aspects create an integral part of BP external and internal metrics [2]. On the other hand, the BP metrics identifiers create basis for the firm or company business strategy evaluation. The presented contribution deals with quantification and modelling of relations between BP performance and the performance of human resources who participate at the BP performance management. The contribution main goal is to design a conceptual and implementation model of an appropriate expert system, the knowledge-base of which content could be created by rules, which regulate the above-mentioned relations, while the rules should enable generating new rules based on existing ones too. However, the rules should respect BP management needs and needs of BP management participants as well.

In order to fulfil the main goal, several sets of partial aims should be postulated and fulfilled. The first one is closely related to quantification of existing and valid relations via adequate formulas and algorithms. The second one is concerned with derivation of rules related to representation of knowledge contained within knowledge base. Finally, the third one is closely related to the above-mentioned expert system structure definition, where the knowledge-base and inference engine play a role of principle importance too.

2. State of the art

2.1 A set of factors, which determine performance of employees: the qualitative view

2.1.1 General overview

The work is a basic activity for any of us. It enables providing his/her existence, position regard and respect and a man or woman is being satisfied not only within his/her private and social life as well. At present, the work does not mean getting the principal issues for our life only, however we are expecting more, to assert ourselves, to do the work with respect to our imaginations, interests, wishes and expectations too [3]. The work capacity represents only one indicator or human resources efficiency, while that indicator value is being affected not only by organization and technical conditions closely related to the actual work, however by human corporal and mental dispositions as well [4].

The firm or company business efficiency is closely related to performance of individual employees, while a rate to deliver performance and to be satisfied plays a role of principal importance as well. A satisfaction rate related to his/her job seems to be a significant factor, which affects not only his/her working performance, however his/her decision to leave for the actual job, when his/her job balance is negative. However, the negative job balance might lead to change the worker’s professional orientation as well, in the case he/she did not identify with his/her professional role [5]. Elaboration of real employee performance description and a comparing it with imagination or concept related to required performance creates an inevitable and integral part of an appropriate motivation program. Simultaneously, the factors with stimulation and motivation function should be mapped. However, there should be described effect of those factors related to motivation and labor behaviour of the firm or company employees as well, while it seems to be very
suitable to detach those facts, which have a favourable and a negative effect related to labour performance. Simultaneously, the factors, which cause dissatisfaction and discomfort, should be mapped too [6].

However, the performance of workers is affected by objective or subjective factors as well, while there might be different criteria concerned with their categorization [7]. Provaznik postulates them as technical, organization, economic and social and situational conditions together with appropriate determinants of a worker or an employee.

However, the personal determinants seem to be most significant from our intension and existing knowledge as well, while the other factors are of the same importance from employee performance point of view. The personal determinants include a great range of assumption for an appropriate work, the employee physical and intellectual assumptions, his/her qualification, personal features, interests and motivation together with employee permanent and actual state (physical and intellectual) play a role of principle importance too.

2.1.2 The objective and subjective nature of factors, which determine performance of workers

The enough labour motivation is closely related to the employee performance and plays a role of principle importance [7]. However, it provides his/her content or discontent in the work as well. There are two significant factors related to the employee labor content or discontent: (a) the first one is, what the work does mean in his/her lifestyle? (b) What the work or labour does mean as a social phenomenon? The labour content as a personality component indicates a level of satisfaction related to needs interconnected to labour or work. However, the labour satisfaction depends on type of employees as well [7, 8]. Herzberg et al. [8] postulate two different level related to the above-mentioned aspect: (a) satisfiers – the factors closely related to the work content (award, satisfaction. Those factors determine the man or woman attitude to the work subject and are closely related to that what he or she is doing. They have a motivating and satisfying effect and they are needed for personal growth, while they enable psychological stimulating and self-realization [7, 9]. In the case, the satisfiers are absent, the worker is not feeling to be satisfied. If the dissatisfaction is away, the satisfiers might be oriented to the employee motivation [4].

The dissatisfies reflect the man’s or woman’s attitude to the work content and the situation in which the man or woman works, while they are concerned with the widest environmental aspects and awards or wages and generate dissatisfaction without effects related to creation of positive attitudes to the work. They have a protection and maintenance task and they are denoted as hygienic factors as a result of that. However, they generate a working dissatisfaction and a man or woman is feeling a need to avoid troubles as well, while they do not contribute to psychological and personal growth [7]. They do not have a primary demotivation effect; however they have a great deal with work satisfaction or dissatisfaction [4].

Jurkovský (1980) postulates appreciation, responsibility, significance and advance of work and a performance as a matter of principle importance. However, those aspects and their perception by employees related to their biorhythmic aspects is a subject of actual research.

---

1 In [3].
2.1.3 Relation between functional status of human organism and its performance

The analysis of personal variables related organization efficiency, where the firm or company personal strategy plays a role of significant importance might generate getting to know the employee personality types. At the beginning of milestones concerned with development of views at individual personality, his/her labor capabilities seemed to be the most decisive factor related to his/her labor activities, while fruitfulness of worker was measured by his/her performance and content, a measure of which indicated the firm or company efficiency as well [7].

A functional status of human organism is not constant within day and several regular swinging might be observed [10]. However, the swinging is denoted as diurnal one is determined by the internal oscillator and biological clocks as well (MINORS, WATERHOUSE, 1986; In [10]). Blake a Colquhoun identified sub-groups o people who indicated their activity in the morning and in the evening and their diurnal temperature model was different than the normal model indicates (BLAKE, 1971; In [11]), (COLQUHOUN, 1960; In [12]). The temperature of people active in the morning is growing, reaches a peak and decreases in the day, while the people active in the evening indicate the delayed temperature model. An existence of different models related to activity of people in the morning and in the evening is not surprising and was confirmed, when investigating individual people. An importance of pre-determined diurnal preferences in the work was the subject of the actual research.

2.2 The factors, which affect the employee performance: quantitative view

2.2.1 Business processes: structure and functionality

A set of business processes running in the firm or company is being judged and evaluated, when investigating that firm management system internal structure, while the process control should be respected and that term semantic meaning is explained within introduction of our contribution.

However, the management processes should be considered and respected, when considering the business process types and classes as well, while the special group employees participates at the functionality. They are denoted as - the managers. When considering the business process (BP) horizontal structure, the business process functions (BPFs) play a role of principal importance, while the BP horizontal structure consists of appropriate BPF sets, which seem to be significant at BPF modelling operations. There might be applied different approaches, while one of them is denoted as BP linguistic modelling approach - hereinafter known as BPLM approach [13], which is based the postulate that any BPF might be represented via logical sentence, which create basis of text in natural language (hereinafter known as TNL Text²), while that sentence is defined via set denoted as the linguistic set [14, 15].

2.2.2 Business process: external and internal metrics

In general, the BP metrics term has a different semantic meaning than a semantic meaning of Business Metrics term, while the Business Metrics term indicates that any component of the firm or company business might be quantified and measured and the term BP external and internal metrics is concerned with horizontal structure

---
² The TNL text might be written in any language, English, Slovak, Czech, as for instance.
element quantification and measurement, which creates an integral part of actually investigated BP running in the firm or company. On one hand, when considering the Business Metrics term, the firm or company business performance indicator values might be quantified and measured - return of investment or employee performance, as for instance. On the other hand, the term BP external and internal metrics might indicate a quantification and measurement such variables like technological device or technological tool performance, which create an integral part of the investigated business process, as for instance. However, both above-mentioned metrics types create an integral part of the branch denoted as Business Intelligence as well, while the main aim of any BPF and BP is to generate outputs pre-defined within the firm or company business strategy based on appropriate inputs and the BP outputs and inputs create an integral part of the BP external metrics and the data and information concerned to performance of human resources, technological devices and technological tools who participate at BP functionality and performance create an integral part of the BP internal metrics. In order to generate the above-mentioned BP outputs based on appropriate inputs an engine denoted as transformation engine should exist, while transformation operators (TOP), human resources (HR), technological devices (DEV) and tools (TOOL) create an integral part of the BP internal metrics [16].

2.2.3 Human resources as an integral part of business process metrics

In a previous section, we have mentioned the business process internal and external metrics [2] represented by adequate linguistic sets, while the linguistic set concerned with human resources performance data \{HR\_performance (i, j)\} creates an important part of internal BP metrics too. As mentioned above, production devices, represented by \{Dev (i, j)\} linguistic set and tools represented by \{Tool (i, j)\} linguistic set create an integral part of BP internal metrics as well, while they will not be discussed within that contribution and considered to be the empty sets, \{Dev (i, j)\} = \emptyset and \{Tool (i, j)\} = \emptyset.

2.2.4 Quantification and linguistic modelling of business process structure and functionality

The term BP structure quantification means a mathematical description related to BP static as static aspects. However, the BP static aspect interpretation via linguistic sets is closely related to the business process to be investigated as well. With respect to the postulate that any business process might be quantified via linguistic sets, which represent, the BP outputs, inputs and BPFs formula (1) can be postulated, while the

\[
BP (i) = \prod_{j=1}^{m_1} \Pi BPF (i, j) \quad (1)
\]

where

i = 1, 2, ..., n - index, which indicates the investigated BP serial number within superior vertical structure.

j = 1, 2, ..., m_1 - index, which indicates a serial number of BPF within BP to be investigated.

BPF linguistic sets contain subsets concerned with human resources \{Hr (i, j)\}, production devices \{Dev (i, j)\} and production tools \{Tool (i, j)\} and formula (2) and (3) are postulated.
Further considerations related to BPF and BP structure quantification will be based on **linguistic sets**, which create basis of BPLM [1].

2.2.5 The PBPL Equation plays a role of basis related to quantification and linguistic modelling of BP and BPF structure and functionality

In general, any BPF is represented by three linguistic sets; see also formulas (2), (3). Let us consider a linguistic set of pre-defined outputs \([\text{Res1} (i, j)]\) and a set of adequate inputs, \([\text{Petx} (i, j)]\), the **Principle Business Process Linguistic Equation** – hereinafter known as PBPL Equation **might** be introduced, while its basic form is postulated via formula (4) and will be applied for further BPF and BP quantification and linguistic modelling [17].

\[
[\text{Petx} (i, j)] \otimes [\text{BP} (i, j)] = [\text{Res1} (i, j)]
\]  

(4)

It is known, that the PBPL Equation has an endless number of solutions, while any solution is closely related to its application at BPFs and BP linguistic models (hereinafter known as BPLM approach). However, that equation will be applied for creation of BP functionality model, which describes relationship between the BP performance and production human resources (see also Section 4).

3. Research methods

Two approaches have been selected, when investigating the modelled BP performance and a performance of employees interested in that BP functionality. The first approach is denoted as a qualitative and second is denoted as quantitative one.

When applying the qualitative approach in order to investigate the above-mentioned relationship, we have postulated the aim to catch a labor motivation in the context of motivating elements and hygienic factors, which are acting at labor motivation related to works published by [8] In [7], and [3].

With respect to those works, we have postulated two hypotheses: (a) **There is a difference between early-maturing and vesper tine chronotype of workers in a subjective labor performance perception during the week related to CTQ$^3$ Scale** [18].

(b) **There is a difference between early-maturing and vesper tine chronotype of workers in a subjective labor performance perception during the 24 hours related to CTQ** [18].

Eighteen employees (100 %) created a research subject. As for personal structure, there were: manager, deputy of manager, five professors, four associated professors and seven assistant professors. The formulated hypothesis related to the above-mentioned research described in that contribution created a good basis for quantification of relations between business process performance and those employee performance who were interested in that business process. With respect to postulated hypothesis and research described in those results created basis for performance quantification relationships between the BP to be investigated and performance quantification of employees interested in the above-mentioned BP functionality (performance). Appropriate linguistic sets have been applied in order

---

$^3$ CTQ - Circadian Type Questionnaire.
to quantify the pre-defined relation, while those sets create an integral part of the PBPL Equation basic form PBPL [15] while the modified PBPL Equation form has been derived in order to enable applying it for quantification of pre-defined relation. Subsequently, we started looking for the modified PBPL Equation solution, the results of which were linguistic sets, the content of which has been transformed to adequate semantic networks (SNWs) and reference databases (RDBs), while they created a good basis for knowledge representation concerned with the investigated relationship. Simultaneously, an adequate expert system structure has been designed [1], while the knowledge base contains SNWs and RDBs. No analytical approach might be applied, when looking for the PBPL Equations solution and the approach based on graphs and tables was applied, as a result of that. However, it enables representing the relationship between BP performance and performance of employees interested in its functionality and performance as well.

4. Results and discussion

4.1 The factors, which affect business process performance related to employee performance: qualitative view

The personal dimensions represent an internal potential of any man or woman, while they play a role of principal importance, his/her labor career. When considering the labor aspects, they are closely related to following questions: “What the man or woman is able?”, “What the man or woman does want?”, “What the man or woman is?”. A structure of personal image might be postulated, when combining those aspects, while the structure is unique for any personality and includes many different and specific features closely related to that personality only. However, the labor requirements might greater than, the disposals of man or woman are as well, while a conformity between set of labor requirement and set of the employee capabilities might create adequate labor conditions [7].

A fact, that the actual working or labor time in the day seems to be more suitable than the other one is given by regular variations being internally generated by functional organism states within 24 hours of the day. However, the above-mentioned variations exist not only because of psychological reasons, but they are observed and verified within all physiological functions as well, despite that the external conditions might be constant or unchanged. On the other hand, the diurnal variations cannot be described with use of one universal curve, because different functions indicate various course or progress and sometimes that course or progress might indicate a contradictory visual representation.

Moreover, the performance course or progress in the day depends on labour activity nature, as for instance, because the works with different requirements may indicate quite different performance course or progress. As a result of that, the most suitable time intervals for the actual work cannot be determined generally, because they are dependent on the labor or working activity type and appropriate time requirements as well.

However, individual differences also represent the next factor, which plays a significant role related to labor or working performance, while the phase displacement of biorhythmic curve to earlier or later day time seems to be the most significant aspect and that aspect correlates with the man or woman morning or evening Chrono type in a great deal. The preference of an appropriate day time interval seems to be more significant, when considering the above-mentioned individual differences.
We can determine less or more suitable time intervals for the work in the day, while we can support an opinion presented by Vašašová [3] who says that a labor motivation plays a role of principle importance there, while that motivation is a process, which is initiated and enables achieving the pre-defined aim and where or motional forces of individual man or woman are getting started and running in order to achieve that pre-defined aim as well. When considering the hygienic factors, the interpersonal relations, work conditions, employment reliability, relations to supervisors, position among people, wages, the firm or company culture and working check and control seem to be a matter of principal importance, while the motivation seems to be the principal step to be satisfied. With respect to that work results, the firm or company should place emphasis on motivation and satisfaction and a good feeling of its employees. However, that statement corresponds to research results provide by [3] as well.

With respect to the actual research results and findings achieved by Jackson and Gerard [19], further research related to diurnal Chrono types work performance is recommended and should be extended. On the other hand, there is needed a long-term research in order to identify pre-dispositions, which affect a personality, its working performance and social behavior as well. A set of such research results creates a good basis for quantification and modelling relations between performance of business processes running in the actual firm or company and a performance of employees interested in a functionality of those processes (human resources), while it is known that human resources represent an important component of business process metrics too. The problems related to solution of the above-mentioned relation represent a subject of those contribution further sub-chapters [2].

4.2 The factors, which affect business process performance related to employee performance: quantitative view

4.2.1 Derivation of PBPL Equation concerned with relation between investigated business process performance and the performance of employees interested in that BP functionality

With respect to qualitative considerations contained within material denoted as “Chrono psychological aspects of labour performance in the world of labour psychology and management informatics” the objective factor attributes and their values might be stored in appropriate linguistic sets, which have an adequate hierarchical structure.

Let us consider the {[HR⁴_performance (i, j)]}, where i = 1,...,n – index - indicates a serial number of BP to be investigated and modelled, which appropriate human resources are assigned to j = 1, 2, ..., m₅ the linguistic set serial number, which creates an integral part of

{[HR_performance (i, j)]} linguistic set while formula (5) might be postulated⁵

\[
{[HR\textunderscore performance (i, j)]} = \{ [a_{11}(i, j_1)], [a_{21}(i, j_2)], [a_{31}(i, j_3)], [a_{41}(i, j_4)] \}
\]

⁴ \{[HR\textunderscore performance (i, j)]\} – performance of human resources (employees).

⁵ \[a_{11}(i, j_1) = \text{HR}_01\text{ Labour content}, \ a_{21}(i, j_2) = \text{HR}_02\text{ Labour motivation}, \ a_{31}(i, j_3) = \text{HR}_03\text{ Labour conditions}, \ a_{41}(i, j_4) = \text{HR}_04\text{ Employee capabilities.} \]
We shall apply the PBPL Equation in order to quantify a relation between performance of business to be investigated and performance of employees interested in that BP functionality, while its basic form is represented by formula (6)

\[
\{\text{Petx}(i, j')\} \otimes \{\text{Pe}(i, j)\} = \{\text{Res}(i, j)\}
\]  

(6)

The \{\text{Petx}(i, j')\} and \{\text{Res}(i, j)\} create an integral part of external metrics related to business process quantified via \{\text{Pe}(i, j)\} and the relationship between \{\text{Petx}(i, j')\} and \{\text{Res}(i, j)\} will not be investigated and discussed within that article and \{\text{Petx}(i, j')\} linguistic set is considered to be the empty one \{\text{Petx}(i, j')\} = \emptyset and we shall discuss the relationship between \{\text{Pe}(i, j)\} and \{\text{Res}(i, j)\} linguistic sets \{\text{Pe}(i, j)\} and \{\text{Res}(i, j)\}, while formula (7) might be postulated

\[
\{\text{Pe}(i, j)\} \Leftrightarrow \{\text{Res}(i, j)\}
\]  

(7)

However, the \{\text{Pe}(i, j)\} linguistic set consist of three subsets as well, while formula (9) might be postulated.

\[
\{\text{HR\_performance}(i, j_1)\} \{\text{Pe}(i, j)\} = \{\text{Dev}(i, j''), \text{Tool}(i, j''), \text{HR\_performance}(i, j_1)\}
\]  

(8)

Because of that, we shall investigate and discuss the relationship between business process performance based on output products represented by so called good products, repair products and waste products and the data concerned to those products are stored within \{\text{Res}(i, j)\} linguistic set, the linguistic subsets \{\text{Dev}(i, j'')\} and \{\text{Tool}(i, j'')\} are considered to be empty as well. With respect to the above-mentioned assumptions, the equation represented by formula (8) is being reduced, while formula (9) might be postulated

\[
\{\text{HR\_performance}(i, j_1)\} \Leftrightarrow \{\text{Res}(i, j)\}
\]  

(9)

Now, let us try explaining structure and content of \{\text{HR\_performance}(i, j_1)\} linguistic set, the structure and content of \{\text{Res}(i, j)\} linguistic set is explained within Section 4.2.3. In order to achieve that, the following consideration is postulated.

4.2.1.1 Consideration no.1

The \{\text{HR\_performance}(i, j_1)\} has a hierarchic structure, while the linguistic subsets at the first hierarchic level are defined, with respect to formulas (10), (11), (12) and (13)

\[
\begin{align*}
[a11(i, j_1)] &= \text{HR\_01 Labour content} \\
[a21(i, j_2)] &= \text{HR\_02 Labour motivation} \\
[a31(i, j_3)] &= \text{HR\_03 Labour conditions} \\
[a41(i, j_4)] &= \text{HR\_04 Employee capabilities}
\end{align*}
\]  

(10)  

(11)  

(12)  

(13)

6 A semantic meaning of terms good products, repair products and waste products is explained within further section of that contribution.
Any element of that set $a_{11}, a_{21}, a_{31}, a_{41}$ is represented by adequate ordered pair (see also formula (14))

$$a_{11} (i, \alpha (j_6)) = (a_{11}\text{atr} (i, \alpha (j_6)), a_{11}\text{hatrval} (i, \alpha (j_6)))_{j6} = 1, 2, \ldots m_6 \quad (14)$$

($a_{11}\text{atr} (\alpha (j_6))$ - is the investigated variable attribute
$a_{11}\text{hatrval} (\alpha (j_6))$ - is the investigated variable attribute value

However, the above-mentioned attributes and attribute values has so called time dimension,7 while formula (8) might be postulated

$$a_{11} (i, \alpha (j_6)) = (a_{11}\text{hatrval} (\alpha (i, j_6)), t(j_{10})) \quad (15)$$

If appropriate statistic values of $(a_{11}\text{hatrval} (\alpha (i, j_6)), t(j_{10}))$ attributes according to $t(j_{10})$ index are being generated (it means average – Avg and extend of variation Vapr, formula (15) is being transformed to formulas (16) and (17)

$$\{ [b_{11}(i, j_1)] \} = \{(a_{11}\text{atr} (\alpha (j_6)), [\text{Avg} (a_{11}\text{hatrval} (\alpha (i, j_6)))], [\text{Vapr} (a_{11}\text{hatrval} (\alpha (i, j_6)))])\}$$

(16)

$$\{ [b_{11}(i, j_1)] \} \subseteq \{[\text{Petx} (i, j')]\} \quad (17)$$

As mentioned above the $\{[\text{Petx} (i, j')]\}$ linguistic set is considered to empty one and $\{[\text{Petx} (i, j')]\} = \emptyset$, however that set contains elements concerned to material inputs related to business process to be investigated and modelled as well, while it would be suitable to define structure of those elements (see also Consideration no. 2).

4.2.1.2 Consideration no. 2

The aim of business process to be investigated and modelled is to generate pre-defined output products, while a set of appropriate material outputs are required in order to achieve that aim.

It means, the business process to be modelled represented by $\{[\text{Pe} (i, j)]\}$ linguistic set generates pre-defined output products quantified via $\{[\text{Res1} (i, j)]\}$ linguistic set based on adequate material inputs quantified via $\{[\text{Mat} (i, j), (j=1, 2, \ldots m_1)]\}$ linguistic set, while formula (18) might be postulated

$$\forall [\text{Pe} (i, j)] \exists [\text{Res1} (i, j)] \wedge \{[\text{Mat} (i, j), (j=1, 2, \ldots m_1)]\} \Leftrightarrow \{[\text{Pe} (i, j)]\} \otimes \{[\text{Pe} (i, j)]\} = \{[\text{Res1} (i, j)]\} \quad (18)$$

On the other hand, the $\{[\text{Mat} (i, j), (j=1, 2, \ldots m_1)]\}$ applied for quantification of material inputs contains elements, closely related to attributes and values concerned with individual materials represented by $\{[\text{Mat} \text{attritem} (i, j_1, t_{10})], \text{material attribute item and } [\text{Mat} \text{attrvalue} (i, j_1, t_{10})], \text{material attribute value with adequate time dimension (see also formula (19). Furthermore, that linguistic set contains subset, the content of which material attribute statistic values Avg (Mat\text{attrvalue} (i, j_1)), Vapr (Mat\text{attrvalue} (i, j_1)) calculated by an appropriate time dimension, while formula (19) might be postulated

\[7\] The term attribute time dimension is expressing the time intervals, when the values have been measured.
∀\{\text{Mat} (i,j), (j = 1, 2, \ldots m)\} ⇔ \exists\{\text{Mat}_\text{attr} (i,j)\} \land \{\text{Mat}_\text{atritem} (i,j, t_{10})\}, [\text{Mat}_\text{atrvalue} (i,j, t_{10})], [\text{Avg} (\text{Mat}_\text{atrvalue} (i,j))], [\text{Vaprp} (\text{Mat}_\text{atrvalue} (i,j))]

As mentioned above, we shall investigate a relation between modelled business process performance and performance of employees interested in functionality of that process (see also formula 8), where the \{[\text{HR}_\text{performance} (i,j)]\} and \{[\text{Res1} (i,j)]\} linguistic set play a role of principle importance, while formula (20) might be postulated

\[
\text{Hr} (i,j)'' = \{[\text{HR}_\text{performance} (i,j)]
= \{[a11(i,j)], [a21(i,j)], [a31(i,j)], [a41(i,j)]\}
\]

Now, we shall consider the PBPL Equation and we shall replace the \{[\text{Petx} (i,j)]\} linguistic set by \{[\text{Matatr} (i,j)]\} linguistic set (see also formula 23) and the \{[\text{Pe} (i,j)]\} linguistic set by \{[\text{HR}_\text{performance} (i,j)]\} linguistic set (see also formula (24) and (25)) and the \{[\text{Res} (i,j)]\} by \{[\text{Outbpf} (i), (\text{nvyrgood} (i,j3)), (\text{nvyrrepair} (i,j3)), (\text{nvyrwaste} (i,j3))]\} linguistic set (see also formula (26) and (27)), the PBPL Equation (see also formula 7) is getting a new form, while formula (21) might be postulated

\[
\{[\text{Mat}_\text{atritem} (i,j, t_{10})], [\text{Mat}_\text{atrvalue} (i,j, t_{10})], [\text{Avg} (\text{Mat}_\text{atrvalue} (i,j))], [\text{Vaprp} (\text{Mat}_\text{atrvalue} (i,j))])
\otimes \{[a11(i,j)], [a21(i,j)], [a31(i,j)], [a41(i,j)]\}
= \{[\text{Outbpf} (i), (\text{nvyrgood} (i,j3)), (\text{nvyrrepair} (i,j3)), (\text{nvyrwaste} (i,j3))]\}
\]

Formula (21) indicates a modified form of PBPL Equation, which might be applied for quantification of relationship: investigated business process performance versus performance of employees interested in that business process functionality.

4.2.2 Solution of PBPL Equation concerned with relation between investigated business process performance and the performance of employees interested in that BP functionality

However, analytical solution of the PBPL Equation represented by formula (21) is not possible. As a result of that, we must start that solution with needs of metrics related to actual BPF and BP subsequently. Therefore, we shall apply an abbreviated form of PBPL Equation (see also formula 8) because the \{[\text{Petx} (i,j)]\} = \emptyset. With respect to those assumptions is being converted into simplified version (see also formula 22)

\[
\{[a11(i,j)], [a21(i,j)], [a31(i,j)], [a41(i,j)]\}
= \{[\text{Outbpf} (i), (\text{nvyrgood} (i,j3)), (\text{nvyrrepair} (i,j3)), (\text{nvyrwaste} (i,j3))]\}
\]

However, analytical solution of the PBPL Equation represented by formula (31)-(33) is not possible as well, therefore while we shall apply so called semantic network and rule approach, which is based on so called immediate and interval semantic network. We shall explain a semantic meaning of both terms within Consideration no. 3.
4.2.2.1 Consideration no. 3

Because the subject of investigation is a relation between modelled business process performance and performance of employees interested in that BP functionality, we might apply PBPL equation modified with respect to formula (23)

\[
\begin{align*}
\{ [a_{11}(i,j_1)], [a_{21}(i,j_2)], [a_{31}(i,j_3)], [a_{41}(i,j_4)] \} \\
= \{ [\text{Outbpf}(i, \text{nvyrgood}(i,j_3)), \text{nvyrrepair}(i,j_3)), \text{nvyrwaste}(i,j_3)] \}
\end{align*}
\] (23)

Furthermore, let us make the following assignments

\[
\begin{align*}
\{ [a_{11}(i,j_1)], [a_{21}(i,j_2)], [a_{31}(i,j_3)], [a_{41}(i,j_4)] \} = \{ [a_{14}(i,j_2)] \} \\
\{ \text{Outbpf}(i, \text{nvyrgood}(i,j_3)), \text{nvyrrepair}(i,j_3)), \text{nvyrwaste}(i,j_3)] \} = \{ [a_{15}(i,j_2)] \}
\end{align*}
\] (24) and (25)

With respect to formula (31)-(33) and formulas (23) and (24) formulas (26) and (27) might be postulated

\[
\begin{align*}
\{ [a_{15}(i,j_2)] \} \approx \{ [a_{14} (i,j_2)] \} \\
\{ [a_{15}(i,j_2)] \} = \{ [k_{54}(i,j_2)] \} \otimes \{ [a_{14} (i,j_2)] \}
\end{align*}
\] (26) and (27)

which represent a basic relationship between investigated BP performance and performance of employees interested in that BP functionality. Because a strict analytical solution of equation (4.20b) is not possible, it is needed to introduce the \{[k_{54}(i,j_2)]\} linguistic set, which contains coefficients determining a relation between items, which represent performance of the investigated BP and items, which represent performance of employees interested in functionality of that BP.

With respect to that, we have to describe \{[\text{Outbpf}(i, \text{nvyrgood}(i,j_3)),\text{nvyrrepair}(i,j_3)),\text{nvyrwaste}(i,j_3)]\} linguistic set content, while each of the subordinated set contains only one element concerned to number of good, repaired and waste BP output products, while that fact might be represented by adequate semantic network (see also Figure 1).

The similar approach could be applied, when quantifying a content of Employee performance linguistic set, however that structure is more complicated as well, while the subsets at hierarchic level no.1 are closely related to labor content, labor motivation and labour conditions and employee capabilities.

4.2.3 Time instant semantic network

The \{[\text{Outbpf}(i, \text{nvyrgood}(i,j_3)),\text{nvyrrepair}(i,j_3)),\text{nvyrwaste}(i,j_3)]\} linguistic set, which enables quantifying the investigated business process performance and the \{[\text{Vyk}_{zam}(i, a_{21a}(i), a_{21b}(i), a_{31}(i), a_{41}(i)))]\} linguistic set create an integral part of semantic network (see also Figure 2), which enables answering the question “How the investigated BP performance is affected by performance of employee interested in that BP functionality (performance)? However, that relation is visualized within instant of time as well, and therefore that type of semantic network might be denoted as time instant semantic network.

4.2.4 Time interval semantic network

If there is a requirement to establish the semantic network, which visualizes appropriate items and their values within pre-defined time interval, adequate
statistic values – average Avg and extend of variation Vaprp should be determined, which are closely related to \((\text{nvyrgood}(i, j3))\), \((\text{nvyrrepair}(i, j3))\), \((\text{nvyrwaste} (i), j3)\) values as well as to items and values contained within a21a, a21b, a31 a a41 linguistic sets and an adequate semantic network might be created subsequently. This type of semantic network is denoted as time interval semantic network.

The similar approach should be applied, when quantifying the linguistic set employee performance; however a structure of that linguistic set is more complicated. The subsets \([a11(i, j1)] = \text{HR}_01 \text{ Labor content}, [a21(i, j2)] = \text{HR}_02 \text{ Labor motivation}, [a31(i, j3)] = \text{HR}_03 \text{ Labor conditions and } [a41(i, j4)] = \text{HR}_04 \text{ Employee capabilities at the first hierarchic level contain appropriate items and values. When comparing it with time instant semantic network, there is one difference. We have to determine appropriate statistic values Avg and Vrozp concerned to the above-mentioned items and values and after that we are allowed to create the time interval semantic network.}

The \([\text{Outbpf} (i, (\text{nvyrgood}(I, j3)), (\text{nvyrrepair}(i, j3)), (\text{nvyrwaste} (i), j3)\)])\] linguistic set, which enables quantifying the investigated business process performance and the \([\text{Vyk_zam} (i, a21a (i), a21b (i), a31 (i), a41(i))\]) linguistic set create an integral part of semantic network which enables answering the question “How the investigated BP performance is affected by performance of employee interested in that BP functionality (performance) within appropriate time interval?”; while the above-mentioned statistic values should be respected. However, the above-mentioned relation is visualized within adequate time interval.
4.2.5 Rule generation versus time instant and time interval semantic networks

Before, is getting started a set of appropriate data should be collected. Data, which create content of \{Outbpf (i, (nvyrgood(i, j3)), (nvyrrepair(i, j3)), (nvyrwaste (i, j3) \})\} seem to be most significant, however the data contained within \{[Vyk_zam (i, a21a (i) , a21b (i), a31 (i), a41(i))\}] linguistic sets plays a role of principle importance as well.

4.2.5.1 Investigated BP performance – determination of measured unit number

When providing evaluation of investigated BP performance, a number of measured units is represented by an appropriate integer value \(nvyrrrepair (i, j3)\), \(nvyrwaste (i, j3)\)]. However, that type of representation usually does not correspond to representation needs within semantic network. As a result of that, we introduce so called ratio value \(xvyrgood(i)\), \(xvyrrepair(i)\) a \(xvyrwaste(i)\), which might be calculated with respect to formulas (28), (29) and (30)

\[
xvyrgood(i) = \frac{nvyrgood(i, j3)}{nvyrgood(i, j3)} + nvyrrrepair(i, j3) + nvyrwaste(i, j3)
\]

\[
xvyrrepair(i) = \frac{nvyrrrepair(i, j3)}{nvyrgood(i, j3)} + nvyrrrepair(i, j3) + nvyrwaste(i, j3)
\]
The results are represented by decimal numbers, as a rule.

4.2.6 Equations, which enable rule generation

The relationship between investigated BP performance and performance of employee interested in BP functionality might be quantified via formulas (4.20a and 4.20b)

\[
\begin{align*}
[x_{15}(i,j2)] &\approx [x_{14}(i,j2)] \\
[x_{15}(i,j2)] &= [k_{54}(i,j2)] \otimes [x_{14}(i,j2)]
\end{align*}
\] (31)

where

\[\{[a_{15}(i,j2)]\}\text{ is a linguistic set, which contains data concerned with investigated BP performance}
\]

\[\{[a_{14}(i,j2)]\}\text{ is a linguistic set, which contains data concerned with performance of employee interested in BP functionality}
\]

\[\{[k_{54}(i,j2)]\}\text{ is a linguistic set, which contains data concerned with the above-mentioned relation dynamics}
\]

Furthermore, we assume that the performance of employee interested in investigated BP performance is given by measure of employee content and motivation, while formula (33) might be postulated

\[
\{[a_{11}(i,1)]\} = \{[a_{11}(i,1)], [a_{11}(i,4)]\}
\] (33)

Where

\[a_{11}(i,j1)\] – is a measure of employee content

and

\[a_{11}(i,j4)\] – is a measure of employee motivation

An outgoing point for rule generation is the time interval semantic network, which contains appropriate attributes together with their adequate statistic values.

With respect to inputs postulated within time instant and time interval semantic network two types of rules might be generated: (a) the basic rule concerned with time instant semantic network (see also Rule no. 1) and (b) the basic rule concerned with time interval semantic network (see also Rule no. 2).

**Rule no. 1** - the basic rule concerned with time instant semantic network

IF Date1 (i, k) and Time1 (i, k) = Date2 (i, k) and Time2 (i, k) and \([a_{21}(i,k,\text{Date2, Time2})] \in [a_{21a}(i)]\) THEN \([\text{Typ_vystupu} (i,k)] = (\text{Počet_m.j (i,k)}) \in \text{VyK_skum_BP}\]

Where

\(k = 1...m1\) is the ordinal number

\(i = 1...n\) is the ordinal number of investigated BP within set of other business processes

Date1 (i, k) – date of made measurement

Time1 (i, k) – time of made measurement

Output type (i, k) – output type – good, repaired, waste

M. u. number (i, k) – number of units related to actual output

[a_{21a}(i)] – linguistic set.
Rule no.2 - the basic rule concerned with time interval semantic network

\[
\text{IF Date}_1 (i, k_{1a}) \text{ and Time}_1 (i, k_{1a}) = \text{Date}_2 (i, k_{1a}) \text{ and Time}_2 \text{ Avg}(a_{21}(i, k_{1a})) \\
\in [a_{21a} (i)] \text{ THEN (Typ_vystupu} (i, k_{1a})) = \text{Avg } ((\text{Počet}_m.j (i, k_{1a}))) \in Vyk\_skum\_BP \\
\text{IF Date}_1 (i, k_{1a}) \text{ and Time}_1 (i, k_{1a}) = \text{Date}_2 (i, k_{1a}) \text{ and Time}_2 \text{ Var}_\text{rozp}(a_{21}(i, k_{1a})) \\
\in [a_{21a} (i)] \text{ THEN (Typ_vystupu} (i, k_{1a})) = \text{Var}_\text{rozp } ((\text{Počet}_m.j (i, k_{1a}))) \in Vyk\_skum\_BP \\
k_{1a} = k_2-k_1 - k_1 - \text{the beginning of measurement time interval } t_1, t_2 \\
k_2 - \text{the end of measurement time interval } t_1, t_2 [a_{21}(i, k_{1a}, \\
\text{Date}_2, \text{Time}_2, \text{Avg } ((\text{M.u. number} (i, k_{1a}))) \\
Vyk\_skum\_BP - \text{the semantic set, which contains data closely related to performance of employee interested in investigated BP functionality} \\
\text{However, further rules might be derived based on Rule no.1 and Rule no. 2 as well.}
\]

4.3 Investigated BP performance versus performance of employee interested in that BP functionality: The objective oriented expert system - ES_BP_HRP

The previous sub-section concerned that chapter deal with theoretical aspects related to investigated BP performance and performance of employee interested in that BP functionality and the result is a conceptual model related to the above-mentioned objectives. However, this section deals with implementation of the conceptual model and a result should have a shape of the objective oriented expert system, which should enable to find a response to the question “How individual psychological factors affect the investigated BP performance and a performance of employees interested in that BP functionality” as well. On the other hand, that expert system plays a role of knowledge-based support tool for the above-mentioned investigated business process too.

4.3.1 The ES_BP_HRP_02 system: structure and functionality

The ES_BP_HRP_02 system structure consists of two subsystems typical for any knowledge-based or expert systems denoted as ES_BP_HRP_02_01Knowledge Base and ES_BP_HRP_02_02 Inference Engine. When considering the ES_BP_HRP_02_01Knowledge Base, the knowledge stored there are represented based on appropriate semantic networks (SNWs) and reference databases (RDBs), while the RDBs contain data and information, based on which adequate SNWs are being generated.

4.3.2 The ES_BP_HRP_02 expert system knowledge base: RDBs component

The data stored within reference databases have the

\{[ES_BP_HRP_02_01_02_02 Výstupy_Outputbpf (i, j)] linguistic set nature, which consist of three subordinated linguistic sets [ES_BP_HRP_02_01_02_01 Output_OK (i, j)]\} and

---

8 Those subset elements are concerned with those output products, which meet the pre-defined criteria in a full range and are denoted as – good output products. 
9 Those subset elements are concerned with those output products, which meet the pre-defined criteria in a full range, however they might be repaired so that, they can be good output products and they are denoted as the repaired output products.
4.3.3 The ES_BP_HRP_02 expert system knowledge base: SNWs component

The SNWs are a direct representant of knowledge contained in the knowledge base, the above-mentioned expert system operated over. They contain linguistic sets, which are directly concerned to objectives, which deal with designed expert system. If the designed expert system is concerned with relationship between investigated BP performance and performance of employees interested in that BP functionality, the above-mentioned SNWs contain the following linguistic sets:

- ES_BP_HRP_02_01_01 Performance, which contains linguistic sets concerned with performance of BPFs, the investigated BP consists of, denoted as ES_BP_HRP_02_01_01_01.....(m) Performance (see also Figure 1)

- ES_BP_HRP_02_01_01_01_03_01 Human Resources Performance, which contains the linguistic subsets concerned to employee content and employee motivation ES_BP_HRP_02_01_01_01_01_03_02, while that linguistic set consists of the following subsets:
  - ES_BP_HRP_02_01_01_01_01_03_02_01 Personal motivation,
  - ES_BP_HRP_02_01_01_01_01_03_02_02 Environmental motivation
  - ES_BP_HRP_02_01_01_01_01_03_02_03 Labor conditions
  - ES_BP_HRP_02_01_01_01_01_03_02_04 Personal capabilities

As for elements, which content of the above-mentioned linguistic sets, they are described within Tables 1 and 2. However, there are linguistic sets, which create an integral part RDB With respect to those assumptions Time Instant and Time Interval Semantic Networks are defined.

4.3.4 Inference engine

The inference engine plays a role of the communication tool with actual expert system for authorized user and consists of the following components (a) component, which provides retrieval and presentation of the knowledge base content based on general and detailed knowledge requirement (hereinafter known as KB content retrieval), (b) component, which provides knew knowledge generation based on existing one (hereinafter known as knowledge discovery) and (c) component, which provides visualization of selected or discovered knowledge (hereinafter known as presentation layer).

---

10 Those subset elements are concerned with those output products, which meet the pre-defined criteria in a full range and cannot be repaired they can be good output products and are denoted as the waste output products.
### BPF Internal Metrics

#### Attributes of subsets a11, a21a, a21b, a31 a a41

<table>
<thead>
<tr>
<th>Attribute</th>
<th>IDENT</th>
<th>Description</th>
<th>Value measure unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>a11</td>
<td>[a11(i, 1)]</td>
<td>Employee content measure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a11(i, 2)]</td>
<td>Labor performance</td>
<td></td>
</tr>
<tr>
<td>a21a</td>
<td>[a21(i, 1)]</td>
<td>Success</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a21(i, 2)]</td>
<td>Appreciation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a21(i, 3)]</td>
<td>The work alone</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a21(i, 4)]</td>
<td>Responsibility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a21(i, 5)]</td>
<td>Growth and development possibility</td>
<td></td>
</tr>
<tr>
<td>a21b</td>
<td>[a21(i, 6)]</td>
<td>Management policy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a21(i, 7)]</td>
<td>Check and control</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a21(i, 8)]</td>
<td>Wages</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a21(i, 9)]</td>
<td>Interpersonal relations</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Authors.

Table 1. A content of \([a11(i, j_1)], [a21(i, j_2)], [a31(i, j_3)]\) and \([a41(i, j_4)]\) linguistic subsets – the beginning.

### BPF Internal Metrics

#### Attributes of subsets a11, a21a, a21b, a31 a a41

<table>
<thead>
<tr>
<th>Attribute</th>
<th>IDENT</th>
<th>Description</th>
<th>Value measure unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>a31</td>
<td>[a31(i, 1)]</td>
<td>Economic conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a31(i, 2)]</td>
<td>Organizational conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a31(i, 3)]</td>
<td>Situation conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a31(i, 4)]</td>
<td>Social conditions</td>
<td></td>
</tr>
<tr>
<td>a41</td>
<td>[a41(i, 1)]</td>
<td>Physical capabilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a41(i, 2)]</td>
<td>Mental capabilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a41(i, 3)]</td>
<td>Health capabilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a41(i, 4)]</td>
<td>Theoretical knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a41(i, 5)]</td>
<td>Practical skills</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[a41(i, 6)]</td>
<td>Individual features</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Authors.

Table 2. A content of \([a11(i, j_1)], [a21(i, j_2)], [a31(i, j_3)]\) and \([a41(i, j_4)]\) linguistic subsets – the end.
4.3.4.1 KB content retrieval

The knowledge, which creates the knowledge base content is represented via semantic networks (see also section 4.2.3 and 4.2.4) and are directly interconnected with appropriate RDBs. On the other hand, the complex knowledge base is stored on any carrying medium, CD or DVD as for instance and the complete database is stored on more carrying media. Therefore, the medium with required knowledge should be determined, when searching required knowledge. This is possible to do via so called General requirement, which enables generating of adequate media list and storing it into selected file denoted as DISKINDEX. After having completed that operation, an appropriate Detailed requirement is being created, which enables retrieval of selected media content and generation of required knowledge list, while the presentation layer enables visualizing of the above-mentioned lists and detailed visualizing of selected knowledge, if necessary. A detailed description of those algorithms is over the contribution content and we shall not deal with it, as a result of that.

4.3.4.2 Knowledge discovery

The semantic networks, which represent newly discovered knowledge might be generated so that we change values of elements stored within appropriate linguistic sets and create new semantic networks, which represent newly discovered knowledge. The newly discovered knowledge is stored in an appropriate output file and visualized via presentation layer elements.

4.3.4.3 Presentation layer

The presentation layer is applied for visualization of selected or newly generated knowledge.

5. Conclusions

With respect to that contribution goal a set of qualitative relations between the investigated BP performance and the performance of employees interested in that BP functionality, from psychological point of view. This description created basis for determination of appropriate linguistic set content, which plays a role dominant importance, when preparing their quantitative representation, while a relationship among them is regulated by PBPL Equation. There was proposed a table and graphic solution of that equation and they created basis for design of semantic networks (see also section 4.2), which enable representation of knowledge stored within knowledge base, the proposed expert system operates over.

Our research for the near future is aimed to creation of adequate application program a its testing for practical application, especially in education, where we would like to test a relationship between content of university students within passing examinations and their mental performance as well.
References


Chapter 3

Between Outcomes and Processes: Revisiting the Discourse on Corporate Social Responsibility Impacts

Addmore Tapfuma Muruwiwa, Wilson Akpan, Fhulufhuwani Hastings Nekhwevha and Nono Godfrey Tshabalala

Abstract

For so long the corporate social responsibility agenda has centrally focused on impacts and outcomes at the expense of CSR processes. This paper argues for a discourse and practice of CSR that brings into clearer focus CSR processes. The central aim is to understand how CSR processes inform, direct and shape CSR outcomes within a community development context. The study was carried out in Mhondoro-Ngezi, Zimbabwe which is in a rural setting. The study employed a triangulated design, with data collected using a mini survey, focus groups and in-depth interviews. The key findings are that the Zimbabwean mining giant, Zimplats, dominates and controls all CSR processes such as decision making, stakeholder engagement such that it limits the involvement of community members in CSR projects. This paper acknowledges the need for a radical approach in the analysis of CSR by diverting from an “outcomes oriented CSR agenda” to a “process led CSR agenda”. The analysis of CSR processes in Mhondoro-Ngezi showed that, power is a decorated asset in which stakeholders use to control the CSR processes to achieve certain outcomes.

Keywords: corporate social responsibility, processes, community, mining, stakeholders

1. Introduction

The past few decades have witnessed Corporate Social Responsibility (CSR) gaining momentum as a core concept to facilitate development in the developing nations. Utting ([1], p. 375) is of the view that owing to the changing expectations of society towards business’s roles most corporations refined their CSR strategies so as to meet these expectations. However, the paucity of empirical data on the effectiveness of CSR questions the possibility of CSR as a development tool. Kapelus ([2], p. 279) insists that corporate literature on CSR is dominated by references to how corporations perceive themselves to be part of the community and what they have done for the community. Frynas ([3], p. 275) argues that part of the problem
lies in the over-emphasis of scholars who tend to concentrate on the corporate benefits of CSR activities with less attention on providing data on the process and development impact. Yet this is not a problem in itself: the current analyses of literature on CSR say very little on how corporations integrate with the community or engage and how they achieve CSR outcomes. Idemudia [4] supports this assertion by arguing that an understanding of the relationship between CSR and development possibly lies more in the analysis of CSR processes over outcomes.

One of the reasons scholars have lamented the absence of significant evidence of the impact of CSR on poverty and development, for example, is that the current analysis glosses over the CSR processes which are important in showing how corporations strategise their CSR initiatives for the benefit of society. The issue about CSR processes is not a new phenomenon but is a concept that came up some decades back when Jones [5] revisited and redefined the meaning of CSR. In his analysis of the concept, Jones ([5], p. 65) posits that “corporate social responsibility ought not to be seen as a set of outcomes, but as a process”. Jones further elaborated that “corporate behaviour should not, in most cases, be judged by the decisions actually reached, but by the process by which they are reached” ([5], p. 65). Since the CSR discourse was developed and shaped over a long period of time, later scholars saw the need to integrate CSR process issues in CSR theorisation [4, 6, 7]. Idemudia [4] took a profound step in showing the significance of analysing CSR processes for the continued growth and development of the CSR agenda. His argument stems from the fact that the outcome-oriented focus of the current discourse neglects the core issues and processes that can enrich our understanding of the CSR-development relationship ([4], p. 99). Newell ([6], p. 556) earlier noted that “mainstream CSR is unable to address the key issues of process by which a company’s social and environmental obligations come to be determined, enforced and made locally relevant”. The issue about CSR processes looks at how corporations carry out their CSR initiatives and how they engage their stakeholders.

The central aim of this article is to understand CSR processes in a community development context, with emphasis on the reciprocal relationship among key stakeholders using the relationship between Zimplats and Mhondoro-Ngezi community in Zimbabwe as a case study.

This article takes an in-depth focus on corporate-stakeholder engagement processes, the decision-making procedures, the nature of corporate-stakeholder partnerships and the power dynamics between the corporate and stakeholders and how these impact on community development in Mhondoro-Ngezi community. Zimplats Holdings Limited (Zimplats) is 49% owned by Implats (South Africa) and 51% owned by the government of Zimbabwe. The mining company has carried out platinum mining operations in Mhondoro-Ngezi community since the year 2000. As a multinational company a lot was expected from it by the community as there was great belief that development opportunities would accrue to the community as a whole. However, due to lack of major developmental projects in Mhondoro-Ngezi, the researchers of this article sought to understand the various CSR processes and how they affected community development.

2. Why a southern CSR agenda?

Several authors such as Fox [8], Idemudia [9], Christian Aid [10] and UNRISD [7] have highlighted the need for an alternative critical research agenda which indicates that CSR initiatives should not just benefit foreign companies financially but also benefit workers and indigenous communities socially and environmentally in the South. Although the CSR agenda has developed since the 1950s, many
scholars believe that it is fraught with many inconsistencies as it leaves behind some critical issues. Idemudia ([9], p. 2) argues that “there is a general consensus that the mainstream CSR agenda has been driven by Northern actors and therefore reflected the priorities and concerns of western societies without sufficient room for other concerns from the South”. Fox [8] identified core issues that he saw as limitations of the current CSR agenda.

Not only Fox [8] has called for a new critical CSR agenda but there is a chain of scholars who have witnessed the limitations of the current CSR agenda. The new agenda’s focal point is a deeper investigation of how CSR initiatives can contribute to the development of communities in the global South and improve the livelihood conditions of the locals. Blowfield and Frynas ([11], p. 505) attack the current CSR discourse as weak and bad for development. To these authors, the “weak CSR is bad development” school of thought is linked with civil society organisations and critics of business practices. Its argument is that corporations should take responsibility for the broader impacts in society. The efforts to achieve such an objective are hampered by the current CSR practice that is solely focused on profit making. Blowfield and Frynas [11] further show that the failures of the current CSR practices are a result of poor planning and implementation of social programmes by firms (CSR processes). For them, the way out of this situation is through improved partnerships between stakeholders and better constructed and implemented CSR policies. The failure of CSR activities as a result of poor formulation and implementation calls to attention the need to consider CSR processes in our endeavour to understand its impact on development. Scholars such as Idemudia [4] called for the need to shift focus towards understanding CSR processes in trying to ascertain how development and CSR are connected.

3. Significance of CSR processes in the southern CSR agenda

As already indicated from the previous sections, the current CSR agenda overlooks the importance of processes in the overall CSR discourse. There is too much emphasis on outcomes and impacts of CSR without a critical analysis of the processes which bring about the outcomes of CSR. The following section shows how important a concerted focus and analysis of CSR processes is significant in the enrichment of the CSR discourse.

3.1 Understanding corporate-stakeholder engagement

A focus on CSR processes entails focus on a number of issues that determine the outcomes of CSR initiatives. One of the strategies used by corporations to interact with its stakeholders is the process of stakeholder engagement. According to Greenwood [12], notions of corporate responsibility and the responsible organisation are built upon the notion of stakeholder engagement. According to stakeholder theory, stakeholder engagement portrays an organisational practice undertaken to involve stakeholders in a positive and encompassing manner in organisational activities ([12], p. 316). Phillips ([13], p. 54) sees it as a mutually beneficial scheme of cooperation. Stakeholder engagement has been viewed as a moral partnership of equals between firms and its stakeholders. However, when analysing the stakeholder engagement process one has to be careful that in reality, it is possible that the organisation and its stakeholders may not be of equal status because of the asymmetrical power relations between these two parties [12]. The United Nations Research Institute for Social Development ([7], p. 21) mentions that although spaces for multi-stakeholder dialogues have opened up in many developing
countries, there is a sense of mistrust because of the negotiating and bargaining power of various stakeholders.

One of the ways to test the asymmetrical power relations in the CSR practice is to analyse the stakeholder identification and decision-making processes which are some of the strategies involved in coming up with CSR outcomes. According to Idemudia ([4], p. 103) “emphasis on processes entails a focus on stakeholder contestations and interactions, decision making structure and stakeholders that are included and excluded in the projects”. If we are to consider these facts as part of CSR processes it can be argued that the current discourse portrays unequal stakeholder engagement processes. According to UNRISD ([7], p. 15), there is need for greater inclusion of stakeholders from developing countries in shaping CSR and accountability agendas. The inclusion of poor indigenous communities, workers, and trade unions in CSR decision-making processes will ensure empowerment and strengthen workplace democracy. UNRISD ([7], p. 21) further points out that a concern with the current discourse is its emphasis on a top-down approach, Northern and expert-driven character.

Freeman [14] claims that decision making needs to incorporate multiple stakeholders, and interests. Most CSR initiatives in the South have always assumed top-down approaches where developmental goals and priorities are formulated and implemented by the corporations. Unless corporations include beneficiaries in the decision-making process, the stakeholder engagement process will remain a morally neutral process that is totally dominated by one party with enormous powers [12].

3.2 Understanding the local governance system

The stakeholder approach views the company at the centre of a range of stakeholders [14]. However it should be understood that, by shifting our eyes and looking beyond stakeholders, we must consider them as part of an intricate and dynamic web of interrelated role-players involved in (un)sustainable development at the local level [15]. Hamann et al. [15] emphasised the need to understand the local governance process as this has implications on corporate citizenship or CSR. Whereas stakeholder engagement focuses more on how the corporation engages its stakeholders in its activities, the local governance system takes a slightly different approach. The reciprocity concept creates a platform for understanding the duties, roles and rights of stakeholders and the firm and therefore there is need to understand how local governance processes affect and influence CSR outcomes. According to Hamann et al. ([15], p. 63) “governance has been defined as the process of providing direction to society, whereby the emphasis is on the relationships between the state and other role-players, including business”. This means that local governance encompasses the role and functions of local government, and the various interactions between local government, local citizens and other groups in society [15]. Local governments represent the national government in executing public duties and therefore should be considered as very important stakeholders. The interactions between various stakeholders such as local government, community members, community traditional leaders, and any other interested groups determine crucial aspects of (un)sustainable development, which include service delivery, infrastructure development and spatial planning. Therefore, having an idea of the local governance system reveals important processes that are outside the immediate scope of the company but play a crucial role in an effective corporate citizenship strategy and outcome.

3.3 Utility of multi-stakeholder partnerships

According to Warhurst [16] and Hamann [17] tri-sector partnerships are important processes that strengthen corporate citizenship outcomes. CSR initiatives
are not exclusively carried out by corporations but through partnerships with stakeholders such as the community, government, NGOs and private companies for the benefit of all parties [18]. The idea of partnership between the corporations and stakeholders is aimed at addressing the socio-ecological problems. Hamann [15] believes that tri-sector partnerships benefit from the strengths of corporations alongside those of civil society and government and this inversely yields better results for communities and for business than when corporations go it their own way. Owing to the outcry from stakeholder groups, many corporations have assumed the idea of partnering with stakeholders to holistically tackle the social and environmental challenges [18]. Brinkerhoff [19] argues that public-private partnerships (PPPs), which are collaborations between corporations, state, and non-state actors to achieve mutually defined goals, present the best offer of how CSR can contribute towards development priorities. Because stakeholders participate in defining goals and implementing projects, such partnerships can initiate CSR’s drive of addressing the development priorities while also meeting private corporate objectives.

A number of community development initiatives in developing countries have collapsed not because they were poorly funded but rather as a result of uncoordinated processes of formulation, implementation and monitoring [20]. Warhurst ([16], p. 59) thinks that the panacea to such issues is the idea of a tri-sector partnership agreement that addresses critical issues by establishing agreed partnership goals, monitoring and reporting systems and collaborative activities. Warhurst goes further to suggest that partnership agreements maybe pre- or post-date the project development phase and be used as a method to make sure communication and participation of stakeholders in relevant decision making, or the funding of social investment programmes.

Through partnerships the usually suppressed voices of the marginalised groups within the stakeholder approach can be heard and make a mark for the concerns of these groups. That is why Soplop et al. [21] view “partnerships as a mechanism for addressing a participation deficit because they involve marginalized groups hence ensuring that their voices are heard”. International institutions such as the World Bank have supported the idea of partnerships as they ensure a collective agenda that seeks to stamp out poverty and ensure development [22]. Inputs from the private sector, government and local communities are vital in the success of CSR programmes and this ensures that the “blame game” that has always characterised these relationships is avoided.

4. Research method

Mhondoro-Ngezi, where the study was conducted, is a rural town (in Kadoma District, in Mashonaland-West Province). It is located 156 kilometres south-west of Harare, which is the capital city of Zimbabwe. Mhondoro-Ngezi is made up of 16 wards. Its population of 104,061 people [23] spreads across rich soils. Despite being rich in mineral resources, the community relies on agriculture as the main livelihood option because of the absence of a sound economic sector to create local employment. Mhondoro-Ngezi receives very minimal annual rainfall of 600-800 mm a year that is sufficient for local small scale farmers to grow crops for subsistence purposes. For commercial purposes local farmers rely on cotton farming and cattle rearing. In a good season, cotton now fetching US$0.35 per kg gives them significant returns (Sunday Mail, 16 June 2013). However, the living standards in this area are very low and many people live under the World Bank’s poverty datum line of $1 per day. For the past three decades since Independence in 1980 the
community has received no meaningful development except for the construction of a few primary and secondary schools, local clinics, dip tanks for livestock and indigenous small shopping centres which serve as the growth point. Many school children walk long distances of at least 6 km to school since there are very few of these in the community. Zimplats is the only major mining company in the area that has provided employment for thousands of workers in Mhondoro-Ngezi and surrounding areas. There are however a few small businesses owned by local people in the retail sector.

Although Zimbabwe hosts many foreign mining companies. Zimplats became the choice for the study because it is the largest company ensuring corporate-mediated social provisioning articulated by Akpan [24]. Despite the company being a major agent of community development there have been escalating contradictions and public outburst by stakeholders who have been calling for Zimplats to contribute meaningfully towards social transformation that goes beyond charities and donations. Therefore this kind of relationship coupled with various outcries from stakeholders that include local communities, local politicians, and civil society organisations prompted the researcher to investigate the nature of CSR projects initiated by Zimplats in Mhondoro-Ngezi community.

Both qualitative and quantitative methods were utilised to collect empirical data. The researchers specifically employed semi-structured interviews, focus group discussions (FGDs) and a mini-survey. A total of 6 semi-structured interviews were conducted with representatives from the mining company, a Member of Parliament for Mhondoro-Ngezi, government officials from the Ministry of Youth and Indigenisation and Economic Empowerment. Community leaders were also part of the semi-structured interviews group. For the FGDs, the researcher conducted 6 of them and they consisted of community members from Mhondoro-Ngezi community who are affected by the mining company’s activities. In this study the researchers also employed a mini-survey to ascertain the views and perceptions of Mhondoro-Ngezi community members on CSR projects by Zimplats, stakeholder reciprocal duties and the CSR processes. The sample size consisted of 215 participants who were randomly selected from the total population of Mhondoro-Ngezi.

By using a survey method, the researcher employed questionnaires to ensure honesty and accuracy of participants’ responses.

The central research question for which these empirical data were needed was: What are the processes involved in the implementation of CSR initiatives by Zimplats in the Mhondoro-Ngezi Community?

5. Results of the study

The results of the study are presented below under five themes.

5.1 ‘Stakeholder management’ or stakeholder engagement?

Based on the stakeholder theory, this section explores the dynamics and performance of stakeholders’ involvement and participation in CSR activities meant for community development and empowerment. Ihugba and Osuji ([25], p. 28) differentiates between the concept of stakeholder engagement and stakeholder management. According to Ihugba and Osuji ([25], p. 28) “stakeholder management is entirely a business strategy constructed to benefit the corporation without contribution from stakeholders irrespective of its impact on them”. Stakeholder engagement emphasises examining the ways in which companies relate with their stakeholders in promoting social obligations and development [12, 26]. Ihugba and
Osuji [25] further points out that the starting point for stakeholder engagement is when firms go out of their way to consult, negotiate, and discuss with stakeholders their expectations and map out a plan of how to meet those expectations. The issues about stakeholder engagement and management can also be contextualized in the Mhondoro-Ngezi community to understand the CSR processes in Mhondoro-Ngezi.

From the study, it was noted that Zimplats has a well-elaborated stakeholder engagement policy that describes its engagement processes and is made public on the company's website. Although the company purports that it is governed by a policy on stakeholder engagement, it is crucial to look at how the policy is implemented or how functional it is in addressing the concerns of its stakeholders. The following summarizes some of the content of Zimplats' stakeholder engagement policy.

5.2 Multi-stakeholder model

The primary responsibility of Zimplats is to meet the shareholders' demands and at the same time, the company takes into cognizance the interests of its stakeholders which can include the following:

**Internal stakeholders**

- Employees and their representative bodies.
- Zimplats Board. The board is required to make strategic decisions and must be well informed on factors which may affect its decisions and impact on represented interests.

**External stakeholders**

- Local, provincial, and national governments make decisions and policies that impact directly on operations, develop regional growth and development strategies, and are concerned with the impact operations have on the local communities (including Mhondoro-Ngezi and Selous).
- Media influences the image of the company.
- Investors are concerned about the sustainability of the operations and need to be well informed about policies and strategies.
- Local communities are directly affected by the operations in terms of work opportunities, environmental impact, and development opportunities.
- Civic society, NGOs, and pressure groups etc. influence policies and decisions and for these reasons, it is important to be aware of their concerns.

(Source: Zimplats Stakeholder Engagement Policy [23]).

Although there are various internal and external stakeholders, Figure 1 shows the Zimplats multi-stakeholder model based on the findings from this study. Figure 1 shows a simplified multi-stakeholder engagement model used by Zimplats. A closer look at the diagram shows that whilst there are links between the company and its stakeholders, the community seems far away from the mining company. As will be discussed later in this paper, this is a reflection of the nature of the company and community relations. The stakeholder salience approach is real and evident in the Mhondoro-Ngezi community. Despite the community being a strong legitimate stakeholder, the company treats it differently from the way that
other stakeholders are treated. The issue of power differentials exposes the idea that the less powerful stakeholders usually occupy the peripheral areas of the stakeholders’ engagement model. Powerful and influential stakeholders with the capacity to halt or affect the operations and stability of the firm are kept close to the company as there seems to be interdependence between the firm and these stakeholders.

Both qualitative and quantitative data from the study show that despite the company stating its use of a stakeholder engagement policy, the engagement is characterised by unequal power relations and the company retains the power to unilaterally identify the stakeholders to engage with at a particular time. An important point to note when analysing stakeholder engagement processes is the issue of how the corporation goes out to meet its stakeholders or how it interacts on issues relating to CSR. From the study, it was noted that since the commencement of mining operations in Mhondoro-Ngezi community, the company has always maintained its engagement processes with key stakeholders such as the government, Rural District Council (RDC), traditional leaders and the ever-present Member of Parliament (MP).

Interview extracts show that these key stakeholders have deliberated on various issues on CSR by engaging the mining company. One stakeholder indicated the following:

As the Member of Parliament for Mhondoro-Ngezi community I have been involved in development projects that concern my constituency. So I cannot say there is something that was done without my knowledge or input. Well I can say there are two issues here. Firstly like I said, the company has its own community responsibility projects. On those ones, consultations are made with the relevant stakeholders such as the council, MP, local leaders and chiefs. What I can say is that the company controls those discussions. It determines what it wants to do and how much it is willing to commit. (Semi-structured interview with MP, April 2013)

The RDC official confirmed the engagement process between the mining company and its stakeholders, saying:
There is consultation with stakeholders who are involved in community activities. The RDC as the administrator of the district is in constant contact with the mining company on matters of community development. The company through its various surveys and research identifies the projects that need attention and they disburse funds through our office. We then take it from there and implement the agreed projects. (Semi-structured interview with RDC official, April 2013).

The above accounts indicate that the mining company extends a friendly hand to its key stakeholders to debate matters related to community development. Both stakeholders indicated that traditional chiefs also form part of the group of stakeholders who engage the mining company. A striking absence from the stakeholder list is community representatives. While traditional chiefs are considered as part of the community, they stand in their capacity as leaders of the local governance structure. Community members in Mhondoro-Ngezi lamented their neglect and lack of representation when it comes to crucial matters on CSR. Local leaders such as politicians, who represent the entire community in the legislative house, cannot carry the whole burden of community needs and priorities. FGD discussions were dominated by community members who complained about the nature of engagement between the mining company and the community.

Results from the FGDs indicate the community’s concern with Zimplats’ community engagement processes. Some of the concerns of community members are indicated below by two respondents who stated the following:

Over the years the company has always worked together with the RDC, community leaders such as the chiefs, the MP and partly with the community. Its communication with the community members was minimal as it preferred to negotiate with the local leaders who it said represented the community. However, one has to understand that since the mining company rolled out CSR projects voluntarily it had the control of all the decision making process based on what their budget says. Zimplats has always worked with the local government officials in Mhondoro-Ngezi. It has been carrying various research surveys to assess what are the critical needs for the community. (FGD No. 3, Interviewee No. 3, April 2013).

Previously with its own CSR models, Zimplats usually made consultations with the council, local leaders as chiefs or the MP. We hardly saw a mining representative consulting people on issues of development etc. (FGD No. 1, Interviewee No. 2, April 2013).

A closer look at the above interview extracts shows a crisis faced by community members with regard to the company–community engagement process. While other stakeholders enjoy participation in matters related to community initiatives, community members are only recipients of the finished products. The utility and impact of such initiatives is questioned because without elaborate community discourses on development needs there is no way they can address their intended goals. From the FGDs, the researchers also wanted to understand the perceptions of the wider community so as to come to a conclusion on the community–company engagement process. A key characteristic from this study is that while the researchers relied extensively on in-depth qualitative data, the quantitative aspect came in to confirm and complement the initial qualitative findings. The following tables show that despite community members being considered as legitimate under Zimplats’ voluntary CSR policy, they were often bypassed on crucial matters that concern them, with other stakeholders having to negotiate on their behalf.
Calvano ([27], p. 776) argues that despite business taking an interest in stakeholder engagement, communities still remain marginalised relative to other stakeholders. The above table present the views of the wide community with regards to Zimplats CSR engagement processes. Table 1 shows that community members rejected the idea that CSR activities were carried out after wide consultations with the community members. The statistics presented from Table 1 show that about 54% of the respondents disagreed with this idea while 29.3% of respondents agreed. The neglect of community members from the consultation process on CSR matters puts the whole community in jeopardy. Successful CSR initiatives must take into considerations the voices and views of the intended beneficiaries in the decision-making process. This presents the limitations of the stakeholder theory in that, despite it being an approach in which firms consider their social obligations towards the society, it also limits the participation of other stakeholders. Vial ([28], p. 37) acknowledges that the stakeholder theory advocates for the firm to accommodate all stakeholders into the firm’s decisions regarding CSR matters. The failure of CSR initiatives in Mhondoro-Ngezi comes down to the issue of the CSR process. A focus on processes involving stakeholders reminds us of the need to put into consideration the values, motives and choices of those real people who are supposed to benefit from CSR initiatives.

Although Newell ([6], p. 552) argues that we have to acknowledge that “not all members of a community can participate in public hearings, meetings and legal processes but best placed leaders can represent a community”, there still needs to be a point where community members’ views are incorporated into the CSR agenda of the corporation. Without input from community members, community development initiatives are bound to be a failure because they do not address the needs of communities.

5.3 Decision-making processes in Mhondoro-Ngezi

The dominance of corporate power in the stakeholder engagement process is not only limited to the firm choosing and identifying the legitimate stakeholder with urgent claims, it is also manifested in the decision-making process. Discussions of CSR without an analysis of the decision-making process are flawed and have many inconsistencies. The idea of understanding CSR processes also calls into focus the need to analyse the decision-making process. It has been noted that community members barely feature in the crucial meetings of CSR and their voice is only heard through the community leaders. However, despite having the opportunity to sit and dine with the mining executives on matters of CSR, community leaders and other stakeholders indicated that decisions on priority matters and budgets for CSR in the

<table>
<thead>
<tr>
<th>CSR projects by the mining company have been carried out after wide consultations with various stakeholders?</th>
<th>Frequency</th>
<th>Per cent</th>
<th>Valid Per cent</th>
<th>Cumulative Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Disagree</td>
<td>116</td>
<td>54.0</td>
<td>54.0</td>
<td>54.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>36</td>
<td>16.7</td>
<td>16.7</td>
<td>70.7</td>
</tr>
<tr>
<td>Agree</td>
<td>62</td>
<td>28.8</td>
<td>28.8</td>
<td>99.5</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>1</td>
<td>.5</td>
<td>.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>215</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: A Printout of a table derived from the survey data and findings in Mhondoro-Ngezi Community.
community are made by the company. Despite being powerful stakeholders in their accord, community leaders, politicians and the RDC indicated that the mining company controls the decision-making process on CSR matters. The following interview excerpts clearly show stakeholders coming to a conclusion that Zimplats has the sole decision-making power in terms of its voluntary CSR approaches:

However you have to understand that the most important decisions are made by the company as they are the ones who are in control, especially its leading role in the decision making, the disbursement of funds and the identification of contractors. (Semi-structured interview with RDC official, April 2013).

There are a lot of projects the mining company has been involved in. I can’t exhaust everything to you but we have documents to prove that. They have made a contribution although we are not happy with some of the projects and processes involved. What I can say is that the company controls those discussions. It determines what it wants to do and how much it is willing to commit. (Semi-structured interview with Mhondoro-Ngezi MP, April 2013).

The RDC is the closest stakeholder that works with the mining company on most CSR and development issues. As the community’s development planner and administration body, the RDC is in constant partnership with the mining company in the execution of community projects. The RDC acknowledged that Zimplats dominates the decision-making processes as it controls the disbursement of funds meant for community initiatives and also the selection of contractors and supply chains to undertake any work on behalf of the mining company. Zimplats confirmed its role in the decision-making process by stating the following issues:

Based on the priorities indicated by the community, a 3 year development plan has been drawn up and approved by the company’s board. The board makes resources available through the company’s annual budget. Status reports are submitted to the board every quarter on progress made on the development plan. (Semi-structured interview with corporate services management, April 2013).

The above interview excerpt shows that it is the prerogative of the company’s board to approve funds and the priorities for CSR. While the community expected Zimplats to make CSR funds available and then make its own decisions about the use of the funds, the interview extracts shows otherwise. Although MNCs are mandated to make decisions, the limiting factor is that their decisions are primarily based on issues that could have an impact on their corporate activities rather than impact on stakeholders. Newell and Frynas ([29], p. 676) argue that the focus on CSR processes help to explore the deeper political and structural roots of CSR failures. They advocate for the engagement of the intended beneficiaries of CSR through participatory processes of design, formulation, decision-making and implementation. The process of decision-making has been the sticking point in company-community relations.

From the study it was generally accepted that the question of decision-making on CSR issues in Mhondoro-Ngezi community is dominated by the company and is beyond the reach of community members. Results from the mini-survey confirm the findings from the qualitative interviews about the mining company being the sole decision-maker. From Table 2 it can be seen that 70.2% of respondents collectively agree that community members are not part of the decision-making process. Only 14% of the respondents believe that community members are decision makers on CSR related projects in Mhondoro-Ngezi. The remainder, 15.8%, remained neutral on the issue.
5.4 Lack of local partnerships between Zimplats and its stakeholders

CSR initiatives are not carried out exclusively by corporations but partnerships with stakeholders such as the community, government, and NGOs and other private companies are vital for the success of these initiatives [18]. Warhurst ([16], p. 59) posits that "the idea of multi sector or tri-sector partnerships is to tackle the areas of concern by establishing commonly agreed goals, monitoring and reporting systems and collaborative activities". The success of community development initiatives is guaranteed when stakeholders come together and contribute to a common goal. From the study, it was noted that for a long time Zimplats had forged ahead with CSR initiatives without substantial assistance or contribution from stakeholders such as national or local government. For all its CSR activities, the mining company has always partnered with the RDC in Mhondoro-Ngezi community. Despite controlling the stake in CSR activities, Zimplats has always maintained cordial relations with the local government body that is concerned with local planning and development. The major talking point though is that such partnerships are dominated by the company with decisions coming from the company’s management. The corporate management department lamented the lack of collaboration or assistance from other stakeholders as a sticking point in community development. With Mhondoro-Ngezi covering a large geographical area and with an estimated population of 110,000 people, this seemed a tough assignment for the company to go it alone. In one of the interview extracts the company indicated the need for other stakeholders to contribute towards community initiatives by making resources such as financial capital available. When asked what could be done to improve the effectiveness of CSR projects/initiatives in the community, one company representative said that the solution lay in:

*Continued dialogue, robust partner participation, continued planning together and evaluation. Perhaps the involvement of other funding partners beyond the company's budget would also result in bigger projects with a broader base in terms of impact.* (Semi-structured interview with corporate services management, May 2013).

From the company’s perspective, reciprocal behaviour from other stakeholders is the best possible way for CSR activities to be more effective and cover a wide section of society. Although stakeholders such as the government have received taxes and royalties from the mining company nothing has been contributed towards the
development of the local community. The widely held assumption from the government, politicians and community members is that foreign companies accrue large sums of profits from exploiting local natural resources with the bulk of it repatriated back to their mother countries. Therefore foreign companies are expected to go it alone when it comes to community development.

5.5 The politics of power in Mhondoro-Ngezi: understanding governance complexities

The ideas of power hegemony and control of processes are key issues in the discussion of the CSR agenda, because the relationship between stakeholders and business is often characterised by power struggles. CSR and development are arenas of political contestation with stakeholders seeking to leverage their control over resources and decision-making. The relationship between the government and business is often characterised by power struggles. Whilst some scholars believe that over the years MNCs have amassed enormous power to control even the governments in their countries of operation, this assertion is somehow a fallacy if contextualised in Zimbabwe. While stakeholders such as community members were often neglected in CSR processes and with other stakeholders failing to make inroads into the decision-making process, the law on community empowerment ushered in a new era of company and community engagement processes. Company-driven CSR initiatives failed to address the community's needs in Mhondoro-Ngezi and the government as the guarantor of society moved in to address these issues.

The admission by the state that voluntary CSR activities had failed to meet the developmental expectations of the local communities saw the enactment of the Indigenisation and Empowerment Act which was signed into law in 2007. From the government's position, the main idea for the implementation of this law was to ensure empowerment of local Zimbabweans in a manner that would immediately reduce poverty for the majority of the people, and enhance societal welfare [30]. It ushered in a new way of CSR in which foreign companies were now regulated to undertake their CSR projects, whereas the previous set-up supported voluntarism. 1980–2007 was the period of voluntary CSR while 2007–2013 was the period of regulated CSR. Before the regulation of social responsibility activities in Zimbabwe, CSR was monopolised by the corporations with government playing a passive role in advocating for meaningful development.

The idea of threats and coercive use of power has been a powerful tool used by government in its attempt to claim what it calls “resources sovereignty”. Foreign companies are not the first group to experience such unequal transfer of resources, but in the year 2000 the government forcefully repossessed land from white commercial farmers who occupied most of the arable land while the black majority resided in poor areas. As a way to readdress the colonial imbalances, the government removed about 90% of commercial farmers from the land without any compensation for their lost land and all the investments and development that had been done on those farms. Despite lacking legal backing, the government continued with its controversial land reform and later amended the laws governing land ownership and repossession. This is one of the reasons why the international community instigated sanctions against the ZANU PF led government.

With such an aggressive style of transfer of resources still fresh in the memory of foreign companies their only option is to comply with the stated law despite the fact that some of the actions demanded by the government are not backed by the law. The idea of threats to revoke the operating licences of foreign companies or to prosecute them became a hallmark of the hostile relationship between government and business. Several public spats in the local media were recorded, with the
government maintaining its position of taking over non-complying business entities. In one of his strings of attacks on foreign companies, the former Minister in the YDIEM said the following with regard to Zimplats’s indigenisation issues:

*Zimplats continues to defy the laws of this land, continues to abuse the process. We would like Zimplats to continue mining but if they continue to disregard the laws of the country we are left with no option but to invoke the provisions of the law. Zimplats will have to live with the consequences of their actions. (NewZimbabwe, 6/9/2011)*

*With the new law, every corporate citizen is expected to comply with the laws of the country, the companies have no choice. We negotiate, we persuade and we threaten. I can also concede that we might be doing some things which may also not be in the law. We can say to them that we will go to the licensing authority and request for the cancellation of the business operating licence. Therefore the methods are persuasion, threats, coercion and arm twisting. (Semi-structured Interview with the Director in the YDIEM, April 2013)*

Such a direct attack is an indication of some of the actions that government takes when it forces companies to comply with its laws. That is why the Northern-centred CSR agenda advocates for refraining government from regulating CSR initiatives, with their position being that corporations must voluntarily choose when and what to contribute to CSR. The implication of use of force by government on community development and empowerment issues towards companies is that relationships are strained and in most cases local communities suffer in the end. Newell ([6], p. 555) posits that in instances of extreme and repeated negligence by corporations, governments have resorted to the tool of power with threats to revoke operating licences. This has been the powerful tool that government has used to force mining companies to comply with the new law.

6. Conclusion

This article examined the CSR processes undertaken by Zimplats the mining company and stakeholders in the implementation of CSR projects. The point of departure for this article was a recognition that, for a long time there has been so much emphasis on the outcomes of CSR initiatives by the firms without an appreciation of the processes involved in coming up with these outcomes. From this study it was noted that because of its power and control the company dominated the stakeholder identification processes, the prioritisation of projects and the decision-making processes. Despite the community being considered a legitimate stakeholder, it was noted that the company neglected community members’ participation in key CSR processes and decision-making. Community members indicated that only a few leaders were given the privilege to interact with the company on CSR matters. The only time the community members interacted with the mine was when it carried out baseline surveys as part of its project formulation initiatives. Even though some community leaders had the opportunity to discuss CSR issues with the company, Zimplats retained the sole power to make decisions. The article also noted that the Indigenisation and Empowerment Act was to reverse the social ills of the voluntary CSR approach by foreign companies. This study highlighted the power dynamics that exist between the stakeholders and the firm and also the dominance of the state as regulating agent. An important aspect to note in this article was the use of force by the state to ensure that the company complies with the new law.
The government indicated that it uses various means to ensure that corporations comply with the need to promote indigenisation and empowerment of local communities. This has been part of the new regulated CSR approach, as opposed to the voluntary approach by the company. While the voluntary CSR approach lacked a clear cut social contract, the Indigenisation and Empowerment Act showed a shift from implicitly held expectations to explicitly held expectations which are backed up by a social contract between the company and the community. The utility of studying CSR processes is based on the need to understand how these processes shape the outcomes of CSR. The analysis of the processes shows how the corporations and its stakeholders reached these outcomes. A concluding remark on the processes shows that by capturing the voices of the beneficiaries we are able to understand why CSR initiatives are failing or succeeding. It also shows whether the issues concerning stakeholder fairness are upheld or respected.

Acknowledgements competing interest

The authors declare that he has no financial or personal relationship(s) which may have inappropriately influenced them in writing this article.

Author details

Addmore Tapfuma Muruviwa*, Wilson Akpan², Fhulufhuwani Hastings Nekhwevha³ and Nono Godfrey Tshabalala¹

1 Department of Sociology, University of Zululand, P.Bag X1001, KwaDlangezwa 3886, South Africa

2 Research and Innovation, Walter Sisulu University, Mthatha, South Africa

3 Department of Sociology, University of Fort Hare, P.Bag X1314, 5700, Alice, South Africa

*Address all correspondence to: amuruviwa@gmail.com

IntechOpen

© 2020 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/3.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.
References


Multinational Corporations (MNCs) in Less Developed Countries (LDCs). New York: United Nations; 2002


Chapter 4

Corporate Social Responsibility and Sustainability in Corporate Strategy: Brazilian Cases Studies

Fernanda Gabriela Borger and Ana Paula P. Costa

Abstract

The chapter presented the evolution of Corporate Social Responsibility and Sustainability concepts and frameworks developed in order to integrate them into management (norms, certifications, indicators, standards, reports and indexes). Then it presents 3 case studies of successful companies that are benchmarking references in CSR - Sustainability strategies and practices and how they achieved their results. The first one is Natura, from cosmetic sector, recognized for its pioneering role in socio-environmental activities and investments in product innovation, in particular the Ekos’ line that extracts raw materials from Amazon rainforest, while preserves it. The other two belong to agrobusiness sector. One is Native, brand of the Balbo Organization (1946), a traditional family for the sugar and ethanol sector. It had changed its operational processes and launched the Native brand for organic sugar. Today is a reference for the organic market, operating in 70 countries, being the world’s largest producer of organic sugar and alcohol. The other one is BSBIOS, a vertical company of agroenergy. Founded in 2005, today is the largest national producer of biodiesel to national and international market. They all attend to sustainability model, but it is embedded in different ways into their corporate strategy.

Keywords: corporate social responsibility, sustainability, triple bottom line, business model, social-environmental management

1. Introduction

The globalization process requires companies to incorporate the socio-environmental dimension into management as by enforcements or by social sanctioning. This process has broadened public and government concern about issues such as climate change, industrial pollution, food security, degradation of natural resources, among many others. As a consequence, it is ever more common to observe consumers demanding products and services from socially responsible companies, governments establishing policies, defining more restrictive regulations and also investors estimating the environmental and social risks of investments.

In Brazil, more and more companies are including social, environmental and ethical issues in management and corporate strategies, invested resources in the social development of communities, in the quality of life of workers, in socio-environmental management, in the reduction of waste and sustainable innovation. There is an expressive movement of Corporate Social Responsibility
and Sustainability involving a significant number of companies, civil society organizations, business associations, multilateral agencies and academia. Today, the Brazilian companies occupy a leading position on the international scene and are a reference for the management of Corporate Social Responsibility and Sustainability [1].

“Corporate Social Responsibility” and “Sustainability” turned to be part of official reports, considered into pieces of corporate communication, into executive statements, into the mission and values of companies. In sum, societal issues have invaded the business world and the consequence was a movement of private sector in order to respond to the expectations of society. Managers today are increasingly aware that they must consider the impacts of business in society, provide decent working conditions, quality and safe products, preserve the environment and be profitable and competitive.

However, there is no sense yet of what the integration of Sustainability and Social Responsibility in business really means and the implications for the organizational management. Many terms have been used by companies and academic community to address these concepts. As a consequence, concepts vary widely. Some common terms are Corporate Social Responsibility, Sustainable Enterprise, Stakeholder Management, Stakeholder Capitalism, Conscious Capitalism, Social Business, Social Impact Business or variety of other terms.

In addition to this variability of terms, these concepts have been constantly evolving, which leads to necessity of presenting here the basic concepts to understand the tools and different approaches that integrate the environmental and social dimensions into the management.

The chapter is structured in four sections. First it reviews the literature related to Sustainability and Corporate Social Responsibility (CSR). Then the main tools, standards and norms developed to integrated management are described. Third section presents the case studies. Fourth is the conclusion.

The case studies are based in the literature revision, raising secondary data in documents, annual reports and, in-depth interviews with company’s key managers. The purpose is to present the evolution of the concepts of Corporate Social Responsibility and Sustainability and how companies are including the ethical, social, environmental dimensions in their strategies and changing their business models. In Brazil, there are many companies that apply standards based on CSR certifications, report following GRI principles and participate in the capital market by Sustainability Index Rankings [2]. Nonetheless, among these enterprises, some go beyond, and become reference not only for its strategies but as taking advantage of business opportunities that CSR and Sustainability have brought.

It’ll be presented 3 case studies of successful companies that are benchmarking references to entrepreneurial environment in Brazil and discuss how they developed their CSR - Sustainability strategies and their results and opportunities for business.

Natura is a company in cosmetic products sector, founded in 1969, recognized for its pioneering role in socio-environmental activities and investments in product innovation, in particular the Ekos product line that extracts raw materials from the Amazon rainforest while preserving the forest. In 2016 Natura acquired the Australian cosmetics chain Aēsop. In 2017 it purchased The Body Shop chain and in 2019, it acquired Avon.

Native is a company in agro-industrial sector, part of the Balbo Organization (1946), which comprises six companies that produce sugar, alcohol, biodegradable plastic, electricity, animal feed and carbon certificates. The Native brand was launched in 2000 for organic sugar and today is a reference for the organic market, operating in 60 countries, being the world’s largest producer of organic sugar and alcohol.
BSBIOS is a vertical company of agro-energy sector, producing and transforming products and acting in the agribusiness chain. Founded in 2005, today is the largest national producer of biodiesel, operating also in international market.

2. Concepts and models for sustainability and social responsibility

This section explores the main concepts of (2.1) corporate social responsibility based on theory of stakeholder, (2.2) of sustainability and (2.3) the management tools (norms, certification, reporting, indexes and indicators).

Case studies will be presented and then commented vis a vis their adherence to this framework, and about this landscape.

2.1 Corporate social responsibility—theory of stakeholder

Corporate Social Responsibility (CSR) involves the relationship between enterprises and society and is strongly related to stakeholder management.

The theoretical concept of Social Responsibility was originated in the 1950s [6], when formal literature on CSR grown up at United States and Europe. At that time, researchers’ concern was the excessive autonomy of business over society without proper responsibility for negative consequences of their activities, such as environmental degradation, labor exploitation and economic abuse. After some scandals, entrepreneurs started to engage in social activities to benefit the community, outside the scope of the companies’ businesses, just as a moral obligation, in a temptation of compensating negative impacts. It is worthy to point out that when this movement started to gain density, it created a social sanction. But at that moment, it was subtle, and companies acted pretty much by reaction.

Aligned to this reactive behavior, the first vision was the shareholder model. This model, defended by the economist Milton Friedman (1985) [3], reflected a classic view of Social Responsibility, where it is to increase their profits, maximizing the shareholder value. He defines business as a self-search for profit: other considerations are society’s responsibility and not of business. If business in its searching for economic efficiency faces conflicts with the wider social concerns, then it is the government responsibility to restrain business through legal measures that may affect economical decisions [3].

The evolution of prior model led to the stakeholder approach representing the firm’s concept on the perspective of contract theory [4]. It tries to define social responsibility largely related to the groups of interest, which affect or are affected by corporate actions. It incorporates the notion of obligation to those groups, besides shareholders and employees.

The concept of CSR is associated with the recognition that decisions and results of companies’ activities reach a universe of social agents much broader than that composed by their owners and shareholders. Many of the business decisions and activities have consequences for the local community, the environment and other aspects of society that go far beyond the targeted market [4].

Under this approach, corporate responsibility can be considered the contract between company and society. There is a cycle of social responsibility that involves critical issues to business management in order to construct a sustainable society. In other words, it implies the convergence of efforts to balance the interests of stakeholders, leading to innovation and market prosperity to meet the social, environmental and ethical expectations of civil society.

The stakeholder concept implies that enterprise activity is not just a market transaction, but also a web of cooperative and competitive relations of a great
number of persons, organized in diversified ways. The enterprise is an organization in which and by which many individuals and groups spend efforts to reach their goals. The model personifies social responsibilities, identifying specific groups or people that business must address when orienting social responsibility and actions, giving names and faces to society members. Incorporating social responsibility in actions is seen as a process composed of various phases, that Wheeler describe as (i) the inclusion of stakeholders or “stakeholding”, (ii) the establishment of goals, (iii) the implementation of the process and (iv) evaluation of it; all of them, based on cooperation and on building the relationship with stakeholders. This relationship is based on trust and integrity, focused on long term sustainability [5, 6].

2.2 Sustainability

Sustainability is a concept related largely to environmental concern, which involve economic and social dimensions. The debate polarizing economic growth and quality of life arose in the 1970, with the publication of the book Limits to Growth [7]. The dispute focused on traditional economic policies but set limits to income, considering population growth and which could not be met by exhausting natural resources and jeopardizing ecosystems. And this dissonance between quality of life and economic growth began to change in the 1980, when a review of concepts took place and sustainable development was adopted as the great motto for reconciling growth with quality of life [4, 7].

The most relevant work on the concept of sustainable development is the Brundland Commission Report, produced as a summary of the United Nations’s (UN) World Commission on Environment and Development [8]. The concept at its origin had wide scope, associating development and environment, where development must be bearable, viable and durable. In other words, “a development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs” [8].

Concern about environmental resources and the promotion of environmental awareness has become consolidated from the United Nations Conference on Environment and Development (CNUMAD), also known as ECO 92, realized at Rio de Janeiro, Brazil. A document was established at this meeting with new parameters and actions for the reversal of continuous deterioration of environmental system. It was named Agenda 21 and began to contemplate general principles and turned to be the basis for specific principles of sustainable development [9].

In 2012, RIO +20, a UN meeting to evaluate the 20 years after Rio-92, focused on themes of green economy in the context of sustainable development, poverty eradication and international governance for sustainable development. Green economy is the concept that has guided the formulation of public policies for sustainable development. The UNEP - United Nations Environment Program defines the green economy as one that results in the improvement of human well-being and social equity, reducing environmental risks and ecological scarcity. The concept of green economy does not replace that of sustainable development or sustainability; in practice, it is a development agenda that proposes a transformation in the way of facing the relationship between economic growth and development [10].

In 2015, The Sustainable Development Goals (SDGs) (Agenda 2030) approved along the United Nations Summit on Sustainable Development brought together 17 global objectives and 169 targets with the aim of ending poverty by 2030 and universally promoting economic prosperity, social development and environmental protection. It designed a common agenda for society.
The concept of sustainable development is—today—fully integrated into the concept of social responsibility: there will be no long-term economic growth without social progress and also without environmental care. All sides should be considered with equal weights as they are interrelated aspects. Just as economic growth does not sustain itself without social and environmental equivalence, corporate social or environmental programs will not be sustained if there is no economic balance of the company.

The idea of sustainability for the organizations has been represented by the raising of expectations regarding social and environmental performance in addition to the economic, translated into the concept of triple bottom line (TBL) - Profit-Planet-People - created by Elkington in 1994. It refers to the adoption of new corporate postures committed to social and environmental issues, in addition to the common goal of companies to make a profit [11, 12]. The triple bottom line is a sustainability framework that examines a company’s social, environment and economic (no just financial) impact. Figure 1 shows one of several ways this concept has been divulged.

The triple bottom line term had become part of the business lexicon and since then influences corporate accounting, stakeholder engagement and increasingly, strategy.

It is still under course a transition in business management models, from single bottom line vision to the consideration of triple bottom line as a management system that will encompass the tripod of sustainability. The triple economic-socio-environmental dimension has been considered in the strategic business planning and in the definition of its goals and actions. Social Responsibility and Sustainability are complementary concepts and must not be interpreted as a new wave as occurred with other topics involving business management.

It remains difficult to reconcile enterprise sustainability to increasing shareholder value objectives as the language of business and sustainability are still distant. The ambiguous and multidimensional nature of sustainability increases difficulty to connect them. To this end, Hart and Milstein have developed a sustainable value framework that links challenges of global sustainability to value creation by companies. In the sustainable value creation companies are challenged to minimize losses from current operations (combating pollution, mitigate environmental impacts), while redirecting their portfolios toward more sustainable technologies and skills (clean, ecoefficient, circular economy technologies) [14]. These sustainable technological innovations are packaged as green technology management, where companies lower the net cost of meeting environmental

![Figure 1. Triple bottom line [13].](image-url)
regulations in order to create strategic advantages [15]. About this aspect, notwithstanding, it is worthy to detach that sometimes, companies absorb a pragmatic perspective oriented toward efficiency and hide fake greenery behaviors [16].

Companies are also challenged to engage into broad interaction and dialog with external stakeholders, looking at current offerings (product responsibility, social inclusion, social business), as well as developing economically interesting solutions to future social and environmental problems (vision of sustainability). Taken together, as in a portfolio, such strategies and practices have potential to reduce costs and risks, elevate the reputation and legitimacy of the company, accelerate innovation and repositioning, and crystallize paths and trajectories of growth [14]. There are some studies relating eco-innovation with culture and social structures and some characteristics include knowledge diversity within company, persistent leadership, changes in bureaucratic structures and cultural indulgence [16].

Eco-innovation is strongly influenced by cultural factors and may disrupt company’s business. It is different from incremental innovations, more often chosen by companies as represent lower risk and uncertainty. An interesting result points that the government’s role is fundamental to induce disruptive green innovations but not by monetary and fiscal incentives and mainly by R&D investments and others creative ways [16].

The great challenge in this path is how to measure relevant impacts. Profit is very easy to measure, but social and environmental impacts are more diffuse and diversified to be captured by a simple set of indicators. In part, this difficulty explains the proliferation of tentative to apprehend the adherence of companies to what is expected by society.

2.3 Management tools

Many management tools were developed as well as international standards, created by specific bodies or institutions, mainly non-governmental and multilateral organizations, in order to establish and consolidate a set of acceptable, auditable standards and indicators regarding environmental, social and governance aspects.

The adoption of standards and tools has been an important element of the CSR-movement in Brazil, and organizations in the country have turned to be pioneers in using voluntary certification schemes or contributed to development of tools, standards and certifications.

The participation and mobilization of civil society were fundamental for the development of social and environmental responsibility movement, playing the role of catalysts of these precepts, among them, the Group of Foundations and Companies Institutes (GIFE), the Ethos Institute, the National Thinking of Corporate Bases (PNBE), the Abrinq Foundation for the Rights of the Child and the Brazilian Business Council for Sustainable Development, linked to the World Business Council for Sustainable Development (WBCSD) and the Global Compact Network in Brazil, GRI, focal point in Brazil.

The most relevant tools for Brazilian companies are described as follows.

2.3.1 Norms and certifications

Norms and certifications are very important to drive internal processes management. Some of the main norms are that established by The International Standard Organization (ISO), as ISO 9000 and ISO 14000 Standards which certify companies for their managerial capacity (quality of the production process) and respect for the environment. National equivalent standards are the
NBR 16000 and ISO 26000 which has been developed under common leadership of Brazil and Sweden [1].

The Social Responsibility standard – ISO 26000 is an integrative document of several internationally recognized management instruments in order to guide the decision-making process aligned with strategies and needs of organizations and stakeholders. Adherence to the standard is voluntary however, without certification.

Certification Schemes establish principles and criteria to attest the sustainability practices and products along the value chain, ensuring differentiation, origin identification and product quality assurance, based on parameters defined by each specific regulatory body.

Socio and Environmental labels consist on the declarations contained in the product labels, indicating their environmental, social and ethical attributes. It is a statement in which a nongovernmental organization (NGO), an institute or an association attest that a particular product has excellent environmental qualities, that their product is environmentally superior to others in the same category. The most known certification schemes are organic certification, forest production practices, fair trade, and socio biodiversity products and label. They are granted by Forest Stewardship Council FSC certification, Fair Trade, Brazilian Organic Food, accredited by the International Federation of Organic Agriculture Movements – IFOAM, Union for Ethical Biotrade (UEBT), the last, a certification process for socio-biodiversity chains.

The UN Global Compact is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals. Launched in 2000, the United Nations Global Compact is both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption and to catalyze actions in support to UN Sustainable Development Goals (SDGs) [17].

The UN SDGs provide an agenda for identifying further opportunities to develop socially and environmentally responsible products and services. Global Reporting Initiative, GRI the World Business Council for Sustainable Development (WBCSD), and UN Global Compact developed the SGS Compass Guide, to support companies in aligning their strategies with the UN SDGs and managing their contribution to the realization of them.

Other certification defines companies as “B” corporations when they have the purpose of generating positive social and environmental impact, with expanded responsibility for consideration of their stakeholders in the short and long-term decision and commitment to transparency for measuring and reporting of their triple impact. The system is managed by Blab, a non-profit organization founded in 2006, in United States and Canada. To obtain certification, companies are analyzed through a rigorous impact assessment process in multiple dimensions: governance, business model, consumers, employees and environment and they have to achieve a minimum score on the B Impact assessment. Once certified, they formally undertake the commitments to look at their long-term impact and consider their chain as a whole in decision making. Today, more than 2500 companies are certified as B Corporations, in more than 50 countries, among that, 140 are Brazilian [18].

2.3.2 Indicators

A very important trigger for CSR-management on the national and regional level have been the so called “Ethos Indicators for Sustainable and Responsible
Business”, a set of scaled indicators, to measure their performance and compare to benchmarks in the sector and countrywide on an annual basis. The Indicators are a self-assessment tool and are not meant to be a reporting or certification standard. Companies use the results internally and are not obliged to disclose the results. The application of the Indicators led many companies to the decision to adopt other CSR-certifications, in order to formalize policies and processes necessary to advance in their evaluation. More than 3,700 companies applied to the indicator’s measurement process [1].

2.3.3 Reports and index

The GRI Sustainability Reporting Standards are the first and most widely adopted global standards for sustainability reporting. They were developed with multi-stakeholder in a consensual process aiming to help business, governments and other organizations to understand and communicate their impacts, provide a reporting system that promotes comparability between companies and present indicators on the three sustainability elements (economic, social and environmental), treated separately. Almost 15,000 companies follow and publish their sustainability reports, 519 are Brazilian companies [2].

Increasingly, the directors of any publicly listed company have to explain how their company’s actions will impact its employees, customers, suppliers and the environment (stakeholders).

The triple bottom line inspired multiple capital models focusing investors and financial analysts on Environmental, Social and Governance, known as ESG Approach. This framework is a set of criteria and filters that analysts, banks and investors use to assess whether companies and with which they operate are committed to the Environmental, Social and Governance aspects. Only those companies that achieve a certain score in this assessment, or submit plans to evolve, would be eligible to receive investments and/or loans.

The Dow Jones Sustainability Index (DJSI World) launched in 1999, is one of the main indexes that represent the sustainable corporate quality of companies. The analysis and selection of the recipients is made by RobecoSAM, a company specialized in asset management and products and services in the field of sustainable investments. The index assesses economic, environmental and social performance data, as well as items such as corporate governance, corporate ethical responsibility and environmental concern. The methodology consists of rules that are converted into a general score, which determines inclusion in the DJSI. The world index brings together 317 companies from 58 industries spread across 29 countries, among them six Brazilian companies [19].

The Index of Sustainable Enterprises of the Brazilian Stock Exchange, the so-called ISE Ranking, was created in 2005, being the fourth of its kind in the world. The process of construction and application of the questionnaires which is responded by publicly listed companies was formatted and applied by the Center of Sustainability Studies of Getulio Vargas Foundation (GVces) until 2018 (now ABC Associados is the technical partnership). Companies that own the 200 most liquid shares in B3 are invited to participate. Process of application of ISE starts each year in public consultations on the questionnaire and ends with the publication of the portfolio in November. Since its launch, demonstrates a very positive performance, outperforming significantly the average index of the stock exchange [20].

Rather than take this as succession of models, where the shareholder approach was replaced by the corporate responsiveness approach and so on, we suggest that these approaches exists simultaneously, each of these models co-exist in the social integration approach, representing waves of influence in the dominant approaches,
rather than temporally distinct conceptions. Table 1 presents the evolution of the approach of CSR.

It is worthy to register that the objective was not to exhaust all certifications, norms and other managerial instruments but just to present an overview of the landscape. Specific instruments will be commented along the cases.

3. Cases studies

Table 2 summarizes some numbers and information that trace the profile of the three cases presented. They represent different experiences in different sectors and markets.

3.1 Natura cosmetic

Natura is a Brazilian company, present in ten countries, which celebrated its 50th anniversary in 2019. It operates in the cosmetic products sector, maintains its market leadership in Brazil, and is the preferred brand in four of the six countries in which it directly operates in Latin America. It is becoming the fourth largest group dedicated to the beauty sector and the largest direct selling in the world.

The company has two industrial units, located in Cajamar (Sao Paulo), and Benevides (Para), opened in 2007, and third-party production in Brazil, Argentina, Colombia and Mexico, with 12 distribution centers, 7 in Brazil and 5 in Latin America. It operates in the national market and in seven other countries (Argentina, Chile, Colombia, United States, France, Mexico and Peru). It involves 1.8 million personal and online consultants, 1.6 million engaged in the digital palatiform, 68,000 virtual stores. It has 489 physical stores with more than 5 million consumers [21].
In fact, is one of the leading global companies when evaluated by sustainable business practices. It is recognized for its pioneering role in socio-environmental activities and investments in product innovation, as well by multiple international certifications. It was the first GRI reporting organization in Brazil; it was one of the first multinationals certified as a B Corp in December 2014; it was the first company to use refills in the Brazilian market. It has been listed on B3 (Sao Paulo Stock Exchange), on Corporate Sustainability Index (ISE) since 2005, on Dow Jones Sustainability Index (DSJI) for emerging markets; it was listed on the Corporate Knights ranking as the most sustainable companies in the world for 11 years and it was attested by Leaping Bunny certification, by cruelty free International (2018). It does not conduct tests on animals since 2006 - a common practice in cosmetic sector; the company’s packaging is certified by the Forest Stewardship Council (FSC) and it was certificated by Union for Ethical Bio Trade (UEBT), attesting the sustainability of the natural ingredients supply chain for its Ekos Product Line. It received an award at The Climate Neutral Now Category of the 2019 UN Global Climate Action Award.

Natura has integrated socioenvironmental practices into its business model since its founding in 1969. The sustainability culture is firmly embedding in the beliefs, values, mission and vision statements. The commitment and support of the top management is fundamental for in root culture - the founders in effect create a culture to support sustainability decisions. They are recognized as an active leadership in the management and inspired all the employees of the company, that are motivated to take sustainability obligations seriously, and engaged to promote resource efficiency, conservation and innovation. Sustainability is integrated with governance mechanisms, since operational level to the policies and company’s strategies, where its performance measurement and management systems include social and environmental indicators linked to remuneration in addition to financial performance. According to the supplier manager, sustainability is a cross-cutting theme throughout the company and serve as guidelines for all areas. The company also aligns their strategies with the United Nations Sustainable Development Goals and has identified the relevant SDGs aligned with their goals and mission, measuring and managing their impacts.

In 1999 under the growing concern about the degradation of the environment by man action, company made the decision to incorporate ingredients of Brazilian biodiversity in the manufacture of its products. In addition to contributing to sustainable development through the transformation of socio-environmental challenges into business opportunities, the motivation was also the possibility of developing green technologies [22].

Sustainable product-oriented supply chain management goes beyond risk-oriented and performance-oriented evaluation, whose focus is to avoid loss of

<table>
<thead>
<tr>
<th>Company</th>
<th>Natura</th>
<th>Native</th>
<th>BSbios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origin</td>
<td>Public co.</td>
<td>Familiar</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>Founding Year</td>
<td>1969</td>
<td>1946</td>
<td>2005</td>
</tr>
<tr>
<td>Activity Field</td>
<td>Cosmetics</td>
<td>Organic Food</td>
<td>Agroenergy</td>
</tr>
<tr>
<td>Revenues US</td>
<td>2.25 billion</td>
<td>106 million</td>
<td>836 million</td>
</tr>
<tr>
<td>EBITDA %</td>
<td>17%</td>
<td>23%</td>
<td>3%</td>
</tr>
<tr>
<td>Employees</td>
<td>6,820</td>
<td>1,689</td>
<td>291</td>
</tr>
</tbody>
</table>

Table 2. Cases numbers and information.
reputation caused by suppliers’ problems. It is based on definitions of social and environmental performance standards to be disseminated throughout the supply chain for the manufacture of sustainable products [23].

Natura has a supply chain comprising 11,900 companies, from various sectors and sizes. It performs audit processes on critical suppliers and on new ones. In this process, the company has built partnerships for product development, such as packaging, (green plastic Brasken) and organic alcohol (Native). However, to develop a supply chain based on biodiversity is necessary to go further as it involves a relationship with the community’s suppliers, with diverse cultures, traditions and expectations.

The great milestone in the company’s history was the creation of the Ekos line, with ingredients of Brazilian biodiversity into its products formulation, combining traditional knowledge and local wealth generation. This initiative marked the business model transformation to sustainable economy. Its launch in 2000 materialized the company’s pioneering purpose of integrating assets into its innovation platform. It was not only the creation of a new line of cosmetics, but a new business model based on the valorization of the standing forest and the socioeconomic development of the local population. The project had the Brazilian Amazon as its heart [21]. Amazon forest is considered the cradle of planetary biodiversity, there are four hundred billion trees distributed among 16.000 species, something about 300 species per hectare, is a huge carbon stock, equivalent to approximately a decade of global emissions – 330 billion tons of CO2, which, if released into the atmosphere via deforestation, would greatly exacerbate global climate change [24].

The Ekos brand since its launch was a commercial success and has played a leading role in the company’s internationalization process, with high acceptance by consumers, contributing to Natura’s image and reputation, identified to sustainability and innovation. The transformations brought by Ekos products led to a chain reaction in other product categories, such as the vegetalization of all soap formulas, which became 100% free of animal fat, incorporating a higher concentration of vegetable oils produced in the Amazon forest. Over the years, other sub-brands started to use these raw materials in the composition of their products. In 2019, 17,7% of inputs came from the region and they are pursuing the target established by 2020 of 30% of socio biodiversity ingredients in the composition of new products in main categories [21, 25].

For two decades, the company structured the socio biodiversity chains production. In the first year, the purchase of inputs was made indirectly, through intermediary suppliers. Soon, it was understood that the relationship with local people and communities (through cooperatives and associations) was an essential factor for maintaining biodiversity and company’s commitment to fair trade, benefit sharing and transparency in the supply chain.

In 2011, Natura launched the Natura Amazônia Program (PAM), whose objective is to foster sustainable business and local development, always focusing on valuing socio-biodiversity, traditional knowledge and culture in the region. The program brought together the various initiatives, adopted the strategy of acting in sustainable territories, focusing on investments in priority geographic areas in the Amazon and respecting local vocations, resources and potentialities [25–27].

The most recent 2050 Sustainability Vision targets, established by the company in 2014, reinforced Natura’s commitment to generate a positive impact. The company not only aspires for a positive environmental impact but also to adopt more sustainable practices relative to social biodiversity. The first milestone - 2020 Ambitions, were a set of targets related to biodiversity, waste carbon emissions, water, diversity and income generation. By 2019, it had achieved 70% of these commitments and it still strives to accelerate its efforts to fully achieve the stated
Corporate Social Responsibility

targets. The plan for the next 10 years seeks to intensify global actions, such as the climate crisis, the protection of Amazonia, the defense of human rights and considering inclusion throughout its network. Its commitment is to contribute to the preservation of 3 million hectares by 2030 and make collective efforts to ensure zero deforestation of Amazonia by 2025. It anticipates investments of US$ 800 million over the next 10 years. The program's investments are based on three pillars:

i. **Science, Technology and Innovation**: the principle is to promote academic and scientific research on the region's assets and ethnobotany, looking for new raw materials, vegetable ingredients and other inputs, mainly derived from socio-biodiversity. Studies are carried out along the production chain, from rural producers up to the industrial scale. The objective is also to improve the production processes and sustainable technology employed, aiming at conservation, environmental regeneration and the aggregation of local value. In 2012 they inaugurated the Natura Innovation Center in the Amazon (NINA) in order to establish a network with local and global institutions focused on science, technology and innovation. Field research is supported by research institutions, NGOs, government agencies and benefiting companies, as well as a fundamental partnership with agroextractivist communities. Partners include the Federal University of Amazonas (Ufam), the National Institute of Amazonian Research (Inpa), the Amazonas State Research Support Foundation (Fapeam) and the Brazilian Agricultural Enterprise (Embrapa). In 2014, the industrial activity in Benevides was expanded with the inauguration of Ecoparque, an industrial park whose purpose is to attract partners to boost the generation of sustainable business in the Amazon. The German company Symrise, supplier of the company settled a unit there.

ii. **Institutional Strengthening**: empowering communities and articulating the networks of partner organizations in order to enable local development. They are multisectoral partnerships, investing in entrepreneurship, education and socio biodiversity production chains, and by fostering the formation of local development networks, contributing to the formation of leaders and supports the strengthening of associations and cooperatives. In addition, it promotes technical training aimed at sustainable agricultural management and production and invests in the aggregation of local value through assets processing by communities.

iii. **Productive Chains**: structuring, improving and expanding sustainable production chains of sociobiodiversity, increasing and strengthening cooperatives and families to promote social inclusion and respect for diversity, generating work and income. Between 2007 and 2017, the company developed a certification process for socio-biodiversity chains together with the Union for Ethical Biotrade (UEBT). In 2018, it was the first company to obtain the UEBT certification seal. The seal attests that all plant ingredients in the formulation of Ekos products have undergone a system that ensure the maintenance of ecosystems, fair distribution of benefits by the use of biodiversity, respect for working conditions, income generation and local development, among other points. In 2007, Natura had launched the Carbon Neutral Program, with CO2 emission reduction targets through all the production chain, and offsets all the greenhouse gas (GHG) emissions possible to avoid. In its offsetting program, it supports projects that help keep the forest standing. Furthermore, it maintains a platform that share learnings.
from emissions neutralization with other companies and encourages the adoption of a low carbon economy. In addition, a collaborative platform has been developed for other companies to invest in greenhouse gas (GHG) compensation of their actions, based on the experience gained by the company in the implementation of the Carbon Neutral Program in the last decade. This program was unfolded in another initiative called Circular Carbon – the company’s first project to pay for carbon offset within the production chain. It has been made possible so far, the reduction of deforestation in the 126 properties through the remuneration of farmers families. Between 2013 and 2016, the deforestation rate for this territory was 0.93%; the goal is to reach zero deforestation at the end of 25 years. Between 2011 and 2019, it has been conserved 1.8 million of ha in partnership with supplier communities, non-governmental organizations, and public authorities, more than 3,6 million t CO2 equivalents off set. The supplier chain involves 39 communities, 6,197 families and 26 species of biodiversity, generating US 450 million of business volume for the regions.

“Ekos’ transformative premise is to build a story in which the entire chain involved —from production to final product consumption—benefits. The supplying communities gain with the extraction of assets and the discovery of new possibilities to undertake; the processors of raw materials gain from the preparation of new products; the consultants, with the revenue generated by the sale of cosmetics; and finally, consumers gain, having at their disposal innovative beauty items, with benefits for the body’s care and with aggregate socio-environmental values” [21].

3.2 Native organic food

Sugar and ethanol are part of Brazilian history. Sugar is the first exportable product since colonial times, and the oil crisis of 1970s created conditions that led to the implementation of the largest renewable fuel project, the National Alcohol Fuel Program, known as Proálcool. The investment of substantial amounts of resources, in both agriculture and industry increased the country’s production capacity and became the world’s largest producer and exporter of sugar and ethanol [28].

Native is an organic food company, part of the Balbo Organization (1946), which comprises six companies that produce sugar, alcohol, biodegradable plastic, electricity, animal feed and carbon certificates. The Native brand was launched in 2000 for organic sugar and today is a reference for the organic market, operating in more than 70 countries, being the world’s largest producer of organic sugar and alcohol.

The Balbo Group company was founded in 1946, with the establishment of the Usina Santo Antonio (Santo Antonio Mill), in countryside of Sao Paulo. Today, the group operates three units: São Francisco (SP), Santana (SP) and Uberaba (MG), in 37,800 hectares, producing 7,2 million tons of cane, generating 315 thousand tons of sugar and 405 thousand cubic meters of ethanol. The plants are self-sufficient in energy, which is obtained from burning sugarcane bagasse. The co-generation of thermal, mechanic and electric energy is under the responsibility of Bioenergia, another company from Balbo Group, which supplies the proper energy needs and generates surpluses to grid, since 1987. The surplus energy traded is equivalent to the consumption of a city with 500,000 habitants.

In 2000, they became partner in the creation of Biocycle, a new company dedicated to the increase, consolidation and development of technology, production and commercialization of Polyhydroxybutyrate (PHB), the biodegradable plastic originating from sugar cane.
The case study refers to Native brand (Sao Francisco Mill) and does not involve the other companies in the group. The family has been in the sugar business since 1903 and is recognized as traditional industry group with entrepreneurial and innovative profile. But the great milestone to the group, was the research project that revolutionized the production system of sugarcane, broke the paradigms of the sugar and ethanol sector and gave rise to Native.

The Native project changed the traditional process of sugarcane cultivation without the intensive use of fertilizers and agricultural pesticides, eliminated the fires, and so, implemented the organic cultivation. An important aspect was the transformation of sugar, a commodity product sold in bulk, to be marketed and exported as a premium packed product: organic sugar. According to Carvalho, Native is an emblematic and unique case study [29].

This change was led by Leontino Balbo Junior, agronomist that joined the family business in 1986. He soon realized that the harvesting method often used, which depended on burning sugarcane straw before harvest, was incompatible with the modern tropical farming techniques he had just studied. In the search for new methods of agricultural production, he developed a new technique inspired by the natural methods of plant and animal production and named it as Ecosystem Revitalizing Agriculture (ERA). The research project was launched as Green Sugarcane Project, required an initial investment of US$25 million and it took almost ten years to convert plant to organic agriculture and become a business alternative for the company [29, 30].

The project involved collaboration of important research institutions such as Embrapa, Satellite Monitoring and the Technological Research Institute (IPT-USP), plus the collaboration with the State of Sao Paulo universities such as USP, UNESP and UNICAMP [29].

The purpose of the project was to maximize the potential of sugarcane cultivation by restoring fields to their natural state. Seven major changes in the production system were implemented: (1) elimination of the sugarcane burning; (2) the adoption of the biological control to avoid harmful insects; (3) the implementation of forest biological islands; (4) the elimination of agrochemical products consumption; (5) the rational utilization of agro-industrial waste as fertilizer; (6) the development of a system for the integrity of the soil; (7) and the adoption of green manure practices in the rotational crops.

The project brought benefits to the company and stakeholders. Workers achieved good working conditions and kept their jobs, even with the mechanization of the harvest. The local community were benefited by reducing the negative impacts of traditional sugarcane production, generating income, jobs and improving quality of life. Among the environmental benefits were the improvement of volume and quality of water resources; the reduction of erosion of productive land; the reduction of greenhouse effect gases; and the increase of biodiversity in the areas of native vegetation.

Since 2002 researchers of several institutions under the coordination of the Embrapa Satellite Monitoring, have studied the fauna inventory and found significant results: over 330 species of mammals, birds, reptiles and amphibians have been identified in the surroundings of the production areas; several new species were observed; 49 of the species discovered were endangered. These results are 23 times greater than the biodiversity found in conventional sugarcane plantations in the same region [29].

The Sao Francisco Mill produces ethanol, a biofuel that reduces the GEE emissions, which means a contribution to climate change combat. Furthermore, the new way of producing also reduces GHG emissions. The greenhouse gasses emissions were inventoried between 2006 and 2007. It was based on GHG protocol,
considering the analysis of life cycle, from sugarcane farming, industrial phase of sugar and alcohol production, up to the transport, marketing and consumptions of products, both domestically and abroad. The emissions value found were lower than the average emissions normally found in the sugarcane business, due to the organic production methods [31].

The electricity cogeneration system, from the combustion of sugarcane bagasse (fuel from biomass) is neutral in the emission of greenhouse gases. In 2020, Sao Francisco Mill has just been recognized as a producer of biofuels with the Renovabio certification - granted by the National Petroleum Agency (ANP). The certification recognizes that the plant contributes to the mitigation of Greenhouse Gases (GHG) and can receive 55,655 Decarbonization Credits (CBIOs) for sale on the stock exchange for 3 years, from the date of issue of the certificate.

During the evaluation process, the producer receives a score inversely proportional to the carbon intensity of the biofuel produced (Energy-Environmental Efficiency Score). Among all 220 certified plants that produce ethanol from sugar cane, this specific received the highest energy efficiency score (71.6). In addition to the score, the certification process for the production of biofuels takes into account the origin of the energy biomass as raw material for biofuel.

The impact on business was significant. The Balbo’s group farms achieved yields 20% higher than the average of farms in their region, had cost savings when avoiding the purchase of chemical fertilizers and pesticides, and recycling the residues from his own farm. Undoubtedly, this process provided strategic advantages for the company, besides the development itself of the organic products market.

In 1995, the company was consulted by North American Global Organics that was looking for organic sugar suppliers in Brazil. After initial contacts, representatives of Global Organics indicated that the production process developed by the Green Sugarcane Project was close to the one required to obtain the certificate of organic production demanded by them. The possibility of accessing the European and North American markets, both with raw and with processed sugar, encouraged the company to bet on organic production and seek certifications seals. The Native brand, launched in 1998, was the basis for the first product line whose main customers are the food industries of USA and Europe which resale the packaged product with their own brands [32].

The certification seals are very important for the organic sector, gives reliability to an organic product, ensures that is produced according to standards of management and quality required worldwide for the organic products. It is only granted for production processes that do not use any chemical pesticides, industrial mineral fertilizers or genetic modified organisms. Furthermore, these processes should promote ecological balance in cultivated fields, and company should have positive social and economic impact on the community it serves.

The first organic certification obtained was from the Farm Verified Organic (FVO) program, a private North American standard recognized by International Federation of Organic Agriculture Movements (IFOAM.) Due to the demand of a European customer, the Ecocert was also obtained. Over three decades it has obtained national, international certifications and labels, between organic, socio-environmental, fair trade and product quality, as shown in Figure 2.

In 2006, demanded by Natura, a new opportunity arose to develop organic vegetal alcohol. Then Native gathered new customers and markets, especially for food, cosmetics and pharmaceutical industries, to use in the composition of drugs as to the production of deodorants and colognes, where it was not used until then. The production of alcohol began in 6,7 thousand tons (2007) and came to 14,2 thousand in 2018, and 9,9 thousand in 2019.
Native has become an organic food company, managing a production chain, with raw material suppliers, processors operating in various regions of Brazil and even abroad. In addition to organic sugar, it has developed several organic products, such as coffee, fruit juices, cocoa mix, breakfast cereals. It has a portfolio of 80 products, marketed in Brazil by the retail chain over 8 thousand points of sale. The internal market accounts for 30% of the company’s revenues. It is present in more than 70 countries, the main ones are the United States, Canada, in all countries of Europe, Japan, China, South Korea, Australia, New Zealand, Chile, Peru, Argentina, Bolivia, Colombia, South Africa, Saudi Arabia, Israel. It has become the world’s largest producer of organic sugar and alcohol.

Finally, there is a favorable scenario for organic production. Studies have shown that the production and consumption of organic products in the world has grown significantly, driven by the expansion of demand for organic food and beverages in the countries of Europe and North America, in addition to China. International demand for organic products tends to rise steadily over the next few years (since 2000 the average annual growth has being 11%), as these products have been progressively associated with higher levels of safety and health for consumers and lower social and environmental impacts [33]. In Brazil, despite the fact that consumer market is considered the largest in Latin America, production and consumption of organic products also increased, but at a slower rhythm, concentrated in middle class that require healthier foods [33]. Table 3 shows the participation of all organic products in total revenue by 70% due to minor conversion of ethanol yet [34].

3.3 BSBIOS biodiesel

In mid-2004, Erasmo Batistela was waiting in a bank line when some farmers asked his opinion about biodiesel. He owned two gas stations in Colorado (Rio Grande do Sul) and knew little about the subject. He decided to research on the subject and after conducting a financial study with advice from Brasil Bank and specialized consulting, decided to invest in the area and founded BSBIOS in 2005. Due to logistical issues he chose the city of Passo Fundo (RS) and the City Hall provided the area to install the industry. In 2009 he acquired the Marialva (PR) unit and in 2011 Petrobras entered as partnership (50% of shares) [35].

The company’s current corporate structure is the result of a Joint Venture between RP BIO and Petrobras Biocombustivel. RP BIO belongs to the ECB GROUP,
captained by Erasmo Batistela which operates in the field of renewable energies and advanced biofuels. Petrobras Biocombustível is a wholly owned subsidiary of Petróleo Brasileiro S.A. - Petrobras.

### 3.3.1 Biofuels sector in Brazil

In Brazil, the production of biodiesel was supported by National Program for Production and Use of Biodiesel – PNPB, launched in December 2004 with the purpose of add the biodiesel into the Brazilian energy matrix. In 2008, the mixing of pure biodiesel to diesel oil became mandatory. The initial mixing of 2% was gradually increased to 3% (2009), 4%, 6%, 7%, 8% (2017), 10% (2018), and will reach 15% in 2023. With the focus on social inclusion and regional development, the main result of the first stage was definition of a regulatory framework. One of the milestones was the creation of the Social Fuel Seal by the Ministry of Agricultural Development – MDA, a certification granted to biodiesel producers who acquire percentages according to the raw material region from familiar agriculturists classified in the National Program Strengthening of Family Agriculture – PRONAF.

The seal promotes the transfer of income to family farming, regional development and increased agricultural productivity. Industries benefit from federal tax exemption, access to better financing conditions and reputation gains. Farmer’s family receive a bonus and technical assistance from the producers. This policy benefits all community, government, industry and society, distributing wealth, bringing training to the field, adding new tools and technologies that contribute to the maintenance of young people in the field, paying attention to environmental issues. BSBIOS wholesomely promotes this policy by acquiring the necessary raw material directly from farming family cooperatives.

In 2016 it was launched the national biofuel policy - RENOVABIO, established by Law no 13.576/2017, based on predictability, environmental, economic and social sustainability, compatible with market growth. It introduced a new strategic view to the sector, improving economic mechanisms that allowed the organization of a decarbonization credits market. It assigns carbon intensity ratings to individual producers, in which such decarbonization credits (CBIO) can be freely negotiated. The RenovaBio program represents a major step toward implementing Brazil’s
commitment at COP 21 in Paris, putting in place the right set of measures to scale sustainable fuels and promote low carbon solutions for the transport sector.

Currently there are 51 biodiesel producing plants authorized by the National Agency of Petroleum, Natural Gas and Biofuels (ANP) for operation in the country, corresponding to a total authorized capacity of 25.9 million liters/day. The national production that started in 2005 with a volume close to 700 thousand liters, reaches 5.90 billion liters in 2019.

The definition of a legal and regulatory framework was fundamental to attract private investments in the biodiesel sector in Brazil. As a renewable fuel, biodiesel contributes to the reduction of carbon dioxide emissions into the atmosphere and the deceleration of global warming. From the economic point of view, in turn, the enormous potential for generating employment and income is highlighted, in addition to the positive contribution to the Brazilian trade balance by reducing imports of diesel.

BSBIOS is recognized for the quality of the services it provides, for supporting innovation, for socio-environmental engagement, as well as for regional development. It operates primarily in the production and distribution of biofuels, but also in the market for the sale of soybean meal, glycerin and sludge. It is the largest producer of Biodiesel in the country and operates in 14 Brazilian states, especially in Rio Grande do Sul and Paraná, as well as in six countries, with a strong participation in the production and distribution of biodiesel. BSBIOS produced in 2019, 604,827 m³ of biofuel, achieving the highest volume of biodiesel delivered, with a market share of 10.28% and a consolidated profit [36].

3.3.2 Supply chain

The production of Biodiesel is related to the transformation of soybean into soybean meal and soybean oil. Since 2007 BSBIOS holds the Social Fuel Seal, where over 40% per year of the raw materials used in the production of biodiesel is acquired from family farming. The purchase of the product is made by family cooperatives, located in the south and northeast of the country, which have at least 50% of family farmers in their membership (family cooperatives) or are qualified as agricultural cooperatives that supply raw materials to biodiesel farmers.

In 2019, BSBIOS acquired 4,425,608 ton of grain soybeans and 4014 ton of soybean oil, 7403 ton of corn and 5000 ton of coconut oil from family farming organized in 24 cooperatives. The company has a portfolio of more than 226 suppliers, operating daily in the available soybean market, seeking to supply the demand of 3200 tons per day.

It also has a program and policy for receiving soybeans in order to mitigate the market storage deficit, receiving soybeans and crushing them during all 12 months of the year. BSBIOS offers to its suppliers the possibility to make exchange contracts for its products such as soy meal, soy husk and soy residue, adding value to the business and contributing to the production chain of region.

Animal fats have been standing out in the production of biodiesel, not only in environmental aspects, but also because it is an important supply alternative. It is a sustainable economic alternative for both the supplier and the company. Animal fat consumed in the BSBIOS production process is certified by Renovabio, being the main component for the emission of CBios. The use of animal fat from BSBIOS has been growing annually. The use started in 2011, at the Marialva unit and, in Passo Fundo, in 2015. In 2019, it represented 26.7% of its production in Passo Fundo, and 42.43% in Marialva.

The activities for the production of Biodiesel are so integrated that a product becomes input to another, generating a mutual benefits cycle on the entire chain and adding value.
In 2018 and 2019 the GHG emissions inventory of Passo Fundo and Marialva units was carried out, following the GHG Protocol. Among the positive factors for GHG emissions, it was the use of modal transport in the unit of Passo Fundo, biomass in the boiler and the purchase of renewable electricity.

3.3.3 Certifications

The Soybean Meal produced by BSBIOS complies with Good Manufacturing Practices criteria, being in consonance with tolerable levels of raw material used, established by specific legislation, regarding pesticide residue and inorganic and microbiological contaminants. The products certified were GMP + B2 and GMP + B3, attesting its compliance with international requirements for Food Security in its production and marketing chain.

BSBIOS was certified by the National Biofuels Policy (Renovabio), being qualified to participate in the CBios (Decarbonization Credits) market, having certified the production of biodiesel from animal fats. The energy-environmental efficiency score (NEEA) was 81.3 grams of carbon dioxide to Passo Fundo and 81 grams to Marialva. This allows the plants to emit, respectively, one CBio for each 370.9 and 372.3 liters of biodiesel manufactured. Fuel distributors have an annual goal of acquisition of credits. The CBIOS expected to negotiate 28.7 million bonds in 2020.

Since 2016, it publishes sustainability reports following the GRI guidelines and applying the Ethos Indicators for Sustainable and Responsible Business. Since then, important advances can be observed, such as a stakeholder engagement structure, formulated and instituted policies and mapped critical suppliers. The Compliance, RenovaBio and Sustainability committees are created to involve the areas in management and decision-making, a necessary condition for sustainability to be consolidated in the organization. Bsbios have been recognized by the social investment in the development of the communities of Passo Fundo and Marialva, expanding and maintaining partnerships with local entities. All these actions contribute to building a culture of sustainability.

4. Conclusions

The three companies are innovative and have established sustainability as a driver of their business model. Each one had its turning moment; Natura with the creation of the Ekos line, Native (Sao Francisco Mill) with the Green Sugarcane project and BSBIOS, when created a new biodiesel fuel. But context and corporate alignment were different for them.

Natura used all its skills and social responsibility management to set up a new business using biodiversity assets, a step ahead of incorporating sustainability to strategy, changing business model. Natura has demonstrated the potential of Amazon, despite all logistic challenges and other difficulties imposed by this region and culture. Restructured all production chain and broadened to all portfolio. It is possible to say that the company is always the best in the class, a benchmarking reference to other companies and society and had been more aggressively proactive. Sustainability is part of the company’s way of doing business and goes beyond, showing that sustainability is an opportunity to develop business and generate value for the company, stakeholders and to society for now and for the future.

The case of Native is emblematic, recognized by innovation and entrepreneurship showing that organic agriculture can be more productive than conventional and that is possible to produce without the use of chemical, pesticide or genetically
modified seeds. Native had to restructure its sugarcane cultivation process, along all productive chain, breaking paradigms of the sugar sector, one of the most traditional in the country. It invested for more than ten years to reap the results and went beyond, developing a new market for organic products. It showed that is feasible to meet quality standards, preserve the environment, generate sustainable value for the company and stakeholders, in the present as for the future.

The Bsbios case demonstrated the importance of existing public policies to incentive and attract private resources to build business. The environment was favorable for the business, but the ability of an entrepreneur to identify the opportunity to undertake was fundamental. The history of the biodiesel sector is merged with BSBios history, as it was pioneer. BSBios went beyond short-term benefit and restructured all the production chain under the same paradigm.

We can say that they are sustainability business cases, that investments made led to significant and relevant returns to justify them. The three cases are companies that occupy leadership positions and significant economic results. Some additional comments should be made about corporate culture.

There is a consensus that implementing sustainability is fundamentally different than implementing other strategies in the organization. Goal should be simultaneously achieved as excellence in social, environmental and financial performance. For that, sustainability must be an integral component of corporate strategy, and some points can be detached.

Leadership must be committed and provide the resources to develop the organizational competences as sustainability strategies must be supported with mission, culture and people.

The 3 companies have corporate culture of sustainability, but undoubtedly Natura has Sustainability in its DNA. Since emerged the Ekos line, sustainability can be seen at the leadership of its founders, at the way of being of the company, and how it outlined the Amazonia project. The impacts of the project had a huge reach, from the community to consumers spread in several countries where it operates and a team of consultants. The incorporation of sustainability in DNA is what allows it to go further in its ambition.

The Native company has a strong leadership in the figure of Leontino and the family. The operational and technical culture linked to agrobusiness had to be reformulated to commercialize and create a marketing culture. Besides marketing, innovation was also in the operational area and circular economy technology.

Sustainable product oriented in the management of supply chain was crucial for the three companies. Nonetheless it was especially important for Natura and Native and the certifications schemes have been a way chosen by both to develop suppliers and communities. Without these certifications Native would not open the external market. But in other hand, it’s not easy to manage more than 20 certifications to ensure the quality standard of organic products.

Bsbios has a strong leadership, a crop focused on the soybean and biodiesel sector of commodity market, where certifications meet market definitions. The tools of sustainability have not been used abroad; it has started this process with the preparation of the Sustainability report.

We are in the new millennium, economic, social, environmental, ethical – societal – and business issues are in constant debate. The period is turbulent in the sense that it is characterized by significant changes in the economy, technology, society and global relations. “Climate change”, “Poverty Reduction”, “Pandemic Risks” have put Sustainability in the top of the biggest challenge for companies in the 21st century, as their business model is questioned. Socially responsible and sustainable companies are more structured to respond to this challenge.
The three cases have challenges to face, also due to the political and institutional context, as there are problems of logistics infrastructure and market. However, all of the demonstrated that sustainability is a business opportunity, offering ways for lowering cost and risk, growing revenues and market share through eco-innovation, and generate sustainable value for the company and for society.

Cases testify some characteristic present in prior studies. All of them promoted disruptive innovation with diversified knowledge, strong leadership, high managerial capacity, changes in their management structure and system and changes along their production chain. Nature has environment responsibility in its DNA and created Eko’s line under this principle since beginning. Then it was spread throughout portfolio. Native transformed a traditional familiar business and BSBios, a traditional product, both had typical Schumpeter’s entrepreneurship innovation.

Although it was not part of our focus, it is worthy to point out that these efforts were possible as their starting points were far from basic. The sum of investments was not negligible and maturity of them had long-term nature. A relevant condition besides individual starting points, could be national environment for developing these businesses, as certifications schemes, indexes, reports, seals, public research institutions, consumers market, all items considered into their strategies.

In the meantime, it will be necessary profound changes in market rules to enable the environment, social and economic agenda and create investment opportunities that guarantee future generations. Changing the business model is not a role only for business, it evolves governments and civil society organizations and individuals. This desired disruptive innovation requires an environment integrating multiple agents for transforming what today is a niche into a general rule. There is a long way to track.
References

[1] Gruninger, Beat – CSR and management practices: The role of CSR standards in Brazil In Stehr, Cristopher; Dziatzko, Nina; Streeve, Franziska, Editors – Corporate Social Responsibility in Brazil: The future is now. Springer, 2019


[23] Fritz, Morgane M.C. Sustainable Supply Chain Management. La Rochelle Business School, Exelia Group, CERRDD & CEREGE, La Rochelle France


[25] Guerreiro, Renata Maria; Fontoura, Luís Costa; Beitum, Fernando Iozzi. Padrões de Sustentabilidade na cadeia de valor da castanha do Brasil, 2020

[26] Guerreiro, Renata Maria; Fontoura, Luís Costa; Beitum, Fernando Iozzi. Padrões de Sustentabilidade na cadeia de valor do açaí do Brasil, 2020


[28] Cerqueira leite, Rogerio Cezar; Cort. Luiz A.B.; Driemer, Carlos Eduardo; Leal, Manoel Regis; Bonomi, Antonio- the future of fuel ethanol, In Cortez, Luiz A.B.; Leal, Manoel Regis; Nogueira, Luiz A. Horta Nogueira,
Chapter 5

A State of the Art of Corporate Social Responsibility in Financial Institutions

Stefano Dell’Atti, Francesca Donofrio and Grazia Onorato

Abstract

Corporate social responsibility originates from the company’s behavioral problems. Corporate governance can be considered an environment of trust, ethics and moral values and in recent years has gained enormous importance. In addition, other factors that have been responsible for the new corporate governance paradigm are a stricter respect for the environment and the demand for greater corporate responsibility towards its shareholders and customers. Ecosystem load capacity is described with resource consumption input–output models. In line with this, the company should not use more than one resource that can be regenerated. Considering an organization as part of a broader social and economic system implies that these effects must be taken into account, not only for the measurement of the costs and value created in the present, but also in a future perspective for the company. In this context banks, which carry out the fundamental role as financial intermediaries, are linked with different stakeholder interests, both in economic and social field. This chapter analyzes the main novelties which has influenced corporate governance of them by reviewing its main phases. The chapter secondly addresses the specific features of board of directors by analyzing a sample of 25 banks defined as Global Systematically Important Institutions in 2018 following the EBA guidelines.

Keywords: corporate social responsibility, corporate reputation, financial institutions

1. Introduction

1.1 Banks’ commitment to corporate social responsibility

The concept of Corporate Social Responsibility (CSR) stems from the need for companies to interconnect the needs of the community with the various sources of profit. The growing interest in CSR issues, especially in banks, is the result of a cultural journey that sees the company react to market changes and to be the protagonist of an increasingly sustainable future.

Corporate social responsibility is understood: “companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” [1]. In other words, the company integrates social and environmental interest among its strategic objectives. Together with the financial and environmental aspects, the ethical value of banks is more important for the development of both productive and marketing strategies, representing a new tool
of competitiveness [2]. At the beginning of the 1970s, the first CSR studies were born to analyze the correlation between social issues and economic performance. However, it was in the 1990s that there was a real explosion of the CSR issue [3, 4].

The prevailing approach up to this period was that there was a negative correlation between the ethical and social orientation of the investor and the economic performance. It was believed that investing in good behavior practices would reduce the number of available investment alternatives and possibly damage economic performance.

The spread of sustainable investments in financial markets, the development of ethical stock market indices and ethical rating methodologies, has helped to affirm the belief that there are economic benefits related to the assumption of corporate social responsibility. In fact, investing in socially responsible behaviors can also bring economic benefits.

In line with these considerations, CSR is not a follow-up to profit, but sees it as a profit-making option. In banking, CSR is an important aspect of the company's strategy and it must have a substantial value in its business. In other words, it is necessary to integrate CSR into strategies, processes, operations as well as daily relationships with stakeholders. If sustainability enters these areas, then it can effectively contribute to the resilience of the economic and social fabric, foster confidence in the market and the acceleration of the recovery from the crisis [5].

Since the last economic crisis, the deteriorating economy along with numerous banking scandals has provided a new and challenging environment for the banking sector. At the beginning of the crisis, scholars discussed its impact on social investment [6, 7]. Some predicted a sharp reduction in CSR budget costs if they were perceived as non-core assets, while others believed that companies strategically engaged in CSR would continue to spend in this area, despite the challenging economic environment. Banks are blamed primarily for the financial crisis that caused economic turmoil [8, 9].

Corporate scandals, lack of transparency and subsequent government bailouts have undermined public confidence in the banking sector. Several authors argued that the positive results of the CSR be particularly remarkable in the banking sector, as banks have had a reputation tarnished in the wake of the financial crisis [8, 10]. Transparency is very relevant in restoring bank reputation, which may explain why financial companies report significantly more information about CSR than other industries [11]. CSR acts as a protection of the company's market value in times of crisis [12, 13]. While general mistrust in the financial sector has had a negative effect on reputation and therefore performance, CSR strategies could mitigate these results. In this way, CSR can be considered preventative in times of non-crisis because it improves reputation. However, it is also interesting to consider the effect of CSR in a post-crisis situation as a tool to restore reputation and mitigate a reputational crisis following corporate scandals [14, 15].

Absent or incorrect CSR policies have a much greater negative effect on performance than the positive effects of correct policies. However, the recent recession in the world economy, particularly in Europe, has shed light on some management scandals and the lack of integrity in the European banking sector. This has had a negative impact not only on bank returns but also on bank reputation. Banking governance plays a crucial role in the implementation of CSR practices. It is believed that sustainable measures lead to reputation and performance improvement when management demonstrates strong ethical leadership [16, 17]. In the banking sector, some sustainable policies have not been able to improve reputations and returns since the start of the financial crisis [18]. Unethical practices and mismanagement in several European banks have caused anger, and distrust of the sector that has received public bailouts, while some bank executives have been paid exorbitant
bonuses. As a result, the ethical leadership and credibility of the banks were called into question, resulting in a major loss of reputation, as the public perceived discrepancies between the CSR directives of bank executives and their effective behaviors [19]. In this scenario, investments in CSR have failed to improve reputation due to weak business leadership. After one of the deepest economic crises in history, banks perceive CSR as a means of restoring their image and credibility [20–23]. The banking sector’s commitment to more sustainable practices has interesting implications. In fact, banks can play an important role in economic development [24] because they decide how to allocate financial resources to different companies and sectors. Non-responsible companies pay an additional cost on bank financial income than the companies responsible because investments in CSR reduce risk and are more attractive to lenders [25]. Therefore, the involvement of banks in CSR practices should benefit the bank itself and promote the adoption of sustainable practices by potential borrowers, thereby having a positive impact on sustainable growth [26]. This makes the financial sector unique when considering the effects of CSR practices. In the banking sector, CSR covers many activities such as lending, wealth management, the operation of payment systems and risk management [27]. All of these factors are able to significantly influence society and its surroundings. For this reason, banks should fully integrate CST into their business strategies and see it as a strategic tool that can improve relationships with stakeholders, resulting in positive impacts both in terms of consensus and confidence and performance. If a bank acts in a socially responsible way, it creates the basis for consolidating its long-term presence in the market, emphasizing its contribution to environmental quality and society. CSR’s business affects all stakeholders involved in the business with different capabilities and with different expectations [28]. The CSR is taking on a crucial role among academics and researchers, thanks to its ability to jointly consider all aspects of operations: economic, environmental and social [29]. This is the approach of the so-called triple bottom line [30], according to which the assessment of benefits must cover not only the economic aspects, but also the environmental and social aspects.

Undoubtedly, there is the need for integrated communication between the criteria for implementing CSR practices. Disclosure of CSR is regulated by national and international self-regulatory measures. It is a voluntary disclosure and this faculty is linked to the very essence of ethics, inevitably influenced by specific business activities and difficult to define without proper contextualization.

Among the most relevant CSR provisions are the OECD Guidelines [31], which suggest that integrated relationships should be adopted. In addition, the Global Reporting Initiative (GRI) guidelines for sustainable reporting include the principles needed to define report content (Materiality, stakeholder inclusion, sustainable context and comprehensiveness) and relationship quality. They also include standard disclosure: organizational strategy and profile, management approach and performance indicators (economic, environmental and social).

European banks are more concerned about environmental, social and governance issues than their competitors based in other parts of the world. This can be confirmed, for example, by the proportion of signatories to Equator Principles [32], with European institutions accounting for 42% of all adopters compared to North American, Latin American and Asian entities, representing 17%, 12% and 9% of all signatories respectively [33].

European banks, as the first to adopt sustainability practices, can be a benchmark for their peers in other regions. In addition, in Community area the banking sector is known for the relevance of bank income in overall financial intermediation compared to other regions, such as the United States, where capital markets are the main source of financing. In fact, in the European banking-based financial system [34], banking is three times the EU’s total GDP [35], unlike other advanced
economies, namely the United States, where a market-based system prevails that
derives in a lower percentage of banking intermediation in the economy, where
bank assets roughly correspond to GDP.

Today, banks pay attention to corporate social responsibility as an additional
lever of innovation and development to better compete in the market in the medium
and long term. Taking a CSR path is an opportunity for the bank to: (i) improve
proactive risk governance by integrating social, environmental and government
variables into their corporate governance system; (ii) listen to the needs of your
stakeholders and innovate the development of products, services and business mod-
els; (iii) make explicit the implications that the role of money brokerage has on the
company and maximize the creation of a shared value.

2. An empirical analysis of CSR in global systematically important
institutions

This chapter presents the results of a survey of a sample of banks belonging
to the Global Systematically Important Institutions (G-SII) universe, as defined by
the EBA. The list of banks included in this section follows the EBA's guidelines on
the dissemination of indicators of global systemic importance in order not only to
increase the transparency of the G-SII identification process, but also to achieve a
level playing field in terms of disclosure requirements between systemically impor-
tant institutions and other large institutions. The EBA guidelines directly follow the
Recommendations of the Basel Committee to identify global systemically important
banks (G-SIBs) and provide data that help assess the systemic riskiness of EU banks.

In line with the EBA's guidelines, all European institutions with a leverage ratio
of more than 200 billion euros are required to participate in this disclosure. Our
sample includes 25 G-SII operating on European territory in 2018. The following
table (Table 1) shows the banks included in the sample. Of the 25 banks, 5 are from
the United Kingdom, 4 in Spain and Sweden respectively, 3 in France, 2 in Germany
and Italy and 1 for Austria, Belgium, Denmark and the Netherlands respectively.

In terms of assets managed in December 2018 (Figure 1), UK banks are at the top
of the ranking (36% of assets attributable to the entire sample). In second place are
Spanish banks with 18% of assets managed, followed by German banks with 12% and
Italian banks with 11%. Overall, French and Swedish banks manage 18% of the assets.
Netherlands ranks seventh with only 3%, followed by Austria and Norway with a
total of 4% of assets managed. Finally, the Belgian and Danish banks are included in
the final part of the rankings, with a total of 0.02% and 0.01% respectively.

In order to ascertain the degree of integration of CSR practices by the selected
banks, several areas of investigation were analyzed, selected because they were
considered relevant according to an analysis of the studies on the subject.

The research focused on four areas of investigation, relating to the composition,
size and configuration of the Boards of Directors of the 25 banks examined. In
particular, they were examined for each company:

• The size of the board of directors

• The presence of independent directors on the board

• The presence of women on the board

• The presence of endo-council committees specifically dedicated to
  sustainability issues.
In order to achieve our goal, we analyzed all the bank’s official documents on governance and sustainability policies, as well as we used Datastream database with regard to some qualitative aspects.

2.1 CSR in bank’s corporate governance systems: introductory notes

The importance and efficiency of CSR practices in banks depends almost exclusively on the board of directors and the information provided to stakeholders. The CSR disclosure helps to increase the well-being of stakeholders and communicate information on the bank’s economic, social and environmental performance [36]. This reporting also reduces the information asymmetry between shareholders and bank executives [37]. In line with these considerations, CSR is a valuable tool to increase shareholder confidence and improve the bank’s ethical behavior. It is therefore one of the key factors in influencing the bank’s competitiveness and long-term success [38].

The growing interest in CSR has led many countries to introduce their respective regulatory frameworks. CSR regulations have been imposed for banks in different financial institutions and countries, as shown in Table 1.

<table>
<thead>
<tr>
<th>Financial institution</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erste Group</td>
<td>Austria</td>
</tr>
<tr>
<td>KBC</td>
<td>Belgium</td>
</tr>
<tr>
<td>Danske Bank</td>
<td>Denmark</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>France</td>
</tr>
<tr>
<td>Credit Agricole</td>
<td>France</td>
</tr>
<tr>
<td>Societe Generale</td>
<td>France</td>
</tr>
<tr>
<td>Commerzbank</td>
<td>Germany</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>Germany</td>
</tr>
<tr>
<td>Intesa Sanpaolo</td>
<td>Italy</td>
</tr>
<tr>
<td>Unicredit</td>
<td>Italy</td>
</tr>
<tr>
<td>ABN AMRO</td>
<td>Netherlands</td>
</tr>
<tr>
<td>DNB</td>
<td>Norway</td>
</tr>
<tr>
<td>Santander</td>
<td>Spain</td>
</tr>
<tr>
<td>BBVA.Mc</td>
<td>Spain</td>
</tr>
<tr>
<td>La Caixa</td>
<td>Spain</td>
</tr>
<tr>
<td>Sabadell</td>
<td>Spain</td>
</tr>
<tr>
<td>Nordea</td>
<td>Sweden</td>
</tr>
<tr>
<td>SEB</td>
<td>Sweden</td>
</tr>
<tr>
<td>Handelsbanken</td>
<td>Sweden</td>
</tr>
<tr>
<td>Swedbank</td>
<td>Sweden</td>
</tr>
<tr>
<td>Barclays</td>
<td>UK</td>
</tr>
<tr>
<td>HSBC</td>
<td>UK</td>
</tr>
<tr>
<td>Lloyds</td>
<td>UK</td>
</tr>
<tr>
<td>RBS</td>
<td>UK</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>UK</td>
</tr>
</tbody>
</table>

Table 1. Sample.
countries over the years (e.g. 2003 in Austria, 2007 in Malaysia, 2009 in Sweden, 2010 in China, 2012 in Spain, 2016 in Belgium and 2017 in Hungary and Singapore). Other countries, such as Australia, Canada and Cyprus, have soft regulations in the form of recommendations to encourage the disclosure of CSR [39]. Banks should follow standards (e.g. GRI, designed for the financial services sector) or employ independent external auditors to ensure the quality and reliability of the information disclosed.

The efficiency of the banks' board of directors is important to ensure their stability, compliance with regulations, the protection of stakeholders as well as to form long-term strategies that also include sustainability issues [37, 40, 41]. Diversity in the composition of the Board of Directors is considered one of the key elements to resolve complex issues and satisfy the interests of different actors. Diversity on company boards should improve good corporate governance. The diversity of the Board of Directors is examined in terms of the composition of the board of directors with a focus on the size of the board, the independence of the board of directors and gender diversity.

2.1.1 Board size

The size of the board of directors in banks is much larger than the boards of directors of non-financial corporations [42]. These differences in the size of the board of directors may depend on the complexity of banking activities and regulatory recommendations. Several studies examine the relationship between the size of the board of directors and the various performance measures of banks. The size of a bank's board of directors has positive effects on performance; this is probably due to the fact that banks are complex businesses and the advantages of larger boards outweigh costs, improving monitoring functions and mitigating risks.

In order for the Board of Directors to carry out its functions efficiently, it is necessary to diversify the skills and experience of its members [43]. More board members are associated with better monitoring mechanisms for performing their functions as well as an improvement in CSR practices [44]. As more directors provide a more diverse and broader variety of skills and opinions, larger boards of directors are expected to focus more on the CSR [45, 46]. The banking sector, being subject to strict information disclosure requirements, is more transparent than non-financial companies.
2.1.2 Independent director

Also the independence of the Board of Directors is considered one of the most efficient governance mechanisms [47]. Independence is linked to the presence of non-executive directors who ensure the correct behavior of the company [37, 48]. Independent directors therefore act as guardians of the company’s legitimacy by ensuring compliance with regulations and meeting the expectations of the external environment, including social and environmental concerns [49]. Non-executive directors can be guided by personal interests and consequently pursue goals that are misaligned with the company’s strategy. Since CSR information is obtained by management, there is a risk of spreading misleading information [50]. In that case, independent directors may reduce that risk. Much of the existing literature is agreed that non-executive board members are positively associated with the disclosure of the CSR of banks or its quality [49].

2.1.3 Board’s diversity

Nowadays a large part of CSR studies believe that a key success factor is represented by the diversity of the board in terms of gender, ethnicity or background. Diversity on boards, expressed in terms of the number of women on the board, should increase the independence of the board and focus on the interests of different stakeholders [40]. Leadership styles based on gender diversity suggest that women tend to be more democratic, showing more empathy for diversity [39, 51]. This indicates that women should have a positive influence on the functioning of the board of directors as they should promote collaboration and integration of more complex issues in discussions and decision-making. Much of the literature on the subject is in agreement in affirming the positive association between the number of women on the board of directors and the information on the CSR of the banks [43, 45, 48].

2.1.4 CSR committee

Finally, it is worth noting that in recent years companies, in order to achieve sustainability goals, more frequently choose to set up a committee. The CSR or Sustainability Committee assists the Board of Directors in overseeing the company’s liability practices, but they can also play a key role in monitoring and evaluating the company’s CSR performance by ensuring compliance with regulations that manage sustainability risks. In other words, the CSR Committee helps to improve the ethical culture of the company by ensuring that the potentially dangerous risks to the company’s reputation are properly assessed [52, 53].

The CSR advisory committee periodically reports to the board on sustainability issues affecting the company, while managing public disclosure on sustainability issues. The existence of a CSR committee is evidence of the company’s commitment to CSR and therefore to the pursuit of ethical and sustainable objectives [54, 55].

In line with these considerations, a company that decides to set up a CSR committee demonstrates not only its CSR commitment to stakeholders, but also its intention to make sustainability a key strategy to improve the extent or quality of sustainability disclosure [56–58].

2.2 Empirical results

The size of the board of directors as a lever to make the function of the bank’s board of directors efficient is analyzed by several academics and scholars. In line
with the introductory considerations, a greater number of members of the board of directors is associated with better monitoring mechanisms for carrying out the functions of the board as well as an improvement in CSR practices. In line with these considerations, the analysis carried out revealed that the average size of Board of Directors is 13 members within a range that varies from a minimum of 6 to a maximum of 21 members. Although a positive correlation between the number of members of the Board of Directors and size - measured in terms of assets managed - can be detected, it does not however assume particularly significant values (correlation coefficient: 0.14) (Figure 2).

The second area of investigation concerned the examination of the number of independent directors. In line with existing literature, independent directors can reduce the risk of manipulation or distortion of CSR reporting. The boards of directors of the banks examined present an average of 64% of independent directors, in a range that varies from a minimum of 24% to a maximum of 64%. Only in one case is the board of directors made up exclusively of independent directors. However, it should be noted that most banks have at least 50% of independent directors (18 out of 25 banks), while in the remaining 7 banks the percentage of independent directors varies between 24% and 45% (Figure 3).

Gender diversity on boards of directors, usually expressed in terms of the number of women on the board of directors, should have a positive influence on the functioning of the board of directors and information on banks’ CSR. The empirical analysis shows that in 2018, the representation of women on the boards of directors of the banks analyzed was 35%. In three of the banks examined, the number of women on the board of directors is equal to the number of men. 18 of the banks examined have a percentage of women on the board of directors of more than 30%, while in the remaining 7 banks there is a percentage varying between 13 and 29% (Figure 4).

Establishing a committee dedicated to CSR is a widespread practice (92% of the sample). The analysis showed a strong heterogeneity in the behavior of banks. On the one hand, some banks decide to set up coordination committees that control other units dedicated to specific CSR issues. On the other hand, in other cases there is cooperation between officials at group level or committees focusing on specific issues relating to the environment, society and governance. The range of activities carried out by CSR functions include: stimulating CSR initiatives and increasing

![Figure 2. Board size.](image-url)
A State of the Art of Corporate Social Responsibility in Financial Institutions
DOI: http://dx.doi.org/10.5772/intechopen.94477

Figure 3.
Number of independent directors.

Figure 4.
Number of women on the board.

Figure 5.
CSR committee.
internal awareness of CSR issues; formulation and monitoring of policy and accountability programmes; responsibility for coordinating and implementing the company’s sustainability strategy and action plan; measures to deliver the sustainability strategy and achieve agreed company-wide goals. In the cases examined, there is often a special committee for responsible investments in the asset management business area to ensure that banks’ responsible investment policy is respected (Figure 5).

3. Conclusion

The concept of Corporate Social Responsibility stems from the need for companies to interconnect the needs of the community with the various sources of profit. The growing interest in CSR issues, especially in banks, is the result of a cultural journey that sees the company reacting to market changes and being the protagonist of an increasingly sustainable future.

Banks integrate social and environmental interest into their strategic objectives. Together with the financial and environmental aspects, the ethical value of the banks assumes greater importance for the development of both production and marketing strategies, representing a new tool for competitiveness.

Banks pay attention to corporate social responsibility as an additional lever of innovation and development to better compete on the market in the medium and long term. More precisely, CSR contributes to the improvement of proactive risk management, integrating it with social, environmental and government variables; improves the relationship with stakeholders, promoting an analysis of the needs of bank interlocutors and the development of products, services and commercial models. Finally, the CSR makes explicit the implications that the role of intermediation of money has on society and favors the creation of a shared value. In light of the above, this chapter has set itself the objective of exploring the level of integration of Corporate Social Responsibility in the banking system. To achieve this, we carried out an exploratory analysis on a sample of 25 banks, belonging to the universe of Global Systematically Important Institutions in 2018. All the bank’s official documents on governance and sustainability policies were analysed, and we used the Datastream database for some qualitative aspects. Our study focused on four areas of investigation relating to the composition, size and configuration of the boards of directors.

The main results show a favorable attitude of banks towards the integration of sustainable policies. More precisely, with regard to the first area of investigation, a greater number of members of the board of directors (average of 13 directors) are associated with an improvement in CSR practices.

The examination of the number of independent directors (second area of investigation), as a tool to reduce the risk of manipulation or distortion of CSR relationships, showed positive trends. In fact, the boards of directors of the banks examined present an average of 64% of the independent directors.

A further crucial element for examining the implementation of CSR policies in banks concerns gender diversity on boards of directors. It is believed that more women on the board of directors positively influence the functioning of the board of directors and the disclosure on CSRs in banks. In 2018 the representation of women on the boards of banks of the banks analyzed was 35%.

Finally, the last area of investigation relating to the presence of a committee dedicated to CSR reveals a strong heterogeneity in the behavior of banks. On the one hand, some banks decide to set up coordination committees that control other units dedicated to specific CSR issues. On the other hand, in other cases there is
cooperation between group level officials or committees focused on specific issues relating to the environment, society and governance. In the cases examined, there is often a special committee for responsible investment in the commercial asset management sector to ensure compliance with the responsible investment policy of banks.

To sum up, the integration of CSR policies will allow banks to compete better on the market in the medium and long term, satisfy the requests of their stakeholders as well as protect the ethical and social values of the banks themselves.

This chapter represents an exploratory study on the level of integration of CSR practices in banks and in particular on the boards of directors of banks. The elements considered in this study may be further investigated, through future empirical analyzes. Future research could be oriented towards an in-depth examination of the sustainable investments put in place by banks over time.

Conflicts of interest

The authors declare no conflict of interest.

Author contributions

This article is the result of the joint efforts of the authors, who equally contributed to the work.

Author details

Stefano Dell’Attii*, Francesca Donofrio2 and Grazia Onorato2

1 Department of Economics, University of Foggia, Italy

2 Department of Economics, Management and Business Law, University of Bari Aldo Moro, Italy

*Address all correspondence to: stefano.dellatti@unifg.it

IntechOpen

© 2020 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/3.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.
References


Chapter 6

The Ethical and Responsibility Components in Environmental Challenges: Elements of Connection between Corporate Social Responsibility and Social Impact Assessment

Coscia Cristina

Abstract

The contribution constitutes a first exploratory outcome of an ongoing research by the Author on the issues of ethics and responsibility in investment processes, starting from the assumptions of the CSR approach. It makes a critical reinterpretation of it in the light of the ongoing debates and provides a specific reading key. In this sense, the contributions of other approaches and disciplines, in particular those of social investing and social impact axis, have highlighted some issues that constitute operational steps certainly at the center of future research developments and in particular linked to current environmental challenges: 1) the creation of value, 2) the stakeholders and corporate social citizenship, 3) the shared accountability, starting from the Social Report and Participatory Budget models. Specific paragraphs are dedicated to these research issues, which are intended to highlight both the impact assessment models and the technical steps yet to be explored. As a conclusion of the reasoning and to signal potential future developments, some application areas are cited (e.g. those of urban and peri-urban regeneration processes), in which the investment assessment and impact assessment models have experimented with innovation factors, linked to the aspects of the ethics and social responsibility among stakeholders.

Keywords: corporate social responsibility (CSR), social impact investment, stakeholders analysis, social report, accountability

1. Introduction

Carroll’s statement is know: [1] “The concept of corporate social responsibility (CSR) has a long and varied history. It is possible to trace evidence of the business community’s concern for society for centuries. Formal writing on social responsibility, however, is largely a product of the 20th century, especially the past 50 years”. However, the current global challenges - including the environmental and social one - as well as recently the perspective completely changed by the COVID 19
emergency, lead to a rethinking of the CSR approach thanks to some nodes developed within the social impact assessment. Why is the CSR approach called into question? First of all because it is urgent to take structured approaches to responsibility and social citizenship of individual and collective business, for example on circular economy issues and social empowerment policies for the reduction of inequalities. The original perspective, born within the disciplines of the business economy - in particular on the issues of the corporate balance sheet and the social balance sheet - over time, comparing and contextualizing itself in a multiplicity of application sectors, has highlighted a strong need to rethink the concepts founding. However, this revision process maintains a fundamental principle, namely that of creating value or, even more correctly, of creating a new chain of values.

Given this assumption, which remains as the aim to which these approaches must aim, the chapter articulates this reasoning starting from a brief excursus on literature and research review, to then propose a hybrid approach between CSR approach and the methodological openings and experiments carried out in within the social impact approach and impact investing, in particular in the identification of suitable indicators and measurement scales, not only of an accounting and equity nature specific to the business economy [2].

2. The generation of value: research literature and review of approaches and methods

It is known that one of the paradigms of CSR and its recent developments [3–10] is that of the reputation of the company as a social actor and its intention to not limit itself to development of the company, but to produce sustainable internal development with environmental development. In fact - as Wilson highlights [11] in an environmental context full of social and political connections, companies are no longer considered systems of production of economic and financial values, but must be considered as actors, levers and managers of environmental development and capable of producing both environmental and social value and environmental and social value in the form of damage caused to the environment [12].

The CSR approach addresses issues related to the positive evaluation of this ability to interact with the environment and the attitude of entrepreneurial transformation not to limit itself to the development of the company, but to produce sustainable internal development with environmental development.

The basic assumption is therefore that the economic transformation is also a transformation of values and a moment of creation of values: traditionally the business economy and the dynamic principles of the analysis of investments identify the maximization of the economy as an objective of the private enterprise, through market choices that create the maximum gap between revenues and production costs, therefore the maximum operating result (profit companies) or to minimize the gap between revenues and costs by reducing the operating result (non profit companies) as much as possible. His is the well-known approach to Value Based Management [13], which measures the creation of value through the traditional accounting indicators ROI, ROE, ROA, etc.

Over time, however, in view of the growing importance of the intangible components and of indeterminate and new risk profiles, the scientific community has recognized the urgency of rethinking this system of evaluation and verification of the creation of value [14], for example by integrating these “internal meters” with “external meters” (Market Added Value-MAV, Total Shareholder Return-TSR, etc.).

An interesting contribution was also provided by the debate on the emergence of new costs related to the sphere of “conflicts of values” and “conflicts
of identity” [13], which also directed towards the concept of Corporate Social Responsibility (CSR) - argued by Zamagni [15] - which combines the logic of the pure economic result of pure business (measured in terms of profit) with the “philanthropic” one which allocates its profits to socially strategic purposes [16, 17]. The urgency of disciplinary and interdisciplinary confrontation is absolutely current and also dictated by the growing diffusion of these new investment methods and their ethical value, an aspect of extreme relevance and strategic [18]. In particular, the Author proposes here a re-reading of the classic paradigms of the evaluation and analysis of investments in light of the results that are emerging from the debate on the Social Impact Approach (SIA), in particular on the impacts and metrics of Social Impact Investing (SII). The multidimensionality of social impact investing can “contribute to the diversification of systemic risk”, since “the (...) underlying value does not depend on the economic situation of the market but rather on the skills of the social actors to implement an efficient project” ([19], p. 13): according to the estimative Italian school [20, 21] this assumption pushes to underline not the “ordinariness” of the operators (according to the disciplinary tradition), but their “extraordinariness” in operating.

The theoretical core on the components of value and their genesis can today constitute a common platform for the exchange of instruments from different theoretical approaches (Figure 1, [11]). In particular, the perspective of this paper is that of impact investing, which operates on the value complex of the subjects who participate in it and take an active part in the investment project.

What can be the interchange issues between CSR and SII? Definitely the analysis of the creation of value and the models, tools and elements analyzed in the two theoretical contributions to measure the moments, phases or processes that create value in terms of either performance or impact. The synoptic framework of the SII methods identified by Ricciuti and Bufali [22] is tracing the coordinates to consolidate mutual contributions and identify their efficacy evaluation indicators.

The classification in Logical Models (Logframe, Impact Value Chain and Theory of Change), Cost-effectiveness Analysis (CEA), Cost–Benefit Analysis (CBA), Experimental, Quasi-Experimental Method and Counterfactual Approach and SROI leads to some insights related to concept of value as assumed for these models, of which a comparative critical reading is presented in Table 1.

The Logical Models configure an approach to assessing impacts, by their nature qualitative, and are based on a reconstruction and graphic illustration of the causal links that connect the various points of the “social value chain” [23].

![Figure 1](image-url)

**Figure 1.** The multidimensional nature of chain of value (source: Elaboration of the author by Coscia & Rubino [12] in press).
“assessment” outcomes are represented from a graphic and intuitive framework that describes the process of obtaining the expected impacts starting from the inputs used to implement social change [24].

The family of techniques relating to the Cost-effectiveness Analysis (CEA) operates through synthetic numerical indicators, which should highlight the creation of value according to the known criterion of opportunity-cost and/or avoided social cost [25]: the field of application most tested is that of the evaluation of health projects and interventions, as some indices such as the increase in the number of years of average life, avoided deaths, etc. they allow a quick and synthetic evaluation of the improvement generated by actions accompanied by specific economic investments [26]. Among other things, in the face of the changes that we witnessed during the COVID-19 emergency, these models can transfer some interesting ideas on the measurement of the ethical and social sustainability of the interventions.

On the side of the well-known -and also criticized- family of the Benefit Cost Analysis (BCA), the use of the traditional model derived from the analysis of investments in the public field and of the profitability indicators, as measuring net benefits, is currently being revision in its critical passages [27] and is still the subject of second thoughts, in the light of the two fundamental aspects: 1) the pro-activity responsible for the investor also through the calculation of a discount rate “ethical” [2, 28]; 2) the construction of a multi-actor client: the identification and measurement of specific net benefits and non-eliminable social costs becomes essential for each interest group [29].

Experimental, Quasi-Experimental Cognitive Methods and Counterfactual Approach constitute another cluster of methods [30], which provides for the execution of tests and experiments, with the aim of comparing an observable case and a

<table>
<thead>
<tr>
<th>Typology</th>
<th>Nature</th>
<th>Techniques</th>
<th>Approach to value creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logical models</td>
<td>X</td>
<td>Logframe, Value</td>
<td>Graphical framework</td>
</tr>
<tr>
<td>Cost-effectiveness Analysis (CEA)</td>
<td>X</td>
<td>CEA, Cost-opportunities, Synthetic indicators</td>
<td>Criterion of the cost avoided</td>
</tr>
<tr>
<td>Benefit Cost Analysis (BCA)</td>
<td>X</td>
<td>Classical BCA Model CIA (Community Impact Analysis) CIE (Community Impact Evaluation)</td>
<td>Classical but revised profitability indicators</td>
</tr>
<tr>
<td>Cognitive and experimental methods</td>
<td>X</td>
<td>Classic profitability indicators in a social key</td>
<td>Classical profitability indicators but with introduction of impact factor</td>
</tr>
<tr>
<td>Social Return of Investment (SROI)</td>
<td>X</td>
<td>Classic profitability indicators</td>
<td>Classical profitability indicators</td>
</tr>
</tbody>
</table>

Table 1. Methods for measuring SII with links to CSR: synoptic framework (source: elaboration of the author).
hypothetical and abstract case (or “counterfactual”). They all start from the same definition of effect: the “effect of an intervention is the difference between what we observe after the intervention has been implemented and what we would have observed, in the same period and for the same subjects, in the absence of intervention” ([31], pp. 3–4).

Looking at operational tools that have recently been consolidated and codified, a significant reference is the Social Return of Investment (SROI), tested for verifying the social impact of non-profit projects: developed by the London Business School [32–34], and despite some limits that have not been exceeded [35], it has the merit of rethinking the classic ROI (Return Of Investment), building an index that internalizes both quantitative components and intangible factors and which expresses the relationship between resources invested and impact achieved.

In summary, some operational aspects of value creation measurement techniques, investigated with the SII approach, may constitute levers for an evolution of the CSR model, in particular with regard to the issues of “corporate social responsibility”, from identify between the different subjects involved and the “social conscience” of the entrepreneur, now contextualized also in terms of environmental responsibility. Issues investigated in the following chapter.

3. Stakeholders and corporate social citizenship in the CSR model: centrality, roles and responsibilities

Starting from the reflections of chapter 2, we want to highlight innovative aspects, recently applied in the “advanced” models of CSR, which emerged perhaps thanks to the debate carried out since the end of the Seventies [36–43],

Among these, two interesting theories, in particular analyzed by Freeman [44, 45]: 1) the theory of the Stakeholder Approach and 2) Corporate Social Citizenship. To the regard to two aspects highlighted, some passages made by the scientific community should be noted. The enterprise is an economic and social institution with strategic objectives aimed at satisfying the motivations of the individuals participating in the economic enterprise: a new perspective starts from the starting assumption to identify the nature and the areas of the company’s social obligations, classifying the types of social responsibility in relation to the interests of the different subjects involved.

On this research direction, recent studies [46, 47] investigated a potential direct theoretical and operational link between techniques of between mapping techniques of the stakeholders of the organization and qualitative analyzes to support the social balance models: the focus is on interests in stakeholder game, in order to resolve the decision dilemmas generated by the conflicting nature of the interests of the different groups, which, directly or indirectly, are involved in the company’s business processes.

The concept of ‘Social responsibility’ becomes the central theme in the stakeholder-based business and management approach [48–50], with the introduction of ethical values in the choices. Recently, some authors [51] have also constructed an index - Idiosyncratic volatility (IV) - which can measure the positive (motivating element) or negative (specific risk) “volatility” of the impacts of corporate strategies in relation to interest groups in aggregate or disaggregated form.

Furthermore, in the face of recent environmental and social challenges - which the COVID 19 emergency has amplified - social responsibility must also be applied with a view to sustainability and maintaining the competitive advantage in the long term and continuity of the business, seeking to respond to the ever-changing needs of its stakeholders. The growing importance of this topic is also ratified by the
topics (Horizon2030, the 17 sustainable development goals-OSS/SDGs/Sustainable Development Goals of the UN) indicated by national and international bodies, which have laid down rules, action plans and tools to promote their diffusion [52–54].

The strategic objectives of the company must then be compatible with the purposes of the entire community: a common theme is glimpsed with the issue of the social report [54]. The social report, in fact, was born as a budget model in which relations between the company and the environment are also considered organically and has the purpose of making explicit the social consequences of economic choices, in order to create a “social conscience” for the company.

A further element of debate is to outline a social balance framework that highlights the accountability of investments: a reporting that also arises from the need for transparency between Public Administrations, citizens and economic operators. Romolini [55] underlines how the social report represents “the social enterprise’s observance of social purposes” and that “mention of the results of the involvement of the workers of the enterprise” is made in it through an analysis of the behavior of all stakeholders.

In fact, the emphasis on the issue of responsibilities and impacts to be redistributed on all stockholders, in a common proactive approach of the entrepreneur and interest groups, has addressed to the development of the concept of Corporate Citizenship [56–65]. Please refer to the paragraph below for further information on how this issue has opened up to new reporting models.

4. Ethics, responsibility and accountability: from the social report to the participatory report

The dissemination of the Social Report tool starts from the awareness that reporting limited to the economic-financial aspects of management is no longer sufficient to adequately satisfy the information needs of the various stakeholders, especially, for example, in relation to circular economy issues [65] and the cultural economy. The link with the CSR models is inherent in the analyzes that take ethics, responsibility and above all accountability [66] as operational and managerial premises. In these paragraphs we want to reflect on these aspects and on the transition from the Social Report to the Participatory Report.

4.1 Corporate social responsibility in the social report and participatory budgeting processes

One of the significant and common aspects in the international diffusion of the Social Report model is that it is a voluntary act and that there are no rules for its production, as well as a single commonly accepted model. It is therefore a voluntary pro-active assumption of responsibility in the strategic planning phase, with ethical objectives and also environmental responsibility of all the stakeholders involved, which relate social performance to environmental performance. It is possible to identify the early 2000s [67–70], as a turning point for the process of disseminating the social report, which in recent years is becoming increasingly important, even if in Italy one of the major limits to the diffusion of the themes of sustainability and of the social report is believed to be represented by the difficulty of determining a relationship between the investments made in this field and the relative economic return [71–74].

If, from a financial point of view, impact investing projects can generate less financial profit than other types of private investment, it is nevertheless important
to underline how these projects can generate for the financiers an intangible component of value, linked to the possible satisfaction resulting from the ethics of the initiatives and the recognition and social appreciation by the community, often with a decrease in the levels of potential conflict between the investor and other interest groups involved.

Furthermore, the issue of transparency and shared accountability are also addressed in the participatory budgeting processes, which flow into the deliberative and participatory budget models [75–76]. The distinction between the two areas, made by Ravazzi and Pomatto [77] is to be highlighted: 1) participatory processes are aimed in particular at activating citizens in the public sphere, so that they can put pressure on public administrators, inducing them to take care of themselves their needs; 2) deliberative processes have a partially different objective, namely to create open and in-depth discussion venues between citizens who have different or opposing ideas, points of view and interests, in order to develop solutions in a constructive way. The theory of deliberative democracy is undoubtedly partly linked to that of participatory democracy, but has progressively distinguished itself by a greater orientation towards consensus building and the resolution of conflicts in public policies.

On this last aspect, the question of proactivity and “responsible” awareness of both the entrepreneur and the stakeholders involved in investing in processes from their start-up phase can be identified. Environmental issues also test these issues.

5. Environmental sustainability challenges to CSR and SI approaches: “Innovative” application fields

The research questions that have emerged within the approaches described above are not all supported by empirical evidence, surveys or statistical models. In this sense, it is essential to recall two reference application areas: on the one hand, the approaches linked to the themes of territorial redevelopment with innovation and responsibility, starting from investment analysis models (DCFA) and from the ideas offered by rating; on the other hand, interpretative theories that in a very recent application [78] investigate the link between innovation and environmental performance with the structural equation modeling (SEM): the resource-based view (RBV) of the firm and the ability-motivation-opportunity (AMO) theory explain the HRM-performance link in the context of the manufacturing sector SMEs in the UAE [79–83].

5.1 Environmental sustainability challenges in urban and peri-urban regeneration processes

Ongoing research has taken into consideration some limited application fields, in particular those of urban and peri-urban regeneration processes [17–84]. Through this magnifying glass we want to point out some potential evolutions of the CSR theme, applied on investments that involve interventions on the built heritage, with the aim of creating value on goods and contexts. In this sense, the strategies upstream of these processes can be defined as Social impact-oriented.

Significant contributions can be found in the theoretical approaches developed by the economic-appraisal and evaluation disciplines: they can offer ideas for reflecting on the value of initiatives with both financial and social performance purposes [2, 12, 17]. Just as the evaluation of cultural and environmental assets takes place, for example, in the light of the concept of total economic
value (which includes the values of use of the goods, the values of non-use and the externalities generated), the value of an impact investing intervention could be estimated considering different components of value, which include the different facets that, in addition to the value of the intervention for the lenders, can take on the social value generated (for example the value of change of the individual condition, the value of change for the target community as a whole, the externalities generated, the environmental damage avoided, the green investment costs for benefits for future generations, etc.). The vision of the green entrepreneur in the management of the company is an innovative point of view with respect to legal obligations and falls within the sphere of responsibility for environmental management: a responsible business management model based on the “stakeholder” model, in which the creation of value is not limited to risk shareholders who enter capital shares, but in which companies assume management objectives that bring mutual benefit to the community. As a mere non-exhaustive example, mention is made of the application of the principles of the Multifunctional Agriculture Model (MAM, Figure 2), or rather of a “responsible” management process for an Italian case study [17, 84]; the results are linked to the public-private strategies for the valorization of the historic agritourism system of Volpiano (in the metropolitan city of Turin, Italy).

In this case, ideas for interesting developments are the reinterpretation of the toolkit of the integrated Discounted-Cash-Flow-Analysis method-DCFA (which incorporates cost and income items of a “green” nature) with the MAM and the CSR approach. In this case, the unresolved issues of land use and landscape protection can be further factors of social and ethical responsibility. The feasibility check of the “green” scenario to enhance the System of the 5 historic farmhouses indicates higher performance than the traditional scenario: profit is generated by the high degree of success in the reception of “environmental” bonuses and incentives and by the multifunctional diversification of production and the related impacts on all the stakeholders involved, together with an increase in the value of the land.

Figure 2. A multifunctional agriculture model (MAM) (source: elaboration of the author by UNEP, GRID-Arendal, [85]).
5.2 Green innovation and environmental performance: an other perspective

Research groups [78] from the fields of economics and innovation in business management have experimented with interpretative models that have investigated the relationship between role of green transformational leadership and green human resource management (HRM).

The rich literature, through very recent empirical support [78], strongly restores the link between human capital and corporate performance: the topic, debated for some time in the literature within the lines of research on human resources management and related strategies, in recent experiments have highlighted strategic elements on how to achieve green innovation and adopt it for superior environmental performance to beat competitors in the markets.

Among the emerging strategies - tested with robustness and empirical evidence through models of structural equations - the scientific community has highlighted future directions through the following phenomena: 1) investing in environmental management is advantageous for the company to gain a good image in the eyes of stakeholders: the company should emphasize and reinforce the green leadership behaviors necessary for the implementation of Green HRM practices and Green HRM policies; 2) Green HRM practices are instrumental in directing human potential towards their own environmental management activities: top management should focus their policies on integrating the company's environmental management objectives with green HRM policies and practices to support the innovation of green processes and products; 3) environmental performance depends on the quality of the green process and on the innovation of the green product: green processes and product innovation should not depend on the pressing actions of the stakeholders, but constitute the lever of proactive measures, aimed at reducing the any negative environmental impact to improve environmental performance.

In fact, therefore, leaders and managers should institutionalize environmental management responsibilities in the performance evaluation and management system for employees, to show in the analysis of production processes the positive impacts on work behaviors (for example, analysis of green working environment, recycling, waste management and energy efficiency, etc.).

6. Conclusions and research developments

In conclusion, the critical and diachronic reading of the CSR approaches faced by the scientific community since the 1950s increasingly highlights the need to read the results of the capital investment not only in terms of financing costs, but also through the relationship risk/liability not only of the investor but of all the interest groups involved, of a private, public and public-private nature.

In this sense, “hybrid” assessment models can certainly offer innovative contributions, where, with respect to future emergencies (environmental, social, health), the following activities/phases become fundamental: 1) the identification, in forecast terms, of the changes generated by interventions, also in light of the framework of responsibility; 2) continuous monitoring of the cycle of the investment project; 3) the signing of a “liability pact” between the interested parties from the initial stages of the processes.

In all the models shown in §5.1 and 5.2 four the founding principles, which reinforce the classic CSR approach and on which to direct future research developments: 1) the adoption of a social impact oriented approach, which explicitly includes the achievement of social objectives, 2) the investigation of new and more
extensive value chains, in order to better understand the rainfall generated by the assumption of social responsibility and the prevention of any areas of conflict; 3) the environmental management is the strategic action for the top management and entrepreneurs, that in corporate decisions evaluate green solutions among the factors upstream of the company’s competitiveness, its degree of innovation and research and its credibility among stakeholders; 4) the green processes and product innovation as the lever of proactive measures.
References


of social value: methodological issues with the calculation and application of the social return on investment. Education, Knowledge & Economy, 2(3), 223-237.


delle organizzazioni non profit.


Chapter 7

CSR: A Moral Obligation or a Strategic Behavior?

Sourour Hamza and Anis Jarboui

Abstract

The CSR concept has grown tremendously in importance and significance. Firms have become more and more motivated to become socially responsible. The CSR initiatives have often been considered as driven by the moral imperative to undertake activities that are good for society and that enable the individual to act as a good corporate citizen. However, because of recent scandals, the concept of strategic CSR has been developed. Researchers have discussed the idea of CSR as a strategic behavior and denoted that such concept could be strategically involved. As the moral motive views CSR as a moral obligation (duty), the strategic motive holds that CSR contributes to the firm's long-term benefits. The literature distinguishes between two main CSR strategies: Symbolic and substantive. While the substantive CSR involves actual and real changes implying tangible activities using the firm's resources, the symbolic CSR refers to social or environmental initiatives that a firm undertakes within an impression management context to show ceremonial conformity and appear to fulfill society’s expectations without costs or changes in the business processes. Indeed, the Greenwashing concept is often used to indicate the divergence between symbolic (talk) and substantive (walk) actions.

Keywords: strategic CSR, moral obligation, symbolic actions, substantive actions, greenwashing, impression management

1. Introduction

CSR has become a commonly used concept referring to the process by which organizations describe their commitment and contribution to society through the management of economic, social and environmental impacts of their operations. As a dynamic concept, CSR continues to grow in importance and significance which prevents a universal definition of CSR especially when considering the specificity of the context in which it occurs.

Over the last decade, societal issues have been increasingly considered by various stakeholders when making decisions. In response, firms have started to implement CSR initiatives to meet society's demands. In fact, debates around CSR have been developed to focus more on its operationalization, motives and strategies than on the concept itself. Actually, by definition CSR refers to the moral conviction according to which firms have a moral duty towards society in which they operate. In the light of the moral perspective, CSR is therefore driven by intrinsic motives such as moral rules and personal values considering CSR as an end rather than a mean.

However, recent scandals have stimulated academics to focus on the idea of a strategic CSR and the concrete motives underlying the CSR attitude that is still
considered as a puzzle. Attention has been paid to understand why or why not firm act in a socially responsible way. As result, besides the CSR moral dimension, prior studies have also considered, the strategic dimension according to which CSR is a means and an instrument driven by extrinsic motives to achieve firm's goals. In the light of the CSR strategic dimension, the literature distinguish the substantive CSR actions from the symbolic ones according to the degree of implementation and the goal alignment with the various stakeholders and describe the divergence between those actions as greenwashing strategies.

Whether an end or a means, substantively or symbolically implemented, CSR was explored through this book chapter in order to pinpoint the CSR attitude, looking first at the evolution of the CSR concept and the absence of a universal definition and then determining the motives that drive this socially responsible behavior. In particular, it established a clear distinction between intrinsic and extrinsic motives. Then it dealt with CSR as a moral duty exploring the Kantian moral philosophy and presenting the CSR moral dimension. Finally we described the CSR strategic idea by exploring the CSR substantive and symbolic strategies and the divergence between them called greenwashing strategy. The chapter concludes with a presentation of a comprehensive conceptual model of CSR.

2. CSR evolution

There is no doubt that CSR has witnessed a steady growth in importance and significance, which enabled academics to admit a universal definition of CSR, especially when considering the specificity of the context in which it occurs. In the present section, the first subsection highlighted the absence of a universal definition of CSR because of its multidimensional and dynamic character. The second subsection reviewed the evolution of the CSR over time. And the third subsection dealt with CSR motivations.

2.1 The absence of a universal definition

The first definition of social responsibility was provided in 1953 by Bowen in his book entitled “Social Responsibilities of the Businessman” as “the obligation of a businessman to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” [1]. This definition has been subject to a series of refinements and redefinitions that enriched the CSR meaning [2].

In 1979, Carroll defines CSR as “the social responsibility of business that encompasses the economic, legal, ethical and discretionary expectations society has of organizations at a given point in time” [3]. In 1983, he provided one of the most popular definitions of CSR stating that “CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm’s ethics and the extent to which it supports the society in which it exists with the contribution of money, time and talent” [4].

Since then, several enrichments and modifications have occurred on CSR. In fact, the absence of a consensus on the definition of CSR has resulted in a multitude of definitions. Carroll [5] notes that in one study conducted by Dahlsrud in 2006, 37 definitions of CSR have been identified and analyzed and that the study did not capture all of them [6].
Despite the variety of CSR definitions provided over the last 60 years, the fundamental idea that recurs from one definition to another is about the firm’s commitment to behave properly, fairly and responsibly in order to contribute to economic, social and environmental development.

Despite all the debates and efforts to define CSR and specify what its real meaning, it has no unique universal definition since each definition is related to a specific context [5, 7–9]. In addition, it also has an interchangeable character with other terminologies like “corporate sustainability”, “corporate citizenship” and “the ethical corporation” [10].

The works in the literature dealing with CSR and its meaning started in the United States. Later, many developing countries around the world embraced the idea under different names and in one form or another. It is this worldwide growth of interest in CSR that made it important and significant.

2.2 CSR: an evolving concept

The CSR’s origins date back to the 1950s especially with the publication of Howard R. Bowen’s book in 1953 announcing the modern era of CSR [5, 11]. In the 1980s, further themes related to CSR dominated the era such as the stakeholders’ theory, CSR performance and business ethics. In the beginning of the 1990s, the CSR concept expanded with the implementation of the strategic dimension, according to which firms intentionally consider and stakeholders’ interest to gain potential competitive advantages. In fact, many empirical studies highlight that CSR may enhance the firm’s financial performance, on the one hand, and reduce its business risks, on the other, [12, 13].

With globalization and digitalization firms had to comply with the changing social requirements. In fact, the complexity of the environment caused by globalization made firms easily exposed to diversified, contradictory and potential social expectations. Digitalization has made the community influence easier and the new technologies have posed new challenges related to the interaction between human and non-human actors [14, 15].

Therefore, CSR has emerged as a theme of substantial and progressive relevance, which emphasizes its dynamic and evolving nature. Carroll [5] states that there has been an explosion of rigorous theory and research on CSR across many disciplines and this is expected to continue and grow. In the light of a strategic CSR idea, several studies focus on factors driving the CSR strategy trying to highlight the motivations that determine CSR attitude.

Furthermore, scandals like the one that hit Volkswagen in 2015 have shown that the growing attention to CSR does not prove a real change in business practices. In fact, researchers have tried to identify the reasons why managers respond to social issues in different ways.

3. CSR motivations

Several studies have been conducted in order to investigate and identify the real underlying motives of CSR motivations, rather considered as an academic puzzle [16]. Attention has been paid to understand why or why not companies and managers act in socially responsible ways.

Prior studies have proposed some different ways of thinking about CSR motivation including, whether motivation arises from the outside (extrinsic) or the inside (intrinsic) of the individual.
3.1 Extrinsic motives

Extrinsic motives occur when the executives are motivated to behave in a socially responsible way in order to gain advantage in return or to avoid punishments. Therefore, executives may act responsibly for various reasons. Considering the instrumental theories, CSR has been considered as a mere instrument to achieve economic objectives and create wealth [17]. Many of the previously conducted studies have dealt with the financial motives according to which CSR contributes to the long term financial performance of the firm [18]. Several empirical investigations find a positive relationship between CSR and profitability [19], and shareholders’ value [20]. A good number of these studies revealed that CSR is considered as an instrument to achieve economic goals. Executives often resort to CSR to reduce costs [21], increase sales and market share by differentiating the firm from competitors and influencing social impression [19, 20], gain consumer support and enhance the firm’s reputation [22], and ultimately facilitate the positioning of their products in international markets [23].

While the instrumental theories consider only the economics aspects of the interaction between business and society according to which only the social activity that increases profits should be considered, the political theories focus on CSR as a duty towards society rather than an opportunity [24, 25]. This leads the firm to accept social duties and rights and participate in some social cooperation [17]. As a social institution, firms have to use business power in a responsible way in order to maintain power and legitimacy. Stakeholders should be treated as an end and not a means to something else.

In addition to the instrumental and political theories, the integrative theories insist that firms should integrate social demands in their policies since they depend on society to exist, continue and grow. Thereby, social demands should be taken into account and integrated in such a way that a firm operates in accordance with social values [17]. Consequently, firms have to value to societal, NGOs and regulatory pressure bodies.

Furthermore, there are still some other motivations that are closely tied to the firm’s characteristic that may be considered as CSR drivers. Among these, we can point out the firm’s size and its industrial sector. Large firms tend to be more visible, so, they are more likely to be actively involved in CSR activities because highly visible firms are under greater pressure to contribute more to socially responsible activities than firms with lower visibility [26–30]. Indeed, polluting industries are usually more sensitive to CSR since they are directly involved in environmental issues [31] and their economic activities result in a negative environmental impact [32–35].

3.2 Intrinsic motives

The intrinsic motivation arises from the inside and occurs when engaging in a behavior or an activity because it is personally rewarding and for its own sake rather than for an external reward. Some empirical studies highlight that executives are significantly more driven by intrinsic motivation than by the extrinsic ones [18]. The intrinsic motives can be considered as non-financial ones that perceive CSR as an end in itself making managers consider such a responsibility for non-financial reasons. The personal values and beliefs may encourage managers to act in a responsible way and for the well-being of others.

While the extrinsic motives consider CSR as an opportunity to gain an advantage in return, the intrinsic ones perceive CSR as an altruistic concern with the
well-being of others or as a moral obligation (duty) [36]. From religious and ethical principles, the individual feels obliged to do right and good something even if it is not enjoyable and requires an effort that people might not undertake unless the act is dictated by religion or morality. Moreover, managers may contribute to CSR to express their altruism. They seem to enjoy contributing to the common good of society and helping others for the sake of their well-being [18].

Whether the manager is intrinsically or extrinsically motivated is often hard to determine. Some research works argue that firms which are intrinsically motivated to CSR are more likely to invest in both increasing CSR strengths and in decreasing CSR concerns. However, firms that look for economic advantages would be concerned only by a CSR investment that maximizes profits [18, 37].

4. CSR: a moral obligation

Focusing on CSR from a moral viewpoint implies that managers have a duty/obligation towards their stakeholders to act in a responsibly way. The moral duty to be socially responsible can be derived from religious or ethical principles of a moral philosophy. According to Kant’s moral philosophy, these actions must be driven by a sense of duty to be morally valuable. To further discuss the CSR’s moral perspective, it is imperative to explore the Kantian moral philosophy.

4.1 CSR according to Kant’s moral philosophy

Morally speaking, CSR is an act of reciprocity according to which the firm has duty/obligation towards its stakeholders. Kant considers duty or doing what is right for its own sake as the foundation of morality. He argues that only actions that emanate from a sense of duty can be considered as having a moral worth. According to the Kantian moral philosophy, moral criteria are categorical imperatives. They are also unconditional, absolute and irrespective in consequences [38].

As a result, moral actions do not have to be justified by any reasons or theirs consequences except for their own sake. So, firms should simply show societal concerns because it is just the right thing to do and not because they would like to enhance their business fortunes or reputation. According to Kant, every human being has moral rights and everyone should be well treated and have the correlative duty to treat others in a good way.

Consequently, the responsibility to engage in CSR may lose its moral value if it is achieved because it brings beneficial returns or because society or governments require it. It must be driven by the sense of duty and must not be imposed by orders or legislations. Thus, enforcing CSR would be considered immoral since it would violate the moral rights of the decision maker to freely choose whether to consider societal issues and solve society’s problems or not. Kant pinpoints the freedom of human beings and considers that everyone’s existence as a rational and free person should be promoted. He defends the idea according to which humanity should be treated as an end and not as a means. Therefore, enforcing CSR may lead to its manipulation to achieve economic goals and self-interest motives and, consequently, CSR would shift from morality to immorality.

However, Kant’s moral philosophy is criticized for being narrow and inadequate to deal with different issues morally [39]. According to Kant being ethical is following a set of absolute moral rules without alternatives for exceptions, neglecting moral emotions like sympathy.
4.2 Moral CSR

As a moral duty, CSR should be accepted as an ethical obligation rather than any other consideration. This perspective is based on values that highlight the right thing to do or the obligation to create a good society. Therefore, the intrinsic motives enhance the CSR behavior as long as managers perceive CSR as a moral duty they should fulfill [40].

Besides the economic and legal responsibilities established by Caroll 1979, firms have an ethical responsibility by doing what is moral, just and fair and philanthropic to benefit society by voluntary, educational, social and cultural projects. However, managers do not carefully consider the consequences of an action before taking decisions (whether it is good or not); rather, their values, gut feelings and affective reactions are also involved to shape their moral judgments [41].

Moral psychologists have focused on the role of reasoning (cognition) when facing social dilemmas [42]. In fact, managers’ responses to moral and ethical issues depend on their individual characteristics in interpreting and dealing with societal problems whenever cognition is involved. Kohlgerb [42] considers reasoning as the principle foundation of a moral judgment. When investigating social behavior, Crilly et al. [43] explore four types of reasoning drawing on Kohlberg’s [42] and Carroll’s [3] studies such as: economic, legal, moral and reputation-based reasoning.

However, moral reasoning differs from other forms of reasoning since it is guided by moral rules and knowledge that have been stored in the memory as moral schemas [44]. Prior research highlights that moral reasoning influences significantly ethical decisions [45] and decreases cheating [46]. A study conducted by Crilly et al. [43] reveals a positive and significant association between CSR behavior and moral reasoning. In fact, managers who respect moral rules and ethical principles are more likely to act in a responsible way. A moral decision is a response to a moral dilemma according to which a response choice is required for a situation to which moral rules are attached [44]. Furthermore, Jones [47] argue that an ethical decision emanates from an emotional component that is essential to admit a moral issue. Moral decisions are stimulated by moral affect including shame and sympathy [43].

5. CSR: a strategic behavior

While moral CSR arises from intrinsic motives, personal values and moral rules, strategic CSR originates in extrinsic motives. As for CSR as a strategic behavior, the literature distinguishes two ways for firms to implement CSR: substantively or symbolically.

5.1 CSR as a substantive strategy

CSR’s substantive actions imply real actions taken by the firms to meet the stakeholders’ expectations and demands, which require real and actual changes in core practices, firm’s objectives, decision making process and corporate culture. Substantive strategy seeks to reconcile the economic goals of the firm with requirements from various societal stakeholders. So, the substantive CSR actions involve real changes at the operational level, which generally implies activities requiring the use of the firms’ resources [48]. Indeed, substantive actions may influence the firm’s productivity and litigation risks [19] but they imply large costs for the firm [49].

Real CSR actions are driven by extrinsic motives such as achieving economic objectives, reducing conflicts, responding to social pressure and enhancing the
firm’s reputation. In fact, in a competitive context, proactive and substantive actions such as investment in environmental innovation, participation in collective corporate political strategies and structural changes in the firm which improve the environmental and social performance may reinforce firm’s reputation and competitiveness.

Firms may deal with societal issues substantively either because the firms is proactive, and so it can anticipate social demands, or because it responds positively to the environment constraints, and therefore establishes concrete measures integrated to the firm’s strategy. So firms performing mainly substantive actions follow a “mere walk” strategy.

CSR’s substantive strategies induce concrete changes in the daily activities of the firm to lower its social and environmental impacts and realign its strategic objectives to the new societal commitments. This will improve the firm’s societal performance despite the disruption of the internal flexibility [50].

Consequently, CSR as a substantive action differs from the moral CSR. In fact, the Moral alternative considers CSR as an end whereas CSR’s substantive strategy deals with CSR as a mean to achieve some goals. Besides it differs from the symbolic actions in the implementation degree and the goal alignments [51–54].

5.2 CSR as a symbolic strategy

Unlike the substantive perspective of CSR, the symbolic CSR does not imply concrete changes at an operational level. While substantive actions involve real changes that imply tangible activities, symbolic actions are described as actions related to CSR taken by a firm to show ceremonial conformity within an impression management context. CSR is just about appearing to fulfill stakeholders’ demands without the need to undertake any change in the business process.

CSR as a symbolic strategy may occur either when firms do not involve any effective changes within the firm’s operational process or when undertaking limited measures within a passive strategy. In fact, such initiative deals with CSR as a means to achieve the firms’ goals by managing the impression of various stakeholders to appear as socially responsible acting and caring for societal issues.

Additionally, from a symbolic point of view, researchers have dealt with CSR as an effective tool of attention deflection especially the abuse of CSR communication for impression management goals [55, 56]. In order to obtain social its legitimacy [48], to improve that stakeholders’ trust [57], and enhance the firm’s reputation, a manager may engage in a symbolic initiative and create of a CSR-façade. Indeed, the firms’ use of impression management within symbolic CSR has been described as an instrument used to control the firm’s image through social interactions.

Furthermore, firms are supposed to issue CSR reports to communicate their societal activities in response to the stakeholders’ demands. However, CSR communication has been accused of being superficial, insincere and manipulative. Because of the lack of an enforced reporting framework [58], CSR reports have often been treated as an impression management means to manipulate information users.

In a narrative reporting context, impression management occurs simply when there is an attempt to influence the reader’s perception of firms’ performances. A study conducted by Brennan and Merkel [59] states the presence of a positive bias in Enron’s annual report before its collapse in order to influence the readers rather than provide supplementary useful information.

Even though the disclosure regulations provide some rules on what to disclose, the wording remains arbitrary [60]. The impression management in a narrative report, such as sustainable report, involves communication choices i.e. thematic, reading ease and rhetorical manipulation [61]. Indeed, firms may selectively
disclose information in order to distort the users’ perception towards firms’ achievement.

Focusing on the thematic manipulation, tone management (optimistic/pessimistic) aims to obfuscate poor performances and bad news and emphasize positive ones. Tone management is described as the choice of tone level in a document that is incommensurate with actual quantitative information. Impression management, in particular, tone management in CSR reporting derives from CSR symbolic practices. Besides, empirical studies support the idea according to which linguistic features may reflect discretionary practices and CSR attitudes of the firm (substantive/symbolic). They highlight the importance of the linguistic features to explore the credibility of corporate disclosure and to reveal corporate reporting strategies [62]. Consequently, the CSR report quality is suspected while investors rely on being informed about societal performance. Therefore, users should consider the impression management initiative when interpreting societal information.

5.3 The greenwashing

The “greenwashing” concept is seriously considered when exploring CSR through an impression management viewpoint. Greenwashing” is described in the literature as the gap or the divergence between CSR substantive actions and symbolic actions. In sum, symbolic and substantive actions differ on the implementation degree. A firm may engage in symbolic rather than substantive action which derives from a “mere talk” strategy commonly called as greenwashing or decoupling strategy [63].

As a symbolic strategy, decoupling refers to the disconnection between structures and the firms’ activities, the creation of an appearance of complying with stakeholders’ expectation and the adoption of a particular management process without really doing so [55]. Indeed, decoupling implies that firms implement symbolic displays while internal practices remain unchanged. It is a little more than empty words or simply talk without real actions [64].

Greenwashing is presented as the inadequate and abusive use of CSR in order to create a green image of the firm to mitigate the stakeholders’ perceptions and deviate attentions from bad performances, discretionary and unethical practices. Bowen considers greenwashing as “a specific subset of symbolic corporate environmentalism in which the changes are both “merely symbolic” and deliberately so” [65], p. 3.

As an umbrella term, greenwashing encompasses various forms of misleading namely selective disclosures and misleading narratives and discourses. As a greenwashing variety, selective disclosure is the most widely investigated form according to which positive attributes are disclosed while negative impacts are ignored. Besides, a misleading narrative and discourse is about using rhetorical strategies applied to narrative reports to shape the audience’s evaluative beliefs about a firm’s societal performance and avoid accusations of greenwash. In sum, greenwashing is about creating positive perceptions about a poor performance that is driven by extrinsic motives, in particular, self-serving motives rather than society-serving motives.

6. CSR: a comprehensive conceptual model

As described above, CSR has emerged as a theme of progressive relevance which highlights its evolving and dynamic feature implying a necessary revision of the CSR definitions, motivations and strategies.
 Within this context, it seems useful to present a conceptual model of CSR which describes the motives, attitudes, perspectives and strategies of CSR. Based on previous research conducted by Garriga and Melé [17], Graafland and Mazereeuw-Van [18] and the RDAP scale (Clarkson) [66, 67] adopted from a well-known classification on CSR and based on concepts identified by Carroll [3] and Wartick and Cochran [68]. The RDAP continuum model is often used to describe CSR strategies. The conceptual model that appears in Figure 1, describes four components: (1) CSR motives, (2) CSR attitudes, (3) CSR perspectives (4) CSR strategies.

CSR motives in Figure 1 are categorized into extrinsic motives which arise from the outside of the individual (outsider pressures, financial motives, reputation, legitimacy …) and intrinsic motives (personal values, convictions, morality, insider pressures …).

According to this classification, attitudes towards CSR differs, either CSR is considered as an opportunity and a mean to achieve firm’s goals or it’s considered for its moral arguments as a moral duty and an end on itself. In fact, firms may implement CSR as a strategic behavior so that an instrument to achieve economic benefits or a moral obligation considering CSR a duty that should be fulfilled regardless of economic and financial benefits.

Consequently, driven by extrinsic motives, firms implement strategic CSR. In particular, firms concerned by influencing, misleading and managing stakeholders’ impression are more likely to implement symbolic CSR or greenwashing. However, firms which are supposed to implement substantive CSR actions are firms that

---

Figure 1.
A comprehensive CSR conceptual model.
consider and realign its strategies to the societal demands implying, as a result, real changes in business process.

As shown in **Figure 1**, CSR strategies include reactive, defensive, accommodative and proactive strategy according to the CSR implementing level. In reactive strategy, the firm either neglects or ignores environmental and social issues. In a defensive strategy, firm do only the minimum required, just to comply with regulation to address societal issues implying a limited integration to CSR concerns. The accommodative strategy reflects the modest consideration of social or environmental issues implying cautious changes in internal processes. In fact, firm is less active compared to the proactive strategy according to which a full integration of stakeholders issues in the business process of the firm. Proactive strategy integrates societal goals as part of the core business logic to achieve sustainable development.

Consequently, firms which implement substantive CSR and moral CSR are more likely to adopt a proactive strategy to address environmental and social issues. All in all, this conceptual model highlights that the CSR strategy adopted by the firm depends on the motive underlying CSR commitment, CSR attitudes and the CSR implementing level.

### 7. Conclusion

Due to its dynamic features, CSR continues to undergo a growing importance and significance. CSR was explored through this chapter whether as a moral obligation or a symbolic strategy, or also as a means or an end. The moral argument has been discussed for a longtime as the main foundation of CSR according to which firms have a moral imperative towards society. CSR’s moral argument derives from intrinsic motives namely moral rules and personal values. In fact, based on the Kantian moral philosophy and according to the moral perspective, CSR should be considered as end in itself and not a means to achieve economic or personal goals.

However, the extrinsic motives underlying CSR bring about the idea of a strategic CSR. In fact, achieving economic goals, gaining the stakeholders’ trust and support, reinforcing the firm’s reputation and legitimacy may result in a socially responsible behavior. Overall, CSR may be involved substantively or symbolically. In fact CSR is substantively implemented when social and environmental concerns imply real changes, tangible and measurable activities (talk and walk).

Oppositely, CSR is symbolically implemented when it does not involve effective changes within the firm’s operational system. Thus, the firm considers CSR as a means to achieve economic goals and make profits by appearing as socially responsible. Such initiative is involved in impression management strategies according to which CSR is used as an instrument to manage the stakeholders’ perception and deflect the attention from bad and poor outcomes.

Furthermore, the greenwashing strategy is involved as a gap between CSR’s substantive and symbolic actions in which changes are merely symbolic and deliberate.

However, it is relevant to note that looking for profits and economic goals should not exclude considering the interest of the various stakeholders. In fact, in certain circumstances, the effective satisfaction of those demands may contribute to maximizing profits and achieving the firm’s goals. Thus, there is no need to symbolic CSR to make benefits. Consequently, it is interesting to explore the CSR as a win-win strategy if it is implemented adequately.
Author details

Sourour Hamza1* and Anis Jarboui2

1 University of Economics and Management of Sfax, University of Sfax, Tunisia
2 Higher Institute of Business Administration of Sfax, University of Sfax, Tunisia

*Address all correspondence to: sourourmail@yahoo.fr
References


value and societal expectations.”, *Corp. Gov.*, vol. 6, pp. 305-316, 2006.


CSR: A Moral Obligation or a Strategic Behavior?
DOI: http://dx.doi.org/10.5772/intechopen.94471


Chapter 8

Human Resources Remain Our Biggest Assets

Shiksha Gallow

Abstract

This chapter analyses employees as human assets by investigating various retention theories. It is imperative that employers do not treat employees like “cogs in the wheel” but rather understand what factors would retain these individuals. The working environment in any organisation is important, as it has to be conducive to attaining a competent and successful workforce. The chapter focuses on a research study conducted evaluating what makes employees remain in an organisation. From the findings a conceptual retention model was developed which would assist employers in retaining staff and ensuring they are treated as human assets. The retention model was based on both a quantitative and qualitative analysis, and many themes and theories have been included in this model.

Keywords: Human resources, assets, retention, culture in workplace

1. Introduction

Many great leaders, have always reiterated that our human resources in any organisation are our largest assets. Richard Branson advocates for shaping employees to their best version as the people you employ are a product of you. He further adds: “If you take care of your employees they take care of your business”. In many industries we suddenly, see the inability to retain staff especially in the health sector. In this sector we require highly skilled labour and it’s imperative once we have invested time and money on these individuals we actually should be retaining them.

It is quite obvious that not every employee is cut from the same cloth, or has the same motivation to remain in a job. Staff turnover can have serious financial implications for an organisation, such as the loss of clients, low morale, the added costs of the recruiting process and then training new employees. It is not only the cost incurred by a company that emphasises the need for retaining employees but also the prevention of these talented, skilled employees from being head-hunted [1]. Implementing an effective retention strategy can significantly reduce the high costs of increased turnover, prevent the loss of company knowledge, protect the intellectual property of the organisation, diminish the interruption of customer service and maintain the good will of the company, which in turn will regain the efficiency and effectiveness of the services [2].

While a wide range of retention strategies have been introduced in various settings to reduce unnecessary staff turnover and increase their length of stay, only a few of these have been rigorously evaluated. Little evidence demonstrating the effectiveness of any specific strategy is currently available [3]. Traditional retention strategies are no longer effective for retaining professionals, people have access to
more information due to the 4th industrial revolution. They able to learn more and most are looking for value in an organisation. This chapter focuses on retention strategies such as career anchors, job characteristics, job satisfaction, organisational commitment and intention to quit. Once employers can understand what retains employees, they are able to implement these strategies to ensure human resources are regarded as an asset.

2. Literature review

2.1 Theoretical models

After reviewing and analysing scholarly articles and theoretical frameworks, 5 key theoretical concepts were identified that relate to the problem of retaining employees, namely the job characteristic model [4] and job satisfaction [4], career anchors [5], organisational commitment [6] and intention to quit [7]. Further, it can be inferred from the theories and other studies that the job characteristics model, job satisfaction and career anchors can be seen as predictor variables that can be used as proxies of retention. Organisational commitment and intention to quit are often used as the proxies of retention [2].

Job characteristics could be one of the main factors that influence retention [4]. The model predicts that if employees have jobs higher in task variety, task significance and task identity, it gives meaning to work [4]. Autonomy, which is responsible for work outcomes, and feedback can create a greater experience of meaning and knowledge of results [4]. The combination of these job characteristics can then result in high intrinsic motivation, high job performance and job satisfaction and low absenteeism and turnover, thus retaining employees in the organisation [8]. It can be denoted that by identifying these individual characteristics we can ensure we understand what motivates employees in a work place. One would also want to create a work environment which is conducive to employees.

A career anchor is one's self-concept, and consists of one's talents and abilities, including skills and competencies, basic values, perceptions of motives and needs as they pertain to an individual's career and functions [5]. Once the self-concept has been formed, it functions as a stabilising force, an anchor. The career anchor as defined here is the element in a person's self-concept that he/she would not relinquish, even if he/she was faced with difficult career choices [5, 9]. Eight possible career anchor constructs were identified [5]. Most people's self-concepts revolved around these given categories, reflecting basic values, motives and needs: autonomy/independence, security/stability, technical-functional competence, general managerial competence, entrepreneurial creativity, service or dedication to a cause, pure challenge and lifestyle [5].

Organisational commitment means that an employee takes pride in the organisation for which they work, identifies with the mission and objectives of the organisation, and works to achieve the goals [6]. An employee who is committed intends to remain in the long term and is loyal to that organisation, defending the company whenever the occasion arises. Any employer wants a committed individual, they would want an employee who treats the business as their own, and hence creating an environment which enhances organisational commitment will ensure that business is a success [10].

The intention to quit can be defined as an employee's plan to quit their present job and look for another job in the near future. Previous research has demonstrated that the intention to quit is one of the strongest predictors and an immediate precursor of employee turnover [7].
3. Methods

3.1 Research design and sampling

An exploratory study of professionals in the pathology sector was conducted. The study was conducted in three phases. In the first phase, psychometric instruments were used to assess the characteristics of interest. 116 professionals from 3 different locations completed the questionnaires. The relationship between the independent and dependent variables were calculated. The second and third phases were qualitative in nature and consisted of interviews with the mentioned professionals (in total 15) and their managers (in total 3). All the questionnaires and interviews were directed at identifying antecedents to retention.

The two main research questions which needed to be answered were based on retention of these human assets:

1. Are traditional retention factors responsible for the retention of professionals in private healthcare sector?
2. What will retain professionals in the health sector?

3.2 Quantitative analysis

Firstly, descriptive statistics were calculated, as to describe the respondents and their standing on the constructs. Secondly, correlations analysis was calculated. This was performed to analyse the overlap between individual predictors and the proxies to retention. Lastly, linear regression was conducted to find the relationship between groups of variables and proxies to retention. The combination of significant correlation coefficients and significant betas were used to derive the retention model.

3.3 Qualitative analysis

The purpose of phase two was to determine what would make professional staff leave and what would encourage them to stay. The structured interview responses were captured and content analysis were used to assess what they deemed as antecedents to their own retention. For the third phase, the same procedure was adopted, as structured interview questions were put to three of the managers, asking them about their experiences regarding retaining professional personnel. The data was then coded and themes were derived from the collated data.

4. Findings

In total, 188 respondents answered the questionnaires, 53 (22.8%) were male and 135 (71.8%) were female. The majority of respondents (48.9%) were in the age group 30–39 years. The geographic spread included (56.4%) of the respondents from Gauteng, (22.9%) from the Eastern Cape and (20.7%) from KwaZulu-Natal. There were 116 (61.7%) professional staff and the remainder were the non-professionals.

4.1 Intention to quit data

Career anchors which showed significant (p < .05) correlations with the intention to quit for professional staff were technical (r = .209; p = .024), managerial (r = .264; p = .004), challenge (r = .244; p = .008) and lifestyle (r = .232; p = .012).
The correlation with career anchors, autonomy, security, entrepreneur and service was not statistically significant. When conducting a regression analysis using career anchors as independent variables and intention to quit as dependent variable ($R = .489$, $R^2 = .239$, $p = .182$), it was evident that only challenge from the job agents contributes uniquely and significantly (standardised beta = .417, $p < .001$) to the variance in intention to quit for professionals. It should be noted that intention to quit is the opposite of retention. As such, the results show that the more technical the job, the more likely employees are to stay, similarly, with managerial and lifestyle. However, when it comes to challenge, which is positively correlated with a negative construct intention to quit, the more challenge the professionals need, the more likely they are to leave.

When considering the job characteristics and intention to quit, the results revealed that one of the job characteristics correlated significantly with the intention to quit. At first glance, it seems that skill variety, task identity, task significance, autonomy nor feedback relate to intention to quit. However, when conducting a regression analysis using job characteristics as independent variables and intention to quit as dependent variable ($R = .289$, $R^2 = .083$, $p = .024$), it was evident that feedback from the job agents contributes uniquely and significantly (standardised beta = .279, $p = .023$) to the variance in intention to quit for professionals.

When analysing predictor variable satisfaction to intention to quit, only one category of satisfaction correlated to intention to quit for the professional staff, namely job satisfaction ($r = .20; p = .032$). The correlation between the other types of satisfaction (pay, security, social, supervisory and growth) were not statistically significant. Also, when entering all the satisfaction variables into a regression analysis ($R = .270$, $R^2 = .073$, $p = .022$), it showed that that job satisfaction contributed uniquely and significantly (standardised beta = .196, $p = .045$) to the variance in intention to quit for the professional.

4.2 Organisational commitment data

Career anchors, job characteristics and satisfaction were compared to organisational commitment for the professionals.

When taking into consideration the effects career anchors has to organisational commitment it was evident that security showed a moderate correlation ($r = .195$, $p = .035$). The correlation with career anchors technical, managerial, challenge, lifestyle, autonomy, entrepreneur and service was not statistically significant. This shows that, as far as the participating professional staff were concerned, the more security they had, the more committed they were to the organisation.

After analysing the predictor variable job characteristics to organisational commitment, the results revealed that one of the job characteristics correlated significantly with the organisational commitment for the professional staff. At first glance, it seems that skill variety, task identity, task significance, autonomy nor feedback relate to organisational commitment. However, when conducting a regression analysis using job characteristics as independent variables and intention to quit as dependent variable ($R = .333$, $R^2 = .111$, $p = .053$) it was evident that feedback from other contributes uniquely and significantly (standardised beta = .252, $p = .012$) to the variance in intention to quit for the professionals.

When considering satisfaction to organisational commitment, none of the elements of satisfaction correlated with organisational commitment for the professional staff and showed no statistical significance. Furthermore, when entering all the satisfaction variables into a regression analysis ($R = .149$, $R^2 = .022$, $p = .032$), this also showed that none of the elements of satisfaction contributed uniquely and significantly to the variance in intention to quit for the professional.
Figure 1 illustrates the correlation between the predictor variables with intention to quit and organisational commitment for the professional staff, using both the correlations and beta significance. The correlations depicted in the figure reflect the elements that should be included in a retention program, and are not reflective of a positive correlation, but rather just relationships.

In this figure, a solid line represents highly significant correlations ($p < .01$) and a dotted line, a significant correlation ($p < .05$). The absence of a line represents the absence of a significant correlation.

<table>
<thead>
<tr>
<th>Percentage endorsements across text</th>
<th>Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>—</td>
</tr>
<tr>
<td>60</td>
<td>Theme seven: Well-established and reputable organisation (67%)</td>
</tr>
<tr>
<td>50</td>
<td>Theme two: Management and leadership style (59%)</td>
</tr>
<tr>
<td>40</td>
<td>Theme one: Financial gain and remuneration (40%)</td>
</tr>
<tr>
<td>30</td>
<td>Theme three: Working environment and culture (31%)</td>
</tr>
<tr>
<td>25</td>
<td>Theme six: Research, publications, conferences (31%)</td>
</tr>
<tr>
<td>23</td>
<td>Theme nine: Involvement with patients (31%)</td>
</tr>
<tr>
<td>20</td>
<td>Theme ten: Recognition and acknowledgement (29%)</td>
</tr>
<tr>
<td>25</td>
<td>Theme four: Organisational learning and training and development (25%)</td>
</tr>
<tr>
<td>25</td>
<td>Theme five: Growth and intellectual stimulation (25%)</td>
</tr>
<tr>
<td>23</td>
<td>Theme eight: Team building and coaching (23%)</td>
</tr>
<tr>
<td>10</td>
<td>—</td>
</tr>
</tbody>
</table>

Table 1. Summary of themes.
4.3 Qualitative results

Ten themes were gathered from the responses of the professionals. The first question asked whether retention of professionals is a problem in their respective organisations. The following responses were noted: Of the total respondents, (87%) agreed, (7%) responded no, and (7%) said sometimes. Table 1 summarises the numbers and names of themes and the percentage endorsements across texts. From the Table, it can be noted theme 7, which was ‘well established and reputable organisation’, had the highest percentage (67) and theme five, which was ‘growth and intellectual stimulation’, had the lowest percentage (23).

5. Discussion

The main inference drawn from the findings was that two different retention strategies will be required for professionals and non-professionals, as different factors have been proven to be responsible for the retention of professionals and non-professionals. Moreover, ten themes emerged which has been proved to be pertinent in retaining professionals. From the quantitative and qualitative data, a conceptual model was developed, which would be useful to retain professionals in private pathology.

![Retention model for professionals in the health sector.](image)

*Figure 2. Retention model for professionals in the health sector.*
5.1 Proposed retention model

The retention model can be interpreted by looking at the key which defines what the solid and dotted lines represent. The model has incorporated the elements of the predictor variables, which were the job characteristics, career anchors and satisfaction together with the proxies for retention which were intention to quit and organisational commitment. These formed the quantitative outputs of the model. The qualitative outputs included the ten themes that emerged, and they are ranked from the most popular to the least popular theme (Figure 2).

5.2 Predictor variable: career anchor

The most interesting finding was the positive correlation of ‘challenge’ with the negative construct of intention to quit, which could indicate that the greater the challenge the professionals had, the more likely they were to quit the organisation. They preferred doing the mundane technical functions but did not want a very challenging work environment where they would need to overcome hazards and difficult problems in the workplace. This was confirmed by the interviews with the professionals, when the professionals felt staff did not enjoy a challenging work environment.

When further reflecting on the ‘managerial’ aspect of the model, the professionals wanted the job functions and the responsibility of being a general manager. This career anchor shows that professionals want to be managers, as they like problem solving and dealing with other people [5].

The ‘technical’ career anchor included in the model showed that the professional staff enjoyed doing something they were good at and would work to become an expert at that. This type prefers to specialise in their skill in medical science, and they tend to pursue excellence and enjoy being in their area of expertise [5].

The next career anchor included in the model is ‘lifestyle’, which showed that the professionals were focused first on lifestyle and their whole pattern of living. They preferred to maintain a work/life balance [5].

The last career anchor which showed a link to organisational commitment was ‘security’. This shows that the participating professionals wanted a secure job in which they would be financially stable and professionally in the right career [5].

5.3 Predictor variable: job characteristics

Based on the findings, the main job characteristic for professionals was ‘feedback’. This includes feedback from the job itself, feedback from agents and feedback from others. The job characteristic feedback refers to the degree to which people learn how effective they are being at work [4]. ‘Feedback’ refers not only to supervisory feedback, but also to feedback from peers and agents and to the opportunity of observing the results of their work.

5.4 Predictor variable: satisfaction

‘Job satisfaction’ can incorporate all the elements of satisfaction, which are security, pay and growth, supervisory and social satisfaction. If employees were satisfied, they would be committed and would probably remain in the organisation. Satisfiers should therefore be incorporated into a retention strategy [11].
5.5 Retention themes

The next part of the model consists of the ten themes derived from the qualitative section. The most effective theme was seen to be that of a ‘well-established and reputable organisation’. It was noted that employees wanted to be part of an organisation that had good financial standing, and was commendable and credible, and actually valued their employees.

The next theme that was found to be relatively important was the ‘leadership style’. It was shown that the professionals wanted clear direction when it came to objectives and goals, which was in line with organisational strategy. They wanted a leader who was genuine and who could guide them in the organisation, give them constructive feedback on their performance and offer ways of improving.

The next theme was that of ‘financial remuneration’, and it can be concluded that the participating professionals felt they had studied for a long time, they had scarce skills, and they had a stressful job. They felt they deserved a job that remunerated them well.

‘Work environment and culture’ was seen as another factor that could help retain staff, as the employees felt they needed an encouraging working environment characterised by a good work ethic and a positive work culture.

The next three themes were extremely interesting: ‘Research and conferences’, ‘involvement with patients’ and ‘recognition and acknowledgement’. The theme of involvement in research can be seen as an important one for the professionals in pathology, as they felt they should not be treated like cogs in a wheel, but should rather be exposed to scientific matters like new diseases and new drugs that have been clinically trialled and tested. It can be concluded the participating professionals felt they should be seen as ‘experts’ in their field, and they wanted to be more in touch with the doctors, who are clinically involved with the patients. They also wanted to do ward rounds, to see interesting case studies. They would also like to present papers and attend medical conferences where knowledge sharing in the field of science takes place. The professionals also wanted to be recognised and acknowledged for their involvement in the important work that they do for mankind and the inconvenient hours they work.

The last three themes were ‘training and learning’, ‘growth and intellectual stimulation’ and ‘team building’. Organisational learning and training are imperative in the medical science industry [12]. The participating professionals felt it was important for them to grow in an organisation, whether in their career or simply personal intellectual growth. The professionals felt the need for a culture of continuous learning and intellectual stimulation, as they had to keep up with the latest research and the HPCSA continued professional development. Team building activities were seen as necessary, as this would also contribute to a positive working environment.

It is important to note that the application of the retention model in the case of the professionals should be utilised by combining all the factors in the model to ensure effective retention. No one aspect is more important than another, but rather it is important to look at an integration of all the factors mentioned.

6. Conclusion

As gathered from literature, it is important for any business to be successful, one needs to treat the employees like an asset to the organisation. In order to do this, it is imperative that we evaluate the factors that would retain competent staff. The findings have been derived from valid and concise research methods. The research
suggests that similar factors are not responsible for the retention of professionals and non-professionals in healthcare, and further information needs to be integrated to establish the reasons employee will be satisfied in a job and remain there. Furthermore, a conceptual model was developed from the findings of this research which can be used as a management tool to retain professionals in the health sector.

**Contribution**

The contribution of this research is twofold. Firstly, it has proven that incorrect retention strategies have been used for a long time, and it’s imperative each organisation gets their retention policy correct. Secondly, a conceptual model was developed that contributes to theory as well as practice as the model takes into account the relationships and variables of factors that affect retention in the health sector. This model can be adapted to other sectors as well.

Based on the outcomes of the research and information contained therein, it can be stated that not all employees in the health sector are cut from the same cloth, and yes, we have been wasting our time implementing incorrect retention strategies for professionals by assuming everyone can be retained by the same strategy. By understanding how employees think and feel, it shows that employers regard them as an important asset in their organisation.

**Author details**

Shiksha Gallow  
Holistic Integrative Healing Institute, East London, South Africa

*Address all correspondence to: drgallow@acasiasa.co.za

© 2021 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/3.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.
References


Chapter 9

CSR: What Does Board Diversity Bring to the Table?

Ouidad Yousfi and Rania Béji

Abstract

This chapter provides a theoretical and conceptual overview of the governance of corporate social responsibility (CSR). It is based on an extensive review of corporate governance literature, specifically on the composition of boards and committees and how they influence corporate outcomes. The attributes of committees’ members could play a key role in the definition of a CSR strategy and its implementation. The second section analyzes how diversity in boardrooms and CSR committees could foster CSR performance, through specific dimensions of social performance. It focuses on the influence of structural and demographic diversities in boardrooms on CSR performance and the role of CSR committees on the implementation of a strategic CSR-building process. The third section identifies CSR strategies: (1) strategic CSR driven by initiatives and pioneering actions and (2) responsive CSR based on the imitation of the main competitors and the implementation of basic actions to “avoid” stakeholders’ pressure. We point out that strategic CSR has been widely discussed and extended while responsive CSR is marginalized and often associated with low social performance. This dichotomous approach of CSR strategies could be biased. Many firms could display a strategic CSR in some areas and a responsive CSR in other areas. The role of CSR committees and their composition are discussed in section (4). The last section concludes the paper.

Keywords: social performance, corporate governance, diversity, strategic CSR, CSR committee

1. Introduction

In the last years, diversity on top management positions, particularly on boards has attracted an increasing interest [1–6]. It is widely argued that board diversity has effects on many business areas, such as financial performance, governance quality, innovation, and risk preferences [3, 7–10].

In fact, diversity could lead to meaningful changes in leadership style, generate new ideas, and challenge the business management, through specific channels such as the traits of top managers and executives. In fact, many studies on board diversity conclude that independent, female and foreign directors, directors who belong to minorities and those with specific academic and professional backgrounds could have significant effects on the business’ outcomes.

The literature on board diversity distinguishes two different types of diversity: (1) diversity in boards that refers to the heterogeneity of directors’ profiles, more specifically demographic traits such as age, gender, nationality, and (2) diversity...
of boards that is explained by structural features, like for example the board size, CEO-chair structure, duality, and independence [2, 11, 12].

Most often, diversity has been discussed in the light of the competitive advantage, it could provide to the business in the short term as well as the long term [12–14]. Lately, more papers have stated that getting more diverse top management is an ethical requirement to go beyond the restrictive financial view, mainly focused on short-term returns [9, 11]. In fact Béji et al. [2] provide evidence that all diversity forms are valuable to improve corporate social responsibility CSR at different levels. Increasing social performance could drive a more sustainable financial performance.

Taking into account cognitive and psychological features in top management positions could shape the decision-making process. Indeed, directors’ ideas and choices are influenced by their individuals’ beliefs and values [15]. On the same vein, the adoption of CSR practices, specifically on the absence of mandatory CSR standards, is the result of stakeholders’ pressure as well as personal beliefs [16].

In fact, there are two different approaches in CSR practices. According to [17–19], CSR could be: (1) strategic when the firm displays a high level of CSR commitment going beyond standards and stakeholders’ expectations, and (2) responsive when CSR actions are mainly determined by external expectations and reporting standards. Most often, responsive CSR corresponds to the lowest level of commitment.

In fact, in line with dependence resource theory, getting involved in more inclusive nomination policies helps the company to get access to new opportunities through a better understanding of the market expectations and the deployment of more resources [9]. Also, previous studies put forward that, in high uncertainty contexts, diverse teams are more successful [20, 21].

In order to develop their CSR strategies, many firms have decided to establish specialized board committees, namely CSR committees CSRC [22, 23]; CSRCs aim to guide the company towards more strategic CSR actions, through the implementation of CSR initiatives, decreasing CSR risks and pursuing new opportunities [24]. They play a key role in the development of a CSR strategy and improving social performance [25]. They also have to check the compliance with regulations and initiatives in order to decrease CSR risks [22, 26].

Not surprisingly, corporate governance literature shows that the composition of CSRC influences corporate outcomes [27–29]. The attributes of CSRC members could, therefore, matter in the definition of a CSR strategy and its implementation.

This chapter provides a theoretical and conceptual overview of the governance of corporate social responsibility (CSR). It is based on an extensive review of corporate governance literature, specifically on the composition of boards and committees and how they influence corporate outcomes [27–29]. The attributes of committees’ members could play a key role in the definition of a CSR strategy and its implementation. The second section analyzes how diversity in boardrooms and CSR committees could foster CSR performance, through specific dimensions of social performance. It focuses on the influence of structural and demographic diversities in boardrooms on CSR performance and the role of CSR committees on the implementation of a strategic CSR-building process.

The third section identifies CSR strategies: (1) strategic CSR driven by initiatives and pioneering actions and (2) responsive CSR based on the imitation of the main competitors and the implementation of basic actions to “avoid” stakeholders’ pressure. We point out that strategic CSR has been widely discussed and extended while responsive CSR is marginalized and often associated with low social performance. This dichotomous approach of CSR strategies could be biased. Many firms could display a strategic CSR in some areas and a responsive CSR in other areas. The
role of CSR committees and their composition are discussed in section (4). The last section concludes the chapter.

2. Does board diversity favor CSR?

Under the upper echelon’s theory [30], in diverse boards directors have more and different characteristics. They have, therefore, more knowledge, skills, values, and professional experiences that generate more ideas and interpretations of the situations they face. Diversity could lead to superior monitoring, and thus, more strategic involvement in CSR [3, 31, 32].

From an agency perspective [31], board members are supposed to monitor top managers to ensure that they serve shareholders’ interests. The board’s effectiveness is closely related to its composition [33, 34]. For instance, increasing corporate transparency improves the decision-making process, which drives more socially responsible management.

Resource dependence theory [35] also supports diversity in boards. Appointing more diverse profiles to boardrooms allows the firms to get access to more diverse resources, in terms of experiences, skills and networks [36–38]. All these resources are valuable when the firm has to meet shareholders expectations, and therefore for the development of a CSR strategy [5, 8, 39, 40].

2.1 Structural diversity in boards and CSR

Structural diversity refers to diversity of boards. In fact, boards display different features in terms of structure, size, the separation between management and control functions as well as the percentage of independent members [3, 6].

First, the board size is a key determinant of the board effectiveness. Regarding social performance, studies provide mixed results. On the one hand, large boards may be associated with more resources and knowledge, very valuable to improve the decision-making process [41–43]. Appointing more diverse profiles to boardrooms increases the firm’s social capital [35, 44, 45] and leads to a more balanced decision-making. They can therefore increase the firm’s involvement in socially responsible activities, and social performance [2, 41]. Neo-institutional and stakeholder theories state that large boards are representative of diverse interests [44, 46]. Also, from a dependency theory perspective, large boards have better information and more specific knowledge [9, 43]. From an ecological view, De Villiers et al. [47] argue that large boards are likely to have members with environmental knowledge, who may influence board’s decisions on environmental issues. Their findings show a positive impact of board size on environmental performance. Accordingly, more oriented advice on strategic decisions could be provided by large boards [18, 48–50].

On the other hand, the agency theory holds that large boards could suffer communication and coordination problems which slower the decision-making process, specifically when directors have very different backgrounds [51, 52] and diversity is low in top management positions. For instance, CEOs are more powerful and influential over small boards than large ones: it becomes easier to reach a consensus [51].

Second, duality is another form of diversity of boards. According to Surroca and Tribo [53], duality leads to a concentration of management and control functions. When the CEO is also the chairperson, there is a concentration of power that does not benefit CSR investments [53, 54]. For instance, CEO-chair may pursue opportunistic strategies to have more private benefits in the short term, at the expense of long-term and less profitable activities such as CSR ones [54, 55]. In fact, Entrenched CEOs are prone to adopt opportunistic strategies to protect their
interests at the expense of shareholders. Accordingly, they could marginalize value enhancing projects, specifically low profitable and long-term projects such as CSR and innovation projects. Under the pressure of shareholders looking for immediate returns, CEOs are likely to undertake profitable and less sustainable projects. In this sense, De Villiers et al. highlight that “If the CEO is faced with a compelling motive for maximizing short-term financial gains at the expense of strategic investments in environmental opportunities, the presence of a dual CEO-chair will reduce the likelihood of the board approving immediate investments in environmental opportunities with long payback periods” ([42], p. 1642).

Furthermore, the duality structure could also limit the board effectiveness, specifically in terms of control and monitoring [56] and could decrease transparency and the governance quality which does not improve CSR performance [42].

Finally, the presence of independent directors has been widely discussed [57]. Independent directors are prone to reduce agency conflicts and to ensure effective monitoring and therefore better management quality. For Adams and Ferreira [58], their presence solves attendance problems on the board. Independent directors provide better management advice [34, 57]. From an agency perspective, it is widely known that they decrease opportunistic behavior of managers who could be tempted to extract some private benefits, specifically under asymmetric information [58–60]. To better serve the stakeholders’ interests, they may ask for more details to be disclosed in annual reports [61]. However studies on the association between board independence and CSR disclosure do not provide conclusive results. Some studies [62–64] provide evidence that independent members are prone to increase disclosure. Prado-Lorenzo and Garcia-Sanchez [65] and Lim et al. [66] identify a negative influence, while other studies find non-significant association [67].

Independent board members are likely to support investment decisions that respond to stakeholders needs [2, 34]. On the same vein, [58] show that their presence improves board functioning, particularly attendance problems on board meetings. The results of previous studies show that independent directors have a significant positive effect on CSR performance [68–71].

However, when we focus on specific dimensions of CSR such as the governance quality, the quality of the work environment, the protection of human rights, the involvement in local activities and ethical activities, they seem to have influential effects only on specific areas. For instance, Béji et al. [2] show that board independence has a positive effect only the governance quality. Their result is in line with a large number of studies highlighting the positive influence of independent directors on the quality of corporate governance [72–75]. One explanation is that independent directors provide strong incentives to align internal expectations and firm objectives through good governance practices [74, 75].

Regarding environmental performance, De Villiers et al. [42] provide evidence that boards with more independent directors are more likely to have more information and knowledge of monitoring environmental performance. Precisely, environmental strengths are positively and significantly related to director independence.

These different results are mainly explained by the different proxies used to assess the social performance and the sample considered by the study. For instance, Beji et al. [2] is drawn on a European sample, namely French listed companies and Vigeo Eiris scores while De Villiers et al. [42] relies on MSCI-KLD scores.

2.2 Demographic diversity in board and social performance

Demographic diversity is a form of diversity inside boardrooms. The profile of board members has changed in the last years, because of a social pressure: the
boards are expected to appoint more diverse profiles in the image of the society they produce. Consequently, gender, foreign, and generational diversities have attracted an increasing interest.

Many studies put forward that female directors are likely to increase CSR performance at different levels [2, 5, 6, 9, 76]. In fact, gender diverse boards have better social performance than less diverse ones [9]; In fact, women members seem to be more concerned about governance, environmental and social issues [21, 77–81]. They could be tempted to undertake non-profit activities (The social identity theory, [82]). In line with the social role theory [83, 84], women are prone to be altruistic and to care about relationships [85]. In fact, previous studies point out that women have higher cognitive moral reasoning scores and more ethical perceptions than men [86–88]. From the upper echelons’ theory perspective [30], women display specific cognitive features. They bring their differences to boardrooms that have been male-controlled places for long time [89, 90].

Specifically, Elstad and Ladegard [91] point out that female directors could change the decision-making dynamics inside boardrooms. In line with the dependence resource theory, women have different experiences and qualifications from their male counterparts, they could, therefore have different values and analysis perspectives. This leads to more interactive dynamics in boardrooms [92]. They have most often more connections to external sources, which make them, wanted in boards and on specific board’s committees, such as audit, governance, ethics and environment committees [58, 93]. They also have different academic and professional backgrounds which give access to more resources and specific networks (the resource dependence theory, [35]). These resources are valuable when it comes to the implementation of CSR projects [77–79, 94].

Also, there is a large consensus that women are less risk averse than their male counterparts [85]. Many studies have put forward differences between men and women in terms of skills, competences, networks and risk-preferences (see among others [95–98]), p. 64. For instance, Torchia et al. [99], Diaz-Garcia et al. [100], and Kang et al. argue that women have better and specific knowledge of customers. They could bring new perspectives and ideas that could lead to the introduction of new products and processes [101]. Furthermore, appointing women to director’s positions could improve the communication and the interaction inside R&D teams, without taking excessive risks: [96–98], provide evidence that women are more risk-averse than men. All these features could lead the reader to think that women directors are prone to be more concerned about CSR and to recommend more socially responsible actions.

However, taking into account female and male attributes such as the age, and the academic and professional experiences show non conclusive evidence on whether women on corporate boards increase the propensity to take risky decisions or favor risk-avoidance (see among others [95, 98, 102]).

Also, many studies conclude that women display a lack of industry experience, concentrate on less profitable activities [103, 104]. One explanation could be the small number of women on top management positions and boardrooms because of the glass ceiling barrier (glass ceiling theory, Morrison et al. [105]). The glass ceiling was identified in the 1980s by the International Labor Organization and Catalyst4. The glass ceiling theory is about “those artificial barriers based on an attitudinal or organizational bias that prevents qualified individuals from advancing upward into management level positions” (ILO, 2001): women cannot easily achieve top management positions because of the lack of mentoring and effective networks. Social and cultural barriers, such as the work-life balance that women have to preserve, could stop them when they want to get access to leadership. Gender quota laws have been
introduced in several countries (Norway, France, Spain, etc.) to increase women presence on board. However, female directors are still prevented from moving up into management and leadership positions and are facing significant barriers. Indeed, women are not appointed to strategic and advising positions in the board such as CSR, development and remuneration committees. Most often, they are members of monitoring committees such as governance, audit and risk committees, particularly in male-dominated companies [106]. In fact, women are still not involved, in an effective way to influence the decision-making process. They face a new glass-barrier in boardrooms: the glass cliff barrier [107–109]. Despite, the fact that women are selected to sit in monitoring committees; they are likely decrease CEO salaries, bonuses and total compensation [110] which increases transparency.

Yet, many papers have discussed the costs and benefits of regulation dedicated to increase women representation in top management levels [111, 112]. Pro and anti-regulation arguments make the debate on the efficiency of gender quota law very intense, specifically should be considered specific governance and social features. For instance, highly qualified women who are able to sit on boards suffer from lack of visibility because of weak networking and social circles. As a consequence, firms make-believe that they have a limited pool of female talents. Hence, social ties and contacts are critical to the appointment of women to director’s positions. This could increase the risk of recruiting unqualified female directors [113].

Generational diversity is also a requirement for social performance [2, 6, 114]. Age could be a proxy for the directors’ wisdom in managing the business, their experience and their openness to new ideas [6, 115]. According to Ouma et al. [115], successful business management relies on more age-balanced organizations, specifically in top management positions. Besides, age diversity could help to solve “narrow group thinking” problems and be associated with a specific level of knowledge and openness to new ideas [114, 115]. When they mature, directors could become more sensitive to society’s needs: they get involved in a giving-back to society process [6, 116]. Thus, old directors are likely to improve social performance. Regarding detailed dimensions of CSR, Ferrero et al. [117] argue that age diversity leads to a more balanced decision-making which enhances corporate performance while Béji et al. [2] find that they have significant effects in numerous CSR areas, specifically the quality of the work environment, the protection of environment and human rights as well as the governance quality. However, we should highlight that Béji et al. [2] results provide evidence that old directors are prone to display higher moral reasoning in France, not only because of getting more experience and wisdom but also in response to several specific programs, such as Grenelle II Law in 2011, dedicated to increase the firm’s involvement in CSR activities. Furthermore, the Copé-Zimmermann law,1 commonly known as the French gender quota law, introduced in 2009 and implemented in 2011 has increased dramatically the presence of women on boardrooms. It applies to listed firms and firms with on average more than 500 fulltime employees for three successive years or with a yearly turnover (or a total assets) of at least 50 million euros. This law has short and long term effects. In the short term (by the end of 2012), all non-gender diverse boards, namely male controlled ones, have to appoint a director of the opposite gender. In the long term, non-gender balanced boards have to achieve at least 20% directors of the under-represented in 2014 and at least 40% in 2017. If the firm is non-compliant, there are penalties. Specifically, new member appointments that are not binding the law must be considered null. However, the decisions voted by the non-compliant boards, are not canceled. The two laws have boosted the social performance of companies through different channels: because of the limited pool

1 https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT0000023487662&categorieLien=id
of female candidates, firms appointed younger women to their boards to comply with the gender quota law, which have influenced the board structure and therefore governance quality. Grenelle II law put pressure on listed firms to raise more money on socially responsible projects.

We should also notice that there have been many changes in universities curricula in the last years. Management and business programs, on particular, have introduced specific sessions and courses on sustainable development and CSR. This means that new graduated candidates are aware of the importance to align social and financial performances and consider financial as well as environmental and social risks. Accordingly, young directors could also be sensitive to CSR activities and concerned about environmental and ethical issues [6]. For instance, [80] provide evidence that young members are sensitive to environmental and ethical issues.

Another interesting feature of board diversity is the presence of foreign members [2, 6, 118]. The appointment of foreign directors responds to the business needs of globalization [119]. The empirical investigation shows that nationality diversity enhances the firm involvement in philanthropic and local social activities [120]. Lau et al. [121] find that the presence of foreign directors on the board has a positive relationship with CSR, they put forward that foreign nationality brings a positive energy for directors to follow socially responsible activities. Their international expertise, broader and diversified networks, awareness of environmental and social issues and willingness to use new technologies are value-enhancing in terms of social performance [2, 118, 120]. Non-local directors bring their cultural values and new connections to the business, specifically on environmental projects [2, 6, 122]. Also, foreign directors allow the company to have access diversified and international expertise and increases exposure to cultural diversity [118]. They are likely to focus on environmental management and to prefer technologies producing less waste and less pollution [123]. In fact, Christmann et al. [124] provide evidence that they have access to environmental management information, particularly international environmental requirements and opportunities. Besides, using a sample of U.S. firms, Harjoto et al. [125] find that having greater board nationality diversity could improve firms’ social performance by decreasing individual biases and prejudices. In addition to their positive influence on environmental issues, Béji et al. [2] show that they increase the firm’s interaction with local communities [126].

Different educational backgrounds are also a valuable form of diversity in boardrooms [127–129]. Many studies show that post-graduated directors are positively associated with the firm’s success [30, 130]. High-educated members have better capacity to absorb new ideas and adopt new challenging tendencies. They also can adjust quickly their strategies and decision-making process to comply with new regulations and sudden events [128, 131, 132]. Rupley et al. [127, 133]; Goll and Rasheed [128]; Hillman and Dalziel [129]; Hambrick and Mason [34] provide evidence that business-graduated directors could influence firm performance and strategies. In terms of CSR, they are likely to be more sensitive to environmental issues [134, 135]. Their international skills and experiences are valuable to understand environmentalists’ needs. For instance, Gadenne et al. [136] and Vives [137] show that post graduated directors are able to generate a greater level of commitment to CSR activities. Also, Shahgholian [138] put forward that highly-educated directors are more likely to have knowledge of environmental issues, which may help the board to develop environmental activities. Regarding education’s type, Sleeper et al. [139] find a positive relationship between CSR and business education. In the same vein, Panapanaan et al. [140] argue that business-educated members have higher sensitivity towards ethics, CSR, sustainability and, consequently, prefer ethical projects. Unlike previous studies, Béji et al. [2] find no significant association between management-graduated directors
and the CSR global performance. Surprisingly, they are prone to be less sensitive to environmental and ethical issues and more concerned about the governance quality. In fact, these divergent results could be explained by the fact that most of board members in Béji et al. [2] sample are middle-aged (55 years old on average) and had attended business and management programs in their earlier life focused on financial performance: the concept of social performance has been recently introduced in the universities’ curricula. They have, therefore, the required qualifications to increase profitability and handle risks, in other words on how to serve the shareholders’ interests. Furthermore, they are prone to prefer short-term projects with immediate returns at the expense of risky, less profitable and long-term projects, such as CSR ones [141].

Finally, sitting on multiple boards is a proxy for the busyness of the board members. Board busyness could influence the firm involvement in CSR activities [2, 127, 142]. Some studies have focused on the link between multiple directorships, CSR disclosure, and firm environmental performance. Multiple directorships could have a positive effect on voluntary environmental disclosure [127], and help the company to adopt policies of other companies. They could also bring to the board information about unfamiliar practices to the firm [129].

In terms of firms’ environmental performance, a large number of studies argue that directors who are sitting on multiple boards can gain access to more information about environmental initiatives and find out more about other firms’ environmental activities [86, 142]. On the same vein, many studies put forward a positive association between multiple directorships and the involvement in proactive environmental strategies [42, 100, 142]. Focusing on specific CSR dimensions shows that directors’ busyness significantly improves the quality of work environment, the awareness of environmental issues and the involvement in ethical activities [2].

It is straightforward to see that readjusting the board composition could be valuable to induce changes that enhance social performance. In fact, firms looking for sustainable development cannot ignore stakeholders’ expectations and have to act responsibly [143, 144]. Getting involved in socially responsible activities could be challenging and provide new opportunities to create value, differently. Accordingly, many firms have decided to establish specialized committees (CSR committees CSRC) to go beyond elementary and responsive CSR practices and to achieve more sustainable and strategic ones [145, 146].

In the following, we discuss the features of CSRC and how they could lead to best-integrated CSR models and to meet, therefore, the plurality of existing demands.

3. CSR strategies

Many theories have been actively applied in the field of CSR, such as the theories of stakeholders’ theory [147], resource-based view [148], market-based view [149, 150], branding strategy [151, 152], strategic conversations [153], public-private partnerships [154], and emergent strategy [155] to understand CSR strategies.

While it is assumed that firms act socially responsible because they anticipate some benefits, theories of CSR assert that firms engage in profit-maximizing CSR, being their principal motivation [156, 157]. This leads to the identification of diverse CSR strategies.

CSR strategies could be divided into two categories: (1) strategic CSR associated to high level of commitment and implies a more comprehensive implementation of CSR within a firm and (2) responsive CSR that is mainly determined by external expectations and reporting standards, and corresponds to the lowest level of commitment [17–19].
3.1 Strategic versus responsive CSR

Many studies have tried to establish criterion to distinguish between the two CSR strategies. During the last years, the concept of strategic CSR has been widely discussed and extended while responsive CSR is still marginalized and often associated with low social performances. In fact, the current literature on CSR has adopted a biased and dichotomous view of CSR strategies: firms could adopt either a strategic CSR or a responsive CSR. However, firms could display a strategic CSR in some areas and a responsive CSR in other areas.

Indeed, social performance is a multidimensional concept that touches many areas in the business. Despite that fact that CSR rating, such as MSCI-KLD social index\(^2\) and VigeoEiris\(^3\) scores are based on different methodologies to calculate the global social score, they examine specific areas in the business such as the governance quality, the degree of involvement in ethical activities, the interaction with local communities, the actions put on place to treat environmental issues, and the quality of the work environment (see Table 1, for a detailed example).

The strategic side of CSR seems to be a promising and relevant field for further research [157]. However, the lack of consideration of the strategic aspects of CSR, and the scarcity of theoretical and empirical research on the determinants of strategic CSR [157] led several scholars to call for identifying the determinants of strategic CSR [158, 159]. While CSR tends to assume an increasingly strategic integration, very few studies analyze why organizations report different levels of strategic CSR. Thus, there is a need to deepen knowledge on the drivers and rationale of CSR behavior, and the conditions favoring strategic CSR integration.

Regarding the definition of strategic CSR, CSR becomes strategic in a company when social and environmental issues become a high priority, and diverse means and practices are mobilized to handle them [160]. Accordingly, CSR is strategic “when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm’s effectiveness in accomplishing its mission”. Then, the concept was developed to cover actions put into practice to achieve sustainable competitive advantages. Strategic CSR is, therefore, a set of activities that are simultaneously good for the company and the society, thus improving company’s performance and creating social and economic performances [161–163]. Recently, studies have become more specific regarding the definition of strategic CSR. Strategic CSR is defined as a continuous process that takes into account its effect, helps the company to pursue its business goals while considering the stakeholders’ engagement [164]. It related CSR to the corporate core business, auditing, setting of social targets, reporting, and implementation of social management systems [165]. CSR is strategic when it increasingly goes beyond the basic needs of a company’s stakeholders [166]. They also argue that the assumption of a strategic perspective implies not only the definition of the business’ future direction and objectives but also an understanding of the amount and apportionment of available resources. Sufficient resources allow the firm to develop strategies suitable for pursuing opportunities coherent with its current and prospective environment and capacities. Thus, resources have to be strategically invested and allocated in order to enhance CSR performance.

Since the nineties, many studies tried to provide relevant theoretical frameworks to identify the differences between CSR strategies, particularly between responsive and strategic strategies [160, 167].

\(^2\) https://www.msci.com/msci-kld-400-social-index

\(^3\) http://vigeo-eiris.com
<table>
<thead>
<tr>
<th>CSR scores</th>
<th>Human resources (HR)</th>
<th>Environment (ENV)</th>
<th>Business behavior (BB)</th>
<th>Corporate governance (CG)</th>
<th>Community involvement (CIN)</th>
<th>Human rights (HRts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social dialog</td>
<td>Environmental strategy</td>
<td>Product safety</td>
<td>Board of directors</td>
<td>Local social and economic development</td>
<td>Fundamental rights</td>
<td></td>
</tr>
<tr>
<td>Employee participation</td>
<td>Pollution prevention and control</td>
<td>Information to customers</td>
<td>Audit and internal controls</td>
<td>Societal impact of products and services</td>
<td>Fundamental labor rights</td>
<td></td>
</tr>
<tr>
<td>Responsible re-organizations</td>
<td>Green products and services</td>
<td>Responsible customer relations</td>
<td>Shareholders</td>
<td>Philanthropic contributions</td>
<td>Nondiscrimination and diversity</td>
<td></td>
</tr>
<tr>
<td>Career development</td>
<td>Biodiversity</td>
<td>Supply chain management (contractual standards)</td>
<td>Executive remuneration</td>
<td>Forced labor and child labor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsible remuneration systems</td>
<td>Water</td>
<td>Supply chain management (environmental standards)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and safety</td>
<td>Energy</td>
<td>Supply chain management (labor standards)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsible working hours</td>
<td>Atmospheric emissions</td>
<td>Corrupton</td>
<td>Waste management</td>
<td>Competition</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Local pollution (noise/vibration)</td>
<td>Lobbying</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Transportation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Impacts of product use and disposal</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1. A brief summary of VigeoEiris CSR scores.
First, Hart [167], inspired by the resource based view theory, identified three interconnected strategies based on the product stewardship, pollution prevention and sustainable development; where the latter aspect is a necessary requirement to integrate stakeholders and ensure a good CSR planning. According to Hart, to be competitive firms have to achieve sustainability and introduce more technological innovation.

Then, Burke and Logsdon [160] have founded the second framework for strategic CSR. They have been able to introduce specific dimensions to assess strategic strategies:

1. Centrality to assess “the closeness of fit to the firm’s mission and objectives”. CSR actions should be related to the business core and central activities;

2. Proactivity of programs in terms of anticipating the emerging social trends and crisis;

3. Voluntarism showing the firm ability to go beyond the pressure of social requirements and recommendations, and the urgent need to comply with regulation, and standards;

4. Visibility based on the firm capacity to provide observable and reliable signals to diverse stakeholders’ groups whether they are internal or external. It measures the firm involvement on a reputation building process.

5. Specificity measuring the firm ability “to capture private benefits” of undertaken CSR activities.

When CSR initiatives meet these features, they are more likely to generate economic benefits and to foster the firm financial performance.

Porter and Kramer [168–170] have introduced the third framework for strategic CSR that have significantly influenced the following CSR frameworks. They have established that strategic CSR goes beyond best practices and provides a competitive advantage, while responsive CSR concerns acting as a good corporate citizen by simply responding to stakeholders’ demands. In other words, when a company combines effectively all its attributes, resources and expertise with the competitive context, its CSR strategy can be considered as a pillar of its profitability and its competitive positioning. Thus, there is a convergence between financial and social performances. Accordingly, firms must be more selective in terms of CSR projects as strategic and responsive CSR produce varied benefits [171–174].

The final CSR framework established the widely known stakeholder theory [175]. It argues that CSR projects implicate different stakeholders groups and have to lead to the wealth creation [176, 177]. Profitable CSR strategies have to align the interests of these groups [178]. Lately, inspired by Burke and Logsdon [160, 179] have identified more specific dimensions of how to ensure the convergence of social and financial performances: (1) reputation enhancement, (2) stakeholder reciprocation, (3) risk mitigation, and (4) innovation capacity.

3.1.1 Reputation enhancement

The rise of CSR has coincided with an increasing concern for the firm market image [180]. Several studies show that CSR activities could be considered as a management tool to enhance reputation [181–184]. In line with the legitimacy theory and the signal theory, strategic CSR is supposed to improve the financial performance through improving the business reputation [184]. In fact CSR activities
should visible and provide information to the existing and potential stakeholders, particularly in the presence of asymmetric information problems [185].

Reputation could be enhanced through the firm customers and employees. On the one hand, customers prefer to buy the goods and services produced by firms displaying large CSR scores [186], even when they have to pay higher prices [187]. On the other hand, employees looking for job opportunities are attracted by firms involved in socially responsible activities: they have the feeling to contribute the “legitimate” activities [188, 189].

Customers and employees behaviors have a positive influence on financial performance. In fact, investments analysts provide evidence that public announcement of CSR initiatives provides a positive signal to investors and increases therefore stock prices [190–192].

3.1.2 Stakeholders reciprocation

According to the Stakeholder theory [147], taking into account the stakeholders’ needs brings positive effects to the business that are not visible to all stakeholders and investors. The reputation effect is, therefore, not systematic [156]. Freeman [147] argues that there are different stakeholders groups: focusing on key stakeholders is able to drive cooperative, productive and sustainable interaction [193, 194].

For instance, setting up a fair compensation policy and a safer work environment provides strong incentives to motivated and productive employees to better work for the business [195, 196]. Furthermore, undertaking socially responsible activities favors higher levels of community endorsement, more favorable regulatory and enforcement conditions for the firm [197], and higher levels of public procurement [198, 199]. Also, it could help the business to gain legitimacy in communities’ eyes and a societal license to operate [200, 201]. For instance, Dorobantu and Odziemkowska [202] point out that in mining industries, firms are prone to sign agreements that benefit local communities and compensate them for social and environmental risks they could bear.

In the absence of stakeholder reciprocity, social and environmental cost could deter the business profitability through specific channels such as the depreciation of intangible assets and increasing investors’ skepticism [200, 202].

3.1.3 Risk mitigation

If in market finance, it is obvious that a good assets’ diversification drastically decreases corporate risks, in CSR, interacting with more diverse stakeholders’ groups can reduce company-specific risks [203]. This means that businesses have also, to care about the expectations of non-key stakeholders, even when they are not tied to their core business. It is highly argued that CSR activities decrease stock price crash risk and firm default risk [180, 204–207]. In fact they are based on controlling and avoiding risk-taking mechanisms [125, 208] and designed to avoid harming stakeholders through pollution prevention practices and fair-trade policies [179, 209].

3.1.4 Innovation capacity

Despite the fact that CSR-innovation association is not yet fully explored, some recent papers argue that strategic CSR could provide a variety of opportunities to innovate [210, 211]. According to Vishwanathan et al. [179, 209], CSR activities increase the innovation capacity because of the development of existing innovation capabilities and the creation of new capabilities, necessary to the implementation of
CSR activities. For instance, developing closer relationship with diverse stakeholders could drive valuable opportunities to respond to their needs [212–214], and to introduce, therefore, a sort of responsible innovations [215, 216]. These innovations could be driven by the interaction with key stakeholders. In socially responsible activities, employees’ turnover is decreased. Consequently, employees can “imagine their future” in the firm and have incentives to get involved in the long term business activities.

They are likely to share information on the current issues and the ways to overcome them with the firm, specifically with top managers [212] and could introduce organizational innovations. Employees’ involvement reduces short-term thinking and behavior, most often impeding innovation.

3.2 Why should firms establish CSR committees?

Despite the large number of studies on boardroom’s composition, many areas are not yet fully explored, specifically how the structure of board committees could shape strategic decisions in terms of innovation, and CSR. The governance literature concludes that committees are key determinants of the board functioning [217–219]. In fact, the composition and functions of committees have a strong influence on board’s composition as well as committee’s activities.

The literature on board committees focuses, especially, on monitoring committees, such as governance and audit committees. It analyzes how they could influence the quality of financial disclosure, internet reporting, earnings management, and financial performance [220–225]. Most of these papers have explored the effect of appointing independent members in committees [224, 226–229].

However, in order to deal with the wide range of board’s functions and for a better understanding of stakeholder expectations, many companies have established CSR committees [230]. In France, 37% of firms listed on the SBF120 index⁴ have created advising committee dedicated to CSR. The creation of CSRCs is meant to respond to stakeholder theory statements: it implies the creation of governance bodies that are able to fulfill stakeholders’ needs [231]. CSRCs have a strategic role to play in achieving corporate legitimacy and strategy formulation, and in implementing firms’ CSR initiatives [22, 23, 232–234].

Previous studies have discussed how CSRCs could improve the governance quality [61, 235] and ESG disclosure [69]. Also, they help to solve agency conflicts through the alignment of diverse interests (managers, shareholders and stakeholders).

Regarding social performance, empirical studies conclude that they are positively associated with environmental performance [26, 236] as well as CSR performance [33, 236–238].

Besides, they are created to evaluate environmental risks, strategic opportunities, and policies. They have to define conducts, and commitments to stakeholders’ needs, and are also involved in the process of environmental reporting [179, 239]. On the same vein, [240–244] argue that the establishment of a CSRC enhances voluntary and social disclosure. CSRCs are considered as a sustainable reporting assurance. Furthermore, as they are supposed to promote and monitor CSR activities, their creation could serve as a positive signal to the market and other competitors [238, 245].

Finally, CSRCs actions could reduce the risk of litigation and other reputational risks [23, 127, 244].

---

⁴ The SBF120 index consists of the largest 120 capitalizations listed on the French stock Exchange market (SBF: Société des Bourses Françaises).
3.3 Diversity in CSRC does matter

The literature on heterogeneity in CSRC is not yet fully explored. Very few areas of diversity have been explored, such as the presence of independent members, gender diversity, age, and members’ affiliations.

For instance, independent members in CSRCs are prone to ensure an effective monitoring and a better management: they reduce the risk of opportunistic behaviors [246, 247]. Moreover, independent CSRC could significantly increase CSR performance [246]. In fact, they can provide more objective feedback regarding firm’s operations and performance. Also, they could be more sensitive to stakeholder’s demands [237]. Besides, the presence of independent directors could contribute to the enhancement of governance features which improves significantly CSR performance [2].

Also, specific members could play a meaningful role in CSRC. First, the CEO membership in CSRC can negatively influence corporate governance by impairing the functions of inside directors. CSRC members who develop friendships with CEOs have low integrity and low monitoring abilities [248–250]. Powerful CEOs are likely to influence the board decision to serve their personal rather than investors’ interests. CEO membership could prevent companies from generating valuable intangible strategic assets in order to achieve competitive advantages and a high level of social performance [167, 251]. Second, chairpersons could be CSRC members. They are, therefore, able to discuss CSR topics in board meetings [252].

Regarding gender diversity in CSRC, previous studies show that female directors are more inclined to respond to stakeholders’ expectations and could bring important resources to committees such as information, human capital, external networks, skills and constituencies that increase understanding of the creativity and innovation [9, 58, 253]. For instance, [2] argue that female directors are more likely to be sensitive to environmental issues, bring to the light critical elements of corporate governance and care more about human rights. Accordingly, female directors could encourage and require firms to adopt and adapt their strategic CSR mindsets.

Finally, regarding CSRC functioning, [254] show that the number of meetings organized could be considered as a proxy for directors’ monitoring effort. The director is likely to be more informed about existing and appropriate strategies and actions to solve problems as the number of meetings increases [254–256]. Therefore, committees suffer less from asymmetric information [41, 254].

4. Conclusion

The current chapter analyzes the literature on the influence of diversity in boardrooms and CSR committees.

Board diversity could shape the decision-making process, specifically in terms of socially responsible activities [171]. The heterogeneity of directors’ profiles can increase exchanges and business’ connections, offer new perspectives, and influence the board’s functioning. Consequently, it can influence both financial and social performances [257, 258]. More diverse boards could drive better social performance than less diverse ones [2, 6]. It could also promote specific CSR strategies. In fact, CSR literature identifies a dichotomous approach to define CSR strategies:

1. Strategic CSR is based on original and pioneering actions to foster interactions between the firm and stakeholders, going beyond CSR regulations and standards. It needs the mobilization of specific resources and capabilities driving superior social performance.
2. Responsive CSR is an imitative CSR strategy where the firm is involved in CSR activities responding to specific regulations and stakeholders’ pressure. In calls for tenders, governments may prefer socially responsible firms.

This dichotomous approach of CSR strategies could be biased. Many firms could display a strategic CSR in some areas and a responsive CSR in other areas. The literature on how to identify them is still scarce.

We also shed light on the key role of CSR committees on CSR performance and the implementation of strategic CSR policies [22, 23, 25] and how they could decrease CSR risks [22, 23]. We notice that diversity on board committees is not yet fully explored, more diverse boards lead to the creation of more diverse committees and the emerging studies on CSRC diversity provide some empirical evidence that heterogeneity in CSRC is likely to favor strategic CSR.

In line with dependence resource theory, this chapter concludes that more inclusive nomination policies could help the company to get access to new opportunities through a better understanding of the market expectations and deployment of more resources [9], specifically in high uncertainty contexts, where diverse teams could be more successful [20, 21].
Corporate Social Responsibility

References


[16] Deegan C, Blomquist C. Stakeholder influence on corporate reporting: An exploration of the interaction between


of Financial Economics. 1976:3:305-360. DOI: 10.1016/0304-405x(76)90026-x


[49] Pfeffer J. Size, Composition, and function of hospital boards of directors.


[65] Prado-Lorenzo JM, Garcia-Sanchez IM. The Role of the


[99] Torchia, M, Calabròb A, Gabaldonc P, Kanadli SB. Women directors contribution to


[147] Freeman R. Strategic management: A stakeholder approach, Massachusetts: Pitman Publishing Inc; 1984. DOI: 10.1017/cbo9781139192675.003

[148] Russo MV, Fouts PA. A resource-based perspective on corporate environmental performance and


[244] Michelon G, Parbonetti A. The effect of corporate governance on


Chapter 10

Measuring Corporate Social Responsibility Performance: A Comprehensive AHP Based Index

Asma Mohammed Bahurmoz

Abstract

Although there is no agreed upon universal definition of corporate social responsibility (CSR), organizations are often ranked in terms of their CSR performance. However, two glaring gaps have been identified in the CSR literature. First, evaluation methodologies are questionable and often lack a scientific basis and second, stakeholder representation is not made explicit or is missing altogether. This paper contributes to the CSR literature by constructing a CSR index based on the Analytic Hierarchy Process (AHP), as well as ensuring that stakeholder judgments are an integral part of the constructed index. The developed index is implemented to measure CSR performance in a business setting. An AHP-based CSR Index is developed for the Services Sector in Saudi Arabia to serve as a case study. The developed index is used to measure CSR performance in over forty corporations. The paper adds to the existing literature by providing insight into how the Saudi corporations perceive and practice CSR. The paper concludes that a systematic usage of the developed AHP-based CSR index would facilitate corporations to adopt a more responsible and measurable behavior, while it offers government institutions the option to rank corporations in terms of their CSR practices in a scientific manner.

Keywords: AHP, corporate social responsibility (CSR), CSR performance, group decision making, Saudi Arabia, services sector

1. Introduction

Hoffman [1], in his historical study, concluded that the concept of corporate social responsibility (CSR) goes back to the 1920s. It has grown in recognition as exemplified by initiatives like the Global Reporting Initiative in 2002, and the more recent directive of the European parliament and Council of 2013 that require a CSR disclosure in annual financial reporting. However, in spite of the accelerating rise of the CSR concept in recent decades, and its popularity as a research topic, it has no exact definition to date and lacks a universally accepted framework [2–4].

Bowen [5] coined the first CSR definition. He emphasized that responsibility of corporates actions goes beyond their profit and loss statement. In 2001, two definitions were proposed by the European Commission’s green paper: 1) “CSR is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment”; 2) “CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” [6].
The lack of a clear-cut definition of CSR has resulted in a wide variation of its practical use [7]. Some managers view CSR as an obligation, some define it as a considered proactive behavior, and still others believe it is nothing more than a reactive action or simply charity [8, 9]. This divergence in managerial perceptions is partly due to the heterogeneous factors that influence CSR behavior and practices. These factors include globalization, governmental and inter-governmental bodies, advances in communication technologies, growing demand for more transparency on the policies companies are following in managing environmental and social issues, corporate governance, and finally the limitation of governments to regulate all aspects of CSR.

Mosgaller [10] states that the three pillars of performance (purpose, process, and people) are essential if CSR is to evolve from merely a passing fad to an integral part of organizational practice. The basic argument is that if CSR is to be a sustainable proposition, the purpose of CSR should be clear to employees, processes should be in place to implement CSR effectively and stakeholders should engage in and commit to the CSR practices implemented within their organizations. Trapp [11] stated that involving stakeholders in the decision to adopt CSR strategies would increase the benefits to a company. Tsourvakas and Yfantidou [12] found that “recent research indicates that there is a correlation between a company’s CSR practices and stakeholder responses and attitudes towards that company”. Barić [13] demonstrates that “the concept of corporate social responsibility has gone, in its several decades of existence, from the ‘unnecessary dependency’ phase to the ‘critical business model phase’” (p. 133).

Although there is abundant research addressing CSR in the last decade, it would not be an exaggeration to state that confusion, measurement challenges, and transparency are only a few of the many problems facing the practice of CSR worldwide, [14]. It appears that there is no systematic implementation and/or adaptation of CSR practices, and as result, the effectiveness of these practices remains ambiguous at best. Recently published research shows that the measurement of CSR performance is a key objective especially to help funders and investors decisions [15].

Therefore, there is an urgent need to develop a robust system to measure corporate performance with respect to CSR, and this system must address all stakeholders’ interests.

There is a clear need to formulate a systematic scientific methodology that will not only help corporations identify their social, environmental and economic responsibilities, but one that would also facilitate stakeholders in identifying and prioritizing which factors, in particular, effectively deliver these responsibilities in a transparent and measurable manner. Against this background, the aim of this research is to construct a comprehensive CSR index that reflects and represents the priorities of stakeholders and that can be utilized to evaluate their CSR performances against their own established CSR goals. The proposed index is illustrated by constructing a CSR index for the Services Sector in Saudi Arabia. The developed index is implemented to rank corporations in the services sector with respect to their CSR performance as prioritized by their stakeholders.

This paper contributes to the CSR literature by constructing a CSR index based on the Analytic Hierarchy Process (AHP). The AHP is a multi criteria decision making methodology was developed in the eighties by Thomas Saaty. Choosing the AHP methodology will ensure that stakeholder judgments are an integral part of the constructed index. The developed index is implemented to measure CSR performance in a business setting. An AHP-based CSR Index is developed for the Services Sector in Saudi Arabia to serve as a case study. The developed index is used to measure CSR performance in over forty corporations. The paper adds to the existing literature by providing insight into how the Saudi corporations perceive and practice CSR. The
paper concludes that a systematic usage of the developed AHP-based CSR index would facilitate corporations to adopt a more responsible and measurable behavior, while it offers government institutions the option to rank corporations in terms of their CSR practices in a scientific and transparent manner.

The following section sheds light on the emergence of CSR indices, Section 3 explains the methodology of constructing the proposed index and implementing it on forty Saudi corporate in the service sector. Section 4 will provide thorough analysis of the results. Section 5 indicates managerial implication of the proposed index followed by Conclusions and future research presented in Section 6.

2. Emergence of CSR index

As previously discussed, there is a growing recognition by businesses that CSR is, and should be, an integral part of their strategic vision. On the one hand, this agenda is dictated by the greater society, which now demands that businesses be more socially responsible in their decisions and actions, and on the other hand, this focus is partly attributable to greater awareness on the part of the businesses themselves. Reflecting this trend, a number of international institutions set out to evaluate market performance of socially responsible firms that gave rise to the so-called CSR index and launched CSR as a new dimension to measure corporate value.

The CSR index is defined as a “management and benchmarking tool that enables companies to effectively measure, monitor, report and improve their impacts on society and the environment” [16]. Such evaluations have been particularly popular in international capital markets as institutions have sought to evaluate the value addition of CSR to the corporate value of firm’s socially responsible investments (SRI). In 1999, the first CSR index in the world was created by the Dow Jones Stocks and Sustainability Asset Management Co, known as the Dow Jones Sustainability World Index (DJSI World), its aim is to value stock performance of socially responsible firms with reference to expectations of the greater society [17].

The subsequent rise of CSR indices has been fuelled by the observation that, on a global level, indices based on CSR or environmental, social, and governance (ESG) themes have outperformed the benchmark indices. Following the lead of the United States, many of the disclosure efforts and the related CSR indices that have emerged are from stock exchanges around the world as they attempt to establish a reflective market mechanism that assesses a firm’s efforts in fulfilling its social responsibilities.

The DJSI World and CSR indices in other countries were examined with the intent to identify relevant dimensions and criteria that could be incorporated in constructing a scientific comprehensive CSR index to evaluate corporations in Saudi Arabia. A survey of the related literature reveals 22 CSR indices worldwide (see Appendix) and shows that construction of CSR indices is a relatively recent phenomenon. Furthermore, the literature suggests that most countries do not even have any form of informal government regulations to encourage CSR disclosure let alone any form of formalized index to monitor disclosure. The Middle East is not an exception, as only Egypt and Saudi Arabia support a CSR-based index. This is consistent with the CSR philosophy that is based on voluntarism.

In the absence of government regulations, a scientific based index is necessary to encourage organizations to engage in strategic and transparent CSR practices. Accordingly, the construction of a scientific based CSR index for the Saudi corporate world would not only add value to the CSR evaluation practices, but it would also set a precedent within Middle Eastern countries in particular.
3. Research methodology

This research was conducted in two phases. First, a comprehensive CSR Index was constructed. Then, it was implemented to rank service corporations in terms of their CSR performance.

To construct a comprehensive CSR index that includes all stakeholders’ perspectives would entail measuring every single CSR indicator. This task would not only be impossible, but it risks confusing rather than clarifying the objectives, especially since at least some, if not all, of the selection is based on normative judgments. Therefore, the development of a CSR index will be addressed as a multi-criteria group decision-making problem. The methodology that easily lends itself to a task like this is the rating model of the AHP. It offers an advantage over other techniques as it focuses on the relative importance of one CSR indicator compared to another, and it does not require direct measurement of each indicator for comparison [18]. The AHP methodology aggregates judgments in a way that satisfies the reciprocal relation in comparing two elements [19]. It combines the outcomes of the experts’ judgments using the geometric mean of the judgments [20]. For more details on the AHP methodology the reader is referred to [18, 21]. The strength of the AHP lies in its capability to compare qualitative and quantitative criteria simultaneously and in integrating the subjective judgments of the decision maker with the objectivity of the alternatives criteria in a robust mathematical model. It follows that as CSR indicators often comprise competing conflicting criteria with competing attributes, the AHP offers a logical format to quantify their selection attributes, which can be evaluated systematically, unlike traditional CSR index construction methods [22].

The published research reveals few applications of the AHP methodology in relation to the field of CSR studies. Tafti [23] developed a fuzzy AHP model to assess CSR practice in a bank. Costa [24] pointed out the importance of including the stakeholder's perception and developed a fuzzy multi-criteria model to measure the company CSR as perceived by its stakeholders. The proposed research is different in that it builds a comprehensive index representing all stakeholders in the service sector and implements it to evaluate CSR performance in the sector. Also, it can be easily generalized to cover all other industries. This model also implements the original and simple AHP which has proven to be a robust mathematical model.

3.1 Constructing the AHP-based CSR index

Four stages will be performed to construct an AHP-based CSR index as perceived by experts in the private sector and the local community:

1. Selection of CSR indicators (structuring the hierarchy).
2. Selecting the group decision makers.
3. Eliciting experts’ judgments (Pairwise comparisons).
4. Establishing priorities (Calculating the principal eigenvector).

3.1.1 Selection of CSR indicators

A comprehensive CSR index must reflect economic, legal, environmental, social, and ethical corporate responsibilities. Furthermore, for such an index to be acceptable to a corporation and for it to be ‘owned’ by its management, stakeholders should have the opportunity to set priorities for each of its constituent elements.
from their personal perspectives. However, as previously stated, there is no specific definition for the CSR concept, neither is there agreement on its constituent elements. Therefore, as a first step in developing the index, the most frequent elements from the 22 indices studied (Section 3 and Appendix) were selected and clustered to construct the criteria for the proposed CSR index. It is worth noting that each element was carefully assessed with respect to its suitability within the Saudi corporate context. The selected indicators are defined herein.

1. Legislation: This reflects the extent to which the corporations respect the government’s laws that address the needs of society. These criteria are divided into two sub-criteria, governance and obligations. Governance indicates the existence of a system that governs relations among all of the actors who influence the performance of a corporation, such as stockholders rights (equity), stakeholder involvement and employment opportunities for the locals (nationalization). Obligations refers to those activities, such as combating corruption, that reflect corporate obligations towards serving the society in which it operates. Notably, this sub-criterion is most commonly repeated in international CSR indices previously mentioned.

2. Social Development: This includes communication through increasing public awareness and investing in individuals, an activity that could be termed ‘intelligent giving’ as it encompasses initiatives such as sponsoring talented individuals and minorities in the society.

3. Employment: This criterion covers every aspect related to the rights of corporate employees. Employment includes aspects such as guaranteeing equal opportunity in recruiting, promoting employee morale and substantial rights, enhancing career development and occupational health and safety.

4. Environment: This criterion reflects the extent to which the corporation protects the environment when designing and processing its goods and services. It includes three sub-criteria: the efficient use of resources, environmental consideration and anti-pollution efforts.

5. Production Efficiency: This refers to the policies the corporation follows in its product/service supply chain, and as such, it covers a wide spectrum of factors. The most important and frequently repeated in most indices are quality and integrity of the product/service, customer relations management (CRM), supplier standards, innovation strategies and production costs. These five main indicators and their sub-criteria represent the hierarchy for the proposed AHP-based CSR index, as depicted in Figure 1.

3.1.2 Selecting the group decision makers

To construct a proposed CSR index that is representative of the priorities of all the stakeholders, the opinions of executive managers from the three service sector categories were sought, i.e. private hospitals, banks and hotels. To remove any industry specific biases and to be able to make ‘like with like’ comparisons, corporations from one business sector, namely, services, were selected. Furthermore, to remove any potential bias across the three categories within the service sector, it was decided to combine judgments collected from the service executive managers with judgments from another independent CSR expert group. Such external validation is a valuable instrument in constructing a robust CSR index.
This independent CSR expert group was categorized as the wider local community, and it was comprised of purposefully selected individuals including academics, MBA students and managers from other service sectors. These individuals were chosen to represent the local community on the basis that they would be knowledgeable and possess expertise about CSR on par with the executive managers from the service sector organizations.

3.1.3 Eliciting expert judgments

A questionnaire was designed to ascertain the judgments and opinions of the respondents since it is not feasible to have all of the groups in one setting. The questionnaire was based on a Google platform that was adjusted to facilitate the AHP pairwise comparisons. Using Saaty’s absolute scale, the following two questions were posed for each element in the AHP hierarchy [18].

1. Which of the two criteria do you consider to be more important (dominant) with respect to its upper level criterion?

2. To what degree is the dominant element more important than the subordinate element?

Acknowledging the fact that some survey participants may not be familiar with such a questionnaire and/or its format, and to remove potential bias and error, the survey was followed up with personal phone calls to the respondents. Furthermore, face-to-face meetings were conducted with a random sample of participants to ensure judgment reliability.

Of the 400 questionnaires posted, 255 were completed and returned. Of these, 37 were discarded because they were not complete. Thus, the sample comprised 218 completed questionnaires, reflecting a response rate of over 50%. The distribution of the respondents is illustrated in Table 1. For illustration, Figure 2 shows pairwise comparison of Legislation with Social Development with respect to goal (Rank corporate with respect to their CSR performance).
3.1.4 Establishing priorities

Based on the judgments given by the respondents, priorities of every element were derived mathematically using the principal eigenvector of a matrix of pairwise comparisons of the main criteria and sub-criteria. AHP based software provides the mathematical calculation of the eigenvalue. It analyzes the priorities showing the relationship between the multi-layered stratification of criteria and sub-criteria to demonstrate a multitude of elements that were pairwise compared so as to determine their relative importance to the goal. The prioritization ranking of the five CSR elements that comprise the AHP criteria by the two groups of respondents (i.e., the local community and services corporate sector) are illustrated in Table 2. Global priorities for all the sub-criteria of the proposed CSR index are given in Table 3. Both corporate priorities and community priorities are combined implementing the geometric mean in Tables 2 and 3.

### Table 1.
Distribution of respondents.

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Local community</th>
<th>Services corporations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributed</td>
<td>Academic</td>
<td>Students</td>
<td>Managers</td>
</tr>
<tr>
<td>50</td>
<td>100</td>
<td>50</td>
<td>90</td>
</tr>
<tr>
<td>Received</td>
<td>23</td>
<td>77</td>
<td>18</td>
</tr>
</tbody>
</table>

### Figure 2.
Pairwise comparison of legislation with social development with respect to goal (rank corporate with respect to their CSR performance).

#### 3.2 Implementing the developed CSR index

An intentional sample of the private sector corporations is selected to represent the alternatives for testing the proposed CSR index. Forty-two corporations were selected mostly from banks, hospitals and hotels. Interviews were conducted to collect information about their CSR practice.

In order to systemize the interviews, a rubric was developed. For each sub-criteria a set of questions was designed to address four levels of performance: leadership,
Corporate Social Responsibility

### Table 4.
Summary of the rubric and intensity of its levels.

<table>
<thead>
<tr>
<th>Corporate performance level</th>
<th>Level</th>
<th>Intensity priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate does not address CSR concept in its management practice.</td>
<td>0</td>
<td>.01</td>
</tr>
<tr>
<td>Top management has the intension but nothing has been done</td>
<td>1</td>
<td>.07</td>
</tr>
<tr>
<td>CSR is addressed in its strategic plan, systems are developed.</td>
<td>2</td>
<td>.19</td>
</tr>
<tr>
<td>CSR is addressed in its strategic plan, systems are developed and in the process of implementation</td>
<td>3</td>
<td>.80</td>
</tr>
<tr>
<td>Fully committed to CSR practice. An annual report is publicly published</td>
<td>4</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### Table 3.
Global priorities as judged by all stakeholders - corporate sector and local community.

<table>
<thead>
<tr>
<th>Sub criteria</th>
<th>Corporate priorities</th>
<th>Public priorities</th>
<th>Combined priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupational health and safety</td>
<td>0.119</td>
<td>0.077</td>
<td>0.096</td>
</tr>
<tr>
<td>Intelligent giving (investments)</td>
<td>0.049</td>
<td>0.130</td>
<td>0.080</td>
</tr>
<tr>
<td>Product quality, integrity</td>
<td>0.073</td>
<td>0.081</td>
<td>0.077</td>
</tr>
<tr>
<td>Anti-corruption strategies</td>
<td>0.048</td>
<td>0.094</td>
<td>0.067</td>
</tr>
<tr>
<td>Efficient use of resources</td>
<td>0.074</td>
<td>0.060</td>
<td>0.067</td>
</tr>
<tr>
<td>Public awareness (communications)</td>
<td>0.058</td>
<td>0.076</td>
<td>0.066</td>
</tr>
<tr>
<td>Material and moral rights</td>
<td>0.091</td>
<td>0.036</td>
<td>0.057</td>
</tr>
<tr>
<td>Anti-pollution efforts</td>
<td>0.052</td>
<td>0.063</td>
<td>0.057</td>
</tr>
<tr>
<td>Fair opportunities in recruitment</td>
<td>0.061</td>
<td>0.049</td>
<td>0.055</td>
</tr>
<tr>
<td>Environmental considerations</td>
<td>0.054</td>
<td>0.051</td>
<td>0.053</td>
</tr>
<tr>
<td>Innovation and development strategies</td>
<td>0.047</td>
<td>0.050</td>
<td>0.049</td>
</tr>
<tr>
<td>Career development</td>
<td>0.052</td>
<td>0.044</td>
<td>0.048</td>
</tr>
<tr>
<td>Equity</td>
<td>0.055</td>
<td>0.030</td>
<td>0.041</td>
</tr>
<tr>
<td>CRM</td>
<td>0.027</td>
<td>0.054</td>
<td>0.038</td>
</tr>
<tr>
<td>Cost of production</td>
<td>0.033</td>
<td>0.036</td>
<td>0.035</td>
</tr>
<tr>
<td>Stakeholder involvement</td>
<td>0.037</td>
<td>0.025</td>
<td>0.030</td>
</tr>
<tr>
<td>Standards suppliers</td>
<td>0.020</td>
<td>0.030</td>
<td>0.025</td>
</tr>
<tr>
<td>Nationalization</td>
<td>0.030</td>
<td>0.019</td>
<td>0.024</td>
</tr>
</tbody>
</table>

### Table 2.
Priorities of the main CSR index criteria by the local community and the services sector.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Corporate priorities</th>
<th>Community priorities</th>
<th>Combined priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>0.323</td>
<td>0.200</td>
<td>0.25</td>
</tr>
<tr>
<td>Production Efficiency</td>
<td>0.199</td>
<td>0.251</td>
<td>0.22</td>
</tr>
<tr>
<td>Environment</td>
<td>0.200</td>
<td>0.174</td>
<td>0.19</td>
</tr>
<tr>
<td>Legislation</td>
<td>0.171</td>
<td>0.168</td>
<td>0.17</td>
</tr>
<tr>
<td>Social Development</td>
<td>0.107</td>
<td>0.207</td>
<td>0.15</td>
</tr>
</tbody>
</table>
systems, implementation and achievement. A fifth level (None) was added; a value of (0) was assigned wherever a corporation does not address that specific criterion or was not practicing the CSR concept in managing its business, (Table 4). The resulting rubric from the interview was converted into numbers and intensity priorities were developed (Figure 3). The rating model of the AHP is implemented to rank the performance of the 42 surveyed corporations.

4. Data analysis

Findings show that corporations from the service sector give top priority to employment (Table 2). This may reflect the companies’ response to the current drive towards job nationalization by the government. Currently, companies are under pressure to develop tangible policies to attract the indigenous population to join the private sector. It is worth noting that traditionally Saudis prefer to work for the public sector. Statistics show that less than 15% of Saudis work in the private sector and almost 85% are employed in the public sector, while the underlying unemployment exceeds 10% [25]. Not surprisingly, employment is a top priority for the local community. This conclusion is reinforced when the combined priorities of the two groups of CSR experts, corporate and community, are taken into account. The combined results also rank employment as the first CSR priority. The second top criterion is Production Efficiency as it is vital for corporate sustainability. It is worth pointing out that since the community sample was mostly drawn from the faculty and students in the School of Business, it is only natural to see Production Efficiency come first in the community priorities and second when their priorities are combined with the corporate priorities.

Global priorities of all sub-criteria in Table 3 show that Occupational Health and Safety, Intelligent Giving, Product Quality and Integrity and Anti-corruption Strategies rank high and when combined score slightly over 33% of the global priorities. When examining the global priorities for all of the CSR index sub-criteria, it is interesting to observe that although priorities vary between community and corporate judgments, the ranking of the CSR criteria does not change dramatically. This makes a compelling case for the corporate sector to meet its CSR commitments as determined by its own judgments.
The resulting index was implemented on 42 local corporations mostly from the service sector. Members of top management or CSR managers were interviewed. The interview rubric that resulted was converted into numbers according to Table 4. A summary of corporate performance is given in Figure 4, where Series 1 stands for level 4 i.e. complete CSR performance and Series 5 stands for no performance at all. Figure 5 exhibits the corporate performance with respect to the top two criteria, namely, Employment and Product Efficiency. Results show that 75% of the surveyed corporations are at levels beyond merely intention, 53% of the total 42 corporations are fully committed to the Employment criterion and 44% are fully committed to the Production Efficiency criterion. These results emphasize that corporations are committed to their own judgments when their judgments are elicited to prioritize index criteria and when preferences of other stakeholders (community) are taken into account. Meanwhile, it reflects the robust design of the proposed index. Figure 6 presents the ranking of the surveyed corporations with respect to their CSR performance reported by the interviews and rated against the criteria prioritized by the stakeholders. Names of surveyed corporations are hidden for confidentiality purpose.

Figure 4.
CSR corporate performance.

Figure 5.
Percentage of corporate performance with respect to employment and productivity.
5. Managerial implications of using AHP based CSR index

1. The AHP permits a holistic approach whereby corporate CSR judgments can be ranked and integrated with judgments from the greater society. Thus, a CSR index constructed in this manner integrates what the wider society expects from the corporate sector, on the one hand, and what the corporate sector perceives as its own prime CSR priority, on the other hand.

2. The AHP ensures that the judgments of all stakeholders are taken into account and are prioritized in a scientific and transparent manner. Stakeholder’s judgments can be assigned different weights according to certain criteria such as faculty versus students or top management employees versus third line employees [18]. However, such categorization is not applicable to this work. All stakeholders’ judgments are weighted equally.

3. The AHP model helps to determine the comparative strength of the corporate responsibility program. With the number of ratings and rankings in existence, it can be overwhelming to determine which to pursue. The AHP methodology makes this comparative analysis and ranking of priorities relatively easier without compromising the robustness of the model and/or the scientific basis of the model.

4. The AHP model does not require measurement precision for an alternative, which is usually not available in the practice of CSR. Rather than applying the AHP methodology, the emphasis shifts to the criteria used to weigh and synthesize the measurement of the alternatives as they have a greater impact on the outcome.

5. The AHP-based CSR index has a distinct advantage over other indices as it is not dependent only on data as it merges subjective priorities of the stakeholders with objective data provided by the corporations.
6. The AHP-based CSR index developed in this study for evaluating corporate CSR performance restores trust between the corporate sector and the greater society. However, further research to explore variations across organizations within a sector or across sectors would help uncover the underlying motivations that determine and explain the CSR decision-making process.

7. Having such a compact CSR index would facilitate corporations in formulating a balanced strategy as well as help the greater community evaluate the performances of corporations with respect to their declared CSR commitments. Furthermore, government institutions can use it to evaluate and compare CSR corporate performance.

8. Identifying CSR obligations and committing to them in a transparent manner would support a sustainable CSR-based business environment where sustainability is defined as conducting business without endangering the activities of future generations. This is supported by the underlying thesis of the AHP technique as its inherent ranking process promotes awareness and encourages ownership of the process.

9. The AHP methodology is not overly complex. It legitimately aggregates across scales and addresses consistency in judgments from multiple participants. It also formalizes the selection process, reduces time commitments, creates a process-oriented selection method and results in better selection of CSR indicators [22]. Furthermore, it can be replicated in similar situations and ultimately reduces costs and effort related to the selection process and to the occurrence of selection errors post-selection.

6. Conclusion and future research

Very few studies have attempted to formulate a framework of analysis that systematically documents or prioritizes CSR practices. This research set out to construct a comprehensive CSR index that aimed to understand and analyze CSR practices within Saudi corporations. It takes into account stakeholders’ judgments and facilitates meaningful rankings and comparisons of their CSR priorities. Most previous CSR literature fell short in addressing this issue. Given the shortcomings of the existing indices, the study proposed and constructed a CSR index based on the AHP methodology. Expert judgments were collected through a survey of people from the corporate sector as well as the wider community. The proposed index has been verified by implementing it in the same business environment. Local corporations in the service sector were investigated and their performance was evaluated and finally they were rated by the proposed index.

Extant CSR studies are usually one-dimensional, tending to focus on environmental and community issues and using secondary data sources, both of which are considered shortcomings. This research overcomes these shortcomings by collecting original data and by using the AHP model that extends beyond the restrictions of previous approaches. The AHP makes it possible to analyze CSR practices in a multi-dimensional context.

The findings demonstrate that Saudi companies do not view CSR mainly in terms of philanthropy given that employment and production efficiency emerge as the most highly ranked corporate priorities. This confirms the view that Saudi businesses are moving towards adopting CSR practices as part of their corporate strategy. This further highlights the need for a robust CSR index for the Saudi corporate sector.
Using an AHP based index helped analyze CSR practice in a multi-dimensional fashion and identify CSR obligations in a transparent manner. For future research the proposed model can be easily replicated or modified in similar situations not only inside Saudi Arabia but in other countries around the world. Furthermore, the findings can be used to facilitate CSR best practices across borders.

A. Appendix

A.1 CSR indices worldwide

1. The Dow Jones Sustainability Index (DJSI), was created in 1999. It recognized companies for their outstanding economic, environmental and social performances. The screening standards of the DJSI World were defined to reflect the carport’s contribution to the economy, the society, and the environment. In May 2013, S&P Dow Jones Indices and Robeco SAM launched a new range of diversified sustainable indices. The eight new indices target investors who measure performance against standard benchmarks, but want to add sustainable companies to their portfolios. In 2013, Dow Jones launched the Dow Jones Sustainability Emerging Markets, the first index to measure sustainability performance from emerging markets. The index has a market capitalization of $680 billion and evaluates sustainability performance based on the ESG criteria. Other notable indices launched in the US include the launch of the Thomson Reuter Corporate Responsibility indices developed in conjunction with S-Network Global Index. These indices rate companies’ CSR investments through an assessment of their ESG practices [26].

2. The “Financial Times Stock Exchange for Good Index Series (FTSE4GOOD)” was found by The London Stock Exchange in 2001. It consists of global firms dedicated to a sustainable environment, corporate governance, and international human rights. FTSE4GOOD provides a tool for responsible investors to identify and invest in companies that meet globally recognized corporate responsibility standards, and it contributes to the development of responsible business practices around the world. The index concentrates on environmental and human rights criteria in addition to supply chain labor standards, countering bribery and climate change criteria. In 2009, the UK-based Social Stock Exchange (SSE) was launched, and in 2010, companies that used more than 6000 MWh per year were to start reporting on all emissions related to energy use [27].

3. The Advanced Sustainability Performance Eurozone Index (ASPI Eurozone®): This index is considered as one of the leading sustainability indices. It is used by a growing community of responsible investors to define sustainable investment universes, to benchmark their investment performances and to create index-linked products. It consists of six main criteria: environment, community involvement, human rights, business behavior, human resources and corporate governance. In 2013, the S&P Nordic Low Volatility Index was created from a selection of the 30 least volatile stocks on the S&P Nordic Broad Market Index, while the NYSE Euronext and Vigeo partnered to create a range of indices that focus on ESG issues and consist of the most important listed companies in the Asia-Pacific region, Europe and North America.
4. The Morning Japan K.K launched Morningstar Socially Responsible Investment Index (MS-SRI) in 2003. It is Japan’s first stock price index to focus on CSR. Morningstar Japan selects the top 150 publicly listed companies with respect to their CSR activities and calculates an index based on stock prices. It is based on five criteria, namely, governance, accountability, markets, working environment, and social contributions. In 2009, Environmental ETF Japan Green Chip 35 (1347) was launched.

5. The S&P ESG India Index represents the first of its type to measure ESG practices based on financial rules and environmental and social criteria. In 2012, the Bombay Stock Exchange (BSE) launched the BSE Carbonex, the first carbon-based thematic index in the country. It tracks the performance of the constituent companies of the BSE-100 index and their commitment to greenhouse gas emissions reduction. BSE also launched its green index. More recently, the Indian Institution of Corporate Affairs (IICA) and the Bombay Stock Exchange Ltd. (BSE) collaborated to develop a corporate social responsibility (CSR) index. The proposed IICA-BSE CSR index will assess the impact and performance of companies listed on the BSE with respect to their CSR activities. The index will also examine the performances of companies regarding their mandatory CSR spent as per the new Companies Act 2013 as one of the important and objective criteria [28].

6. The Egyptian S&P/EGX ESG Index was developed by the Index Egyptian Institute of Directors, S&P Indices and Crisil. The purpose of the index is to raise the profile of those companies that perform well with respect to their environmental, social and corporate governance responsibility when compared to their market peers registered on the Egyptian Stock market [29].

7. The Saudi Responsible Competitiveness Index (SARCI, [30]) was developed by the SAGIA and the King Khaled Foundation and Accountability in 2008. It aims to promote good CSR practices within the Saudi corporate sector. Participation in the index is voluntary for companies.

8. In Canada, the Jantzi Social Index was launched in 2000, and in 2007, the IShares launched a socially responsible ETF.

9. Following North America and the U.K, in 2001 the corporation act in Australia required the disclosure of violations of environmental legislation in listed companies. In 2010, Australia introduced its new ethical disclosure requirements under the Financial Services Reform Act (FSRA) annual reports whereby companies listed on the Australian Stock Exchange (ASX) must disclose whether they have developed a code of conduct on environmental risks and controls [31].

10. In Germany, Deutsche Borse established the DAX Global Alternative Energy Index, which includes international companies whose revenues are based on technology and services designed to promote and generate alternative energy sources in an effort to highlight growth trends towards alternative energy. In 2007, Deutsche Borse established the DAXglobal Sarasin Sustainability Germany Index and the DAXglobal Sarasin Sustainability Switzerland Index, which follow companies that meet the sustainability requirements of the Sarasin Sustainability Matrix. The German Council for
Sustainable Development (GCSD) developed a German sustainability code in 2011 that includes 20 criteria and 27 GRI performance indicators.


13. The Warsaw Stock Exchange launched the first stock index of responsible companies in Central and Eastern Europe by the end of 2009. Three years later, the Warsaw Stock Exchange launched the RESPECT index, which lists companies with a high reporting quality and an advanced level of investor relations or information governance.


15. In 2011, Mexico launched its sustainability index.

16. The Chinese Social Responsibility Index was launched by SSE and China Securities Index Company in 2009, while the Hang Seng Corporate Sustainability Index Series was launched in 2010. The Shanghai Stock Exchange launched a new environmental protection industry index in September 2012. The new index screens for stocks that obtain more than 25% of their revenue from resource management, clean technology, or pollution management.

17. Taiwan Stock Exchange (TWSE) launched its CSR index in 2012 to observe CSR and corporate governance practices.

18. In 1991 the KEJI index was the first comprehensive evaluation scheme for corporate business ethics and social responsibility developed and implemented in Korea. Each year, the KEJI selects annual Economic Justice Award winners based on quantitative and qualitative evaluations. One of the distinctive features of the KEJI index is that it is a product of an independent rating service. It focuses on the evaluation of multidimensional corporate social performances and yields a score on seven individual categories of CSR: soundness, fairness, contribution to society, consumer protection, environmental protection, employee satisfaction, and contribution to economy [32].

19. The OWW Responsibility™ Malaysia SRI Index, which was launched in 2006, aims to help the SRI community access up-to-date information on the social performance of companies in Malaysia and Singapore and to open up the Malaysian market to socially responsible investors. In 2012, Bursa Malaysia (Malaysia’s stock exchange) launched its environmental, social and corporate governance (ESG) index to attract more socially responsible investment (SRI) funds to Malaysia and to raise the profile of Malaysia’s listed companies that perform well on the ESG indicators compared to their peers.

20. Indonesia launched The KEHATI-SRI Index in 2009. It tracks corporations that have sustainable business practices.
21. The Istanbul Stock Exchange Sustainability Index (ISE SI) was launched in 2012.

22. In 2004, SRI index of companies was launched by the Johannesburg Stock Exchange (JSE). In 2012, JSE announced that more than 70% of the listed companies met the base requirements to become constituents of the 2012 Socially Responsible Index.

Author details

Asma Mohammed Bahurmoz
King Abdulaziz University, Jeddah, Saudi Arabia

*Address all correspondence to: asma@bahurmoz.com

IntechOpen

© 2020 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/3.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.
References


Differences. Pittsburgh PA: RWS Publications; 2008


[23] Tafti H. Emami. Assessment the corporate social responsibility according to Islamic values (Case Study: Sarmayeh Bank) Procedia - Social and Behavioral Sciences. 2012;58:1139-1148


Chapter 11

Social Responsibility and Financial Performance: The Case of STOXX Europe Index

Cristina Gaio and Rita Henriques

Abstract

The main objective of this study is to analyze whether companies that pursue corporate social responsibility (CSR)-based policies have a higher level of financial performance compared to those that do not. Additionally, we study the effect of the last financial crisis on the relationship between CSR and financial performance in order to figure out whether or not companies sharing these environmental and social concerns had higher financial performance than their peers. To do so, three empirical models are designed, combining both traditional accounting measures (return on equity and return on assets) and a measure sensible to market values (Tobin's Q) to assess the financial performance. A sample of 266 listed companies, from 15 European countries and 14 industries, listed on the STOXX Europe 600, is analyzed. Results suggest that companies pursuing CSR policies financially outperform their peers, and these results are supported even during the financial crisis period. This study highlights the idea that companies pursuing CSR policies put a considerable effort on building a stronger corporate reputation which in turn generates short- and long-term benefits, leaving behind the idea of the traditional companies that focused only on financial performance.

Keywords: corporate social responsibility, financial crisis, financial performance, STOXX Europe 600, Tobin's Q

1. Introduction

Corporate social responsibility (CSR) has been described as the importance of pursuing environmental and social goals involving all shareholders and not just financial goals [1].

In a similar context, the concept of sustainability also comes up. Both CSR and sustainability are widely used terms. According to [2], sustainability requires us to “meet the needs of the present without compromising the ability of future generations to meet their own needs” (page 41). Therefore, CSR is the contribution of companies to sustainable development efforts, taking into account the impact of their social and environmental actions and their contribution to the improvement of society as a whole and of the surrounding environment [3].

CSR has been studied over the years with a special emphasis on the benefits it does generate in the company’s financial performance. Many authors who have addressed the relationship between CSR and financial performance have come to
different conclusions. Many claim that there is a positive relationship [4–6], others argue that the existing relationship is negative [7, 8], while others claim that there is no relationship at all [9]. These differences may be due to the lack of theoretical support behind the hypotheses formulated and the limitations in the design and size of the sample and the variables used [10]. Also, Davidson and Worrell [11] state that sometimes doubtful CSR indexes or inappropriate techniques are used, which may contribute to the mix results found in the literature.

Our main motivation to study this topic is directly related to the growing concern of companies with the environmental and social issues, since there is a greater understanding that being socially responsible increases their reputation and image, thus generating short-, medium-, and long-term benefits. In addition, most studies on the relation between CSR and finance performance focus on a single industry or country.

Therefore, the main objective of this chapter is to analyze whether companies that pursue CSR-based policies have a higher level of financial performance compared to those that do not in an international sample. A separate analysis of this relationship will also be conducted and will be focused on the last financial crisis period in order to figure out whether or not companies sharing these environmental and social concerns have higher financial performances than their peers. To this end, 266 companies from 15 European countries were analyzed in a 10-year period from 2007 to 2016.

Results suggest that companies pursuing CSR-based policies have, on average, higher financial performance than those that do not. In the same way, during the period of financial crisis, companies pursuing CSR-based policies are found to have outperformed other companies in line with existing literature trends [12–16].

The study is divided as follows: Section 2 reviews the literature in order to have the theoretical support for the development of the hypothesis; Section 3 presents the sample selection process and the methodology used; Section 4 describes and analyzes the results obtained, and lastly, Section 5 presents the main conclusions.

2. Literature review

2.1 Sustainability and social responsibility—the same?

The concept of sustainability has undergone some changes in terms of approach, theories, and terminology. Its emergence was primarily due to a greater focus on existing environmental problems, but this concept has changed over time and gained a new perspective, including two further strands, the social and the economic [17]. In the past 15 years, scientific debate regarding sustainability has grown, focusing on the intertwining between the economic, environmental, and social goals [18]. Companies have begun to refer to this concept using different terminologies such as “sustainable development,” “sustainability,” “corporate social responsibility,” or “corporate responsibility.”

According to [19], the concept of sustainability that embraces the three trends listed above is called triple bottom line or three Ps: planet (environmental), people (social), and profit (economic). Each strand interconnects with the others in order to establish a balance of responsibility where all interests are balanced, thus generating value for the company. In the same way, over time, the concept of CSR has won the attention of companies and their shareholders, along with a new meaning, since companies have realized that their business purposes have broadened beyond the economic purpose of generating profit for its shareholders,
now encompassing the interests of all stakeholders [20]. Indeed, according to [18], companies must consider the stakeholders’ expectations and decisions. These authors highlighted the stakeholders’ involvement and their role in the strategic management of organizations as a relevant topic for academic scholars. Also, Del Giudice et al. [21] underlined the crucial role played by owner-managers when engaging in sustainability activities jointly with employees and other stakeholders.

Currently, the pressure on business is high, and shareholders are increasingly asking companies for information not only on the economic and financial performance but also on their environmental and social concerns [22–25]. Thus, a greater transparency about the CSR activities is expected by shareholders [26]. In fact, with the emergence of greater environmental and social concerns, a greater emphasis on business transparency and accountability began to emerge. Following these new expectations, stakeholders are demonstrating a growing interest on sustainability performance and thus there is an increasing pressure on businesses to report on sustainability [18]. The nonfinancial reporting, together with the financial reporting, aims to provide shareholders “with the picture of corporate positions and activities on the economic, environmental and social fronts. In short, such reports attempt to describe company’s contribution toward to sustainable development” [27], page 9).

Moreover, Cucari et al. [26] highlighted the importance of companies having a CSR committee. Indeed, through a CSR committee, companies can better plan and implement sustainable projects, enhancing the awareness and involvement of the stakeholders and ensuring the quality of the reporting process.

As can be seen, although sustainability has emerged from environmental problems and CSR from the emergence of social problems, both have a common intention, since their ultimate goal is to balance on both sides.

2.2 Benefits and limitations of pursuing a CSR-based policy

There are many reasons for pursuing a CSR-based policy. Kurucz et al. [28] define four reasons:

- Cost and risk reduction—environmental investments can lead to cost and risk reduction for the company, as there is present and future compliance with environmental legislation [29]. Building positive relationships with the surrounding community also results in reduced risks and costs [29].

- Competitive advantage—Singha et al. [30] suggest that environmental ethics influences environmental performance and competitive advantage. Competitive advantage is built thanks to the business commitment and adoption of CSR activities in order to meet the stakeholder’s requirements. One of the most commonly used examples in literature is consumer loyalty. Pivato [31] shows that increased consumer loyalty is often the result of the adoption of CSR activities by companies. Also, socially responsible companies attract more investment. Certain investors avoid companies that do not fulfill their defined values and mission, which break the law and its principles [32].

- Reputation development—Smith [33] argues that CSR activities attract investors, consumers, and workers and explains that many workers prefer to work in companies that are more socially responsible. Brammer and Pavelin [34] underline the great importance of disclosing social responsibility reports.
• Value creation—Value creation through CSR practices enables companies, on the one hand, to meet the demands of all shareholders and, on the other hand, to pursue operations inherent to its core business. By enabling the involvement of all related parties and meeting their demands, the company can achieve a greater financial performance with the support of all through new opportunities and solutions [35].

However, the adoption of strategies that meet the concept of CSR may involve certain costs for companies, such as the implementation of quality control equipment, the purchase of environmentally friendly equipment. Hence, it is necessary to analyze the benefits and the risks and costs of applying CSR in the business world.

2.3 Relationship between CSR and financial performance

For any company, when costs or investments of any kind are incurred, the financial return is always analyzed, that is, an investment is considered good when it generates future benefits. Thus, in order to fully understand whether the application of the CSR concept has a positive impact on the company, a link must be established with the future benefits it may bring (or not) to the company’s financial performance. Thus, the relationship between CSR and corporate financial performance is a relevant topic in business management literature.

There is evidence of a positive relationship between CSR and financial performance [12, 14–16]. A good financial performance results in good social performance as companies that are more profitable have more resources to invest in social activities. On the other way, greater investment in social activities attracts more and better resources, conscious consumers, and a higher reputation, further generating greater competitive advantage over other companies.

Today, companies view reputation as an extremely important factor that must be maintained and protected [3]. A greater focus on CSR makes the company more appealing to investments and consequently leads to a higher financial performance [36], given that the current investors are aware of the importance of social, environmental, and economic concerns. Some authors also argue that there are larger investments in companies with better social performance [37]. Similarly, Eccles et al. [38] come to the conclusion that it really matters to invest in CSR. Companies that do so have a higher financial performance, creating greater value for all their shareholders, given that they gain loyal consumers and more committed workers. On the other way around, Singha et al. [30] highlight that committed workers and top management, along with sustainable environmental management practices, enhance the firm’s environmental performance and that, in turn, will positively influence its competitive advantage.

However, others authors, based on the shareholder theory, claim that the relationship between CSR and finance performance is negative because the company’s motto is the creation of profit for the shareholder and that is not consistent with the increased costs of social responsibility activities [39, 40]. Also, the incremental costs from social responsibility activities may lead to losses in the company’s competitive capacity [41]. Following this point of view, CSR activities have a negative impact on the financial performance and therefore reduce the shareholder benefits.

Considering the trend in literature according to which companies pursuing policies based on corporate social responsibility have a higher level of financial performance compared to those that do not, we formulated our hypothesis as follows:

Hypothesis: Companies that pursue CSR-based policies have a higher financial performance compared to those that do not.
3. Data and methodology

3.1 Sample and data collection

The sample was obtained from the STOXX Europe 600 Index and the information was accessed during February 2018. Financial information was taken from Bureau Van Dijk’s Amadeus database, version 14.07. Additional data was taken from FTSE Group and World Bank.

Our measure of CSR is based on The STOXX Europe Sustainability Index, a subset from the STOXX Europe 600 Index. It aggregates the selected companies according to a sector-business analysis together with sustainability assessments based on environmental, social, and economic criteria. The assessment is considered positive if the combination of company valuation and sector valuation results in a shaded matrix field in the Sarasin Sustainability Matrix [42].

From the initial sample of 600 companies, all those belonging to the public and financial sectors were excluded due to their specific rules and legislation, thus avoiding possible bias in the results. Companies for which it was not possible to calculate all the variables under study were also removed.

Besides, in order to avoid bias due to the extreme values found, outliers were also removed. Outliers are defined as the values of the variables below percentile 5% and above percentile 95%. Therefore, the final sample used for the study consists of 266 companies, with a total of 2660 observations.

Through the analysis of the sample composition by country (Table 1), we can see that most of the companies are from the United Kingdom with 84 companies (32%), France with 50 companies (19%), and Germany with 36 companies (14%).

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The United Kingdom</td>
<td>84</td>
<td>32</td>
</tr>
<tr>
<td>France</td>
<td>50</td>
<td>19</td>
</tr>
<tr>
<td>Germany</td>
<td>36</td>
<td>14</td>
</tr>
<tr>
<td>Sweden</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Switzerland</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Spain</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Denmark</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>Finland</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Belgium</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Norway</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Italy</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Portugal</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Austria</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Ireland</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>266</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 1. Sample by country.
According to the North American Industry Classification System (NAICS), the 266 companies were divided into 14 sectors. The most represented sectors are the professional, scientific, and technical services sectors with 85 companies (32%), followed by the industrial and other services sectors with, respectively, 53 companies (20%) and 34 companies (13%) (Table 2).

### Table 2.
Sample by sector.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining and quarrying</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Utility vehicles</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Building and construction</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Industrial</td>
<td>53</td>
<td>20</td>
</tr>
<tr>
<td>Retail trade</td>
<td>20</td>
<td>8</td>
</tr>
<tr>
<td>Transportation</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Information</td>
<td>25</td>
<td>9</td>
</tr>
<tr>
<td>Real estate</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>85</td>
<td>32</td>
</tr>
<tr>
<td>Administrative services, support, and waste management</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Art—entertainment and recreation</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Hospitality and food services</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Other services</td>
<td>34</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>266</td>
<td>100</td>
</tr>
</tbody>
</table>

3.2 Empirical model

Prior research on CSR has measured financial performance using accounting-based measures or market-based measures (e.g., see [14, 43, 44]). As accounting-based measures, those authors have used return on equity (ROE) and return on assets (ROA) and, as market-based measures, they use the Tobin’s Q. These two types of measures can capture the two dimensions of financial performance: the short-term through ROE and ROA [15] and the long-term and future evaluation through Tobin’s Q [14]. Indeed, several authors choose to use Tobin’s Q in order to study the relation between CSR and financial performance in a long-term perspective [39, 45].

Following previous studies, financial performance is measured by both ROE and ROA as accounting measures of short-term financial performance. ROE provides information on how efficient the company is in using its shareholder’s invested capital [39], while ROA measures the efficiency that comes from using all company’s assets during a fiscal year, that is, the ability to generate earnings [15]. Both profitability ratios are based on the company’s net income over a given fiscal period because it is what effectively “remains” after all expenses are deducted from the income obtained, thus presenting the impact of financial policies and also the tax burden incurred by companies in different countries. We also use Tobin’s Q as a market-based measure of long-term value which has proven to be an important variable to assess the future financial performance [46].
Therefore, based on [43], three estimation models were developed to test the hypothesis:

\[
ROE_{i,t} = \beta_{0,i,t} + \beta_{1}CSR_{i,t} + \beta_{2}Size_{i,t} + \beta_{3}Leverage_{i,t} + \beta_{4}Industry_{i,t} + \beta_{5}Country_{i,t} + \beta_{6}Financial\ Slack_{i,t} + \epsilon_{i,t}
\]

(1)

\[
ROA_{i,t} = \beta_{0,i,t} + \beta_{1}CSR_{i,t} + \beta_{2}Size_{i,t} + \beta_{3}Leverage_{i,t} + \beta_{4}Industry_{i,t} + \beta_{5}Country_{i,t} + \beta_{6}Financial\ Slack_{i,t} + \epsilon_{i,t}
\]

(2)

\[
Tobin’s\ Q_{i,t} = \beta_{0,i,t} + \beta_{1}CSR_{i,t} + \beta_{2}Size_{i,t} + \beta_{3}Leverage_{i,t} + \beta_{4}Industry_{i,t} + \beta_{5}Country_{i,t} + \beta_{6}Financial\ Slack_{i,t} + \epsilon_{i,t}
\]

(3)

CSR is a dummy variable that assumes the value 1 if the company belongs to the STOXX Europe Sustainability Index and value 0 otherwise. The STOXX Europe Sustainability Index aggregates companies based on their sustainability ratings. The index \(i\) represents each of the companies in the sample, and the index \(t\) refers to the year. The estimation method used was the pooled Ordinary Least Squares. We controlled for unobserved country and year heterogeneity using country and year fixed effects. The standard errors were grouped by company in order to correct the presence of autocorrelation.

Based on prior literature, the following control variables were chosen: Size, Leverage, Industry, Country, Financial Slack, and Crisis. Size is a relevant control variable since larger companies are assumed to have more visibility, and to generate a greater impact with their operations [47], they are more likely to adopt CSR policies compared to small companies [12, 23]. Financial leverage was also taken into account since high debt levels lead to high levels of financial leverage causing a negative impact on financial performance [48]. In line with this conclusion, [12] also showed that this negative impact continued to persist when financial leverage was introduced in a CSR regression.

In addition, the type of business activities [49] as well as the level of economic development of a country [50] may be related to a higher or lower CSR. Indeed, companies developing activities with high social and environmental impacts tend to adopt more CSR policies compared to others. Besides, companies with high liquidity are more likely to adopt CSR policies compared to others with less liquidity that can only focus on their own business activities [51]. Appendix 1 provides more detailed information about variables’ measurement.

4. Result analysis

4.1 Descriptive statistics

Table 3 presents the descriptive statistics of the variables for the total sample. ROE, ROA, and Tobin’s Q present averages of 14.0, 5.4, and 97.6% and medians of 13.5, 5.1, and 0.786%, respectively. Regarding the standard deviation statistical measure, the values are small regarding the averages of each of the variables and do not show huge discrepancies, suggesting a certain normality in the sample distribution.

Furthermore, it is possible to observe that companies have, on average, a level of indebtedness of approximately 59%, suggesting that they rely more on external
capital than on equity to meet the asset needs. In terms of the current liquidity, that is, the ability to meet short-term liabilities, the result is higher than 1 (1.51), which means that companies have a favorable short-term financial situation.

In a next step, we divided the sample into two subsets, companies that pursue social responsibility-based policies (SRSE) and those that do not (NRSE). Tables 4 and 5 present the values for the SRSE and NRSE, respectively.

It is possible to observe that the SRSE shows, on average, higher values than the NRSE for all financial performance measures, which means that, on average, SRSE has a higher financial performance compared to the NRSE. Moreover, the average of Tobin’s Q in SRSE is higher than 1, while in NRSE it is lower than 1, suggesting that companies pursuing social responsibility-based policies are more valued by the market.

For the remaining variables, on average, SRSE is larger than NRSE and the debt ratio is higher for SRSE compared to NRSE by approximately 4 percentage points.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Median</th>
<th>Max.</th>
<th>Min.</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>0.140</td>
<td>0.135</td>
<td>0.72</td>
<td>-0.879</td>
<td>0.139</td>
</tr>
<tr>
<td>ROA</td>
<td>0.054</td>
<td>0.051</td>
<td>0.210</td>
<td>-0.786</td>
<td>0.058</td>
</tr>
<tr>
<td>Tobin’s Q</td>
<td>0.976</td>
<td>0.786</td>
<td>3.55</td>
<td>0.024</td>
<td>0.709</td>
</tr>
<tr>
<td>Size</td>
<td>6.855</td>
<td>6.831</td>
<td>8.121</td>
<td>4.817</td>
<td>0.569</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.585</td>
<td>0.595</td>
<td>0.909</td>
<td>0.001</td>
<td>0.159</td>
</tr>
<tr>
<td>Financial slack</td>
<td>1.510</td>
<td>1.332</td>
<td>5.865</td>
<td>0.072</td>
<td>0.823</td>
</tr>
</tbody>
</table>

Table 4.
Descriptive statistics for SRSE.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Median</th>
<th>Max.</th>
<th>Min.</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>0.140</td>
<td>0.135</td>
<td>0.72</td>
<td>-0.879</td>
<td>0.139</td>
</tr>
<tr>
<td>ROA</td>
<td>0.054</td>
<td>0.051</td>
<td>0.210</td>
<td>-0.786</td>
<td>0.058</td>
</tr>
<tr>
<td>Tobin’s Q</td>
<td>0.976</td>
<td>0.786</td>
<td>3.55</td>
<td>0.024</td>
<td>0.709</td>
</tr>
<tr>
<td>Size</td>
<td>6.855</td>
<td>6.831</td>
<td>8.121</td>
<td>4.817</td>
<td>0.569</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.585</td>
<td>0.595</td>
<td>0.909</td>
<td>0.001</td>
<td>0.159</td>
</tr>
<tr>
<td>Financial slack</td>
<td>1.510</td>
<td>1.332</td>
<td>5.865</td>
<td>0.072</td>
<td>0.823</td>
</tr>
</tbody>
</table>

Table 3.
Descriptive statistics for the whole sample.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Median</th>
<th>Max.</th>
<th>Min.</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>0.140</td>
<td>0.135</td>
<td>0.72</td>
<td>-0.879</td>
<td>0.139</td>
</tr>
<tr>
<td>ROA</td>
<td>0.054</td>
<td>0.051</td>
<td>0.210</td>
<td>-0.786</td>
<td>0.058</td>
</tr>
<tr>
<td>Tobin’s Q</td>
<td>0.976</td>
<td>0.786</td>
<td>3.55</td>
<td>0.024</td>
<td>0.709</td>
</tr>
<tr>
<td>Size</td>
<td>6.855</td>
<td>6.831</td>
<td>8.121</td>
<td>4.817</td>
<td>0.569</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.585</td>
<td>0.595</td>
<td>0.909</td>
<td>0.001</td>
<td>0.159</td>
</tr>
<tr>
<td>Financial slack</td>
<td>1.510</td>
<td>1.332</td>
<td>5.865</td>
<td>0.072</td>
<td>0.823</td>
</tr>
</tbody>
</table>

Table 5.
Descriptive statistics for NRSE.
(61.6% for SRSE and 57.3% for NRSE). On the contrary, Financial Slack presents higher value for NRSE (current liquidity of 1.545) on comparing to SRSE (current liquidity of 1.419).

Table 6 shows the results of the mean equality test of the dependent variables ROE, ROA, and Tobin’s Q. Results suggest that there is statistical evidence to assert that the means are different between SRSE and NSRSE, since the p-value is 0.000 in all dependent variables.

The correlation between the different variables is presented in Appendix 2. Most of the variables do not show strong correlations with each other and are statistically significant at 1%, except for the correlation of the Leverage and Low Impact variables, which are statistically significant at 5%.

The dependent variables ROE, ROA, and Tobin’s Q are positively correlated with the independent variable CSR, suggesting that firms that pursue CSR activities have higher financial performance. Regarding the control variables, Size, Low Impact, Country, and Financial Slack are positively related to the dependent variables, suggesting that companies with higher financial performance values are larger, have low environmental impacts, belong to countries with high economic development, and have higher liquidity values. On the other hand, the dependent variables are negatively correlated with Leverage, Medium Impact, and High Impact, meaning that companies with high debt values and higher environmental impact have lower financial performance values.

A multicollinearity test was performed by calculating the variance inflation factors (VIFs). The values are less than 10, suggesting that there are no multicollinearity problems.

### 4.2 Relationship between CSR and performance level

The main results of the three linear regressions estimated, Eqs. (1)–(3), are presented in Table 7.

Regarding the coefficient of the independent variable CSR, it assumes positive values for all models, with statistical significance at 5%, suggesting that companies that pursue CSR-based policies have a higher financial performance compared to those that do not. This is most visible in model 3 as the coefficient has the highest value.

Regarding control variables, most have statistically significant coefficients at 1% except for the Leverage and Financial Slack variable in model 1 which is statistically significant at 5%; Size and Financial Slack in model 2, which is statistically significant only at 10% and 5%, respectively; and Financial Slack which has a statistically significant value at 5% in all models. The expected signal for all variables is also confirmed. Thus, the Size variable has a positive coefficient for all models, which means that assuming everything else remains constant, larger companies show higher financial performance. The Leverage variable has a negative coefficient in all models, which means that the higher the corporate indebtedness, the higher the

<table>
<thead>
<tr>
<th>Companies</th>
<th>Number</th>
<th>ROE</th>
<th>ROA</th>
<th>Tobin’s Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRSE</td>
<td>740</td>
<td>0.156</td>
<td>0.061</td>
<td>1.073</td>
</tr>
<tr>
<td>NRSE</td>
<td>1920</td>
<td>0.099</td>
<td>0.037</td>
<td>0.724</td>
</tr>
<tr>
<td>p-Value</td>
<td></td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 6. Mean t-test results.
leverage level and consequently the lower the financial performance, confirming the studies of Waddock and Graves and Capon et al. [12, 48]. Given the industry in which companies operate and the impact they have on environmental and social levels, it can be stated that the Low Impact variable has a positive coefficient for all models and the Medium Impact and High Impact variables present negative coefficients also for all models.

Regarding the Country variable, it has a positive coefficient for all the models, suggesting that firms in the countries with the highest level of economic development have higher financial performance. Finally, the Financial Slack variable also has a positive coefficient for all models, meaning that companies with higher working capital values have a higher financial performance.

Based on R² values, the first model explains 13.0% of the total variation of the ROE, the second one 17.9% of the total variation of the ROA, and the third one 31.3% of the total variation of the Tobin’s Q. The third model shows the highest value, which is in agreement with the study by [52].

Finally, the models are valid in the explanation of the ROE, ROA, and Tobin’s Q measures because the p-value of the F-statistics is equal to 0.000 in all the models which means that the hypothesis of joint nullity of the independent variable coefficients can be rejected.

In conclusion, the results support our hypothesis that companies pursuing CSR-based policies have a higher financial performance compared to those that do not, both in the short-term (ROE and ROA) and in the long-term (Tobin’s Q).

### 4.3 Impact of financial crisis in financial performance

Given that most of the previous studies look at the relationship between CSR and financial performance in periods of nonfinancial crisis, it would be interesting to understand how this relationship works during periods of recession. In fact, the last economic and financial crisis (2009–2013) was considered by many as the worst...
financial crisis since the Great Recession of 1930 with a huge impact on the lives of companies, notably on their financial performance [53].

According to [54], financial crisis affects negatively corporate financial performance. During these periods, investors are more concerned about financial performance and the disclosure of CSR information may minimize this concern [55].

In order to focus on the effects of crisis on the financial performance of companies pursuing CSR policies, a modification was made to the models, including the Crisis dummy variable and a Crisis * CSR interaction variable. This modification makes the impact of the financial crisis on the relationship between CSR and the financial performance more clear [52].

Table 8 presents the main results of this additional analysis. We chose not to present the results for the remaining variables to make it simpler.

There is statistical evidence that, in years of crisis, companies with SRSE have a higher financial performance compared to NRSE, since the coefficient of the interaction variable Crisis * CSR is positive and statistically significant for the three models studied. Thus, keeping all other factors constant, in the years of financial crisis, it appears that the ROE for the SRSE is on average 0.072 higher than ROE for the NRSE, the ROA is 0.02 higher, and the Tobin’s Q is 0.114 higher, on comparing to the NRSE. The Crisis variable has a negative and statistically significant coefficient in all models, suggesting that the NRSE in the years affected by the financial crisis showed a reduction in financial performance. During the years of financial crisis, the SRSE presented an average increase of 0.038 units (0.072–0.034) in model 1, an increase of 0.008 units (0.020–0.012) in model 2, and an increase of 0.004 units (0.114–0.110) in model 3.

Given that the financial performance of SRSE decreased less than the financial performance of the NRSE during the period of crisis, it was possible to conclude that during the period of financial crisis, the financial performance of companies adopting CSR-based policies suffered fewer negative impacts compared to the financial performance of companies that do not. These results are in line with [56], which concluded that with the onset of the subprime financial crisis, the positive relationship between financial performance and CSR was disappearing but that was inverted when companies began implementing CSR strategies.
5. Conclusions

Companies pursuing corporate social responsibility policies have realized how important it is to build and protect their corporate reputation through the use of corporate social responsibility policies, leaving behind the idea of the traditional company that focused on financial performance only.

This study was conducted to understand whether companies pursuing policies based on social responsibility outperform those that do not as well as how financial performance of both types of companies was affected by the financial crisis. Companies that have a good relationship with society, as the activities they perform improve the quality of life and the environment, are probably better accepted by the market and therefore are in a better position than the rest of companies.

The results suggest that indeed, on average, companies that pursue policies based on corporate social responsibility have higher values of financial performance compared to companies that do not pursue these policies, both in the short-term (ROE and ROA) and in the long-term (Tobin's Q). This is in line with the studies by Griffin, Margolis and Walsh, and Orlitzky et al. [4–6].

During the period of crisis, it is possible to conclude that all companies suffered a reduction in financial performance. However, this reduction is less negative in companies that pursue policies based on corporate social responsibility. In fact, this group of companies maintained their performance above the others even during this period of crisis, which meets the findings of Marti et al. [52].

This study contributes to the existing literature on social responsibility and corporate financial performance by providing an overview of the positive aspects of “betting” on social responsibility policies and the resulting benefits. It also contributes to the literatures that study the impact of financial crisis on the relation between corporate social responsibility and finance performance. Thus, it highlights the idea that socially responsible companies benefit from a stronger reputation and image and are therefore better accepted by society, which in turn generates short- and long-term benefits.

The main difficulty found when preparing this study was the lack of information on the variables used, which contributed to reduce the size of the sample. Also, the lack of information made it impossible to use some important variables such as research and development. Therefore, our results should be interpreted with some caution.

Acknowledgements

The authors are grateful for the financial support from FCT-Fundaçao para a Ciência e Tecnologia (Portugal), national funding through research grant (UIDB/04521/2020).
A. Appendices

A.1 Appendix 1. Variables description

<table>
<thead>
<tr>
<th>Variables</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent variables</strong></td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>Ratio between net income and equity</td>
</tr>
<tr>
<td>ROA</td>
<td>Ratio between net income and total assets</td>
</tr>
<tr>
<td>Tobin's Q</td>
<td>Ratio between market capitalization and total asset value</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
<td></td>
</tr>
<tr>
<td>CSR</td>
<td>Dummy variable that assumes the value 1 if the company belongs to the STOXX Europe Sustainability Index and value 0 otherwise</td>
</tr>
<tr>
<td>Size</td>
<td>Total assets' logarithm</td>
</tr>
<tr>
<td>Leverage</td>
<td>Ratio of total liabilities to total assets</td>
</tr>
<tr>
<td>Industry</td>
<td>Dummy variable based on the environmental impact of companies’ activity: low impact, medium impact, and high impact. This classification results from the categorization by the FTSE Group: <a href="http://www.ftserussell.com/?_ga=2.101616001.1622009662.1506552100-356423440.1505860288">http://www.ftserussell.com/?_ga=2.101616001.1622009662.1506552100-356423440.1505860288</a></td>
</tr>
<tr>
<td>Country</td>
<td>Dummy variable assuming value 1 if the company is located in a country with a high gross national income growth rate and value 0 otherwise. Information was taken from World Bank.</td>
</tr>
<tr>
<td>Financial Slack</td>
<td>Current ratio (current assets divided by current liabilities)</td>
</tr>
<tr>
<td>Crisis</td>
<td>Dummy variable that assumes value 1 for the 2009–2013 period data and value 0 otherwise.</td>
</tr>
</tbody>
</table>

A.2 Appendix 2. Pearson correlation matrix

<table>
<thead>
<tr>
<th></th>
<th>ROE</th>
<th>ROA</th>
<th>Tobin’s Q</th>
<th>CSR</th>
<th>Size</th>
<th>Leverage</th>
<th>Financial Slack</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROE</strong></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ROA</strong></td>
<td>0.725***</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tobin’s Q</strong></td>
<td>0.425</td>
<td>0.525***</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CSR</strong></td>
<td>0.183</td>
<td>0.184***</td>
<td>0.221</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Size</strong></td>
<td>0.160***</td>
<td>0.197***</td>
<td>0.391***</td>
<td>0.129***</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Leverage</strong></td>
<td>−0.061***</td>
<td>−0.319***</td>
<td>0.407***</td>
<td>0.122***</td>
<td>0.325***</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Slack</strong></td>
<td>0.067***</td>
<td>0.186***</td>
<td>0.251***</td>
<td>−0.069***</td>
<td>−0.229***</td>
<td>−0.427***</td>
<td>1</td>
</tr>
</tbody>
</table>

*Statistical significance at 10%.
**Statistical significance at 5%.
***Statistical significance at 1%.
References


[16] Ioannou I, Serafeim G. What drives corporate social performance? International evidence from social,


[38] Eccles R, Ioannou I, Serafeim G. Is Sustainability Now the Key to Corporate Success? The Guardian; 2012


[49] Parsa S, Kouhy R. Social reporting by companies listed on the alternative


Chapter 12
Financial Fraud and Managers, Causes and Effects

Mohamed Bechir Chenguel

Abstract

The financial scandals which have appeared in recent times have placed fraud at the heart of economic and financial issues. Fraud by executives has disastrous consequences as it results in huge losses for investors and creditors, and especially for the company itself. Most of these frauds were often in the form of accounting and financial manipulation, and they have evolved to change forms. We are going to analyze the aspect of fraud, how it can appear. Then we will try to see the aspects that lead to committing fraud, which are generally an organizational framework favoring fraud, and the psychopathic personality of the fraudulent manager. And finally, we will take a closer look at the role of governance oversight mechanisms and the role they must play in fighting fraud.

Keywords: fraud, disclosure, control mechanisms, psychopathic leader

1. Introduction

Financial fraud committed by managers have multiplied in recent years; however, they constitute a highly delicate phenomenon in the world of finance. Each year, fraud causes significant losses to the shareholders and creditors of the targeted companies, which hinders the proper functioning of the capital markets. Fraud is generally committed by executives who are very often involved and are subject to legal action by financial market regulators.

The revelation of a fraud tarnishes the reputation of several participants in the financial markets, thereby affecting investor confidence in the market and penalizing all businesses [1]. In fact, any fraud announcement leads investors to question the competence and vigilance of financial market regulators, and even auditors, financial analysts, boards of directors, and credit rating agencies, all these actors have their share of responsibility.

In addition to the financial losses suffered by investors, other losses are added, such as the socio-economic costs related to job losses [2], and can even go as far as the disappearance of the whole entity. But the question that arises is as follows: Given the financial losses and reputation suffered, why do business leaders or entrepreneurs engage in fraud and manipulation? Can we determine the individual and organizational responsibilities that lead to fraud committed by leaders and entrepreneurs?

What tools and strategies are available to a board of directors to detect and prevent such fraudulent practices? We will try to answer these questions, by proceeding as follows: we will first carry out a synthesis of the main types of fraud committed by managers. Secondly, the motivations of the main actors and...
to identify the attributes, whatever it is individual or organizational likely to lead to fraud. Third, we will focus on the profile of the fraudulent leader. And finally, we will present the recommendations for the various actors responsible for the integrity of the financial markets which are the boards of directors, the regulatory bodies, the accountants, and the auditors.

2. The manager’s frauds

Fraud or embezzlement committed by business leaders can take many forms but often boil down to the following maneuvers:

- misappropriation of assets;
- manipulation of financial results; and
- lack of disclosure, incomplete or misleading disclosure.

2.1 Misappropriation of assets

Misappropriation of assets is mainly carried out by means of the so-called related party transactions where the offending manager initiates commercial or financial transactions between the company he manages and the subsidiary companies [3]. For example, a holding company may carry out several transactions with companies or entities controlled by the members of its management team, allowing them to make significant gains. So the leaders could profit and transfer several millions to companies that they personally created. This investment strategy cannot be controlled or approved by the board of directors. Managers can therefore be led to invest even in companies in liquidation, without anyone controlling them, and the discovery by the board of this misappropriation of an unauthorized action of the funds of the company would not have heavy punishment; the offending manager will simply be dismissed.

2.2 Handling of financial statements

The manipulation of financial statements most often relates to an excessive or excessively exaggerated recognition of revenue, and an undervaluation of operating expenses or an overvaluation of assets [4]. The extent of accounting and financial manipulation by companies is difficult to pin down due to the multitude of events, prosecutions, and counter-prosecutions that have characterized this file. However, according to the information available, it generally seems difficult to verify accounting or financial information such as the increase in profits. Indeed, a swelling generally reflects the nonrecognition of certain operations or even an overvaluation of negotiable securities, tax credits receivable.

2.3 Misleading disclosure absent

When the disclosure of financial and accounting information, which should be made by the officers of the companies, is absent or misleading, the companies may be liable to fines of up to millions. What is certain, acts of fraud such as embezzlement and manipulation could not have existed if the company’s disclosure practices had been carried out in accordance with the rules and the transparency required by the regulations [5]. For example, we disclose financial information in the balance
sheet which will give information on marketable securities classified as current assets. However, these securities are not really negotiable or cashable in the short term, but their recovery can be spread over several years. To detect these anomalies or to verify the authenticity of this information, it is necessary to analyze the notes of the financial statements and compare them with the balance sheets and the financial statements.

Thus, certain information disclosed may be disguised or unrealistic, especially in the case of accounting for transactions between the parent company and its subsidiaries; indeed certain transactions have not been properly accounted for and presented in its previous financial statements.

The errors that are generally made concerned mainly the following elements in previous periods:

- products;
- cost of goods sold;
- selling fees;
- general and administrative costs;
- depreciation of fixed assets;
- interest expense;
- exceptional items;
- charge of income taxes;
- tax credits receivable;
- production costs;
- related party accounts receivable;
- fixed assets; and
- creditors and charges payable and income taxes receivable.

2.3.1 Consequences of reporting all of these fraud allegations

In a few months, following the announcement of various allegations of fraud and embezzlement, the action plummeted and then the company was sold. In most cases, the companies have either declared bankruptcy and been wound up or undergone a judicial restructuring where the shareholders have lost everything.

3. Why do leaders make fraud?

In addition to financial losses, leaders certainly lose their leadership positions, control of their business, and especially their reputation [6].

How did they commit the frauds they were accused of while the company was open with a board of directors made up of influential people? Why did they go
down that path, risking everything they had worked for? In general, a manager or entrepreneur will engage in fraud if the organizational context is favorable to commit fraud and also if the manager displays a profile likely to commit the act of fraud.

3.1 Fraud following the favorable organizational context

The opportunity to commit fraud arises when controls are absent or even failing. Thus, fraud will be easier to carry out since the manager will be free and without control within the company. Indeed, senior managers who can circumvent existing controls, especially if the external governance mechanisms such as regulations, or internal ones such as the board of directors, are insufficient or even ineffective [7]. When they commit fraud, the managers of a company know very well the administrative machinery and have access to data and systems, and when the latter are involved and part of the shareholders, this will make them in a position of strength, while reducing the role of the board of directors to which they belong. Managers can therefore exercise absolute control over the company. It can therefore be said that there was no counterweight to their authority within the company. For example, the CEO can be a more or less significant shareholder, which gave him an edge over the other members of the board of directors.

Another opportunity that favors fraud is the pressure geared toward high performance; this generally manifests itself during stock market bubbles. In fact, rapid deflations of stock market bubbles are very often accompanied by the manifestation of fraud committed by business managers [8]. Indeed, the stock quotes of several companies always reflect expectations of optimistic profits, which implies very high growth rates. Any profit announcement that does not meet stock market expectations will result in a sharp drop in the stock price. In this context, if the performance of the company begins to decline, the management of the company will be forced to manipulate the accounting results to ensure that the earnings per share announced meet or even exceed market expectations. Investors then imposed a stock market valuation, at an increasing, unrealistic rate, which pushes managers to fraud, by favoring accounting manipulations. Also, the stock market bubble will be liable to lead to fraud or manipulation of the financial statements if the directors have a remuneration strongly focused on the appreciation of the stock market price or focused on results or profits.

The governance role: the board of directors was composed of the different members—the founders, the directors of other partners, and the audit committee of the company.

Independent directors: board members must have experience and expertise in the areas of business of the company. They must ensure the control of management systems and the various strategic operations. It can therefore be argued that most of the information at their disposal concerning the company came from its management. The lack of expertise on the part of the board led to failure to perceive the warning signs of manipulation or embezzlement.

3.2 Is the fraudulent manager a psychopath?

In addition to the organizational context, the manager’s psychological profile can lead him to commit fraud. Indeed, some research on criminological thinking on financial fraudsters have agreed that there are psychological peculiarities specific to financial fraudsters, which are very similar to the peculiarities of the psychopath [9]. In fact, like all psychopaths, specialized fraudsters always give the image of a healthy, rational, and apparently normal personality, which would mask their true nature.
In order to recognize the psychopathic fraud leader, three aspects of the leader’s profile are typical: always having a rationalizing speech in order to justify their actions, and an arrogant attitude.

3.2.1 A rationalizing speech

The people implicated in a fraud are always able to justify their action by minimizing the extent of its serious consequences. The fraudulent leader has the ability to rationalize bad decisions that are not even ethical.

3.2.2 Exaggerated arrogance

Fraud also has a dimension attached to the attitude of individuals. Indeed, engaging in fraud at the risk of collapsing a society reflects an attitude of trust, arrogance, and exaggerated narcissism on the part of fraudulent leaders. Such leaders will first favor a centralized decision-making process in their hands, persistence, and stubbornness to pursue their strategies. These leaders will be free from anxiety because they are convinced that ultimately their will and their decision will prevail [10]. It can therefore be said that an ambitious, arrogant, and self-confident leader always engages in fraud by never thinking that he will be caught. According to them, the controls or the people responsible for prevention or detection are of lower intelligence.

They always do so, the first successful fraud will reinforce the behavior to be pursued in this way of fraud. It will continue to make decisions unilaterally and centrally. Relations with collaborators and employees are very superficial and instrumental, the only goal being the achievement of their strategic or operational vision.

4. Role of control mechanisms

The auditors, the members of the board of directors, and the regulatory bodies play a very important role in carrying out the fraud; in fact the latter constitute the governance control mechanisms, the main role of which is prevention against any financial offense within the company [11]. What can we do about this fraudulent act? What needs to be done is great vigilance and strengthening of the following actors:

4.1 The auditors

The role of the auditors is to detect anomalies, manipulate, and prevent problems and then propose solutions. Auditors are generally retained by the board of directors. The auditors are engaged to investigate and detect fraud; they diagnose the situation of the company in order to detect fraud. Fraud is the weak point of the accounting profession, and it is the responsibility of auditors to detect fraud [12]. This is why it is very important for auditors to take a dynamic approach to fraud prevention and detection. In addition, auditors must go beyond conventional fraud, which is based on detecting the rationality of fraudulent managers, characterized by a psychological profile tempted to fraud, for generally financial reasons. The act of classic financial and accounting fraud is outdated, and the new forms of fraud have changed in nature, and therefore they must be warned in advance. Thus, the fraud has to exceed the direct money gain by the fraudulent manager, to take the form of strategic decisions, with which, the fraudulent manager will generate
future profits. Therefore, the auditors must also control the strategic decision-making process of the company; this imperatively passes by the elimination of the centralization of the information held exclusively by the top executives. Finally, the auditors will have to establish fraud analysis grids to also include behavioral aspects of management during meetings with their employees.

4.2 The board of directors

The role of the board of directors has indeed changed and has evolved in recent years, especially with acts of management fraud, which have emerged, and several practices on good governance have been introduced to better balance power within from the administration board [13]. Among these good governance practices, the following actions can be cited:

- It is necessary to separate the roles between the chairman of the board of directors and the CEO.
- Reduce the number of the board of directors, who hold positions within the company hold regular meetings of the board of directors, with members of management, without the presence of the CEO.
- Make sure that the board can count on a roadmap and expertise in order to properly follow the actions and decisions of management.
- Recruit external directors, well experienced in the field or activity of the company. During meetings of the board of directors, the following points should be raised regularly:
  - Update strategic action plans.
  - Update the succession plan.
  - Discuss the working atmosphere with the CEO and strengthen ties between members of the management.

The board will also have to ensure that the company works in a climate of integrity and ethics, and that its internal or external communication mechanisms are set up with the greatest transparency.

4.3 The role of financial analysts

Financial analysts play almost the same roles as members of the board of directors; they must always verify the information disclosed by companies. They must analyze the financial statements well and detect any contradictions [14].

For example, fraud can appear if the analyst observed a profit which increased over a certain period, while his cash flow generated by the operation (Cash Flow) fell during the same period, this contradiction meant that there is Something is wrong [15]. In other words, if the company posted positive cumulative profits over a period, while its operation posted negative figures over the same period, this is abnormal, since as normal, growing profit, this deficit must not exist, and must be absorbed by bank loans or new equity issues.

Thus, these contradictions, or these differences between profits and cash flows, are often the sign of accounting manipulations.
Analysts will try to answer these questions:

- How is it that the profit increases while the flows are negative?
- How is this drain on the company’s liquidity financed?
- Is there a recovery plan?
- A cash budget?
- Are the assets thus acquired liquid?
- Are the assets good quality?

4.4 Role of the chartered accountant: auditor or verifier

The chartered accountant is a privileged interlocutor of companies facing fraud; indeed, thanks to his skills in internal control, and his mastery of accounting procedures, his role is not negligible to fight against fraud, and notify her during her activities to her clients [5]. For the accountant, his investigative role consists in intervening within the framework of his advisory missions in the event of suspicion or fraud detected by the company. Its mission intervenes even before legal action in order to confirm or not the suspicions of fraud. In fact, its services are often requested either by the majority shareholders, or by a parent company operating with its subsidiaries, or by the company victim of a fraud committed by its senior managers.

4.5 The auditor

The auditor may also be invited to investigate if there is a suspicion of customer fraud. Their investigation missions can be either audit or judicial expertise missions, and this mainly depends on the legal aspects of their missions [16]. They must carry out their missions with objectivity and professionalism while respecting the principle of professional secrecy.

4.6 The role of regulatory authorities

The role of regulatory authorities in preventing and discovering fraud is not easy to do. Their main role is to establish the mechanisms that fight against fraud. They must manage complaints, and investigations against fraudsters, and they must ensure that the governance bodies and mechanisms of listed companies play their full role. Financial reporting must be reliable and communicated to the public on time. Establish mechanisms and apply sanctions against any natural or legal person, who tries to defraud or manipulate financial or accounting information, in order to profit personally.

5. Conclusion

The financial scandals which have appeared in recent years have placed fraud at the heart of economic and financial issues. Following this, several measures have been adopted aimed at strengthening the regulatory and legal framework such as the Sarbanes-Oxley law in the United States (July 2002) and the financial security law in France (August 2003).
At the same time, new auditing standards have been created to increase the risk of fraud being taken into account by statutory auditors: SAS 99 standards in the United States, IFA ISA 240 standard internationally transposed in France by NEP 240.

But all of this did not stop the leaders from committing the fraud. In fact, the fraud and the accounting and financial manipulations made by the senior executives of the company have affected the confidence of investors and donors toward the company and its image on the financial market.

To remedy this, financial control authorities and even government authorities have introduced a series of regulations aimed at improving corporate transparency, for example by improving the disclosure of financial information, to which companies must comply, and which they must also publish through their official documents.

The control recommendations must also relate to the risks linked to overinvestment and good governance, via better collaboration of the boards of directors with independent, external directors and above all well experienced in the field of activity of the company and especially use auditors from well-experienced accounting firms.
References


Chapter 13

The Corporate Culture of the Enterprises of the Military-Industrial Complex

Sergei Zainullin and Olga Zainullina

Abstract

The relevance of researching the ways to improve the level of corporate culture in the military-industrial complex is based on the increasing role of the military-industrial complex due to the growing tension in the world. According to the Stockholm International Peace Research Institute (SIPRI) data published in March 2018, total global sales of a weapon in 2013–2017 rose by ten percent compared to the previous five years (2008–2012). Among the biggest exporters of armament are also United Kingdom, France, Germany, and China. The economic significance of the military-industrial complex is based on the fact that it fosters the development of related industries such as metallurgy, electronic engineering, instrument-making and so on. At the same time the military-industrial complex faces the following industry-specific challenges: - Rigid state regulation of production; - State control over export and import operations; - High sensitivity to political factors of the external environment; - Ambiguous and polarized public attitude towards weapon and its manufacturers, from massive support of patriotically-minded part of the population to absolute aversion of its pacifist part. It is interesting to identify those particular methods of improving company performance which are successfully put into practice and are really beneficial for the military-industrial complex enterprises applying them which may later serve as a basis for developing a set of measures to increase corporate culture level in the military-industrial complex enterprises in different countries. The analysis is based on comparing the corporate culture of global industry leaders in the USA, Russia and the UK, which are the world’s biggest weapon exporters. The studies and conclusions presented in this analysis can be practically beneficial not only for the military-industrial complex enterprises the specificity of which is a stress test for corporate culture but also for other industrial sectors.

Keywords: corporate culture, fight against corruption, conflict of interest, corporate ethics, social policy

1. Introduction

Studying corporate culture is an up-to-date direction of research, already quite relevant in the modern complex of management sciences. In the 1980s the idea that effective leadership and long-term business success are connected with creating a healthy corporate structure in the company was first put forward in the book
“Corporate Cultures: The Rites and Rituals of Corporate Life” by Terence Deal [1]. The same ideas were outlined in the book “Organizational Culture and Leadership” by Edgar Schein [2]. The most comprehensive study of the interrelation between positive corporate culture and performance is considered to be the book “Corporate Culture and Performance” by John Kotter and James Heskett [3].

In the corporate governance theory, there are a number of approaches to defining corporate culture. For example, M. Albert and F. Khedouri [4] define corporate culture in the following way, “Atmosphere or climate in an organization is called its culture. The culture reflects prevailing habits, customs, and reflections in an organization.”

In Howard Schwartz’s and Stanley Davis’ opinion [5], corporate culture is a “complex of convictions and expectations shared by the members of an organization; these convictions, and expectations shape norms which sufficiently determine the behavior of individuals and groups in an organization.”

According to Elliott Jaques [6], corporate culture is a “way of thinking and mode of action which grew into the habit and became a tradition, is more or less shared by all employees of the enterprise, and which should be learned and at least partly adopted by new staff members to “blend in.”

According to A. Krylov [7], “Corporate culture is a set of ideas, values, generally accepted patterns and norms of behavior typical for a particular organization; the joint experience of the members of an organization, formed in the course of collective activity and expressed in both material and spiritual forms.”

The Asia Pacific region is increasingly perceived as the century’s geopolitical center. With one-third of the world’s population, a significant share of the world’s trade and production, it seems that the weight of this region is going to be highly relevant in the foreseeable future.

Some countries in the Asia-Pacific region are major importers of conventional weapons, including South Korea, Taiwan, Singapore, and Australia. There are also defense industries in the region that are being developed towards a more self-sufficient production, such as the industries in North Korea and China. The growing economy of China, in particular, has facilitated an increase in military spending which provides consistent financial support to their defense industries.

The new data from SIPRI’s Arms Industry Database shows that sales of arms and military services by companies listed in the Top 100 have increased by 47 per cent since 2002 (the year from which comparable data is first available). The database excludes Chinese companies due to the lack of data to make a reliable estimate.

For the first time since 2002, the top five spots in the ranking are held exclusively by arms companies based in the United States: Lockheed Martin, Boeing, Northrop Grumman, Raytheon and General Dynamics. These five companies alone accounted for $148 billion and 35 per cent of total Top 100 arms sales in 2018. Total arms sales of US companies in the ranking amounted to $246 billion, equivalent to 59 per cent of all arms sales by the Top 100. This is an increase of 7.2 per cent compared with 2017.

A key development in the US arms industry in 2018 was the growing trend in consolidations among some of the largest arms producers. For example, two of the top five, Northrop Grumman and General Dynamics, made multibillion-dollar acquisitions in 2018. US companies are preparing for the new arms modernization program that was announced in 2017 by President Trump. Large US companies are merging to be able to produce the new generation of weapon systems and therefore be in a better position to win contracts from the US Government.

The combined arms sales of the 10 Russian companies in the 2018 ranking were $36.2 billion—a marginal decrease of 0.4 per cent on 2017. Their share of total Top 100 arms sales fell from 9.7 per cent in 2017 to 8.6 per cent in 2018. This can be
explained by the higher Top 100 total in 2018 due to the substantial growth in the combined arms sales of US and European companies.

Among the 10 Russian companies listed in the Top 100, the trends are mixed: five companies recorded an increase in arms sales, while the other five showed a decrease. Russia’s largest arms producer, Almaz-Antey, was the only Russian company ranked in the top 10 (at 9th position) and accounted for 27 per cent of the total arms sales of Russian companies in the Top 100. Almaz-Antey’s arms sales rose by 18 per cent in 2018, to $9.6 billion [8].

2. Research of corporations of the military-industrial complex

2.1 The theoretical basis for the research of corporate culture

Works of scientists have served as a methodological framework of this research. There are several typologies of corporate cultures, for convenience’s sake, each of them will be represented in a table. Depending on the influence of an organization’s activity on the final result positive and negative corporate cultures are discerned, their salient features are outlined in Table 1 [9].

Typologies of cultures can also base on corporate structure flexibility. Corporate culture typology according to Jeffrey Sonnenfeld [10] is outlined in Table 2.

Organizational psychologists and managers use different variants of corporate culture typology. For instance, an Irish expert on organizational psychology Charles Handy identifies the following types of corporate culture [11]:

- Power culture
- Role culture
- Task culture
- Person culture.

<table>
<thead>
<tr>
<th>Positive corporate cultures</th>
<th>Negative corporate cultures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic</td>
<td>Authoritative</td>
</tr>
<tr>
<td>Person-centered</td>
<td>Function-oriented</td>
</tr>
<tr>
<td>Integrated</td>
<td>Disintegrate</td>
</tr>
<tr>
<td>Stable</td>
<td>Unstable</td>
</tr>
</tbody>
</table>

Table 1. Positive and negative corporate cultures.

<table>
<thead>
<tr>
<th>Type of corporate culture</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseball team</td>
<td>Decisions are made quickly; talent, innovation, and initiative are encouraged.</td>
</tr>
<tr>
<td>Club</td>
<td>This type is characterized by loyalty, devotion and good teamwork.</td>
</tr>
<tr>
<td>Academy</td>
<td>This type is characterized by a focus on the gradual growth of employees.</td>
</tr>
<tr>
<td>Fortress</td>
<td>This type is common for companies, which lost their former positions on the market as a result of wrong decisions or bad adaptation to the external environment changes.</td>
</tr>
</tbody>
</table>

Table 2. Corporate culture typology according to Jeffrey Sonnenfeld.
One of the notable results of a strong corporate culture is low staff turnover thanks to the consensus among the staff on the mission and values of the organization [12].

Another important result is the improvement of the company’s reputation among such stakeholders as shareholders, customers, suppliers, and the government.

Basing on the factors that influence corporate culture formation and development, it is analyzed through the “externalist” approach, where corporate culture establishment strongly depends on the national culture and is closely connected with the external environment, as well as through the “internalist” approach, where corporate culture is shaped in accordance with organizational culture.

The authors tried to study the experience of corporate culture formation in the largest corporations basing on generally accepted international standards. The biggest companies of the MIC were chosen as the research base.

2.2 Research of the largest corporations of the military-industrial complex in the world

According to the ranking of hundred largest military-industrial companies in the world as of 2016 made by Stockholm International Peace Research Institute in 2019. THE SIPRI TOP 100 ARMS-PRODUCING AND MILITARY SERVICES COMPANIES, 2019. The world’s largest military manufacturers are Lockheed Martin (USA) Boeing (USA), Raytheon (USA), BAE Systems (UK), and Northrop Grumman Corp (USA) according to SIPRI rating (Table 3) [13].

The SIPRI rating does not include Chinese companies, due to lack of data, but indirectly, we can conclude that one of the largest Chinese military-industrial complex companies is the Aviation Industry Corporation of China (AVIC) - a Chinese state-owned company, a manufacturer of aircraft, part of the Chinese military-industrial complex. It is ranked 159 in the Fortune Global 500.

The top 10 also does not include the Japanese corporation Mitsubishi Heavy Industries (MHI) (25th place).

Analyzing the corporate culture tools of the world’s leading military-industrial complex holdings in the USA and Europe Lockheed Martin, Boeing, Raytheon, BAE

<table>
<thead>
<tr>
<th>Position in SIPRI ranking</th>
<th>Name of the company</th>
<th>Annual volume of weapon sales, billion US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lockheed Martin (USA)</td>
<td>47.3</td>
</tr>
<tr>
<td>2</td>
<td>Boeing (USA)</td>
<td>29.2</td>
</tr>
<tr>
<td>3</td>
<td>Northrop Grumman Corp (USA)</td>
<td>23.4</td>
</tr>
<tr>
<td>4</td>
<td>Raytheon (USA)</td>
<td>26.2</td>
</tr>
<tr>
<td>5</td>
<td>General Dynamics Corp (USA)</td>
<td>22.0</td>
</tr>
<tr>
<td>6</td>
<td>BAE Systems (UK)</td>
<td>21.2</td>
</tr>
<tr>
<td>7</td>
<td>Airbus Group (Trans-European France-Germany-Italy)</td>
<td>11.7</td>
</tr>
<tr>
<td>8</td>
<td>Leonardo (Italy)</td>
<td>9.8</td>
</tr>
<tr>
<td>9</td>
<td>Almaz-Antey (Russia)</td>
<td>9.6</td>
</tr>
<tr>
<td>10</td>
<td>Thales (France)</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Table 3. The world’s largest military-industrial companies according to SIPRI ranking [13].
Systems, Northrop Grumman Corp, Airbus Group, one can see a standardized approach to corporate culture (Table 4).

Lockheed Martin, Boeing, Raytheon, BAE Systems, Northrop Grumman Corp companies have formed a single standard package of regulatory documents: Code of conduct and Anti-corruption policy the main theses of which coincide almost verbatim.

We should also note Raytheon’s Social responsibility report in a single document [14], BAE Systems Corporate responsibility report (2017) [15], Northrop Grumman’s Corporate responsibility report (2017) [16], AVIC Social Responsibility Report 2017 [17] while the rest of the companies post this information on the official website. BAE Systems’ Code of conduct [18] also contains anti-corruption clauses, with a provision that the Code of conduct contains General corporate rules that may be applied in accordance with the local legislation. Northrop Grumman’s standards of business conduct [19] contain anti-corruption standards, and the company has a separate Anti-corruption compliance program.

Airbus [20], MHI [21] have clear instructions for employees on how to behave in the most common typical ethically difficult situations (Table 5).

Lockheed Martin, Boeing, Raytheon, BAE Systems, Northrop Grumman Corp, Airbus, MHI have demonstrated a pragmatic approach, i.e. reflected in the codes of ethics theses and provisions that are binding by law (prohibition of discrimination, respect for human rights, prevention of conflicts of interest, fair competition, prohibition of insider information), or are a reflection of the political mainstream in the main host countries (anti-discrimination, protection minority rights, “gender choice,” anti-sexual harassment, inclusion) (Table 6).

Lockheed Martin, Boeing, Raytheon, BAE Systems, Northrop Grumman Corp have disclosed standard approaches to combating corruption in their anti-corruption policies, identified conflicts of interest and how to resolve them. In addition, it can be noted that the Raytheon Corporation, Airbus, MHI have formulated a clear policy regarding gifts, their limits, which makes it easier for staff to understand the acceptable limits (Table 7).

Lockheed Martin, Boeing, Raytheon, BAE Systems, Northrop Grumman Corp have all demonstrated a pragmatic approach to social policy, i.e. education was singled out as areas of social policy, in fact, creating a personnel reserve of students/schoolchildren, since the likelihood of recruiting young professionals who have already completed training in corporate programs is very high. A similar situation arises with a detailed examination of support programs for servicemen/veterans, they usually consist in professional retraining for civilian specialties of servicemen and veterans leaving the reserve. Because servicemen leave for the reserve at a young and middle age, they also form a personnel reserve for corporations, already trained in the necessary specialties. Supporting volunteering is also beneficial for

<table>
<thead>
<tr>
<th>Documents</th>
<th>Lockheed Martin</th>
<th>Boeing</th>
<th>Raytheon</th>
<th>BAE Systems</th>
<th>Northrop Grumman</th>
<th>Airbus</th>
<th>AVIC</th>
<th>MHI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code of conduct</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>—</td>
<td>+</td>
</tr>
<tr>
<td>Code of corporate</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>+</td>
<td>—</td>
<td>+</td>
</tr>
<tr>
<td>governance policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+</td>
<td>—</td>
<td>—</td>
<td>+</td>
</tr>
<tr>
<td>Social reporting</td>
<td>—</td>
<td>—</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

Table 4.
Corporate culture documents of largest military-industrial companies [14–21].

Lockheed Martin, Boeing, Raytheon, BAE Systems, Northrop Grumman Corp, Airbus Group, one can see a standardized approach to corporate culture (Table 4).

Lockheed Martin, Boeing, Raytheon, BAE Systems, Northrop Grumman Corp companies have formed a single standard package of regulatory documents: Code of conduct and Anti-corruption policy the main theses of which coincide almost verbatim.

We should also note Raytheon’s Social responsibility report in a single document [14], BAE Systems Corporate responsibility report (2017) [15], Northrop Grumman’s Corporate responsibility report (2017) [16], AVIC Social Responsibility Report 2017 [17] while the rest of the companies post this information on the official website. BAE Systems’ Code of conduct [18] also contains anti-corruption clauses, with a provision that the Code of conduct contains General corporate rules that may be applied in accordance with the local legislation. Northrop Grumman’s standards of business conduct [19] contain anti-corruption standards, and the company has a separate Anti-corruption compliance program.

Airbus [20], MHI [21] have clear instructions for employees on how to behave in the most common typical ethically difficult situations (Table 5).

Lockheed Martin, Boeing, Raytheon, BAE Systems, Northrop Grumman Corp, Airbus, MHI have demonstrated a pragmatic approach, i.e. reflected in the codes of ethics theses and provisions that are binding by law (prohibition of discrimination, respect for human rights, prevention of conflicts of interest, fair competition, prohibition of insider information), or are a reflection of the political mainstream in the main host countries (anti-discrimination, protection minority rights, “gender choice,” anti-sexual harassment, inclusion) (Table 6).

Lockheed Martin, Boeing, Raytheon, BAE Systems, Northrop Grumman Corp have disclosed standard approaches to combating corruption in their anti-corruption policies, identified conflicts of interest and how to resolve them. In addition, it can be noted that the Raytheon Corporation, Airbus, MHI have formulated a clear policy regarding gifts, their limits, which makes it easier for staff to understand the acceptable limits (Table 7).

Lockheed Martin, Boeing, Raytheon, BAE Systems, Northrop Grumman Corp have all demonstrated a pragmatic approach to social policy, i.e. education was singled out as areas of social policy, in fact, creating a personnel reserve of students/schoolchildren, since the likelihood of recruiting young professionals who have already completed training in corporate programs is very high. A similar situation arises with a detailed examination of support programs for servicemen/veterans, they usually consist in professional retraining for civilian specialties of servicemen and veterans leaving the reserve. Because servicemen leave for the reserve at a young and middle age, they also form a personnel reserve for corporations, already trained in the necessary specialties. Supporting volunteering is also beneficial for
corporations because allows you to unite teams performing noble social tasks, and the bulk of the costs - time, effort, negotiations, organization - lies with the volunteer workers themselves. At the same time, social areas that do not bring direct benefits to corporations are ignored. Features of BAE Systems is that it implements programs of assistance to military personnel and their families in countries that are the main customers - Great Britain, USA, Australia, Kingdom of Saudi Arabia.

The Chinese corporation AVIC in its principles of CSR - citizen of the world, public welfare, one belt has demonstrated its commitment to the policies of the Government and the Communist Party of the PRC, such as.

- One belt - One way
- Building a welfare society.

<table>
<thead>
<tr>
<th>Directions</th>
<th>Lockheed Martin</th>
<th>Boeing</th>
<th>Raytheon</th>
<th>BAE Systems</th>
<th>Northrop Grumman</th>
<th>Airbus</th>
<th>AVIC</th>
<th>MHI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair treatment</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Human rights protection</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Intolerance for discrimination</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>and harassment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inclusiveness</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor protection</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calculation of labor costs and</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsibility for the use of</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protection of confidential</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prevention of conflicts of</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair competition</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fight against insider trading</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5.
Main directions of ethical policy largest military-industrial companies [14–21].

<table>
<thead>
<tr>
<th>Directions</th>
<th>Lockheed Martin</th>
<th>Boeing</th>
<th>Raytheon</th>
<th>BAE Systems</th>
<th>Northrop Grumman</th>
<th>Airbus</th>
<th>AVIC</th>
<th>MHI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevention of conflicts of</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intolerance for corruption</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Gift policy</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 6.
Main directions of anti-corruption policy of largest military-industrial companies [14–21].
This approach to CSR can be easily explained by the status of AVIC as a state company (Table 8).

The mechanisms for implementing ethical policies provided by Lockheed Martin, Boeing, Raytheon are highly effective because require a minimum of implementation costs, the creation of small divisions to resolve ethical issues at the same time removes significant risks from the line and senior management of the company, allows you to get faster feedback and is an additional control mechanism for lower-level managers and personnel, at Airbus these functions are assigned to the legal department (Table 9).

Authority and hierarchy are determined by the specifics of a large company; if we consider holdings belonging to the largest corporations, then these properties are manifested to a greater extent, since The very scale and complexity of large
holdings presupposes a hierarchical organizational structure, a unified approach to managing all enterprises of the holding.

At the same time, the specificity of corporate governance balances authoritarianism, adding such elements of democracy as collegiality of the supreme governing body - general meeting of shareholders, collegiality of the Board of Directors, Committees of the Board of Directors, Management Board, the presence of independent control bodies - auditors, auditors, internal control services and bureaus/ethics commissions. The presence of uniform ethical rules for employees and additional rules for managers brings us closer to a democratic corporate culture and the presence of transparent accountability. The most stringent regulation of employee behavior is provided for by Airbus and MHI.

The culture of “High-stakes (we put on our company)” is a high level of risk and extremely slow feedback. This culture includes, as mentioned earlier, enterprises of the defense industry, which are aimed at obtaining the advantages of enterprises with this type of culture: extremely high investment, a solid approach and a long decision-making process, relatively low staff turnover, resilience and long-term prospects.

The type of corporate culture “Academy” is characterized by a focus on the gradual growth of employees who are ready for long-term cooperation with the company. In such companies, the traditions and customs of the company are highly respected. This is especially true for the Boeing Corporation, which shows pride in its more than 100 year history.

### 2.3 Research of the largest Russian corporations of the military-industrial complex

This study supports an inference that anti-corruption policy is developed and implemented by the majority of the companies under research.

As a comparison, the largest Russian military-industrial complex companies included in the SIPRI index were selected (Tables 10 and 11).

Anti-corruption mechanisms, such as regulation of receiving gifts and prevention of conflicts of interest are closely integrated with ethical norms and ethical policy mechanisms, almost all companies under research have hotlines and ethics commissions, which deal with both ethical issues and corruption violations (Tables 12–14). It should be noted that an essential gap in both global and national industry leaders is the lack of internal Corporate governance code, the fundamental document reflecting the quality of corporate culture and corporate governance, all the more so as its existence is recommended by the Corporate governance code approved by the Bank of Russia [22]. Another significant drawback is the absence of social reporting. The absence of such a single document is all the more surprising
<table>
<thead>
<tr>
<th>Place in the SIPRI rating</th>
<th>Corporation</th>
<th>Arms sales per year, billion US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Almaz-Antey</td>
<td>9.6</td>
</tr>
<tr>
<td>15</td>
<td>United Aircraft Corp</td>
<td>5.4</td>
</tr>
<tr>
<td>18</td>
<td>United Shipbuilding Corp</td>
<td>4.7</td>
</tr>
<tr>
<td>26</td>
<td>Tactical Missiles Corp</td>
<td>3.6</td>
</tr>
<tr>
<td>33</td>
<td>United Engine Corp.</td>
<td>3</td>
</tr>
<tr>
<td>43</td>
<td>High Precision Systems</td>
<td>2.6</td>
</tr>
<tr>
<td>52</td>
<td>Russian Helicopters</td>
<td>1.8</td>
</tr>
<tr>
<td>53</td>
<td>KRET</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Table 10. The largest military-industrial companies in Russia according to the SIPRI rating in 2018 [13].

<table>
<thead>
<tr>
<th>Documents</th>
<th>United Aircraft Corp</th>
<th>United Shipbuilding Corp</th>
<th>Almaz-Antey</th>
<th>Russian Helicopters</th>
<th>Tactical Missiles Corp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code of ethics</td>
<td>+</td>
<td>—</td>
<td>—</td>
<td>+</td>
<td>—</td>
</tr>
<tr>
<td>Corporate governance code</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Anti-corruption policy</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Social report</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Table 11. Documents of corporate culture of Russian military-industrial companies [27–30].

<table>
<thead>
<tr>
<th>Directions</th>
<th>United Aircraft Corp</th>
<th>United Shipbuilding Corp</th>
<th>Almaz-Antey</th>
<th>Russian Helicopters</th>
<th>Tactical Missiles Corp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevention of conflicts of interest</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Intolerance for corruption</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Gift policy</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>—</td>
</tr>
</tbody>
</table>

Table 12. The main directions of anti-corruption policy of Russian military-industrial companies [27–30].

<table>
<thead>
<tr>
<th>Mechanisms</th>
<th>United Aircraft Corp</th>
<th>United Shipbuilding Corp</th>
<th>Almaz-Antey</th>
<th>Russian Helicopters</th>
<th>Tactical Missiles Corp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bureau/Commission on ethics</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>—</td>
</tr>
<tr>
<td>Hotline</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Obligatory training</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>+</td>
<td>—</td>
</tr>
<tr>
<td>Protection against accountability in case of reporting</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Table 13. Ethical policy implementation mechanisms of Russian military-industrial companies [27–30].
given that all the studied enterprises have a social policy that is implemented in practice.

Studying the ethical policy of Russian companies, we can conclude that companies are guided mainly by the mandatory rules adopted in Russia by the state and society, the emphasis is made on observing human rights, fairness, labor protection, protection of confidential information, prevention of conflicts of interest and fight against corruption, with lack of attention to issues of special rights of minorities and inclusiveness which are relevant in the society of the United States, the EU, the countries of the British Commonwealth.

The main directions of social policy were analyzed on the basis of corporate reporting data (Table 15).

The Almaz-Antey Air and Space Defense Corporation [23] does not provide internal documents and reports for public access, the information on social and personnel policy is posted on the official website of the corporation. JSC “Russian Helicopters” [24], United Aircraft Corp [25], United Shipbuilding Corp [26] reflect their social policy in their annual reports. JSC “Russian Helicopters” developed the Code of corporate ethics [27], Anti-corruption policy [28]. JSC “Corporation “Tactical Missiles Corp” developed the Anti-corruption regulation and the Basic social policy [29]. JSC “Concern” Almaz-Antey developed Human Resources and Social Policy [30].

In comparison with the reviewed best practices, it was found that insufficient attention is paid to the following corporate culture tools:

1. Development of corporate documents
2. Social reporting

<table>
<thead>
<tr>
<th>Directions</th>
<th>United Aircraft Corp</th>
<th>United Shipbuilding Corp</th>
<th>Almaz-Antey</th>
<th>Russian Helicopters</th>
<th>Tactical Missiles Corp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair treatment</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Human rights protection</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Intolerance for discrimination and harassment</td>
<td>—</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Inclusiveness</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Labor protection</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Calculation of labor costs and other expenses</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Responsibility for the use of assets</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Protection of confidential information</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Prevention of conflicts of interest</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Fair competition</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fight against insider trading</td>
<td>+</td>
<td>+</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

Table 14. The main directions of ethical policy of Russian military-industrial companies [27–30].
To assess the effectiveness of the mechanisms of corporate culture with the participation of the authors in 2018–19, an analysis of the mechanisms of corporate culture was carried out using the method of expert assessment.

When applying the method of expert assessments, 10 experts were involved, who are middle managers, specialists in large companies. The evaluation criterion is the effectiveness of the implementation of the corporate culture tool. The form of participation of experts is face-to-face, the type of answers is ranging, the main method is the Delphi method (Table 16) [31].

Step 2. Calculation of weight values of experts’ opinions depending on their competence (Table 17).

\[ Ki = \frac{K_3 + K_a}{2} \]  

Ki—coefficient of competence of the i-th expert, considering the degree of familiarity with the question discussed (K3) and substantiation of the answer (Ka):
Kk and Ka are evaluated on a scale from 1 to 2, where 1 is the medium level of competence, 2 is the high level of competence; \( i = 1..m \) — sequential numbers of experts; \( m \) — the quantity of experts \( m = 10 \).

Step 3. Calculation of weight values of the experts' opinions depending on their competence (Table 18)

\[
X_{ij} = \frac{\sum_{i=1}^{m} X_{ij} \cdot K_i}{\sum_{i=1}^{m} K_i} \tag{2}
\]

\( X_{ij} \) — evaluation of the relative importance (in points), set by the \( i \)-th expert to the \( j \)-th element; \( j = 1 \ldots n \) — sequential numbers of the studied elements; \( n \) — the number of elements of the objectives tree \( n = 8 \).

Step 4. Identifying the most promising ways to improve corporate culture.

Table 16.
Step 1. Results of the first step of evaluation of the effectiveness of the corporate culture tools implementation [31].

<table>
<thead>
<tr>
<th>Corporate culture tools / the expert’s №</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate documents</td>
<td>8</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Social reporting</td>
<td>7</td>
<td>6</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Minorities</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Inclusiveness</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Volunteering</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Militaries</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Veterans</td>
<td>6</td>
<td>8</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Schoolchildren / students</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

Table 17.
Step 2. Calculation of weight values of the experts’ opinions depending on their competence [31].

<table>
<thead>
<tr>
<th>Corporate culture tools / the expert’s №</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>Weighted average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate documents</td>
<td>9.6</td>
<td>8.4</td>
<td>8.4</td>
<td>7.2</td>
<td>4.2</td>
<td>9.6</td>
<td>6.3</td>
<td>9.6</td>
<td>4.2</td>
<td>5.4</td>
<td>7.3</td>
</tr>
<tr>
<td>Social reporting</td>
<td>8.4</td>
<td>7.2</td>
<td>9.6</td>
<td>6.3</td>
<td>4.8</td>
<td>8.4</td>
<td>7.2</td>
<td>8.4</td>
<td>4.8</td>
<td>6.3</td>
<td>7.1</td>
</tr>
<tr>
<td>Minorities</td>
<td>1.2</td>
<td>1.2</td>
<td>2</td>
<td>0.9</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>0.6</td>
<td>0.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Inclusiveness</td>
<td>2.4</td>
<td>2</td>
<td>1.2</td>
<td>1.8</td>
<td>0.6</td>
<td>2.4</td>
<td>0.9</td>
<td>2.4</td>
<td>1.2</td>
<td>1.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Volunteering</td>
<td>4.8</td>
<td>5</td>
<td>3.6</td>
<td>3.6</td>
<td>2.4</td>
<td>4.8</td>
<td>3.6</td>
<td>6</td>
<td>3</td>
<td>3.6</td>
<td>4</td>
</tr>
<tr>
<td>Militaries</td>
<td>6</td>
<td>4</td>
<td>7.2</td>
<td>4.5</td>
<td>3</td>
<td>7.2</td>
<td>4.5</td>
<td>3.6</td>
<td>6</td>
<td>4.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Veterans</td>
<td>7.2</td>
<td>9.6</td>
<td>6</td>
<td>5.4</td>
<td>3.6</td>
<td>6</td>
<td>5.4</td>
<td>7.2</td>
<td>2.4</td>
<td>7.2</td>
<td>6</td>
</tr>
<tr>
<td>Schoolchildren / students</td>
<td>3.6</td>
<td>3</td>
<td>4.8</td>
<td>3.6</td>
<td>1.8</td>
<td>3.6</td>
<td>2.7</td>
<td>4.8</td>
<td>1.8</td>
<td>2.7</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Table 18.
Step 3. Calculation of the effectiveness of the corporate culture tools implementation, considering the experts’ competence [31].
To identify more accurately the importance of the corporate culture tools and to develop an algorithm for their implementation, an abstract economic model is suggested for consideration. This model determines the qualitative characteristics of the modeled object, which is the modernization of corporate culture. When building the model, the main approaches of the multifactor model are used, namely, the analysis of the individual factors influence separately and as a whole on the modeled object.

GfK Consumer Life conducted international research that identified 10 crucial types of corporate social responsibility from the consumers’ point of view, which got top positions in the rating (Table 19) [32].

Within the framework of the study conducted by KPMG and Effie in 2018, the finalists of the competition between companies implementing the sustainable development goals Effie Awards Russia 2017 in their social projects were marked. The finalists pointed out in their projects the following sustainable development goals out of 169 sustainable development goals (Table 20) [33].

The corporate culture tools analyzed by the authors are currently highly recommended for all companies and mandatory for large businesses and companies with public ownership.

Internationally this is regulated by:

- The United Nations Convention against Corruption adopted by the UN General Assembly on 31 October 2003, which applies a broadside approach to identifying and preventing corruption risks in both public and private sectors;

- The Organization for economic cooperation and development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions;

- The US Foreign Corrupt Practices Act (FCPA);

- The UK Bribery Act 2010, etc.

In Russia, there are the following legislative norms that recommend and require to implement anti-corruption policy and prevent conflicts of interest:


<table>
<thead>
<tr>
<th>No.</th>
<th>Type of corporate social responsibility</th>
<th>Importance Russia, %</th>
<th>Importance world, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Providing good jobs</td>
<td>61</td>
<td>48</td>
</tr>
<tr>
<td>2</td>
<td>Production of high-quality goods and services</td>
<td>45</td>
<td>41</td>
</tr>
<tr>
<td>3</td>
<td>Fair prices of products and services</td>
<td>41</td>
<td>27</td>
</tr>
<tr>
<td>4</td>
<td>Protection of the employees’ health and safe production</td>
<td>40</td>
<td>37</td>
</tr>
<tr>
<td>5</td>
<td>Participation in social programs</td>
<td>23</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>Being environment-friendly</td>
<td>20</td>
<td>37</td>
</tr>
<tr>
<td>7</td>
<td>Fair tax payments</td>
<td>12</td>
<td>19</td>
</tr>
<tr>
<td>8</td>
<td>Investments in research and technology</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>9</td>
<td>Supporting the local area</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>10</td>
<td>Educational support</td>
<td>9</td>
<td>8</td>
</tr>
</tbody>
</table>

Table 19.
Crucial types of corporate social responsibility from the consumers’ point of view.
Today there are three main concepts, on which modern theories of corporate social responsibility are based.

Stakeholders concept. A stakeholder is an individual or organization that exerts influence on or is influenced by the activities of another organization, its products, services, and related production performance indicators [34].

Corporate citizenship implies the responsibility of companies for what is happening in the country and the mutual responsibility of the state and business to the society [35].

The concept of corporate sustainability, which is the newest concept in the field of corporate social responsibility. Its founder J. Elkington introduced the concept of a triple bottom line of a corporation’s activities, which includes financial and environmental dimensions complying with the idea of eco-efficiency with the addition of the assessment of social and broad economic impact [36].

In Russia, large companies and companies with public ownership are guided by the approach to social responsibility, defined by the Concept of long-term socioeconomic development of the Russian Federation [37]. There are no binding forms of social reporting, similar to annual financial statements, but the most widely used ones in the world at present are the UN Global Compact, and The Global Reporting Initiative (GRI) [38].

The stability of the Asia-Pacific region is attracting major attention owing to its increasing relevance in the current globalized world. China has been predicted to be a world power in a few decades. The size and progress of the development of its defense industry are one of the most relevant factors influencing the current global arms market and the security stability in the region.

<table>
<thead>
<tr>
<th>No</th>
<th>Sustainable development goals</th>
<th>% of the goal representation in the finalists’ projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Good health and well-being</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>Industrialization, innovation, and infrastructure</td>
<td>30</td>
</tr>
<tr>
<td>3</td>
<td>Quality education</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Responsible production and consumption</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td>Partnership for sustainable development</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Decent work and economic growth</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Peace, justice and effective institutions</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Eradication of poverty</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>Clean water and sanitation</td>
<td>3</td>
</tr>
<tr>
<td>10</td>
<td>Sustainable cities and communities</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 20. Rating of sustainable development goals.

- The Corporate governance code approved by the Bank of Russia.
- Methodical recommendations of The Federal Agency for State Property Management (Rosimushchestvo) on the organization of risk management and internal control in the field of prevention and combating corruption and on the organization of the Board of Directors work in a joint-stock company;
The region’s nations place greater emphasis on foreign sales and exportation of their defense products. However, they face a highly competitive international arms market where a large number of companies compete to sell their products and only the development of niche technologies appears to have greater prospects for generating success.

Most South Korean defense companies have greatly diversified their production into the commercial sector, which may compensate for the above problems of overcapacity and poor economies of scale (and subsequent lack of competitiveness). The Chinese defense companies have similarly, although less significantly, achieved certain diversification of their production [38].

Conversely, Indonesian arms producers remain highly dependent on the state’s procurement programs.

South Korea and Singapore have had unlimited access to modern weapons systems technologies and to the global arms market; China, on the other hand, has been under an arms embargo placed by the U.S.A. and the E.U. since 1989, and Indonesia was under a U.S. arms embargo between 1999 and 2005. In consequence, China relied on dual-use technologies and reverse engineering techniques applied to Russian weapons systems in order to then develop its defense sector, while Indonesia has been unable to develop its defense industrial base until recent years.

The mercantilist approach, in which the state exercises a large amount of control over the defense industry, may lead to extensive investments in the defense industry, lack of competitiveness, and an eventual decrease in the nation’s security; whereas the application of liberal principles, in which there is minimum intervention by the state in the defense sector, may result in more competitive military equipment production and therefore greater security, although may also create certain vulnerability as there is greater dependence on foreign suppliers.

3. Conclusion

The study substantiates the relevance of the choice of the research object – the largest enterprises of the military-industrial complex, as the political instability in the world, has led to a significant increase in demand for weapons, besides, the military-industrial complex is one of the most important sectors of the economy because its development fosters the expansion in the related industries – metallurgy, electronics engineering, instrument-making, etc. With significant dependence of the industry on internal and external factors corporate culture is becoming increasingly important for the development of corporations in the industry.

The study revealed that introducing such tools as human rights protection policy, anti-corruption policy, fight against discrimination, protection of information and assets, prevention of insider trading is universal in nature and these tools are implemented by the largest corporations in all the countries under research, namely the USA, the EU, the UK, Russia, Asia-Pacific region.

Depending on the calculated rating it is suggested that the companies of the military-industrial complex introduce the corporate culture tools in the following order:

1. Development of corporate documents (first of all the corporate governance code)

2. Social reporting. Priority introduction in the short term up to 1 year.

4. Support for militaries and their families. Introduction on a second-priority basis in the medium term from 1 to 3 years.

5. Support for volunteers.

6. Training events for profession-oriented schoolchildren and students. Introduction on a third-priority basis in the long-term period from 1 to 3 years.

7. Support for minorities.

8. Inclusiveness. The introduction is not recommended.

The implementation of the suggestions given in the article may have the following positive effects for the corporations of the military-industrial complex:

1. Creating a positive image in the host country and in the countries which are customers of the products.

2. Establishing a positive image in the eyes of the state customer, for instance, the support for military personnel/veterans creates a positive image in the eyes of the main consumer - the military department.

3. The development of the Corporate governance code, other important corporate documents, and transparent social reporting can increase credibility in the eyes of prospective shareholders.

4. Transparent social reporting, training programs for both personnel and future employees who are retiring militaries, students, schoolchildren will contribute to establishing a positive image among the staff.

5. Reducing, for the company, the risks from corruption losses.

6. Reducing for the company the risks from illegal/unethical behavior of the employees, as detailing ethical responsibilities,

7. procedures, training its employees, the company acts in good faith and reasonably.

The research and conclusions presented in this article can be beneficial not only for the enterprises of the military-industrial complex but also for corporations in other industries making adjustments for an industry specificity.

Acknowledgements

The publication has been prepared with the support of the “RUDN University Program “5-100.”
Author details

Sergei Zainullin¹* and Olga Zainullina²

1 PhD in Economics, Associate Professor Department of National Economics Peoples’ Friendship University of Russia (RUDN University), Moscow, Russia

2 Senior Teacher Department of Visual Communications University of Synergy, Moscow, Russia

*Address all correspondence to: zaynullin_sb@pfur.ru

IntechOpen

© 2020 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/3.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.
References


[14] Raytheon 2016 Corporate responsibility report


[18] BAE Systems’ Code of conduct

[19] Northrop Grumman’s standards of business conduct


[21] Mitsubishi Heavy Industries Code of conduct


[24] ANNUAL REPORT OF RUSSIAN HELICOPTERS JSC FOR 2017


[26] ANNUAL REPORT of the Public Joint Stock Company "United Shipbuilding Corporation" for 2017

[27] Code of Corporate Ethics of JSC Russian Helicopters
The Corporate Culture of the Enterprises of the Military-Industrial Complex
DOI: http://dx.doi.org/10.5772/intechopen.94479

[28] Anti-corruption policy of JSC Russian Helicopters

[29] Anti-corruption policy of Tactical Missile Armament Corporation JSC


[31] SERGEI ZAINULLIN, ELENA EGORYCHEVA, IRINA LIKHACHEVA, DARIA KOLESNIKOVA, LIUBOV KOLESNIKOVA THE MODERN WAYS TO IMPROVE CORPORATE CULTURE IN THE MILITARY-INDUSTRIAL COMPLEX// AD ALTA: JOURNAL OF INTERDISCIPLINARY RESEARCH VOL. 10, ISSUE 1, SPECIAL ISSUE X. March 2020 pp134–139


Chapter 14

Corporate Social Responsibility and the Public Health Imperative: Accounting and Reporting on Public Health

Obiamaka Adaeeze Nwobu

Abstract

It has never been more urgent for corporate entities to ensure that they are accountable for public health issues arising from their business operations. Corporate social responsibility is constantly being redefined from what it used to be in terms of corporate responsibility to people and the planet. This redefinition is mainly due to issues affecting public health. Hence, it is important for corporate entities to account for how their business operations affect public health. It is also important for corporate entities to account for how public health issues affect their business operations. The nexus between corporate social responsibility and public health could also create a ‘new normal’ by accounting and corporate reporting on public health.

Keywords: accounting, corporate reporting, corporate social responsibility, public health, sustainable development, sustainability

1. Introduction

Currently, Corporate Social Responsibility (CSR) has become a debated issue in the corporate world, attracting the attention of business owners and standard setters such as the United Nations Global Compact. Corporate social responsibility can be defined according to Khanifar et al. [1] as the actions that make companies good citizens who donate to society’s well-being outside their own self-interests. Ghelli [2] stated that the growing level of industrial development has caused a steeped and also a reduction of natural resources, which weighs on the future stability of the world and by accepting and development social responsible practice, is the best means to stop these negative activities. According to Mwangi and Jerotich [3], corporate social responsibility reiterates that a firm has responsibilities that go beyond profit maximization. This responsibility is to the society. Sharma & Mehta [4] stated that corporate social responsibility refers to the firm’s contemplation of and answer to problems that are beyond the narrow scope of the economical, technical, and legal needs of a firm. Tjia and Setiawati [5] opine that social activities are now considered as social principal investments instead of financial burdens. Abbasi et al. [6] states that the social actions carried out by firms are also called ethical investments because they portray corporations in positive light [7, 8].
Public health is the science of protecting and improving the health of people and the community. The aim of public health is to promote healthy lifestyles, research disease and injury prevention, detect, prevent, and respond to infectious diseases. Public health is concerned with protecting the health of entire populations either in a small community or a country. Public health focuses on promoting healthcare equity, quality and accessibility [9]. Public health is also concerned with the control of diseases caused by bacterial, fungal and viral organisms. According to Acheson (1988) as cited in World Health Organization [10], public health is the art and science of preventing disease, prolonging life and promoting health through the organized efforts of society. Based on the definitions of public health, it is not the sole responsibility of government. It is the responsibility of individuals and the society (including corporate entities) to ensure that public health is given priority. Threats to public health could be capable of affecting livelihoods, and most importantly life. In either way, public health issues are crucial for economic wellbeing and life.

Corporate entities usually engage in CSR activities in order to be portrayed in good light. Some of their activities include engagement in educating the host community, monitoring health of people, providing diagnostic services, mobilizing community partnerships, providing care, among others. Corporate entities offer public health services in form of philanthropy. However, there have been arguments that corporate entities engage in CSR for the purpose of improving their financial performance [11–14]. Other research argues that firms are pressured into improving their CSR performance [15]. Other research argues that corporate entities engage in CSR for social sustainable growth [16]. The varying reasons for corporate engagement in social responsibility are one of the dominant issues in CSR literature. The nexus between CSR and public health is another debatable topic among researchers.

Governments and their representatives are one of the public health service providers. These governments operate at different levels in the polity of a country. However, they are not the sole public health service providers. Corporate entities are also involved in public health initiatives as they carry out their CSR or philanthropic activities. Hence, this creates the need for researchers to explore how businesses can use CSR to positively influence public health. In addition, the nexus between CSR and public health requires that corporate entities account for public health and report on same. It also requires that a distinction is made with respect to the nature of accounting and reporting on public health, that is, accounting for how business operations affect public health and how public health issues affect business operations. These accounting and reporting issues with respect to public health differ from the usual corporate disclosures on public health.

The main objective of this study is to assess the literature on CSR and public health with a view to increase advocacy for corporate entities to account for how their business operations affect public health. The study also advocates that corporate entities report on how public health issues affect their business operations. In the light of threats to public health, accounting and reporting on public health based on these approaches could create a ‘new normal’ for improved accountability on public health. This ‘new normal’ goes beyond the disclosures on public health. Standard setters such as the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC) can use the recommendations of the study to develop standards to guide corporate entities on accounting and reporting on public health.

The study contributes to the existing knowledge on corporate social responsibility and public health. It is also aimed at increasing advocacy for accounting and reporting on public health by corporate entities, with a view to improving the health of the host community where businesses operate and the host country, and the world at large.
2. Theoretical framework

Based on the stakeholder theory propounded by Freeman in 1984, a firm should create value for all stakeholders, not just shareholders. Stakeholders are a group of persons or individuals who can affect or are affected by the actualization of an organization’s objectives [17]. The host community is a stakeholder in a business entity. The activities and operations of a business entity or company affect people and the environment. These effects have social and environmental implications. CSR is carried out by business entities to meet the needs of business stakeholders. According to Huang and Watson [18] CSR is the effort of corporations by willingly engaging in activities that display promotion of social good. These activities are usually beyond the normal operations of the company and legal requirements. Radhakrishnan et al. [19] note that the apportionment of resources and activities are a branch of the business model that assist in addressing social problems indirectly, moderating negative effects and encouraging positive effects of a corporation. Radhakrishnan et al. [19] further state that managers need to make decisions on how resources and input, which leads to outputs for the benefit of shareholders and business stakeholders.

The main features of CSR are: (1). willing involvement, (2) dealing with outcomes such as the impact a firm may possibly have on a local community, (3) considering all business stakeholders, (4) alliance of the social and economic responsibilities, (5) formation of business morals and practices that focus on social responsibility, (6) going further than just being philanthropic [20]. Studies [21, 22] agreed that the continual willingness of business to act ethically while improving employee quality of life and that of the local community and society is one of the reasons for CSR.

According to Chaffee [21], CSR can be traced to the Roman Laws that gave rise to institutions such as shelters, homes for the underprivileged and old, hospitals and children’s home. In world history, the Middle Age era was a period when firms were perceived as social corporations by academic, public and religious bodies. Later on, with the powers conferred on the English Crown, corporations were viewed as a mechanism for social growth.

The history of CSR can be traced to the 1950’s and 1960’s. According to Waterhouse [23], during the 1960’s there was a new social perspective marked by a growing agitation for respect of civil rights in the United States of America. These protests were deep-seated student rallies and political activities; and protesters perceived that businesses were an essential part of the institution they wanted to change. Madrakhimova [24] noted that CSR during the 50’s and 60’s focused on corporate philanthropy, and workforce safety. However, Waterhouse [23] noted that the general social setting during the late 1960’s resulted in low morale by businesses to fulfill the need for CSR. According to Johnson [25], a socially responsible firm is one whose management balances a variety of interests beyond pushing only for larger profits for its stockholders. Such a firm also considers employees, suppliers, dealers, local communities, and the nation.

Latapi-Agudelo et al. [26] stated that in the 1970’s some of the most prominent corporations with regard for CSR were established, namely Body Shop, Ben and Jerry. However, the rationale for the interest in CSR could have been as a result of regulation or the societal concerns at that time. Due to the internationalization of business entities in the 90s, CSR became a global phenomenon. According to Latapi-Agudelo et al. [26], the CSR concept was demanded internationally, maybe due to the international method to sustainable growth at that time and the effect of globalization on business operations. Multinational corporations became faced with operations abroad.
2.1 Components of corporate social responsibility

CSR comprises economic, ethical, philanthropic and legal responsibilities [27]. These responsibilities are carried out by corporations in service to communities and people. According to Gonzalez-Rodriguez et al. [28], corporations have to meet their economic responsibilities which include paying shareholders a return on their investment, maintaining the size in the market, while maximizing profits, satisfying consumers, providing a fair reward for employees. Ethical responsibilities are important in ensuring that stakeholders receive equal and fair treatment from the business. A firm that carries out ethical responsibilities to stakeholders respects the rights of such persons while creating a better framework for the development of employees, managers, owners, customers, suppliers, the host community, and environment [29]. When CSR is perceived as charity or corporate giving it is a philanthropic responsibility. According to Gregore [30], philanthropic responsibilities are the voluntary responsibilities of a corporation. Philanthropic responsibilities are those which corporations voluntarily engage in and are not required by law. Examples of voluntary responsibilities are donation of goods, rendering free services, volunteering to educate or teach, and participation in community service. Legal responsibilities are those which a corporation must comply with to prevent sanctions from the state [31]. Legal responsibilities are carried out by corporations because there are laws within which a corporation must function.

3. Corporate entities and public health

One of the ways through which corporations carry out CSR is by engagement in public health initiatives. Corporate practices play a substantial role in shaping health and health behavior; these practices are one of the determinants of health [32]. According to Green [33], corporate interests in public health are diverse. One of the interests is for companies to invest in corporate well-being programmes, including workplace health insurance. It is in the interest of the public that everyone in a community and country is healthy. However, nothing of value including public health is cheap to maintain. Green [33] notes that the general consensus is that public health is funded by tax collected by government. Beyond tax revenue, other sources of revenue may be available to fund public health programmes, services and initiatives in a community and country. Some of the public health programmes and services are vaccinations, environmental health officials, sexual health service providers, health promotion, emergency planning [33].

Research on the engagement of corporate entities to improve health are namely: corporate practices as a determinant of public health, occupational and environmental health consequences of corporate policies, consumer exposures to corporate policies, implications of a single product of a corporate entity on public health, patterns of behavior by corporate entities across different industries [32]. Another body of research is on perception of CSR in public health provision by community members [34]. The research on CSR and public health provisions is yet to assess how corporations can account for the impact of public health issues on business operations and vice versa. It is important to account for how business operations affect public health for the following reasons emanating from their operations, namely: (1) carbon pollution, (2) climate change (3) waste disposal, (4) water quality (5) water usage (6) power generated and (7) recycled products. The implications of business operations on public health have been acknowledged in the literature [35, 36].
Public health has become one of the most critical issues in developed and developing countries due to the diseases in communities. Corporations do business in communities and diseases may exist there. Thus, limiting business operations on one hand, and affecting communities on the other. With the existence of diseases such as HIV/AIDS, Hepatitis, Herpes, cancer, malaria, among others, it has become critical to manage them for the public interest to avoid their escalation, and a situation where business activities become hampered by them. Hence, there is a need for corporations to account for how their operations affect public health.

Diseases have cost implications to the community. The cost of diseases includes not only the total cost but also includes the direct and indirect costs [37]. According to Jo [38], diseases can impose economic burden on the society. In addition to direct and indirect costs of diseases, there are intangible costs. Direct costs are those associated with healthcare (such as diagnosis, treatment, and rehabilitation) and non-healthcare (such as transportation, household expenditures, relocating, property losses, and informal cares). Indirect costs are those associated with productivity losses due to morbidity and mortality, which are borne by the individual, family, society, or the employer. Therefore, the involvement of corporations in public health initiatives is not uncommon. Studies [34, 39, 40] show how public health engagements are carried out in social responsibility programs of corporations.

According to Simon and Fielding [41], public health agencies and private businesses share an interest in ensuring that the population is healthy. Private businesses exist to maximize profit. Therefore, they have financial interest when supporting public health initiatives. Public health agencies benefit from partnerships with private businesses by the increased reach and effectiveness of the former’s programs.

3.1 Accounting and reporting on how public health issues affect corporate entities

The impact of the sudden outbreak of diseases is felt by both businesses and public health agencies [41]. This is why it is important for corporations to account and report on how public health issues affect their operations. Even when there is no disease outbreak, it is imperative that a corporation should account and report on how public health issues affect their operations. The manner in which corporations account for the impact of public health on corporate operations can generate information for performance measurement and overall assessment of the risks inherent in the external and internal environments of corporations.

It is essential to account for how public health issues affect corporate entities in the following areas, namely: (1) budgeting for public health, (2) soliciting shared resources to ensure public health, (3) risks posed by the sudden outbreak of diseases, (4) opportunities posed by the sudden outbreak of diseases, (5) financial implications of the risk and opportunity posed by sudden outbreak of diseases, (6) costs of actions taken to manage the risks and opportunities posed by sudden outbreak of diseases, (7) cost of changes in corporate operations due to sudden outbreak of diseases, (8) risks posed by different categories of diseases, (9) opportunities posed by different categories of diseases, (10) financial implications of the risk and opportunity posed by different categories of diseases, (11) costs of actions taken to manage the risks and opportunities posed by different categories of diseases, (12) costs of changes in corporate operations due to different categories of diseases. The categories of diseases could be based on those that are most prevalent in the community or society where the business operates. For sudden outbreak of diseases, it is also important for a business to take cognizance of how public health threats due to interaction with outsiders that the business interacts with on a regular basis influence its operations. Accounting for the impact of public health on
the corporate entities will create performance metrics that can be used in corporate reporting. Disclosures can follow in corporate reports that could be labeled ‘Corporate health report’. This aspect of accountability focuses on how corporations ensure quality health care and health insurance for their employees, and improving workplace conditions. Quality health care is one of the incentives corporations use to attract and retain employees. Employees may also feel valued when they can extend quality health services to their family members. Health insurance for employees is another means through which corporations protect employees. The approach used in improving workplace conditions can also be part of the disclosures in corporate health reports.

3.2 Accounting and reporting on how business operations affect public health

According to Rochford et al. [42], the main focus of analysis on how businesses affect public health is on the external products or services rendered by private companies. This analysis is without recourse to how the internal processes, namely: (1) employee relations, (2) workplace design, and (3) physical infrastructure, and external processes, namely: (1) sales, (2) marketing, and (3) lobbying, affect the operations between stakeholders and ultimately influence health. Therefore, studies on how business operations affect public health are limited. Perhaps, with frameworks to account and report on how business operations affect public health, it could be easier for researchers to assess the relationship between business operations and public health.

For the sake of maximizing profit, it is important for a business entity to account and report on how its operations affect public health. This is important because an upsurge in diseases within the community where that business operates can result in temporary stoppage of operations. This could ultimately affect the ability of the business to generate revenue to meet its expenses, while providing returns on investments by shareholders. It is important for a corporation to account for water withdrawn for operations, water recycled and reused, gross direct greenhouse gas emissions, organic pollutants, water discharged and the quality of water discharged, waste and method of disposal, number and volume of spills, recycled materials used in the production process. These performance indicators are as provided by the Global Reporting Initiative [43]. The Global Reporting Initiative standards include health disclosures. These disclosures offer opportunities for corporate entities to accrue, track and report environmental, social and governance (otherwise referred to ESG issues) including employment, occupational health and safety, air emissions, waste generation, waste disposal, marketing and labeling practices.

In accounting for how public health issues affect corporate entities, there is a need for standards that can assist entities understand how to isolate public health issues at the host community and country level, and account for how each public health issue affects business operations. This accountability is crucial because it may be difficult for the workforce to work in the presence of public health crises when an organization has not declared where it stands. Accounting for how public health issues affect corporate entities is critical because it is a reversal of what the GRI standards assist entities to disclose. The board of directors has crucial roles to play in ensuring that corporate entities which they lead account and report on how business operations affect public health. Hence, the presence of the Corporate Social Responsibility (CSR) committee on the board of directors cannot be over-emphasized [44]. The presence of the CSR committee should translate to meaningful understanding of public health issues and how the corporation affects them. For example, a company or enterprise that operates in the confectionery and restaurant sector could expose customers to the health hazards of some diseases
such as hepatitis, diahorrea and diabetes. Hence, a company in that sector could report on how their business operations affect public health and how these operations are conducted in a way that significantly reduces the negative impact on public health. The board committee on CSR is expected to set the tone on the 'new normal' in reporting how business operations affect public health. However, the board of directors could collaborate with the management team to evolve a model that suits the reporting organization and reduces reporting costs borne by the organization. The cost of accounting and reporting public health to an organization could also be reduced if digital platforms are utilized. Esposito De Falco et al. [45], find that transaction costs reduce with the use of digital platforms for collaborative innovations.

Eventually, it is not only the core profit-oriented businesses that could embrace the 'new normal'. Businesses at all levels could embrace the 'new normal'. In the entrepreneurship type of business, there is a need to embrace not only financial and managerial accounting but also how their business operations are influenced by public health issues and in turn how public health issues affect their business. This change towards more sustainable modes of corporate behavior is needed in management and accounting education across college and tertiary levels. According to Scuotto et al. [46], entrepreneurship positions the university at national and international contexts. Therefore, management and accounting educators are agents of change to improve the mode of acceptance of the 'new normal' of accounting and reporting on public health. Social enterprises help local communities and solve community problems while making profits [47]. The objectives of social enterprises could be modified to also embrace the 'new normal' bothering on accounting and reporting on public health issues. Overall, beyond the company or firm-level initiatives to foster the acceptance of the 'new normal' of accounting and reporting on public health issues, there is the influence of country culture on the acceptance of the 'new normal'. Orlando et al. [48] find country’s cultural indulgence to have a positive effect on the eco-innovation index. As an institutional influence, country culture, or the way things are done in a country which includes accounting and reporting on public health is a crucial factor to consider. Beyond the corporate board that represents the shareholders, the country’s cultural acceptance of this 'new normal' could predict how organizations in the private-sector embrace accounting and reporting on public health.

### 4. Conclusions, limitations and future work

The 'new normal' in corporate social responsibility can be created by focusing extensively on public health issues. Public health is crucial because no corporation operates in a vacuum. Hence, corporations depend on profit to continue in business. On the other hand, the population must remain healthy because the business customers are a subset of the population. There are two approaches to this 'new normal', which is accounting for and reporting on public health. The first is accounting for how corporate operations or activities affect public health. This should go beyond how a specific product of a company affects public health. The second is accounting for how public health issues affect corporate operations. At the second level, it is recommended that the public health issues affecting the operations of corporate entities should be isolated and accounted for on an individual basis.

This study is limited to a review of the literature in order to strongly advocate for the need to account and report on public health in corporations. However, the application of public health accounting at the two levels recommended in this study can be assessed by future studies.
References


[34] Agymang-Duah, W., Arthur-Holmes, F., Sobeng, A.K., Peprah, P.,


Chapter 15

Corporate Social Responsibility (CSR) Model in Improving the Quality of Green Open Space (GOS) to Create a Livable City

Wikantiyoso Respati, Suhartono Tonny, Sulaksono Aditya Galih and Wikananda Triska Prakasa

Abstract

Sustainable urban development leads to the creation of livable cities. The Green Open Space (GOS) of City requires the quality of life requirements to support the ecological, socio-cultural, and urban economic functions. In Indonesia, the provision of GOS is the city government’s responsibility, which has to be carried out transparently and implemented with the involvement of stakeholders. The limited funding for the provision and improvement of the quality of GOS by the city government has developed a CSR scheme from the private sector. This CSR governance model enriches the use of CSR in addition to social assistance or charity activities, which can realize for the wider city community. The city government’s role in using CSR models is significant to ensure transparency of costs, accountable design policies, and their implementation and maintenance.

Keywords: green open space (GOS), GOS improving quality, livable city, CSR role model

1. Introduction

Urban development in the global era has to provide solutions to climate change problems, both micro and macro, on a larger scale [1]. The Sustainable Development Goals are collective agreements that generally result in harmonious and sustainable development. Harmony contains understanding related to ecological, humanities, and economic aspects. Sustainable means development that aims to improve the quality of life of present and future generations [2]. In other words, sustainable city development leads to the creation of livable city ecosystems. A livable city is an ideal condition that can provide space for city life in a natural and sustainable city space.

Urban Green Open Space (GOS) is one of the micro-ecosystems of urban space that requires the quality of life needed to support ecological, socio-cultural, and municipal economic functions [3–6]. According to the Indonesian Spatial Planning Law, no. 26 of 2007, the provisions of the GOS are the responsibility of the city government, which has been carried out transparently and implemented by involving stakeholders [7].
The development of GOS in Indonesia carried out through the Green City Development Program (GCDP) scheme initiated by the Ministry of Public Works and Spatial Planning. The GCDP is a city development program that integrated and in harmony with the environment. Use the principle of sustainable linkages between the environment, human activities, and the economy. The city government manages with a strong commitment, clear sense of responsibility, and work through the efforts of the participation of all stakeholders [1].

Limited funds to provide and improve the quality of GOS by the city government have developed CSR schemes from the private sector. Development of urban open spaces that can use through pedestrian space, jogging paths, play areas, and other facilities to create a livable city environment. This CSR governance model increases the use of CSR and social assistance or charity activities, which can realize for the wider city community. The city government’s role in using the CSR model is significant to ensure cost transparency, responsible design policies, and implementation and maintenance. This paper is the best practice from GOS research results in the City of Malang, Indonesia. An overview of the City of Malang as a magnificent city, please click on the following link; www.bit.ly/malangdignifiedcity.

The concept of CSR involves the responsibility of partnerships between government, community resource institutions, and local communities [8], which are not passive and static, which are socially shared responsibilities among stakeholders. Implementation of GOS quality improvement due to the revitalization program indirectly reduced urban green space [9]. So, it is necessary to need a control mechanism to design the urban green space revitalization program that well implemented. On the other hand, CSR’s financing aspects should limit the company’s compensation in the form of advertising media of CSR product providers. Thus, the corporate engagement model and design negotiation process are an essential part of integrated planning and designing in sustainable GOS revitalization.

According to Mc Phearson 2015, [10], the establishment of a private participation model through CSR in urban green space development, a comprehensive and integrated approach needs to meet the principles of transparency and accountability in CSR funds. The preparation of the CSR Model framework (see Figure 1) in improving the Quality of GOS carried out through three essential steps, namely:

1. Determine the factors that influence the CSR model in improving the quality of GOS through literature review;
2. Identifying specific and integrated model characteristics in creating livable cities;

3. Generating a CSR model based on good practice CSR-based implementation in GOS revitalization in the field.

2. Livable City as an objective

Livability is becoming an increasingly important factor in sustainability. Based on that, livable City works to improve cities’ quality of life [11, 12]. That shows the importance of creating a city with pleasant city spaces, roads, and an entire environment that makes walking, biking, and transit the best choice for urban communities. Urban public area, well designed, and well maintained, and safe housing is more and more affordable [13]. There is a global trend toward livable cities because this is a practical approach to sustainable urban planning and design.

Sustainable city development aims to improve the quality of life [11] of citizens and reduce cities’ impact on outside resources. The revitalization of GOS and urban structures forms the basis of sustainable urban planning in cities [14]. Urban ecosystems with excellent urban governance in preparing plans and diversity of local ecosystem services [10]. The rapid development of urban areas is a challenge and opportunity to design more livable, healthier, and more resilient cities. It can be adaptive to the effects of climate change [10]. Planner and Urban Designers play an essential role in determining livable cities’ physical quality and characteristics [15]. Environmental conservation efforts with an adequate investment are necessary to realize ecological infrastructure, ecological restoration, rehabilitation of urban area ecosystems, and revitalization of urban open spaces, which are ecologically and socially desirable and often economically beneficial [10].

Improving the quantity and quality of GOS will increase biodiversity and the environmental variety of urban ecosystems [16]. Application of landscape ecological principles [17–19] to green structure planning [20–23] also corresponds to two patterns: nature in cities [14], and urban patterns in nature [24]. According to Frischenbruder and Pellegrino, [25], in their study in eight cities in Brazil, green networks could make meaningful contributions to more livable cities by unifying planning and ecology [14]. In 1996, the United Nation’s Habitat Conference introduced live ability and noted that every City should be habitable [26]. Hahlweg [27] states that City as a family defines a city that can live as a city for all people or a city that can accommodate all the city community’s activities and is safe for the entire population.

According to Timmer [28], a city that can live in refers to an urban system that makes physical, social, mental, and personal contributions to its inhabitants. There are five fundamental aspects of great, livable cities: robust and complete neighborhoods, accessibility and sustainable mobility, a diverse and resilient local economy, vibrant public spaces, and affordability (Figure 1). An essential aspect of realizing livable cities related to spatial planning is the realization of dynamic urban open space following quality standards and its facilities’ needs. The existence of urban public areas following its function (social, ecological, and esthetic functions) makes it increasingly evident that increasing the quality of urban open space will contribute to the sustainability of urban development. In this chapter’s discussion, the City’s GOS Revitalization program is the focus of efforts to provide a better public space.
Improving the quality of urban GOS related to social, ecological, and esthetic functions contributes significantly to the realization of Urban Resilience [29–31]. Success in improving the quality of social space will contribute to the provision of community social space, space for social interaction, space for relaxation, and sports that are important for improving people’s physical and spiritual health. Improved urban areas’ ecological functions will contribute to biodiversity and animals, improve the quality of the microclimate of the city/region, air purification, groundwater conservation efforts, and increase rainwater absorption by reducing surface runoff rates [32]. It is significant for the improvement of urban ecosystems. The successful revitalization of urban space will also improve the visual quality of urban areas, which is essential for realizing a harmonious city environment between the natural environment and the landscape architecture as an artificial environment.

3. A livable city; resilient toward the face of climate change

At present, city resilience has become a new focus in landscape ecological research and urban problem research. Holling [33] was the first to define resilience’s concept in ecology and discuss ecological systems’ strength. Further understanding develops the socio-cultural, economic, and urban environmental problems also has implications for the shifting elements of the development of the concept of urban resilience. Timmerman [28] then developed the idea of social resilience by equating with the ability to cope with climate change. The resilience defines as a system’s ability to overcome interference [34], rearrange while maintaining function, structure, identity, and feedback to normalize the already running system [30].

The implementation of the urban resilience Concept is now expanding to include human social networks [29], adaptability to disaster recovery [35], security resilience [36], even resistance in populating the Covid-19 pandemic. Based on previous research, this discussion defines resilience as the ability to respond to internal and external risk pressures through absorption, adaptation, and transformation within existing basic structures and functions. The application of the idea of the strength to the City’s ecological system aims to address urban problems related to climate change [37] and disasters to take action to prevent and mitigate urban hazards [38]. Thus, urban resilience as a process can interpret as an effort to increase the ability to absorb and respond to the effects of disasters and reorganize to overcome disruptions in achieving normal conditions after disaster stress or change [39]. Resilience as a system allows the system to adapt to change [40, 41].

Resilience is the capacity of the socio-ecological system and its components in dealing with dangerous pressures. It occurs at the right time and efficiently to respond, adapt and change ways to restore, maintain, and improve the main functions, structures, and identities in preserving the capacity to grow and change in a particular entity. Thus, the notion of the resilient City is a city that can survive and absorb the impacts of hazards, shocks, and stresses through adaptation or transformation to ensure long-term sustainability and essential functions, characteristics, and structures. A resilient city reflects the municipality’s capacity through individuals, communities, institutions, companies, and systems to survive, adapt, and develop, no matter how hard or severe the surprises are faced. Resilience has three main aspects: persistence, adaptability, and transformation ability, each of which integrates and collaborates from a local to a global scale. Resilience refers to individuals, households, groups in society, or systems to absorb and recover from the impacts and dangers of climate change and other long-term shocks and pressures. Urban resilience planning carried out to analyze the impact of pressures, possible changes faced by a city.
Therefore, the plan requires evaluating the City’s vulnerability, understanding of processes, procedures, interactions, and capacity building to develop several infrastructural components and their interactions with the primary goal of achieving livable city resilience with spatial resilience support. Based on the description above, it can summarize the City’s Resilience related to the following matters:

1. The town's ability or capacity (governance and community) in dealing with pressures, shocks, and hazards;
2. Ability to survive and adapt, resilient and able to change;
3. The ability to respond to changes in an era of uncertainty;
4. The ability of urban challenges.

According to Lu et al., [42], Urban Spatial Resilience is an urban spatial system that can resist, adapt, and recover from pressure and change. Lu focuses on the urban spatial, which is based on the physical attributes of the spatial material. Spatial resilience used to understand urban space as a complex social ecosystem. This conception of Spatial Resilience includes literacy about resilience. Theoretically, the research on urban spatial resilience enhances resilience theory and also complements existing literature on urban spatial resilience at various scales.

The theoretical framework of urban space resilience, according to Lu et al., is classified into five dimensions, namely: the scale of urban spatial, urban spatial structure, the urban spatial form, urban spatial function, and urban spatial network (Figure 2). Urban disaster mitigation can anticipate through urban spatial resilience, which must be considered by policymakers and planners by considering

---

**Figure 2.** Components of urban spatial resilience. Adopted from Lu [42].
the promotion of urban spatial resilience to deal with disaster events and uncertain conditions. The complexity of the problem of Urban Resilience requires active participation from stakeholders by creating collaboration between government, experts, and the community in various stages of planning and resilient city planning. So, city planning using a spatial resilience approach aims to reduce urban risk toward the face of climate change.

4. GOS revitalization for livable cities

Liveability is an essential factor in achieving sustainable city development. The concept of sustainability is from environmentalists' concern about the long-term consequences of pressures on deteriorating environmental ecosystems. So, a development approach is needed that aims to support increased economic activity that ensures the sustainability of natural resources and the environment [43, 44] toward the face of climate change. Sustainable development defined as development that meets the present's needs without compromising future generations' ability to meet their own needs [45]. Sustainable urban development essential to improving the quality of life of communities and reducing negative impacts on natural resources in future urban contexts [46]. Three key concepts need attention that is development, needs, and future generations. According to Blowers, sustainable development aims to protect natural resources, developing the built environment, maintain environmental quality, avoid social justice, and increase participation. 11th SDGs explicitly emphasize the concept of sustainable urban development. Development of the concept of sustainable city development requires an integrated approach to achieve harmony in planning, design, implementation, and control. Sustainable urban development through the provision of adequate green space will affect reducing urban heat [47, 48], offsetting greenhouse gas emissions [16, 49–51], and increasing urban groundwater content [52]. The rapid increase in the city center's human activity has contributed significantly to increased carbon gas emissions [16, 49–51]. The GOS quality improvement that not integrated can potentially hurt the quantity and quality of the City's environment; these impacts include:

1. City environment quality decreasing; Due to a decrease in the capacity and carrying capacity of the environment due to pollution, groundwater depleting, and an increase in environmental temperature;

2. The City's declining visual quality decreased natural beauty, reduced flora and fauna varieties, loss of natural artifacts; and.

3. Increased air pollution which drives the greenhouse effect due to increased carbon gas emissions.

4. Declining community welfare; Occurs because of a decline in public health, energy consumption increases.

Thus, urban development policies that have implications for the provision of GOS must be analyzed by predicting pressures, risks, policy transformation, and long-term GOS planning and design. The City's GOS is a potential buffer zone of the City's important ecosystem. It is a part of the area that can use as public health facilities and infrastructure by providing facilities by sports and city parks [53–55]. Urban space functions to support the urban ecosystems to improve microclimate quality [7, 56], increases carbon sequestration [57, 58], and reducing the rainwater
runoff [59, 60], and so on. Currently, there is a very significant change in pressure. Increasing urban development has the potential to reduce the City’s GOS. Urban development presently faced with the problem of anticipation of global warming [61]. Thus, urban development efforts must ensure the process of urban environmental sustainability in a broad sense (Figure 3). Achieving sustainable urban development will require multidimensional approaches across sectors [3] and urban spatial characteristics [42]. Policy formulation should be comprehensive, adapt to evolving development needs, and incorporate incentives that promote wide-ranging stakeholder coordination and participation [1, 3]. Strategies must draw on interlinkages among different and sometimes conflicting demands; co-benefit measures that cater to multiple needs through single policy interventions [62] should emphasize using minimal resources [3].

Increasingly limited public space in urban areas due to increasing urban economic activity is a significant problem in urban planning and design. The provision of City GOS as an urban spatial landscape element has dimensions of social, cultural, economic, and ecological issues of the City [43, 63]. Urban GOS has a very strategic function to create a harmonious and sustainable metropolitan area. The question is, how can we manage GOS, which naturally becomes a natural environment conducive to harmonious [64, 65], integrated [5, 66, 67], and sustainable civic human activities [68]? This effort is in line with SDG’s 11th goal of “urban housing and housing that is inclusive, safe, resilient to disasters, and sustainable.” In these circumstances, the local governments’ role in implementing SDG is very strategic [69–71].

The provision of urban GOS in Indonesia, as outlined in Law 26 of 2007, requires at least 30% of the city area for public green space. The government can get the mandate from this law in the form of responsibility to achieve these minimum standards. Providing and utilizing the City’s open space to achieve a 30% balance is a complicated problem for local governments in rapid city development. According to Minister of Home Affairs Regulation No. 1 of 2007 concerning the Preparation of Urban GOS, Urban GOS Planning requires an ideal green space area of at least 30% of the urban regions (Article 9 paragraph 1). The provisions of private open space are the responsibility of the private sector/institutions, individuals, and communities controlled through space permits by the City Government (Article 9 paragraph 4). Efforts to realize the conceptual provision of urban open space have carried out through regulatory requirements related to urban public space provision. However, technical regulations that have made substantially still cannot function as guidelines and directives for the provision and improvement of the quality of open urban areas.

Figure 3.
Alun-Alun (City square) of Malang, 2018; community activities mostly occur in shady areas; click this link: https://bit.ly/malangcitysquare.
Presently, the city government has a serious problem related to financing the provision of urban open space by 30%, its responsibility [1]. Through the public forum, the city government can conduct socialization and identification of community involvement in efforts to improve GOS. Referring to Lu (Lu et al., [42]), the role of urban stakeholders, as well as the private sector, can optimize in the provision of urban GOS. Empirically, CSR has contributed almost 81% of all open space revitalization programs in the City of Malang [1]. The success of this program is good practice in revitalizing GOS in creating livable cities.

5. GOS improving quality through Green City development program

Implementation of sustainable development in Indonesia carried out through several city development policies. One of these policies is the Green City Development Program (GCDP). This program was initiated by the Indonesian Ministry of Public Works to adopt the concept of a green city to increase the quantity and quality of urban green space orientation [7]. The GCDP policy implementation intended to provide direction on the provision of urban space in urban planning and design practices. The GCDP policy has to follow up with preparing an urban GOS Master Plan development, which translates into program policies implemented. Following Article 3 of Law 26 of 2007, urban planning in the application must pay attention to harmony between the natural environment and the artificial environment. The development of green cities in their implementation refers to the eight attributes of green cities, as a reference in maintaining the balance of the natural and artificial environment. The eight attribute are; (1) Green Planning and design; (2) Green Open Space; (3) Green Community; (4) Green Building concept policy; (5) Green Waste; (6) Green Energy; (7) Green Water; and (8) Green Transportation (Table 1).

According to Lundquist 2007 [71], urban planning and design have to use the principles of sustainable development with community involvement, in ensuring environmentally friendly city development by utilizing water and energy resources effectively and efficiently, waste reducing, implementing integrated transportation systems, ensuring environmental health, and synergize the natural and artificial environment. The success of the GCDP can reflect the collective movement of all elements of the city stakeholders, which requires initiatives based on various techniques and policies in applying the principles of sustainable city development [7]. The GCDP is a city government program that needs broad community participation support. Stakeholder participation through CSR is a form of community participation by providing development funds from the business sector and individual communities (Figure 4).

Following the provisions of Law No. 26 of 2007 concerning spatial planning, a city GOS must meet the minimum requirements of 30% of the City’s total area. This regulation is then technically regulated in the Minister of Home Affairs Regulation of the Republic of Indonesia No. 1 of 2007 concerning the Preparation of GOS in Urban Areas. In Article 9 paragraph 1 of the Minister’s regulation, it stipulated that urban GOS planning requires an ideal GOS area of at least 30% for each metropolitan area (Article 9, Paragraph 1), where the GOS area consists of public and private green spaces (Article 9, Section 2). The provision of green open space is the city government’s responsibility that follows the financial capabilities of each region (Article 9, Paragraph 3). Requirements regarding private green space are the responsibility of the private sector or institutions, individuals, and communities controlled through the use of space permits by the city government (Article 9, Paragraph 4).
The purpose of the policy on the provision and utilization of urban space is to maintain the sustainability and balance of the urban ecosystem, including elements of the social and cultural environment. GOS has a significant ecological function, namely to improve the quality of the microclimate, decrease urban heat, reduce

<table>
<thead>
<tr>
<th>No</th>
<th>Green City attribute</th>
<th>Policies related to green city attributes</th>
<th>Implementation of GCDP policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Green planning and design</td>
<td>Spatial Planning Substance</td>
<td>Spatial City Planning Vision</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Spatial Planning Mission related to green city agenda</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Regional development priorities related to the green city agenda</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Determination of zoning and land use related to the green agenda to realize 30% of GOS.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Determination of protected areas to realize 30% of GOS.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Determination of green open space in Malang City in each unit of the development area</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Technical policies related to the green agenda to escort 30% of the City GOS</td>
</tr>
<tr>
<td></td>
<td>Spatial Detail Plan</td>
<td>Spatial Detail Plan Vision</td>
<td>Spatial Detail Plan mission related to the green city agenda</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Regional development priorities related to the green city agenda</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Determination of zoning related to the green agenda to realize 30% GOS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Determination of protected areas to realize 30% GOS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Determination of green open space in Malang City in each unit of the development area</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Technical policies related to the green agenda to escort 30% of the City GOS</td>
</tr>
<tr>
<td>2</td>
<td>Green open space</td>
<td>The Products GOS Master Plan</td>
<td>The vision of GOS Master Plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The mission of the GOS Master Plan related to the green agenda</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Regional green space development priorities related to the green agenda</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Determination of zoning related to the green agenda to realize 30% GOS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Determination of protected areas to realize 30% GOS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Determination of green open space in Malang City in each unit of the development area</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Technical policies related to the green agenda to escort 30% of the City GOS</td>
</tr>
<tr>
<td>No</td>
<td>Green City attribute</td>
<td>Policies related to green city attributes</td>
<td>Implementation of GCDP policies</td>
</tr>
<tr>
<td>----</td>
<td>----------------------</td>
<td>------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>3</td>
<td>Green community</td>
<td>The legality of urban communities is related to urban environmental issues</td>
<td>Involvement of the green city community in spatial development activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Community involvement in spatial planning and green agendas formulation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Green city community involvement in the green City and environmentally sustainable implementation</td>
</tr>
<tr>
<td>4</td>
<td>Green building</td>
<td>City government policy in supporting the concept of green building</td>
<td>The rules for green building policies</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Provisions standard for the application of green building rules</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Energy-saving building policy institutions in building design</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Standard requirements for energy-efficient building design</td>
</tr>
<tr>
<td>5</td>
<td>Green waste</td>
<td>Sustainable integrated waste management policy</td>
<td>The city government program for integrated waste management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Integrated and sustainable waste bank management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Integrated and sustainable waste management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Waste management by the community through integrated separation and recycling.</td>
</tr>
<tr>
<td>6</td>
<td>Green energy</td>
<td>Alternative energy policies</td>
<td>Determination of policies on the use of environmentally friendly alternative energy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Implementation of the use of alternative energy (solar energy)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Structured efforts lead to the use of environmentally friendly alternative energy.</td>
</tr>
<tr>
<td>7</td>
<td>Green water</td>
<td>City government policy on water use</td>
<td>Policy to limit the use of deep-sea resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Efficiency policy in water use</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Requirements for water management of buildings in building permits</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Determination of water management requirements for large buildings and particular areas for water use</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Low law enforcement</td>
</tr>
<tr>
<td>8</td>
<td>Green transportation</td>
<td>Environmentally friendly transportation systems</td>
<td>Determination of green transportation policies in urban spatial planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The city government effort in the environmentally friendly public transportation system</td>
</tr>
</tbody>
</table>

**Table 1.**

*Implementation of GCDP policy and its attributes.*
carbon emissions, absorb groundwater, and create a balanced urban environment. Increasing the quantity and quality of GOS is very important in controlling and maintaining the city environment’s carrying capacity. Urban planning must function as an effort to control proportional and balanced urban development between the function of cultivation and the City’s ecological role. Several studies discussing the use of GOS as inclusive public space are also critical and the environmental service of some open urban areas with historical values that need to preserve.

Provision of urban open space in Malang, in fact, conceptually, the public metropolitan area’s rule has been made through regulatory requirements related to urban public space. However, it has not supported yet by technical regulations and compliance with the implementation of existing rules. Based on Malang City’s Green Open Space Plan, GOS needs can divide into two categories, namely: (1) Increasing the quantity of city GOS; and (2) Improving the quality of the City’s Green GOS through the City Green open space revitalization program. According to the Malang GOS Master Plan, the current area of Malang public GOS is 18.14%, based on existing regulations there is still a shortage of 11.86% to reach a minimum area of 30% city area. City Spatial Planning, City Spatial Planning Details, and City Green Open Space Master Plan should function as a control device to ensure that 30% of urban green open space is needed. In the process of controlling the Green City, Management Information System required to answer the problem of providing, utilizing, and managing urban GOS.

According to Respati Wikantiyoso et al. [7], GOS quality improvement can reduce the extent of open space, even though the area’s quality has improved. The revitalization process’s spatial change pattern depends on efforts to increase the spatial facilities to be added. Changes in passive GOS to active space will undoubtedly have implications for reducing space because there is additional space for new activities. Level of change (reduction) due to design decisions and functions of the public space to be provided. It is essential to carry out a public consultation process to design a new open space.

Improving the quality of GOS as an effort to realize the spatial resilience of urban space refers to the analytical framework presented by Lu. Refer to Lu, GOS revitalization must pay attention to the dimensions of scale, structure, shape, function, and urban spatial networks. The revitalization scope must consider the aspects of the urban GOS scale to developed, spatial structures forme, spatial manifestations, spatial functions, and how the spatial linkages of the aspects mobility,
circulation of activities between existing services. To ensure the quality of urban open space and achieve urban spatial resilience conditions, strategic efforts are needed. These efforts include;

1. Determination of green open space development plan.

2. Persistence of high surveillance conservation areas

3. Application of the concept of green architecture in building design and development of the urban environment.

4. Adding GOS to districts that do not yet have proportional public space.

5. Revitalizing urban areas to improve the vitality of space from the aspect of function and social space.

6. Control the provision of GOS in the development of new settlements to ensure the availability of adequate GOS.

7. Development of green corridors along streams, high roads, median roads, and other potential areas.

8. Improving the quality of GOS is done through public involvement.

6. CSR potential in GOS quality improvement

The European Community Commission (2001) defines CSR as a concept, integrating social and environmental care in business operations to voluntarily interact with stakeholders. This interaction based on the interests of public and private entities [3, 72], some researchers believe the implementation of CSR policies can improve corporate financial performance [72] and can increase acceptance, and public trust in the company. Cooperation between the government and the private company sector in providing urban infrastructure is needed to improve urban development's financial capacity [73]. Based on the governance theory, it stated that providing public support must increasingly rely on substantial public participation. As such, the government's role no longer consists of directing and monitoring, but coordinating the network and identifying instruments that can help motivate the system to fulfill the provision of city infrastructure and GOS [74].

The company is interested in providing CSR funds as a form of responsibility to the community and its environment [75]. The company, through its business excellence, has roles and responsibilities in developing the surrounding environment. The provision of CSR in city development must provide benefits to local governments; not only financial factors but also the city environment (see Figure 5). Companies’ CSR provision based on standards, guidelines, or norms follows applicable regulations [76]. Applying these standards recommends that organizations consider the diversity of society, environment, law, culture, politics, and organization and differences in economic conditions, by maintaining consistency in international norms.

The company will set aside the benefits for the surrounding community’s benefit, as a form of compensation that package informs CSR. The initial idea of social responsibility watches oriented to philanthropic activities such as charitable giving. At present, the form of CSR implementation is increasingly shifting and varying according to
Corporate Social Responsibility (CSR) Model in Improving the Quality of Green Open Space...
DOI: http://dx.doi.org/10.5772/intechopen.94481

According to Julia Taufik et al., 2010 [77], CSR is the theoretical basis of companies’ need to build harmonious relationships with the surrounding community. Corporate social responsibility can define as the company’s moral responsibility toward its stakeholders’ strategies, especially for the community around the work area. One of the moral principles in running a company is to do business by promoting honest and ethical principles that will provide the most significant benefit to society and the company [1].

The expansion of the scope of CSR is encouraged by adequate regulatory procedures. Changes in the CSR paradigm are increasingly opening opportunities for local governments to utilize alternative funds through CSR. Implementation of the CSR concept involves the responsibility of partnerships between the government, community resource institutions, and the community, which is a socially shared responsibility between stakeholders. The complexity of social problems in the last decade and the implementation of decentralization have placed CSR as a concept that expected to provide breakthroughs in empowering urban communities. CSR activities in developing countries are described as sustainable and extensive, although they tend to be less formalized, more submerged, and more philanthropic and natural [78].

From several definitions of CSR, it can conclude that CSR is a commitment of a company or business to contribute resources in sustainable development as a form of corporate social responsibility by emphasizing the continuing attention on economic, social, and environmental aspects. Through CSR, the Green Open Space development program is an effort to improve the function of urban open space as an ecological function and socio-cultural purposes for public activities funded by CSR providers. The GOS revitalization project shows that the reduction or change of soft area to a variety of hard space percentages. The percentage change is more due to design decisions and the function of public space to be revitalized. The design carried out through a consultation mechanism between the CSR providers, designated planners, the Housing And Settlement Technical Team (DKP), and resource persons from various parties appointed by the DKP. Table 2 shows that the
Corporate Social Responsibility

reduction in green open space ranges from 5–45% of the revitalized space area, with a reduced 23.62% [1]. According to Erik, former chairman of DKP, the green space reduction due to the revitalization program is 20%. The tolerance limit must have consequences for the need to provide replacement land. However, this provision is still not in the regional regulation on Malang Green Open Space Master Plan. Thus, new rules on the substitution of GOS have to design because of the improvement and change in the function of some green public space for public spaces.

Community participation through CSR programs and grants, if appropriately managed, will increase public confidence in urban development management. Accountability and transparency of CSR funds and endowments are the keys to successfully driving CRS and providing funding as an alternative to the city development funding, especially green open space. Stakeholder involvement in urban development is a long and sustainable process that requires accountability, transparency, and commitment by the city government [79] to ensure that the GOS revitalization program is in urban communities’ interests. The GOS development program’s openness to every part of the City will provide an excellent opportunity for the district to participate in implementing the city plan [80]. Through the Office of Housing and Settlements, the city government must prepare all rules and regulations regarding the terms and conditions for implementing CSR in the GOS revitalization policy.

7. Role model of corporate social responsibility

Corporate social responsibility in sustainable development focuses on the company’s role in assuming organizational responsibility to society and the environment and business interests. Through its business excellence, companies have roles

---

<table>
<thead>
<tr>
<th>No</th>
<th>Location</th>
<th>Area of green space (m²)</th>
<th>Decreasing green space (m²)</th>
<th>Decreasing green space (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ken Dedes Park</td>
<td>5002</td>
<td>250.10</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Trunojoyo Park</td>
<td>9145</td>
<td>1271.75</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>Merbabu Family Park</td>
<td>4181</td>
<td>1045.25</td>
<td>25</td>
</tr>
<tr>
<td>4</td>
<td>Suhat Park</td>
<td>254</td>
<td>26.67</td>
<td>10.5</td>
</tr>
<tr>
<td>5</td>
<td>Design implementation of Alun Alun Park</td>
<td>23,970</td>
<td>8749.05</td>
<td>36.5</td>
</tr>
<tr>
<td>6</td>
<td>Malabar Urban forest</td>
<td>16,812</td>
<td>2101.50</td>
<td>12.5</td>
</tr>
<tr>
<td>7</td>
<td>Kunang-kunang Park</td>
<td>14,777</td>
<td>2881.52</td>
<td>19.5</td>
</tr>
<tr>
<td>8</td>
<td>Slamet Park</td>
<td>4919</td>
<td>1475.70</td>
<td>30</td>
</tr>
<tr>
<td>9</td>
<td>Sawojajar Green Space Corridor</td>
<td>672</td>
<td>151.20</td>
<td>22.5</td>
</tr>
<tr>
<td>10</td>
<td>Taman Dieng Pedestrian</td>
<td>3498</td>
<td>1749.00</td>
<td>45</td>
</tr>
<tr>
<td>11</td>
<td>Unmer Park</td>
<td>1954</td>
<td>450.19</td>
<td>23.5</td>
</tr>
<tr>
<td>12</td>
<td>Sawojajar Green Corridor</td>
<td>500</td>
<td>62.5</td>
<td>12.5</td>
</tr>
<tr>
<td>13</td>
<td>Dempo Park</td>
<td>2475</td>
<td>606.38</td>
<td>24.5</td>
</tr>
<tr>
<td>SUM</td>
<td></td>
<td>88,159</td>
<td>20,821.26</td>
<td>23.62</td>
</tr>
</tbody>
</table>

Source: Wikantiyoso [1].

Table 2. The calculation of the reduction of green open space on the revitalization program.
and responsibilities in developing the ecosystem. In the context of the program to provide urban open space, specifically the public space revitalization program, the CSR program has greatly assisted the city government in providing city development funds. In this regard, the government is responsible for ensuring that CSR funds are targeted and useful as the community’s interests. The city government has a concrete role in managing CSR funding opportunities from stakeholders (Figure 6).

According to Stele, 2010 [77], companies’ granting of CSR must base on their actions on standards, guidelines, or regulations that follow applicable principles or norms. Guidelines or rules for the use of CSR for the development of GOS must pay attention to social, legal, political aspects, and aspects of program benefits. In applying operational standards, the use of CSR must consider the diversity of the community, the environment, the law, culture, politics and organization, and differences in economic conditions, as well as the consistency of international norms. Referring to the ISO 26000 standard on CSR implementation, seven principles must consider [77], namely:

1. Accountability; companies must take responsibility for their impacts on society, the economy, and the environment.

2. Transparency; the implementation of CSR programs must be transparent and can be accountable to the public,

3. Maintain business ethics; CSR’s application must be aligned with ethical norms of humanity, committed to environmental sustainability, and commitment to society’s interests in the broadest sense.
4. Having responsibility and respecting stakeholders and the attention of the community,

5. Respect to the laws and regulations,

6. Respect the norms of international behavior and business provisions globally,

7. Connection to the principles of human rights implementation,

The seven principles above are a universal norm that must also obey in implementing the Green Open Space Development Program. CSR, as explained earlier, that the GOS Development Program is an effort to improve urban open space as an ecological function and socio-cultural purposes for public activities funded by CSR providers. Thus, the implementation of the GOS Revitalization program through CSR must meet CSR principles that have high spiritual and normative values.

The consultation mechanism carried out between the CSR providers, the designated planners, the technical team of the Housing and Settlements Department as a representative of the city government, and resource persons representing community groups (Figure 7). In a study by the author, the reduction in green open space ranged from 5% to 45%, with 23.62% (see Table 2). According to Erik, chairman of DKP, the tolerance limit of green space reduction is up to 20%, while still paying attention to new public spaces that require hard space. If there is an excess of the average number, the open space’s material must be porous (there is rainwater absorption). The mechanism carried out through the design consultation process and public testing to ensure that the revitalization process results in favor of the community’s ecological and social interests. If the tolerance limit is excessive and the parties can tolerate, the city government and the CSR government must find a solution to the effort to provide replacement land.

The GOS improvement project’s mechanism must be established and agreed upon in the implementation of CSR in the provision of GOS through the project process of urban GOS quality improvement. In a review of the Malang Green Open Space Master Plan, this provision does not exist in the regional regulation concerning. Seeing the technical implementation experience as illustrated above, a breakthrough is needed; making improvements to the law on the substitution of green open spaces must be drafted because of the development and change of functions of some green public spaces.

The city government must make a policy mechanism for control of urban GOS provision by 30%. Implementation of this provision applied to the design or Detail Engineering Design (DED) process or the consultation process of implementing...
an open space revitalization program through CSR or applying for a permit to build a new area in urban areas. In the design negotiation process (related to the company’s amount of CSR), the Design Consultation Team’s role from the Housing and Settlement Office became very strategic in negotiating solutions to reducing open urban areas. Community participation through CSR programs and grants, if appropriately managed, increases public confidence in urban development management. Accountability and transparency of CSR funds and endowments are the keys to success in driving CRS [81], and providing funds as alternative funding for urban development, especially green open space. Stakeholder involvement in urban development is a long and sustainable process that requires accountability, transparency, and commitment by the city government [79] to ensure that the GOS revitalization program is in urban communities’ interests. The GOS development program’s openness for every part of the City will provide an excellent opportunity for districts to participate in implementing city plans [80]. Through the Housing and Settlement Office, the city government must prepare all regulations and provisions regarding the terms and guidelines for implementing CSR in the GOS revitalization policy.

8. Conclusion

Following the objectives of this chapter’s discussion, several notes result from discussion and conclusion. Improving the quality of urban GOS associated with social, ecological, and esthetic functions significantly contributes to the realization of urban resilience. Success in improving the quality of urban space will contribute to the provision of social space with the scopes for social interaction, space for relaxation, and sports that are important for improving the physical and spiritual health of the community and maintaining the ecological function of the City.

The GCDP is a city government program that needs broad community participation support to GOS quality improvement. The involvement of the private sector in the provision of City GOS has enormous potential. Private sector involvement is a form of participation of urban communities through the planning and design process, implementation of designs, and even financing through the provision of CSR funds. Stakeholder participation through CSR is a form of community participation by providing development funds from the business sector and individual communities.

The GOS quality improvement program has to integrate with efforts to provide urban public space and create a livable city with city starch resistance. The CSR program is the potential to be developed as a policy of private sector involvement in improving the quality of GOS and increasing community participation in creating urban spatial resilience. The GOS improvement project’s mechanism must be established and agreed upon in the implementation of CSR in the provision of GOS through the project process of urban GOS quality improvement. According to the technical implementation experience as illustrated above, a breakthrough is needed; making improvements to the law on the substitution of green open spaces must be drafted because of the development and change of functions of some green public spaces.

Improving the quality of GOS through CSR as a city policy mechanism must formulate through an approach model that ensures control functions following sustainable development schemes. Improving the quality of green open spaces through CSR programs can be a community involvement model in sustainable urban development. This model consists of negotiation, planning, implementation, and maintenance of green open space, especially in the process of implementing CSR.
Acknowledgements

Some of the material used in the text of this chapter is the result of a study entitled Web-Based Green City Management Information System (MIS) as a Model for Implementing Sustainable Urban GOS Control. This research funded (2018-2020) by the Directorate of Research and Community Service, Ministry of Research, Technology/National Research, and Innovation Agency (BRIN). It is grateful to all staff of Housing and Settlements Services of Malang, Malang City Government. They have provided data on Malang City’s urban open space planning policy during this research.

Author details

Wikantiyoso Respati1*, Suhartono Tonny1, Sulaksono Aditya Galih1 and Wikananda Triska Prakasa2

1 University of Merdeka Malang, Malang, Indonesia
2 Gadjah Mada University, Yogyakarta, Indonesia

*Address all correspondence to: respati@unmer.ac.id
References


Chapter 16

Inclusion of Home-Centred Women

Aleksandra Bordunos, Sofia Kosheleva and Anna Zyryanova

Abstract

Firms are highly interested in better inclusion of women with childcare commitments, especially for leadership positions, as reward for higher work groups’ gender diversity is valuable. Gender diversity became topical issue in corporate social responsibility of companies. However, many firms report that gender diversity is stalled, due to conflicting stereotypes about social roles of employees. Hakim’s influential preference theory suggests explanations of how women choose between productive and reproductive work. According to it, there are three types of employed women: home-centred, work-centred and adaptive workers, who combine both. Three options for preference assume three alternative frames of reference. Inclusion-related initiatives aim to reshape such frames by addressing employees’ identity work through readjusting managerially inspired discourses. Current research narrows the focus to the most vulnerable of them – home-centred women. We referred to responses of 721 mothers with previous working experience, from the biggest cities in Russia to find answers to the following questions: what affects home-centred women in their decision to return to the same employer after the maternity leave and what causes them to quit. We enriched empirical analysis with a theoretical review of initiatives helping to readjust corresponding stereotypes.

Keywords: inclusion, motherhood, work-family balance, work-life balance, childcare commitments, maternity leave, home-centred women, preference theory, person-organization fit theory

1. Introduction

According to McKinsey report [1], playing an identical role by women and men in labour markets, would increase the global annual GDP by 26% ($28 trillion) by 2025. However, despite widely acknowledged economic and social, moral value, the gender diversity is stalled [2].

One reason is evidence that gender diversity can bring the opposite results [3, 4]. For example, companies aiming towards gender diversity, apart from social justice, also expect higher collective intelligence, safer workplaces, better decision-making, maximized innovation and increased creativity: idea generation and exploration [5]. While in reality, they might face worsened group dynamic, increased conflicts and turnover, reduced team cohesion, labour productivity and motivation, as it is harder to cooperate for people with different background [3]. Moreover, women on leadership positions in certain cases face hostile attitude from the team or from the shareholders [3]. Thus, diversity should go hand in hand with inclusion.
Inclusion-related initiatives deal with employees’ identity through readjusting managerially inspired discourses [6], for example by redefining level of access to decision-making, resources, and upward mobility opportunities for the marginalized group [7]. Discourses are narratives, known also as frames of reference, which affect understanding of facts and intentions [8]. They ease firms’ decision-making; however, they represent a simplified perception of reality, full of stereotypes and assumptions [9]. Their prepositions is another reason of a stalled gender diversity.

The question how gender becomes stabilized and then is re-established in a work context is not new and exists in organizational studies since 1987 [10], providing actionable insight. Thus, before readjusting managerially inspired discourses, firstly, it is important to reveal their current statements, and define which stereotypes interfere with gender diversity strategy. Most of them are related to the motherhood, causing “maternity/motherhood penalty”: discrimination in recruitment, promotion, training, remuneration, etc. [11].

The research relies on a person-organization fit theoretical base. It suggests that a person selects organization, according to personal needs, preferences, values, expectations and aspirations [12]. It assumes that to eliminate unproductive stereotypes, we should analyze two groups of frames of reference: those, which show women expectations, and those, which illustrate strategic human resource management approach.

The empirical part of the research is focused on the Russian context, where the problem of gender diversity exists above 100 years, since 1917. Nevertheless, it is also stalled, and maternity is among main reasons for negative stereotypes. Firms in Russia are obliged to grant young mothers a leave before and after childbirth for up to 1179 days, or even more in case medical institutions request earlier leave or later return. This obligation might occur unexpectedly for an employer, which is especially problematic in case of rare and unique employees. On the other hand, employees can voluntarily shorten the leave and return earlier, either to flexible or to full-time working schedule. Due to long period of leave and government allowance, maternal leave provides fruitful conditions for entrepreneurial start-ups, self-employment or freelance work. Thus, many women decide not to return to the same employer, causing big share of negative stereotypes leading to stalled gender diversity.

The motivation for the research is a necessity to study women preferences in order to help firms with women’s retention and inclusion, so employees and employers could benefit from gender diversity. We narrow the focus to the following research question: what affects home-centred women in their decision to return to the same employer after the maternity leave and what causes them to quit. The novelty lies in a discourse approach towards SHRM systems, which traditionally are treated from the positive or normative perspective. Apart from the SHRM stream, the findings contribute to the research related to gender fluidity, as well as diversity and inclusion in organizations.

2. Theoretical framework and methodology

The research relies on a person-organization fit (P-O fit) theory. It suggests that employees’ decision to remain depends on congruence of their values with corporate values, personality congruence with an imaginary ideal employee in terms of attitude, and work environment congruence, when individual characteristics satisfy employees’ expectations [13]. Both employers and employees themselves expect deviation of mothers’ behaviors from accepted standards, which might negatively affect their relationship with team members, affecting person-organization fit,
perceived stress, self-efficacy, and career decision-making [14]. To attract and retain women with childcare commitments organizations should offer specific opportunities, encouragement and inclusiveness [15].

In combining groups of expectations of employer and employee, we rely on contextual Strategic HRM Framework [16]. It assumes that employers’ initiatives related to employees should satisfy four levels of fit: institutional, organizational, strategic and internal level of fit, not contradicting existing SHRM system. Lepak and Snell [17] systematized key attributes of established Work Systems; Bazigos et al. [18] summarized options for strategic fit; Thomas and Ely [19] – options for organizational fit. Institutional fit was a black spot for several decades, however, articles published after 2010th covered this gap by contrasting western neoliberal context to liberal (e.g. [20]) and to contexts of the “rest” countries (e.g. [21]).

However, the framework is lacking the fifth important level – individual fit, which became important with the dominance of Harvard model for SHRM [22]. To cover the missing part we focused on the identity salience [23]: which efforts employees with childcare commitments should bring to readjust their self-understanding and reach higher self-esteem despite “identity gaps” - perceived identity threats caused by incongruence between the self and the socio-structural context [24]. Such internal process of self-construction is called an identity work [6]: in this case meaning intersection of work and childcare commitments.

The research question is what affects women with childcare commitments in their decision to return to the same employer after the maternity leave. Previously similar question raised Hakim, introducing influential preference theory [25], about women choice between productive and reproductive work. According to it, there are three types of working women: home-centred, work-centred and adaptive workers, who balance between work and home.

Tables 1 and 2 summarized findings of the comprehensive literature review of articles published between January 2017 and April 2019 by the journals listed

<table>
<thead>
<tr>
<th>Type of fit</th>
<th>Focus</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal fit</td>
<td>Motivation for gender diversity and inclusion</td>
<td>Normative aspiration, shared mostly by leaders of organization</td>
</tr>
<tr>
<td></td>
<td>Desired outcome</td>
<td>Increase of productivity, presentism, cost-effectiveness</td>
</tr>
<tr>
<td>Individual fit</td>
<td>Identity work</td>
<td>Work as a job, parents as caregivers</td>
</tr>
<tr>
<td></td>
<td>Choice in a work-family conflict</td>
<td>Family, favor of traditional patriarchal contract</td>
</tr>
<tr>
<td>Strategic fit</td>
<td>Academic perspective on strategy</td>
<td>Positioning strategy</td>
</tr>
<tr>
<td></td>
<td>Scenario for organizational health</td>
<td>Market focused scenario, accentuated on the value of financial capital and organizational productivity.</td>
</tr>
<tr>
<td>Institutional fit</td>
<td>Ground assumptions</td>
<td>Liberal discourse of merit and sameness: all are equal by default</td>
</tr>
<tr>
<td></td>
<td>Aspiration by feminism</td>
<td>Liberal feminism: expected external support in work-family balance</td>
</tr>
<tr>
<td>Organizational fit</td>
<td>Underlying paradigm for diversity management</td>
<td>Discrimination-and-fairness paradigm aimed to neutralize overt resistance</td>
</tr>
</tbody>
</table>

Source: [26].

Table 1.
Summary of the contextual fit requirements for legitimacy of initiatives suitable for home-centred women.
in the Academic Journal Guide 2018 of the Chartered Association of Business Schools specialized in gender research and management. The sample was enriched by manual search in the database Scopus, using key words “inclusion”, “childcare”, “motherhood”, “fatherhood”, “parenting”. We omitted interruptions, which were beyond organizational control, focusing only on managerial practices related to individual abilities (A) and motivation (M), as well as opportunities (O) for employees. AMO is a widely used framework for analysis of SHRM systems [27].

Empirical part refers to data collected within the period September 2018 — October 2019. The questionnaire was spread online through social networks of Selfmama audience. Selfmama is an educational project for urban women with childcare commitments. It aims to help those who are in search of balance, new development prospects, useful knowledge and networking, as well as those in need of inspiration and support. It organizes learning events both offline and online, like conferences, internships, webinars, master-classes, etc.

The questionnaire was filled in by 950 respondents, however, after the preliminary data cleaning, 721 responses were taken into consideration. All participants are women with children, who live in a large Russian city with over 1 mln. population. All of them experienced maternity leave and had work experience prior to or during the leave. Their age is between 25 and 45 years old. Omitted observations did not correspond to any of the mentioned criteria. We split all sample into four

<table>
<thead>
<tr>
<th>Individual level</th>
<th>Supervisors level</th>
<th>Organizational level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability</td>
<td>1. Assess current employees’-related initiatives to reveal their positive effect on the chosen marginal group; promoting positive stereotypes.</td>
<td>2. Run exit interviews at dismissal to explore key reasons of such decisions, spotting for acknowledged evidence of the “maternity wall” in teams.</td>
</tr>
<tr>
<td>Motivation</td>
<td>3. Implement a role review procedure for employees during periods of intense family commitment or part-time work, so their professional output does not suffer.</td>
<td>4. Design and implement qualification matrixes to be able re-arranging the workload in the department in case of a need.</td>
</tr>
<tr>
<td>Opportunity</td>
<td>8. Adjust the list of corporate social benefits by adding support for family-related commitments, e.g. insurance for a prenatal-care; discount for a housekeeping service; pre-paid access to a database with nurses and baby-sitters; quoting places in the children-garden; ensuring access to the privileging schools, summer camps.</td>
<td>6. Upraise line managers’ responsibility for staff performance. 7. Provide guidance for line managers about active support of anyone taking a career break.</td>
</tr>
</tbody>
</table>

Source: [26].

Table 2. Set of initiatives suitable for home-centred women.
cluster, according to signals related to particular frame of reference. Women, who did not work despite the end of maternity leave, formed the first cluster. The fourth cluster formed respondents who shared desire to become entrepreneur, being self-employed or work as free-lancer, and those who actually selected these roles before the maternity leave or after. The third cluster formed directors, senior managers, rare specialists, who did not think about being entrepreneur, self-employed or try themselves in free-lance work. The rest employees formed the second cluster.

3. Theoretical findings

3.1 General overview

Home-centred women share family values, being caring, sharing, non-competitive, communal, focusing on cohesion, family and children [25]. They prefer not to work unless they experience monetary concerns. For them university degree is a cultural capital [25]. They are very responsive towards social policies, but indifferent towards employees’ incentives [25]. Table 1 summarizes results of the other previously published findings, related to this category of personnel, which combine organizational and personal fit preferences.

Firms, which suit home-centred women with childcare commitments, adopt a “blinding” ideal [19], assuming that all employees are the same, or at least managers are aspired to treat everyone equally. Managers believe that any differences should not influence corporate culture or working process. Employers treat employees according to their merit - ability. Among key meritocratic principles are objectivity, fairness, reward for hard work, ownership over own progression [28]. It implies that job gets the most suitable candidate. However, as revealed later, instead valuing human capital, meritocracy rather depended on social capital – political behavior, and became a mean to justify the status quo [29]. Dominating assumptions create situation when the stuff is diverse, but the work is not [19]. By adding variance to the action plan, diversity irritates management as it interferes in a smooth work process or threatens to pull an organization away from its original track. Thus, the key change agents here are leaders truly inspired by fairness of equal treatment, who are able to push this vision through their top-down directives [19].

Table 2 provides summary of previously published initiatives, suitable for better inclusion of such group of employees. The logic behind numbering of initiatives is explained below.

3.2 Ability

The first group of initiatives in the Table 2 aims at defining particular list of attributes differentiating employees with childcare commitments, enhancing beneficial for them stereotypes (Initiatives 1–2; Table 2). For example, there are stereotypes, assuming worsen of cognitive abilities during the prenatal stage of maternity [30, 31], called a “pregnancy brain” problem. However, previous research shows that changes of the cognitive abilities correlate rather with expectation of such changes both from the colleagues and from the employees [32]. These negative expectations might be replaced with positive, as women with childcare commitments are capable to demonstrate significant improvement of productivity because of the heightened perceptiveness, greater efficiency, resilience, increased motivation and improved social skills grounded on the emotional intelligence [33].

Furthermore, colleagues tend to “put a ‘monstrous’ spin on pregnancy” [34]. Decreased productivity is associated with uncontrollability of certain physiological
aspects associated with the prenatal and post-natal periods of maternity: toxicosis, fatigue, breastfeeding facets, and periodic decrease in a short-term memory. These expectations are amplified due to the interpretation by colleagues and customers of visual physiological, emotional, intellectual changes: body proportions, shifts in interests and topics for informal conversations, which might cause unconscious “monstrophication” of young mothers [35]. On the other hand, employees who combine work with childcare commitments build faster relationships with colleagues and partners with similar experience [33].

3.3 Motivation

Home-centred women seek for jobs with fewer responsibilities, to ease combining of dual role [36]. Initiatives 3–5 (Table 2) represent examples how to raise fairness of the wage gap, in case home-centred employees indeed would strive to lower their efforts.

Stereotypes assume that home-centred women have lower mobility - they less often agree on business trips or reallocation [37]. They are associated with higher absenteeism - increased amount of sick leaves [35]. In both cases, employees heavily rely on the informal childcare facilities and institutes: baby-sitters, nurses, friends or relatives [38], and companies are not willing to cover the costs because of cost-cut strategies [17]. Women with childcare commitments also much often refuse from personal sick leaves, preferring to stay at work despite health concerns [35]. This is a result of the additional maternal burden, especially in case of a divorce.

Maternity is also the key reason why employees refuse from the work connectivity - applying information and communication technologies to be potentially available for work around clock despite their location or time [39]. Home-centred women tend to build sharp boarders between these two areas of their life. Otherwise, “two shifts” - based social gender contract plays negative role in women’s health. 35% of full-time female employees assume 100% of the housework and 60% do at least 75% responsibility [40]. Additionally, 28% of full-time working mothers assume 100% responsibility for the kids, and 56% assume at least 75% [40]. This leads to work detachment: disconnecting mentally and emotionally from job-related issues. The extreme example of work detachment for employers is long maternity leave with a refuse from work connectivity, especially that women opting for a relatively large family might eventually withdraw from the labour market [41], or return only to part-time work [42]. Another issue is a need of daily micro-breaks firstly associated with breast-feeding, later with arrangement of child-related activities. However, there is positive effect of most types of micro-breaks for productivity of individuals with lower general work engagement [43], which is a key characteristic of this HRM system, suggesting spreading this practice to all employees.

“Maternity penalty” is an inalienable part of this HRM system, as these employees heavily rely on the labour market. Women with childcare commitments initially have lower level of ambitions towards the expected wage level, they rarely bargain for wage increase or gaining additional resources [41]. Motherhood wage gaps and biased decision-making are less evident within formalized personnel arrangements, collective bargaining agreements and formal personnel policies imposed by the human resources departments, because they reduce managers’ ability to indulge personal biases [11]. However, such initiatives, as gender blinding in short-listing candidates or introducing rating against criteria prior to interview turned to be less effective, as they only masked existing discrimination at the work-place, postponing its evidence to the next stages. Flexible working or providing increased parental leave are already culturally associated with female gender, and do not neutralize
Inclusion of Home-Centred Women
DOI: http://dx.doi.org/10.5772/intechopen.98943

discrimination. Thus, privileges aiming at supporting all employees who want to work long hours or flexibly, or promoting career breaks to men might ease inclusion of employees with childcare commitments.

3.4 Opportunity

Informal practices might circumvent formal procedures [44]. For instance, supervisors might be irritated by forcing them into practices they do not like. Support of supervisor in terms of feedback and career supportive initiatives positively correlated with work identity of male and female [45]. Thus, we underline several initiatives directly related to immediate supervisors (Initiatives 6–7; Table 2). During performance review positive feedback from gatekeepers (members of majority groups who hold authority and power in a field), instead disclosing objective scores, can improve the outcomes of negatively stereotyped groups; e.g. female participants reported that feedback from a male authority improved their confidence; belonging; self-efficacy; and implicit identification with the subject of review [46].

Toxic environment might also lead to a market withdrawal. Maternity motivates women to escape or minimize stressful situations. Stereotype that women handle crises better helps to receive promotion to high-risk jobs [47], known as a “glass cliff” effect. Additionally, women voluntarily tend becoming “toxic handlers” – “healing” managers needed when firms cause emotional pain through nasty supervisors, layoffs and change [48]. Even without childcare commitment, toxic handling leads to burnout psychologically and professionally, especially in case of chronic toxicity. After enriching employees’ identity with childcare commitments, they either require more organizational support or expect organizational changes smoothing toxicity [48].

Home-centred employees usually face non-favorable conditions to negotiate their needs due to such characteristics of the matching SHRM system as unification of workplaces, centralized decision-making, downward communication, low autonomy and personal hesitation for upbringing related initiatives. Male dominance on top positions leads to neglecting differences, as they are less diversity sensitive, while gender-neutral practices actually contribute to inequalities [49]. Occupying top positions by home-centred women might be problematic for several normative and structural reasons. Moreover, women might not progress by their own choice: it becomes difficult for a home-centred woman to fulfill work demands in a culture of long working hours; or avoiding social judging her for careerism [36]. In such contexts, employees with childcare commitments meet family unsupportive organization perceptions: higher levels of work-family and family–work conflict, work stress, stronger turnover intentions, greater job burnout, less job satisfaction, and less affective commitment [50]. As a result, many employees tend to hide their pregnancy or child-related commitments. However, some women choose different strategy - image maintenance through harder work [50], which might lead to a burn-out, especially that this behavior does not correspond their values.

Initiatives related to changes of corporate culture towards higher family-friendliness are the most questionable for the current HRM system, due to its top priority to maintain the status quo. However, firm might initiate small steps supporting evidence of its family-related commitments, decreasing bulling or shaming of employees who try to integrate children-related activities into their work environment (Initiatives 8–9, Table 2) [51].

3.5 Summary and coevolution of diversity management strategies

With such we conclude that real aim of inclusion-oriented initiatives in the analyzed SHRM system is decreasing overt forms of discrimination. The desired
result of interruptions is a denial by decision-makers and employees of any sort of overt discrimination, predetermined social gender roles, stereotypes regarding the “maternity wall” [52] in their organizations. However, even acknowledging any sort of difference is already a step ahead.

Newer approaches to inclusion, inspired by the domesticated feminism, are not about assimilating and homogenizing difference, they are about valuing difference and about the power firms can derive from deliberately nurturing and integrating heterogeneous groups of people [53]. They match values of work-centred women and those, who balance between work and home. Change in assumptions makes analyzed set of initiatives less legitimate for other clusters of women with childcare commitment. However, diminishing overt forms of discrimination is a ground step for SHRM system that is suitable for work-centred employees, while acknowledging role of employees and immediate supervisors in coping with barriers is a ground step for SHRM system that is suitable for mothers, who strive towards balance.

Suitable context for work-centred women regularly has safer environment for speaking out, motivated internalizing efforts of individuals with childcare commitments, who aim towards finding unique personal and felicitous work–family balance [54]. Corresponding shift inspired self-assessment of internal resources, which could be borrow for home-centred women too, providing access for marginal employees to an online self-assessment tool for tracking own physical and mental health (Initiative 10, Table 2).

Suitable context for women, who strive towards balance, spread assumptions that the more diverse groups of employees are, the quicker firms gain access to the niche markets and better ideas. They also disillusioned regarding possibility to influence existing in the society stereotypes and focused on redesigning traditional workplaces, aiming to balance between employees’ work-life needs and workplace effectiveness. It involves raising stress-resistance through educating Mindfulness [55]. Companies might utilize these findings for home-centred women too, by routinizing practice of mindfulness through organizational factors [56] through keeping workload to a manageable degree [57]; not through minimizing demands, but through optimizing them [58] and through avoiding excessive work behavior of employees [59] (Initiative 11, Table 2).

4. Empirical findings

4.1 Measurement and hypotheses

We analyzed previously published antecedents for the decision of women with childcare commitments to resign and compared these factors across four clusters, relying on ANOVA analysis. Tables 3–5 summarize key information about the observed variables.

Mother’s age is usually a typical predictor for employee’s ability to resign. Companies assume that young home-centred women will stay at home longer, expecting new children, and will return when the family has reached its preferred size [41]. There was a statistically significant difference between groups as determined by one-way ANOVA (F = 10.67, p = 0.00). S Dunnet post hoc test revealed that home-centred women in our sample were indeed significantly younger (2.01 ± 0.82) than work-centred women (2.4 ± 0.87). There was no statistically significant difference between the rest clusters.

Hypothesis 1. Women’s age is positively related to return to work after maternity leave of home-centred employee.
Stereotypes also point at a city as valid predictor, as women during their maternity leaves face depreciation of the human capital, amplifying the risk of poverty and social exclusion; while employers may treat the length of such leaves as a signal about lower commitment to the labour market and paid work [41]. The more competitive is environment, like in Moscow, the higher is a problem. There was a statistically significant difference between groups as determined by one-way ANOVA \((F = 2,84, p = 0,04)\). S Dunnet post hoc test revealed that significantly bigger share of home-centred women \((0,66 \pm 0,47)\) lived in cities with less competitive environment than Moscow \((0,80 \pm 0,40)\). There was no statistically significant difference between the rest clusters.

Hypothesis 2. High level of population in the city is positively related to return after their maternity leave of home-centred employee.

### Table 3. Mothers age.

<table>
<thead>
<tr>
<th>Items, (codes)</th>
<th>Total sample</th>
<th>Home-centred women</th>
<th>Work-centred women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Share</td>
<td>Amount</td>
</tr>
<tr>
<td>25–30 (1)</td>
<td>174</td>
<td>24,1%</td>
<td>80</td>
</tr>
<tr>
<td>31–35 (2)</td>
<td>307</td>
<td>42,6%</td>
<td>130</td>
</tr>
<tr>
<td>36–40 (3)</td>
<td>191</td>
<td>26,5%</td>
<td>59</td>
</tr>
<tr>
<td>41–45 (4)</td>
<td>49</td>
<td>6,8%</td>
<td>12</td>
</tr>
</tbody>
</table>

### Table 4. City.

<table>
<thead>
<tr>
<th>Variable (code) Category</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of the smallest child (1–0-2 years old; 0 - older)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-working</td>
<td>48</td>
<td>0,33</td>
<td>0,48</td>
<td>0,07</td>
</tr>
<tr>
<td>Home-centred</td>
<td>281</td>
<td>0,70</td>
<td>0,46</td>
<td>0,03</td>
</tr>
<tr>
<td>Work-centred</td>
<td>143</td>
<td>0,47</td>
<td>0,50</td>
<td>0,04</td>
</tr>
<tr>
<td>Entrepreneurial</td>
<td>249</td>
<td>0,56</td>
<td>0,50</td>
<td>0,03</td>
</tr>
<tr>
<td>Total</td>
<td>721</td>
<td>0,58</td>
<td>0,49</td>
<td>0,02</td>
</tr>
<tr>
<td>Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-working</td>
<td>48</td>
<td>1</td>
<td>0,0</td>
<td>0,0</td>
</tr>
<tr>
<td>Home-centred</td>
<td>281</td>
<td>1,56</td>
<td>0,77</td>
<td>0,05</td>
</tr>
<tr>
<td>Work-centred</td>
<td>143</td>
<td>2,17</td>
<td>0,73</td>
<td>0,06</td>
</tr>
<tr>
<td>Entrepreneurial</td>
<td>249</td>
<td>1,92</td>
<td>1,12</td>
<td>0,07</td>
</tr>
<tr>
<td>Total</td>
<td>721</td>
<td>1,77</td>
<td>0,93</td>
<td>0,04</td>
</tr>
</tbody>
</table>

### Table 5. Descriptive statistics.

Stereotypes also point at a city as valid predictor, as women during their maternity leaves face depreciation of the human capital, amplifying the risk of poverty and social exclusion; while employers may treat the length of such leaves as a signal about lower commitment to the labour market and paid work [41]. The more competitive is environment, like in Moscow, the higher is a problem. There was a statistically significant difference between groups as determined by one-way ANOVA \((F = 2,84, p = 0,04)\). S Dunnet post hoc test revealed that significantly bigger share of home-centred women \((0,66 \pm 0,47)\) lived in cities with less competitive environment than Moscow \((0,80 \pm 0,40)\). There was no statistically significant difference between the rest clusters.

Hypothesis 2. High level of population in the city is positively related to return after their maternity leave of home-centred employee.
Children age is another typical predictor for home-centred employee’s long-lasting maternity leave and withdrawal from the market. Traditionally women refer to government or family full-time support with childcare facilities after their children reach 2 years old. Organizations try to suggest different forms of combining work- and home-related commitments; they may call employees, show care during the leave, etc. Table 5 summarizes descriptive statistic for the mentioned observations.

For measuring the effect of staying in touch with employees during their maternity leave, we asked if their employer kept contact with them during the maternity leave. The highest scores (3) gained positive answers about initiating communication with their employer. Employer could invite for corporate anniversary, holidays, contacted to ask work-related questions or invited to the office in order to arrange allowance payment. The medium score (2) gained all neutral answers. For example, when employee was the person who initiated the contact with employer or colleagues; or if company sent news by e-mail, but did not call personally. Here are examples of negative answers, scored as 1: employers did not get in touch with employees during their leave, or they called in order to initiate the dismissal. 0 scores gained responses, which shared that they had no employer to contact, as they resigned before the leave.

We also asked to evaluate their employer’s involvement to their return. The highest scores (3) gained confirmations that employer initiated discussion about adapting the work schedule and provided the expected conditions. Medium scores (2) gained neutral answers that the discussion has occurred; however, employer was unable to meet up with the desired conditions, or if employees initiated the discussion. All negative answers were scored as 1. For example, when the position was reduced, or the company was not operating anymore, or when the return was negatively surprising for employers because of high staff turnover, etc.

ANOVA analysis confirmed statistically significant difference between all clusters in all three variables: children age, care of company and contact with a discussion of possible work conditions. S Dunnet post hoc test confirmed that home-centred women statistically differed from all the rest groups in our sample. They had the smallest mean age of the child. Employers significantly less contacted them with inclusion initiatives, than employers of work-centred women.

Hypothesis 3. Having children smaller than 2 years old is negatively related to home-centred employees’ return to work after maternity leave.

Hypothesis 4. Employers’ contact is positively related to employees’ return after their maternity leave.

Hypothesis 5. Employers’ care is positively related to employees’ return after their maternity leave (Table 6).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children age</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>8,89</td>
<td>3</td>
<td>2,96</td>
<td>12,77</td>
<td>0,00</td>
</tr>
<tr>
<td>Within groups</td>
<td>166,45</td>
<td>717</td>
<td>0,23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>175,34</td>
<td>720</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>68,79</td>
<td>3</td>
<td>22,93</td>
<td>29,60</td>
<td>0,00</td>
</tr>
<tr>
<td>Within groups</td>
<td>555,53</td>
<td>717</td>
<td>0,77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>624,32</td>
<td>720</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Connect</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>237,27</td>
<td>3</td>
<td>79,09</td>
<td>49,76</td>
<td>0,00</td>
</tr>
<tr>
<td>Within groups</td>
<td>1139,51</td>
<td>717</td>
<td>1,59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1376,77</td>
<td>720</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 6.
ANOVA results for children age, care and connection with employees.
4.2 Predictors of employees’ return

Previous research shows that mentioned seven characteristics differentiate home-centred women from the rest employees. However, can we rely on them to predict the return of home-centred women to the same employer? The binary logistic regression model was statistically significant, $\chi^2 = 184,695$, $p < 0.00$. Hosmer and Lemeshow test also confirmed model significance ($\chi^2 = 1,799$, $p = 0.97$). For the regression, we narrowed the sample to 281 responses, which referred to this cluster.

The model explained 69.1% (Nagelkerke $R^2$) of the variance in employees’ intention to return to the same employer, and correctly classified 84.7% of cases (Tables 7 and 8). In line with the expectations, staying in touch with employees with childcare commitments during their leave (increased chances of return by 2.202 times) and showing care about their return (expected increase of returns by 5.339 times) are good predictors of actual return by employees to work. Not mother’s age, neither city or children age could predict employees’ return of home-centred mothers.

<table>
<thead>
<tr>
<th>Variables</th>
<th>$\beta$</th>
<th>Std. Error</th>
<th>Wald</th>
<th>Sign.</th>
<th>Exp($\beta$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mothers’ age</td>
<td>0.430</td>
<td>0.248</td>
<td>3.011</td>
<td>0.083</td>
<td>1.538</td>
</tr>
<tr>
<td>City</td>
<td>0.398</td>
<td>0.435</td>
<td>0.837</td>
<td>0.360</td>
<td>1.489</td>
</tr>
<tr>
<td>Children age</td>
<td>−0.529</td>
<td>0.397</td>
<td>1.778</td>
<td>0.182</td>
<td>0.589</td>
</tr>
<tr>
<td>Connect</td>
<td>0.789*</td>
<td>0.193</td>
<td>16.807</td>
<td>0.000</td>
<td>2.202</td>
</tr>
<tr>
<td>Care</td>
<td>1.675*</td>
<td>0.303</td>
<td>30.584</td>
<td>0.000</td>
<td>5.339</td>
</tr>
<tr>
<td>Constant</td>
<td>−5.687*</td>
<td>0.965</td>
<td>34.753</td>
<td>0.000</td>
<td>0.003</td>
</tr>
</tbody>
</table>

Note: ** and * indicate significance at 1% and 5% level respectively.

Table 8. Variables in the equation.

5. Conclusions

According to preference theory [25], there are three types of working women: home-centred, work-centred and adaptive workers, who combine both. Most of the literature about diversity and inclusion is related to empowerment of work-centred women, who usually become rare and unique employees or occupy leadership positions and usually have high interest to stay with the company despite the maternity leave. Companies that are eager to promote inclusion practices for home-centred women, act in alignment with social corporate responsibility, not for the expected monetary returns. However, returns are usually also valuable.
In the current research we focused on the home-centred women, looking into what affects them in their decision to return to the same employer after the maternity leave and what causes them to quit. Literature review showed eleven key initiatives, which supposed to help them with inclusion. Interruptions start with the denial by decision-makers and employees of any sort of overt discrimination, predetermined social gender roles, stereotypes regarding the “maternity wall” [52] in their organizations. Acknowledging of any sort of difference is an expected solution leading towards inclusion despite meritocratic principles. The first group of initiatives in the Table 2 aim at defining particular list of attributes differentiating employees with childcare commitments, enhancing beneficial for them stereotypes. Initiatives 3–5 (Table 2) represent examples how to raise fairness of the wage gap, in case home-centred employees indeed would strive to lower their efforts. Additionally firm might initiate small steps supporting evidence of its family-related commitments, decreasing bullying or shaming of employees who try to integrate children-related activities into their work environment (Initiatives 8–9, Table 2). The final two initiatives represent values and assumptions of the newer frameworks of reference for employees’ inclusion, more suitable for work-centred and entrepreneurial mothers, who manage to balance between work and family.

Empirical part allowed defining seven attributes, which show the difference of home-centred women from the rest clusters: city, age of the mother and the smallest child, level of employers’ care and contact during the maternity leave. However, not all of them could be applied as predictors for return after their maternity leave. Role of employers’ communication allows assuming that impact of inclusion related initiatives for home-centred women is helpful.

Author details

Aleksandra Bordunovs¹*, Sofia Kosheleva² and Anna Zyryanova³

1 HSE University, Saint-Petersburg, Russia

2 GSOM SPBU, Saint-Petersburg, Russia

3 Institute of Business Studies, The Russian Presidential Academy of National Economy and Public Administration, Russia

*Address all correspondence to: abordunos@hse.ru

© 2021 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/3.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.
References


[18] Bazigos M., De Smet, Schaninger B. Securing lasting value through Organizational Health: four distinct "recipes" emerge from new research which finds that the performance payoff from organizational health exceeds expectations, and suggests clear routes to achieve it. People and Strategy, 2015: 38, 24-30.


[34] Keeping mum: how firms put a “monstrous” spin on pregnancy: Employer and public health attitudes to


Chapter 17

Integrity of the Corporate Social Responsibility and Management of Financial Services in the Digital Era

Darina Saxunova, Heiko Hector, Jana Kajanova and Peter Slivka

Abstract

Financial and banking industry are exposed to enormous progress in technology in order to benefit people and companies. Even governments are preparing to move ahead from cash to a cashless economy, it is essential to look deeper how the success of the digital transformation can influence the corporate social responsibility (CSR). The research object is CSR in the digitalization era focusing on accounting and finance services. The objective of this research study is to focus on the integrity of CSR and digital technologies in finance sector assisting in human decision making, business managerial approaches towards well-being of society are analysed. Then concepts generating benefits for the society are systemized in their historical development and their analysis and comparison are applied to highlight common features, discrepancies and deviations from CSR in their historical perspective. The contributions of the paper comprise in stressing the historical perspective of CSR development and its enhancement, emphasizing selected historical personalities that impacted with their work the CSR development, and finally the necessity of integration of CSR and finance world in the digital age, i.e. the digital process of accounting and financial services. This process should contribute to the crucial SDG accomplishment—“the well-being of society”.

Keywords: corporate social responsibility, corporate digital responsibility, blockchain, smart social contract, digitalised accounting & finance services, responsible capitalism

1. Introduction

The digitalisation has been entrenching into the economy of the 21st century. It has offered upgraded ways of economic production and consumption in many sectors. It has been bringing introduction of new ways of interactions through many different types of online or web-based interfaces, that have not been experienced before. Digital transformation has affected state or municipal government institutions, entrepreneurship, but also the public in their day-to-day task performing.
The impact is being reflected in new business models, the means of communication with customers, that effect the relationship among businesses. Each industry, but particularly accounting, financial services and banking industry are exposed to the tremendous progress in the technology, digitisation, social media, and mobility that may be beneficial to people and organizations. The EU has been at the forefront of enabling innovative Fintech solutions, in particular in the payments sector, but lagging behind the USA, Switzerland Singapore, Hong Kong.

These ambitious digital transformation projects cannot be accomplished without investments into progressive digital technologies. Not only businesses but also governments worldwide have adopted strategies to enhance the digitalisation of public services. Everywhere we are witnesses that manufacturing, merchandise and service providing businesses are being modernized and augmented. Utilizing digital tools, the operating processes are being optimized leading to the higher efficient and effective production process that should result in higher net earnings but also in higher added value for the consumers. Global survey among companies from October 2020 showed that majority of the companies driven by pandemic lock-downs digitalised their activity from 20 to 25 times faster that they thought innovation is possible [1]. The modernisation and innovation in the company should not only lead to shareholders wealth maximization, but also to the society benefits.

Over many years, strong voice is heard from stakeholders who have been appealing to business entities so that they will provide a special bonus for society. Such bonuses may represent these societal benefits that have come traditionally in the form of corporate social responsibility [2]. CSR is the concept in which companies integrate social, environmental concerns into their business operations on a voluntary basis. Many researchers studied impact of a business entity’s getting involved into CSR activities and its performance measured as shareholders value maximization in short and long-run horizons. Opinions and results of their mutual influence vary.

The structure of our scientific work consists of several parts that will be investigated in our study to highlight the importance of the integrity of the CSR and Financial services nowadays. The first part highlights CSR ideas occurrence of historically significant personalities Adam Smith and Tomas Bata and Jan Antonin Bata at their work or CSR applied in the management approach (of brothers Tomas Bata and Jan Antonin Bata in their responsible entrepreneurship), although this CSR concept had not been defined during their life. CSR concept implementation and CSR complements and deviations are examined in the following part leading to the research results and discussion where CSR and related concepts from the development perspective in time are systemised and then financial services implemented in symbiosis with CSR in the digital environment.

As it implies from the abovementioned, the 21st century challenge is to successfully implement the process of digital transformation into society, the business life area or governmental organizations or variety of institutions but in symbiosis with concept of corporate social responsibility. Thus, it means, that the business entity strives to achieve the integrity of the organization’s strategy, management, incurred effort and its internal directives/policies, which are shaped by digital transformation and CSR activities, influencing the complex business performance, thereby mutually affecting society and businesses, in order to achieve a desired target on the enhanced level. We perceive that the integrity of CSR and digital financial services is to achieve such a state that management of (preferably not only) digital financial services is implemented compliant with CSR concept, thereby forming complete, compact and trustworthy system of digital financial services generating ‘CSR-quality financial service product’ beneficial to the society.
The company influences both the internal and external environment with its activities. It cannot exist independently as a separate entity that does not affect other entities. Due to this impact a thorough analysis of values, principles and social consequences is essential and it requires to pay sufficient attention in order this mutual interaction would result in societal benefits. Creating a positive image is a must and main challenge of the world of modern, dynamic and top companies in this digital era. Moreover, radical progress of digital technologies worldwide is bringing revolutionary changes for profit or non-profit organizations, which make them search how they could gain financial and economic value implementing their CSR activities.

The research object of this study is CSR concept development, moreover its implementation in the digitalization era focusing on finance services. The aim of this research study is to focus on the integrity of CSR and digital technologies in finance services that assist in human decision making. The research methods applied in this study are qualitative methods comprised in the critical comparative analysis of the scientific concepts in the theory dealing and debating topics related to the business managerial approaches towards well-being of society. Then system of concepts generating benefits for the society is systemized in their historical development and their analysis and comparison are utilized for highlighting the results of the research, thus common features and discrepancies and deviations from the base of CSR in their historical perspective. CSR-quality product of the selected CSR concept cases leading to new CSR-quality financial product in the digital finance area are examined and compared, advantages and disadvantages of the process implementation are presented, and problems with CSR implementations are highlighted. So far the historical development was systemised till 2015 year in the research work of Gerde and Wokuch [3], in addition we concluded that certain deviations and complements of the CSR concept after 2015 are leading to enhanced CSR concept with its CSR-quality product that we defined, for which criteria must be identified and tested for products of the variety of industry sectors.

2. Selected ideas of CSR’s in the past

Sustainable development goals (SDGs) define a universal call to social responsibility of corporations, governments and human beings to eradicate poverty, to protect our Planet and provide people global peace, sanity and prosperity. The design and pursue of the SDGs should result in balance of the social, economic and environmental sustainability. Their accomplishment is stipulated by global support of all crucial players. Searching back even deeper to the history we could find more literary work or real-life stories dealing and debating topics related to the well-being of society. Over centuries philosophers, economists, merchants, priests, entrepreneurs, and politicians were thinking over the active participation in accomplishing the well-being of society via their actions, implemented policies or supportive legal norms. Brushing up selected Smith’ ideas, we would like to induce the spirit of Corporate social responsibility in 18th century at the beginning of capitalism and then of the unique legacy of Thomas Bata and Jan Antonin Bata, in the era of industrial capitalism and at the same time in the epoch of WWI and WW2 marked by political, economic and social hardship. Their undecadent responsible industrial capitalism implemented through CSR activities in their business and political governance brought them admiration and respect of many people and inspired entrepreneurs to promote an idea of inclusive capitalism.
2.1 CSR - Adam Smith and sustainability and pricing

The economist and moral philosopher of the 18th century, Adam Smith, well known with his famous book “The wealth of the Nations” as a contributor to the theoretical thresholds of capitalism, for his explanation and defense of the emerging system with his invisible hand belief. Although he is criticized for starting to think about others once the entrepreneur’s self-interests are satisfied, mocking him that this could highly likely happen only with the magician help [4] is not completely fair. It is actually very sad, a sort of tragedy that greediness is so prevailing trait of us, people. This author’s conceptualisation can be derided by his contemporaries. Is it fair that any individual’s thinking living in the 18th century under a certain political and economic regime be comparable with individual’s contemplative living in the 20st or 21st century? Who is compared misses the knowledge and experience of approximately 200 years of the development.1 Throughout history there are always good/correct and bad/ wrong examples, humans should learn from past experiences and take the best sublime elements out of it and build on them. Without experiencing where the bad decisions or wrong conclusion led to, we could miss the opportunity of this lecture. Analyzing Adam Smith’s legacy, we may perceive the elements of CSR in his statements. He may be perceived as an honest, moral, maybe naive, but his prioritizing profitability and stable and steady growth may be viewed as an element of long-term sustainability, beneficial to society and firm’s stakeholders, not suggested by Smith like that though.

Smith stressed in some of his statements the importance of self-interested competition in the free market that would be beneficial for the society. He had been demonstrating responsibility towards the consumers addressing the issue of fair pricing and motivating producers to variety of products to satisfy the customers’ demand. Product’s utility and faultless performance were expected, as a high quality of a product or service were the best advertisement then. Responsible businesses’ goals, the primary one, has always been to provide the value to their customers.

The behavior of sellers and consumers is not easily foreseeable, there are situations, as if a big supply of products surprisingly did not have effects on prices in certain geographical areas, for example, banking services or grocery products. Producers compete with the offer of ecologically free products, obviously the question is raised whether the customer is indeed ready and willing to pay more for such products as it is observable nowadays. What if they rather choose to save and sacrifice the value linked to the quality due to the high price? Lee and Bateman analyzed consumers’ behavior when selecting between Fair Trade and Organic (FTO) coffees and conventional coffees, despite similar lower prices customers preferred conventional coffee to FTO coffees [5]. Matching prices of certified coffees to conventional ones had not improved the demand, researchers argue more effort is required from the companies producing and selling products with certification. They highlight that these companies’ only matching the prices and labelling the products with ECO tags policy is not sufficient and does not increase their products’ competitiveness. They propose a) utilization of more efficient strategies that do not ignore the threat of substitution and b) the need to educate consumers or inform them well. However, we object that customers although educated if

---

1 In Orwel’s novel Animal farm, the author described communists as diligent horses and lazy and canning pigs. He could do it in 1945 because he observed the historic development from Lenin’s communists to Stalin’s ones, at the beginning there were all horses, later some horses started to turn into pigs thank to the power what they gained and abused. The history repeats, once the system is abused by the powerful group the attempts to change it start appearing.
having other opportunities to save/or invest or not being able to afford to pay for certified products, they will prefer the cheaper although not certified substitutes. It may happen the eco or certified products may not be appealing to customers with their image, taste, design etc. The group of “eco customers” is growing and their philosophy is to give preference and thereby support products manufactured by the company pursuing CSR concept. It is essential to educate the customers, in order that eco - consumers -family will become larger, a stronger voice of theirs will influence the producers and new customers.

We also stressed that Smith had been an advocate of keeping prices low for benefits of society and thereby competitiveness having been impacted. The price may eventually persuade the consumers, but if the cost of productions is higher than selling price for a long period, obviously then the rentability will not be achieved. Producers could decide to cease the production unless there is offsetting profitable portfolio of other products or initially, they receive subsidies to support the onerous project. Nowadays many certified products are offered, but certain businesses find them as a good justification for increasing their margins, pursuing the certified branding due to their self-interest and not as much for societal benefits. It is absolutely clear that if eco-production of goods and services is very costly it is not possible to set up prices low, in spite of the added value certain group of customers will select a cheaper alternative. CSR management should result in management searching for production procedures that is cost efficient and ecologically friendly. One cost saving example is a new desulfurization technology, biological desulfurization has attracted more and more attention because of its advantages of low energy consumption and no contribution to the pollution [6]. Effective and efficient production is possible owing to the research and development effort leading to innovation processes in the company. All in all, CSR is associated to innovation. This part demonstrated the truth expressed in Smith’ thoughts even today.

2.1.1 Price conspiracy and contemporary corporate state

Nevertheless, Smith was wary of businessmen and pointed out their “conspiracy against the public to raise prices” [7], with which he raised his worries of no CSR behavior on the entrepreneurs’ side, the term at those times not known yet, though. Smith stressed the danger of the collusive nature of business interests, which may form monopolies, fixing the highest price “which can be squeezed out of the buyers” [8]. No doubt was the interest of manufacturers and merchants always in some respects different from, and even opposite to, that of the public. Moreover, he warned that a business-dominated political system would allow a conspiracy of businesses and industry against consumers, with the former scheming to influence politics and legislation. The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never be adopted unless it had been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention” [9]. Smith already at that time indirectly concluded that the efforts of many influential businesses to offer an assistance may affect decisions of politicians when approving laws or legislation in their favor but not prosperous to the society, thus not in accordance with the CSR concept. Currently, a corporate (or corporatizing) state may be perceived as further transmutation of the state into a corporate form [10]. Generalized into business environment Smith’ invisible hand of businesses not functioning as believed was explained by Stiglitz (Nobel price economist) simple justification: “the reason that the invisible hand often seems invisible is that it is often not there” [11].

Governments with their politics, so as significant players of the economic forum influence economy in their country /in the world in negative or positive way. The
mixture of incorrect decisions approved in the area of economic politics, legislation, and behavior of the main actors in the world market not complaint with CSR were identified as a reason of the financial crisis [12], which confirms Thomas and Jan Antonín Batas’s philosophy. In 1932 Czechoslovak entrepreneur Thomas Bata proclaimed that what was called a crisis is actually moral poverty. „Financial recovery must be preceded by moral recovery. Mr. Bata considered the moral poverty to be the cause of the crisis and the economic decline to be its consequence [13]. The big crises of the 21st century – the financial one and pandemic crisis caused by Covid 19, demonstrated examples of the states’ operating in the interests of oligarchs via various bailouts or financial or non-financial subsidies. These actions have become silent witnesses of the fact that the state has become a subordinate functionary of corporate economic power [14].

2.2 CSR and Tomáš Baťa responsible entrepreneurship

Historical records are witnesses of the CSR and pioneering thoughts of responsible capitalism characteristics also in our region. The T. & A. Baťa Shoe Company (Bata Shoes factory) was founded in 1894 by Tomáš Baťa in Moravian town Zlín with his siblings Antonín and Anna, (then Austro-Hungarian Empire, today Czechia). After his brother’s death he gained sole control over the business in 1908. The company was growing due to the innovative entrepreneurship of Tomas Bata, who made use of knowledge and experience of the family business and also knowledge and machine production experience gained in the USA. He introduced first automated shoe-production techniques in former Czechoslovakia. Its first mass product, that received the nickname “Baťovky,” was a leather and textile shoe for working-class that was notable for its simplicity, style, light weight, and affordable price [15, 16].

The first significant problems appeared in 1922 when an economic slump in the global economy, and in the newly created country of Czechoslovakia causing at the time hardship after WWI, marked by 75% currency devaluation. The decline in demand for products led to lowering production levels and soaring numbers of unemployment. The entrepreneur Tomáš Baťa’s respond to the crisis was cutting the prices of Bata shoes in half, this decision caused an expansion of the business as demand for the inexpensive shoes grew rapidly between 1923 and 1925, although other competitors were closing plants due to the in crisis lost demand. The company’s workers were offered not to lose their job, but their wages were temporarily reduced by 40 percent during the crisis, with which they agreed. Moreover, Mr. Baťa provided them with food, clothing, and other necessities at half-price in the company’s shop. The consumers welcomed the price decline and sales grew [15–18].

The tragic death of Tomas Bata in 1932 did not cease his unrealised plans, as his half-brother Jan Antonín Baťa took over ownership of the Bata companies and carried on performing Tomas Bata visionary plans. He continued in expanding the business into new foreign markets and diversified it into new fields (e.g. Zlín aircraft planes and engines) with enthusiasm and brevity and inspired all around him loyalty. Tomas Bata was his excellent mentor, almost as a father and a great role model [15–18].

Each Baťa factory was divided into guilds centres (business units) covering the entire manufacturing process and each guild centre was made responsible for its share of work in process thereby it motivated the entire centre for high quality performance. After adding its portion of work and value the guild centre sold the semi-product to another guild centre. Faulty or defective work could not be sold. The controllers were not needed (saving in operation costs), the workers themselves were in charge of a high-quality product. Each guild managed production separately and
rewarded it separately. The guilds competed with one another. Baťa wanted everyone to participate in the success of the factory. He inspired every employee with his moral, role model behavior and his leadership with his charisma motivated them to improve their work and to contribute to higher production that should be beneficial to all. His shoe-sellers had to study ethics and psychology to treat the customers with respect. Tomas Bata was known by his attitude; “everything is possible if one wants”. He treated his stakeholders with high respect [15–18].

Bata’s thoroughness aimed at high quality products and production efficiency goals led him to manage his supply chain. Bata company’s site was logically arranged by grouping tanneries, a brickyard, a chemical factory, a mechanical equipment plant and repair shop, workshops to produce rubber, a paper pulp and cardboard factory (for production of packaging), a fabric factory (for lining for shoes and socks), a shoe-shine factory to oversight the effective efficient production process. In addition, a power plant and farming activities were added to cover food and energy needs. He stressed to be a good manager the following traits are essential when dealing with stakeholders: a) open communication, b) direct and single negotiation, c) goodness and intention to help people, d) building trust in relation with his stakeholders, moreover, he emphasized to pay its debt is a responsible attitude for each well managed enterprise (Table 1).

Tomáš Baťa initiated the plan together with Jan Antonin Bata for improvement of working conditions by building Bata villages, they were set up around the factories for the workers and to supply schools and welfare. Employees and their families could benefit from necessary everyday life services and facilities. “Bata-ville” was a typical small town, with educational, cultural, sports, transport and tourism facilities, shops and post office [15, 17, 21, 22]. In 1932, the time of Great Depression, a big world economic crisis, Tomas Bata was asked to construct his Bata shoe factory to help to alleviate unemployment, e.g. in East Tilbury. At the beginnings Bata-ville were, in many areas, the only economic source, or main employer for years. Tomas Bata and his brother Jan Antonin, later also Thomas Bata’s son expanded

<table>
<thead>
<tr>
<th>Bata emporium and created Bata-villes</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Batadorp</td>
<td>the Netherlands</td>
</tr>
<tr>
<td>Baťovany* at present the part of Partizánske,</td>
<td>Czechoslovakia,</td>
</tr>
<tr>
<td>Svit</td>
<td>today Slovakia</td>
</tr>
<tr>
<td>Bátov now Bahňák, part of Otrokovice</td>
<td>Czechoslovakia,</td>
</tr>
<tr>
<td></td>
<td>today Czechia</td>
</tr>
<tr>
<td>Borovo-Bata now Borovo Naselje, part of Vukovar</td>
<td>Yugoslavia, today Croatia</td>
</tr>
<tr>
<td>East Tilbury - the factory was an economic force in the area.</td>
<td>in Essex, England,</td>
</tr>
<tr>
<td></td>
<td>Great Britain</td>
</tr>
<tr>
<td>Bata Park in Möhlin</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Bataville in Lorraine</td>
<td>France</td>
</tr>
<tr>
<td>Batawa in Ontario</td>
<td>in Canada</td>
</tr>
<tr>
<td>Bataruba in São Paulo</td>
<td>Brazil</td>
</tr>
<tr>
<td>Batayporá and Bataguassu (Mato Grosso do Sul)</td>
<td></td>
</tr>
<tr>
<td>Batapur</td>
<td>Pakistan</td>
</tr>
<tr>
<td>Batanagar and Bataganj</td>
<td>India</td>
</tr>
<tr>
<td>Belcamp, very modern functionalistic design, (look right</td>
<td>Maryland, USA</td>
</tr>
<tr>
<td>through the building)</td>
<td>Harford County</td>
</tr>
</tbody>
</table>

Table 1.  
Bata-villes, source: [15, 19, 20].
building their Bata companies abroad also with the aim to overcome customs tariffs on foreign products to cut the operational costs [21]. Batas’ vision was for a whole society, where the Bata-ville was planned, to construct the factory and to complete it with worker housing, all shops and service facilities, schools for their children, and entertainment (cinemas, theater, filming studio), hospital and transport facilities. Tilbury’s story inspired the documentary film Bata-ville: “We Are Not Afraid of the Future” [15, 19] that we may name the cultural witness of the CSR example coming from great entrepreneurs from Czechoslovakia [22] (Table 2).

Anticipating the Second World War, Bata’s son Thomas J. Bata, along with over 100 families from Czechoslovakia, moved to Canada in 1939, carrying on in his

<table>
<thead>
<tr>
<th>Characteristics of Responsible leader and entrepreneur Tomas Bata’s &amp; Jan Antonin Bata’s business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge and experience were at the start-up of business: a long history of shoemaking - spanning over 300 years - family business, since 1931 incorporated</td>
</tr>
<tr>
<td>Courageous, enthusiastic entrepreneurs with ambitious goals</td>
</tr>
<tr>
<td>The base is profound knowledge, education, and other skills training, (including management courses, psychology, ethics, communication), Bata School of Work</td>
</tr>
<tr>
<td>Bata School of Work for men and women, to educate managers from their own employees, language education, pilot courses</td>
</tr>
<tr>
<td>Importance of accounting knowledge and understanding</td>
</tr>
<tr>
<td>For all levels of managers, information hidden in numbers are linked to their work</td>
</tr>
<tr>
<td>Social consciousness</td>
</tr>
<tr>
<td>Highly moral and human approach towards employees</td>
</tr>
<tr>
<td>Fight against poverty, interest in employees (introduction of employee’s book where the employee plans how much he/she would like to earn – efforts made to fulfill it by Batas’)</td>
</tr>
<tr>
<td>Health care system, prevention policy for employees</td>
</tr>
<tr>
<td>Quality of food for employees in the plant canteen controlled</td>
</tr>
<tr>
<td>All people working in the company were colleagues, Batas never called then workers</td>
</tr>
<tr>
<td>Open to modernisation: mechanized production techniques, first shoe mass production</td>
</tr>
<tr>
<td>Innovative approach in production and management, more than 100 patents</td>
</tr>
<tr>
<td>Decentralization on management – guild centres (responsibility accounting and management)</td>
</tr>
<tr>
<td>Introduction of planning (long term plans, tactical and operational daily plans), job costing, cost tracking</td>
</tr>
<tr>
<td>Wages schemes (4 types) created to secure justice rewards</td>
</tr>
<tr>
<td>Motivation to loyalty/ diligent work via employee participation scheme like ESOP</td>
</tr>
<tr>
<td>Creating list of the customers, notes of their objections, wishes, questions, comments</td>
</tr>
<tr>
<td>Credo for sale: winner’ reward is right and opportunity to serve customers</td>
</tr>
<tr>
<td>Pricing - Bata prices ending with 9, the price 39 rather than 40</td>
</tr>
<tr>
<td>Functionality of production buildings that enable smooth workflows, supply chain</td>
</tr>
<tr>
<td>Employee housing and community building aiming at employee welfare</td>
</tr>
<tr>
<td>Export abroad and building foreign subsidiaries, as a strategy to fight again increased custom tariffs or domestic market protection policy</td>
</tr>
<tr>
<td>Diversification e.g. in aviation, rubber, chemical, textile, wood and shoe production supporting industries, film studio for marketing aims</td>
</tr>
<tr>
<td>Workers, “Bafamen”, and their families had at their disposal all the necessary everyday life services, including housing, shops, schools, and hospital.</td>
</tr>
<tr>
<td>What was known as “Bata-ville” had all the services of a normal town, including a theater, sports facilities, hotel, restaurant, grocery and butcher shops, post office, and its own newspaper.</td>
</tr>
</tbody>
</table>

Table 2. Batas’ unique management and leadership style [15–18, 21–25].
father’s Bata-ville project, with the Bata Shoe Company of Canada developed, in town that still bears his name, Batawa, Ontario [15, 17, 18, 25]. For a 21st century developed environment to certain extent it may be perceived an utopia though, but “Bata-ville project”, for undeveloped regions all over the world e.g. African, Asian, Central American and other impoverished regions, where a strong and inspiring leadership is needed, it may be a possible alternative solution to cope with poverty and illiteracy securing economic, social and environmental sustainability. It provokes a room for the next research.

The Bata’s imperium expanded into new markets throughout Asia, the Middle East, Africa, and Latin America. The Bata Shoe company had unprecedented growth. It became the world’s largest manufacturer and marketer of footwear selling over 300 million pairs of shoes each year and employing over 80,000 people. Sustainability of the Bata business is a proof of their very progressive sustainable CSR management concept and CSR leadership style, none of the leaders lives though [23–25].

2.2.1 CSR and Tomáš Baťa a J.a. Baťa as predecesssr of inclusive Capitalism

Tomáš Baťa’s management concept was ultra-modern for that era characterized with introducing modern production and decentralization of the company’s management that he observed in Ford’s plant in Michigan in the USA enriching it with social consciousness. He wanted to motivate the workers to hard work and loyalty by introducing one of the first profit-sharing initiatives, transforming all employees into associates with a shared interest in the company’s success (today’s equivalent of performance-based incentives and stock options) [15]. The strong points of their leadership implemented in their work are summarized in Table 3.

<table>
<thead>
<tr>
<th>Base</th>
<th>Moral entrepreneur/politician and support for Knowledge management</th>
</tr>
</thead>
<tbody>
<tr>
<td>LE</td>
<td>founder’s moral testament: the Baťa Shoe company was to be treated not as a source of private wealth, but as a public trust, a means of improving living standards within the community and providing customers with good value for their money.</td>
</tr>
<tr>
<td>GA</td>
<td>providing customers with good value for their money.</td>
</tr>
<tr>
<td>CY</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Entreprenurship</th>
<th>Politics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bata, Inc.</td>
<td>Municipal Government Social Responsibility</td>
</tr>
<tr>
<td>Corporate Social Responsibility</td>
<td></td>
</tr>
</tbody>
</table>

1. CSR management, Good corporate governance

Mayor of the Moravian city Zlín (Bohemia) good municipal government governance

2. Good value for the customers money, quality management

Improvement of living standards within community

3. Bata’s workflows supports economic efficiency, labour productivity

Scientific management transferred to the leadership and governing the region where the Bata company is established

4. Required responsibility while performing duties by being responsible scientific manager

Green-belt urban planning, pro-commu-nity leadership (residencies, industry, agriculture proportionally planned)

5. Respected human rights and human dignity

Bafaville with education, health care, sport, and entertainment facilities, transport facilities

Table 3.
Batas’ unique good governance: Corporate and municipal government.
The entrepreneurial, social, and humanitarian ideals of Tomas Bata that he set down in life-time: during his entrepreneurial and his short political career as a mayor of the town of Zlin served as a base for the responsible economic and political system and it is his heritage for today’s society. Tomas Bata can be considered as one of the most significant representatives of the responsible, inclusive capitalism with CSR activities embedded in it, together with his half-brother Jan Antonin and his son Thomas Jan who followed the founder’s moral testament and pursued Thomas Bata’s ideals, that are highly actual nowadays, as well. Nowadays we know that visionary leadership and management in business entities but also government institutions implementing in their work CSR concept is a primary objective for a well-being of each society.

2.2.2 (Re)birth of responsible and stakeholders’ Capitalism and inclusive Capitalism

The Council for Inclusive Capitalism is a movement of the world’s business and public sector leaders who are working to build a more inclusive, sustainable, and trusted economic system. Inclusive capitalism shall incorporate best practices of stakeholders and responsible capitalism, including the best experiences from the past connecting them with contemporary progressive inventions. The idea is not new, trust towards entrepreneurship and governments must be regained, without moral recovery we cannot face financial recovery, it is worth praising revival of the Bata’s ideas, or think over ideas of Freeman who summarized contemporary representatives’ thoughts and ideological streams in the paper The New Story of Business: Towards a More Responsible Capitalism. Mankind welcomes the effort and initiatives of The Council for Inclusive Capitalism which is supporting CSR concept implementation in addressing society’s challenges to improve people’s lives. The Coalition for Inclusive Capitalism, a not-for-profit organization, was formed in 2015 in the United States as, [26] with a belief that all stakeholders, including business and society, should be engaged in the enactment of an inclusive capitalism agenda [27, 28]. In 2020, the Council for Inclusive Capitalism, a partnership of the Coalition with the Vatican, was created [29–31]. We believe it is essential that global governments should also join this partnership because integrity of CSR and Government Social responsibility is inevitable.

3. CSR: development, complements and deviations

Returning to the 1950-ties to identify CSR pioneers, a former executive with Standard Oil Company in New Jersey, Frank Abrams deserves to be mentioned, who presented concerns about management’s broader responsibilities in a complex world [32] and so does Howard Bowen and his Social Responsibilities of a Businessman, which were published two years later [33]. The formation process of the CSR together with its sisters’ concepts such as corporate social responsiveness², corporate social performance³, and corporate citizenship⁴ has taken an

² corporate social responsiveness means corporate policies and practices reflecting the values and attitudes of the top management group as argued by Chamberlain [34].
³ corporate social performance represents an inclusive and global concept to embrace CSR, responsiveness, and the entire spectrum of socially beneficial activities of businesses.
⁴ corporate citizenship (being a law-abiding corporate citizen) is sometimes presented as a successor to CSR [35].
interest of researchers and highlight how CSR concept appeal to them more than seventy years [36].

At first, discussions on the CSR prevailed among American authors, but since the 1980s the CSR theme has spread to Europe and across the world. With the time passing immense streams were derived from the first CSR concept and with the economic development and the multidimensional development of society new varieties of CSR concepts and definitions were introduced to justify the tension between economic profit, as a main firm’s responsibility, and benefits to the society provided by the entity.

3.1 CSR, ethics management and entity’s performance

The last two decades, full of financial and political scandals and public’s disgust and disappointment over inequality income gap increasing and inactivity of governments, are marked with strengthening corporate and government social responsibility development. It has been reflected also in the research focus and that can be traced in the literature of innumerable authors for a quite long time. A Nobel prize winner, the economist Friedman, considered the most important to achieve profitability and maximalization of shareholders’ wealth, the purpose of business is to ‘use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud’ [37]. His argument that without profitable company there would be no resources for thinking environmentally and socially friendly highlighted his preference for economic component. He explained that “boards of directors, insufficiently committed to making profits for their shareholders, were instead engaging in ‘pernicious benevolence’ by being philanthropic with money taken not from their own pockets but from those of the corporate shareholders [38].” “One of the virtues of the market economy is that it protects individuals from conformity and the abuse of political power.” We are asking does it protect indeed, desired though? “For Friedman, power must be checked and used responsibly. Since in his view economic freedom is a large subset of political freedom, we may deduce that he would agree that economic power is also subject to responsible use [38].

But contemporary situation and progress in technology pushes companies to innovate production in the way that these aspects are not postponed but are incorporating already during the production process, so the impact is automatically generated. Therefore, countries that hesitate to join European Green Deal Project demonstrate their attitude of the economic profit importance, what cannot be considered as a responsible approach, from the perspective that we allow to destroy or scarify something what was built due to a big profit and then we start thinking how to cure and heal it again.

Corporate social responsibility (CSR) is defined broadly “as actions that appear to further some social good, beyond the interests of the firm and what is required by law” [39, 40], this definition has gained a prominent position in management literature. The definition of CSR according to the World Business Council for Sustainable Development stresses that “CSR is the ongoing commitment by business to behave ethically and contribute to economic development while improving the quality of the workforce and their families as well as of the local community at large” [41, 42]. CSR is described as the management concept expressing how firms manage the business processes to manufacture and sell products or provide services and moreover producing an overall positive impact on society. It goes without saying that stable and profitable companies are the base for job creation that is crucial and brings a positive effect for society. On the contrary,
indirectly, the successful company should also positively influence a society through its manufactured products if their production having been fulfilling environmental or social responsibilities. CSR may be perceived as enterprises’ commitments and continuing obligations (4 obligations towards, economic, legal, ethical, and philanthropic responsibilities) to contribute via their performance to a better life for local communities and society [38]. But we stress that the integrity of all responsibilities is essential, at each phase of production or service providing in order that the CSR management concept will be maintained. It is aimed at final result, which we name a “CSR quality product/service”.

**CSR enhancement**: The value of CSR activities will be enhanced if they are ingrown into the process of production and sale of products. (The product is meant here the result of the manufacturing, merchandise or completed service sale). CSR activities must be embedded into the whole process since the design of a product until after sale customer’s care, i.e. ingrown into the entire value added chain. The board of management under good leadership is responsible for execution of this integral CSR management concept aiming at high quality product that was produced bringing social and environmental value leading to customers’ satisfaction, firm’s profitability and sustainability and contributing to the welfare of community and well-being of employees and shareholders. The Figure 1 demonstrates the results of many researchers confirming CSR’s positive impact on many areas of management, we add it should be leading to CSR certain quality product, dependent on the quality of CSR implementation. The list still may be enlarged [43].

CSR is perceived to be a service to people, communities, the environment in ways that overstep the generally accepted level legally and financially required of a firm [44]. Enterprises send a signal on their product quality to the society via implementation of their CSR activities. But it is necessary to emphasize that CSR is implemented by human beings running the company, by the management of the corporation or by the management in other companies as well. It is no use Moreover, researchers also found out that “firms use governance mechanisms, along with CSR engagement, to reduce conflicts of interest among managers and non-investing stakeholders [44]”. CSR is a stakeholder-oriented practice [45],

---

**Figure 1.**
*CSR management concept and its effects elaborated by the authors based on [3, 43–57].*
performed for society, by society, and due to society; at its very core, its objective is to achieve both business and social growth and development [43].

We perceive CSR management concept is a subset of Ethics management, we consider it as the prerequisite for CSR activities implementation conducted by the corporate management. Managers should be familiar and follow a corporate code of ethics. Ethics management is characterized as “a fundamentally participative and collaborative process, as a way of building relationships with external stakeholders, balancing structured planning and flexible change, and profoundly amalgamating with human resource management processes [55]” and the managers who run this collaborative process are highly ethical and their behavior is compliant to the Code of ethics. It makes no sense to speak about either business or ethics without speaking about human beings [38]. The literature typically emphasizes “establishing internal relationships in the company, mostly on an owner-manager-employee basis setting the ethical tone at the top of the company, clarifying ethical norms and expectations, educating people in ethics, monitoring and control of behavior, evaluating behavior, drawing the consequences (rewards and punishments), fostering leader–member interactions, empowering employees, and building trustful relationships with external stakeholders [55]”. Owners/managers oversee managing and implementing CSR activities and responsible leaders highly respect their internal and external stakeholders, studying their cultural environment when they strive to meet their requirements. The respect and fulfilling commitments shall be reciprocal [58]. “CSR practises have made significant contributions to the growth and development of companies globally” [46] concerning the higher quality production and service processes focusing on augmenting the services of employees, other stakeholders, communities, and society, because “corporate policies directly or indirectly affect companies’ credibility” [47].

Lately, CSR emerged as an important concept for measuring a business entity performance, especially its long term corporate financial performance and viability and company’s ethical behavior, which may enhance corporate and personal reputation [48]. CSR is integrated into a dynamic by-production framework, and it is stressed, based on the research findings, that higher CSR performance is associated with a larger firm size, and a higher R&D intensity. In addition, entities in network-oriented systems (Germanic or Latin) tend to have a better CSR performance than the entities in market-oriented systems (Anglo-Saxon) [49].

As the society became more aware of environmental and social issues such as global warming, endangered wildlife, deforestation, sweatshops, illiteracy and poverty, etc. changes are observed in the role of corporations and a significant increase in involvement into “social responsibility” and “sustainability” at the organizational level, engaging in a partnership with societal stakeholders [50]. CSR is also defined as the integrity of economic, legal, moral, and philanthropic actions of firms that influence the quality of life of relevant stakeholders [51].

“Doing well by doing good,” is a belief represented by major group of CSR initiatives what argues that financial performance will improve as a direct consequence of strong CSR performance. On the contrary, opponents, in part, supported by research argue that CSR activities are a waste of corporate resources, because only firms with excess of current resources will be asked to use resources for social investments [52], similarly firm’s resources would be provided if there is their excess [53].

The implicit assumption is that CSR initiatives use corporate resources, which implies that CSR expenditures are akin to a form of corporate charity. Researchers concentrated in their research to find out the correlation between provided capital to the company to support CSR activities (via testing their 3 hypothesis: charity, investment and signaling hypotheses) and found out that CSR performance is
correlated with financial performance assuming the CSR activities are signaling the information on future company's financial prospects and the CSR information is compliant with an accepted disclosure regulation for the content and creditability of corporate accountability reporting [59]. Digitalisation offers help. It requires digital access and spreading utilisation of different products and services but compliant to CSR approach [54]. At present the topic of CSR resonates in public life, entrepreneurs' circle, in the municipal/state government level or variety of institutional authorities level due to many corruption scandals or fraudulent behavior cases, no unified definition or model is outlined, discrepancy in concepts of CSR exist, the terminology vary. Many conceptual definitions look for the support in the stakeholder theory and therefore stakeholders’ approach is frequent in researchers’ debates [56]. The interests of stakeholders are joint aiming at creating value for each and all stakeholders. Each of stakeholders is affected by the actions of others as well as managers.

3.2 CSR and corporate political and socio-political activities

Another dimension, which is also associated to the CSR and its activities, is explained by the substance of the socio-political issues with general approval, but also the ones that polarize a society. Within a democratic society the people or entities are guaranteed to express their stand, but both polarized sides must respect one another. This polarization may lead to clashes and public strikes aggravating towards unrest and violence that could be avoided by moral leadership secured on the level of government governance (backed with high quality legislation) and good corporate management. Commonly favored CSR activities support aims that majority of the general public approve and strive for. Nevertheless, there is another wing of the CSR that polarize or divide the general public. Many stakeholders assume enterprises to convey their stand for or against these distinctive socio-political issues which are considered difficult for solving at this moment, such as immigration, gun control, climate change. They are called partisan activities, which have a power to divide general public support, they have tendency to strengthen or sever stakeholder’s relationship, i.e. influencing by this positively or negatively an entity’s value. This phenomenon is called corporate socio-political activism (CSA) [2]. CPA and CSA activity may be used and abused for lobbying on the political level (Table 4).

But it is also important to stress that at the time of democracy human’s rights to be respected, mutual respect shall be priority. If in gender question both sexes work and perform the same performance, under the same risk and working conditions, then the reward shall be the same, but if it differs the reward reflects the type of the work and qualification fulfilled for this type of work. But man and woman from physical anatomy perspective will never be the same, and this is a factor that has an impact on the performance of some activity, but democratic principle allows everybody to strive to perform the jobs that other sex would be more predetermined to it. The reward for the work shall reflect the quality of performance disregarding gender, race or religion. Not only for the reward but also for responsibilities, should the same job is performed, everybody must have equal duties and responsibilities if the reward is the same. Failing to fulfill them should signal an equal punishment, reduction in salary etc. without regard of gender, race or religion.

We are different and we have different capabilities and talent, that leads us to choose the direction in our life. But we all, as responsible citizens should be having responsible approach towards common duties to pursue common good of the society or specific duties implying for the job specification also eventually contributing to the
common good of the society. The government oversees the education, health, and security of its citizens through good socially responsible governance representing the entire society with its citizen’s variety. Social political activism is useful to raise the problem for tackling, but it should not be abused for creating legislative norms that would be against the common good. Sound competitiveness among businesses must be a key to the success not lobbying skills.

In human rights respecting society distinguishing e.g., laziness from illness, responsible from irresponsible approach of employees, diligent people from those fluctuant ones enable the courageous CSR leaders create the motivating and inspiring environment, although it seems trivial, it is a very difficult task. Moreover, if socially responsible politicians bring supporting legal norms to the life to support entrepreneurship, and education, health and security for all citizens, this mutual collaboration, mutual respect and responsibility influence and could contribute to accomplishment of SDGs becoming reality. Integrity of responsible governance and corporate social responsibility approach shall result in good corporate management and responsible, environmental and social government governance. Business entities, governmental institutions and non-government institutions and citizens should have the same goal to accomplish social and environmental responsibility concept.

Table 4.
Organizations and municipal & federal/state level governments linkage processed by authors based on [2].

<table>
<thead>
<tr>
<th>Social Responsibility</th>
<th>Publicity</th>
<th>Low Partisanship</th>
<th>High Partisanship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizations</td>
<td>Low</td>
<td>Routine CSR with no promotion</td>
<td>Corporate Social Responsibility (CSR)</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>Special CSR with high promotion</td>
<td>Corporate Political Activity (CPA)</td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Good Corporate & Government Governance**

Other governance is a way of measuring how public institutions conduct public affairs and manage public resources in a preferred way. Governance is “the process of decision-making and the process by which decisions are implemented.”

5 The concept of responsible governance usually bears strong reference to public governance and questions of responsibility in implementing public policies. It entails rules, norms, processes and practices that incorporate values into administrative decisions, and combines accountability with discretionary action.

6 Corporate management works as a team to lead and direct the company's work towards the executive-level goals. Managers are expected to understand the strategic goals of the company and then work to allocate company resources to obtain those objectives.
3.3 CSR versus stakeholders corporate digital responsibility

IT is gaining a strategic role in organizations due to digitalisation and its expansion into different business areas. Once the trustworthy, verifiable data are processed and converted into information utilizing a new digital technology, the results are communicated to all interested parties. The trust that we can rely on this digital technology, on the various application being offered to us in the market is crucial. The control over the proper functioning of this technology must be regular, results shall be recorded and verifiable by humans and in symbiosis with the technology. Digital users must be persuaded that there are moral norms and ethical considerations taken into account, monitored, and regularly evaluated and updated and whether they are effective and applicable for humans.

Business performance is ever more dependent on the effective use of IT. Chief information officers (CIOs) are responsible for information systems and techniques functioning and in the case of failure they are first to be blamed [61]. A strong business–IT partnership relationship is recommended for companies since it helps to attract valuable customers and obtain a competitive advantage. This is particularly important where proper collaboration between business and IT is crucial [62]. The challenges of digital transformation, which refers to mutual effects of digital innovations, practices and values, require partners to significantly expand their cooperation capability [63].

We know the examples in the history of intentional or unintentional malpractice, for instance the latest and famous one is the Post office scandal in Great Britain linked to the Horizon used in the post offices over Great Britain. The Horizon was the computer system, developed by the Japanese company Fujitsu, used for tasks such as transactions, accounting and stocktaking, it was introduced in British post offices in 1999 and 20 years later in December 2019 it was proved to be flawed, the Post Office agreed to settle with 555 claimants. Many postmasters and postmistresses were sentenced to the jail for false accounting and theft, many were financially ruined and have described being shunned by their communities. Some have already died [64].” Control elements failed, or there were not sufficient technological controlling processes at that time capable of discovering the failing element in the technology. Since the society is endangered and exposed to the irresponsible behavior of individuals, does not matter if on the corporate level, governmental level or public citizen level controlling function in management cannot be ignored.

The largest successful cyberattack of the hacker in August 2021 in decentralized finance history exploiting a vulnerability in Poly Network’s code enabled hackers to transfer tokens to their own crypto wallets. It revealed a failure in programming of some security elements of Poly Network, decentralized financial platform in which led to the theft of 600 mil USD in crypto assets. Cybercrime example confirms that control is crucial and technology failure can be harmful, the hacker announced willingness to return money as an exchange for immunity, it never has intended to swindle the cryptocurrency, but the case is alarming because trust towards digital technology security is malfunctioning. Executed controls may assure that system does not contain “bugs, errors and defects”. It is the responsibility of management to carry out controls regularly and thoroughly because blind trust towards technology without proper control activities may lead to the similar situations again. It opens the area for research and the role of corporate digital responsibility. It is worthwhile investing in research on how to control these digital tools because the benefits of digital technology outcry their possible losses when abused by humans.

Corporate digital responsibility (CDR) has been proposed as a novel concept, CDR is defined as the set of shared values and norms guiding an organization’s
operations with respect to four main processes related to digital technology and data. First of all,

a. a proper technology serving to seize and collect data must be created,

b. utilization of information in operations and for making a decision,

c. controlling activity is performed and their impact is evaluated,

d. finally technology and data are refined.

These processes are illustrated on Figure 2 [65].

The digitalisation of data, information connected with the monetary or nonmonetary assets and other qualitative business information essentially requires a focus especially due to the protection from

a. keeping the information trustworthy, transparent

b. protecting the information gathered and stored or archived, and

<table>
<thead>
<tr>
<th>Supply chain firms’ adoption of technologies</th>
<th>In-use today</th>
<th>1–2 yrs from now</th>
<th>3–5 yrs</th>
<th>over 6 yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloud computing and storage</td>
<td>57</td>
<td>21</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Inventory and network optimization tools</td>
<td>45</td>
<td>32</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Sensors and automatic identification</td>
<td>42</td>
<td>27</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Robotics and automation</td>
<td>38</td>
<td>23</td>
<td>15</td>
<td>7</td>
</tr>
<tr>
<td>Predictive and Prescriptive analytics</td>
<td>31</td>
<td>30</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>Industrial internet-of-things (IoT)</td>
<td>27</td>
<td>27</td>
<td>19</td>
<td>6</td>
</tr>
<tr>
<td>Wearable and mobile technology</td>
<td>26</td>
<td>25</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>3D printing (additive manufacturing)</td>
<td>21</td>
<td>15</td>
<td>17</td>
<td>8</td>
</tr>
<tr>
<td>Autonomous vehicles and drones</td>
<td>20</td>
<td>19</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>Artificial intelligence technologies</td>
<td>17</td>
<td>24</td>
<td>21</td>
<td>0</td>
</tr>
<tr>
<td>Blockchain and distributed ledger technologies (DLT)</td>
<td>12</td>
<td>22</td>
<td>19</td>
<td>10</td>
</tr>
</tbody>
</table>

In percentage [in %]

Table 5. Present and future digital technologies in the supply chain companies source: Statista database.
c. assuring the legislation in effect to be compliant to the directives elaborated pursuing the highest quality.

d. keeping confidential information protected. (e.g. confidential information of the human resource management area, complex marketing information on the portfolio of products and their customers and potential customers, finalizing with sensitive accounting and financial information including management control systems).

Table 5 and Figure 3 illustrates digital technologies today in use and in future plans in supply chain companies.

4. Research results and discussion

The theoretical analysis of CSR concept raises many questions, we have aimed at highlighting the existence of variety of its related scientific streams, deviations, substructures and superstructures, debating the selected CSR topics pointing out the complexity and interconnectedness of the CSR linked to business entities, public and government institutions. It was not a goal to debate CSR at the background of theories such as The Carroll Theory, The Triple Bottom Line Theory, and The Stakeholder etc., [38] we rather focused on past and present appearance CSR in
theory and practice, leading to highlighting the significance responsible capitalism represented by Tomas and Jan Antonin Bata and in addition through CSR theories supported by stakeholders capitalism CSR showing and supporting the birth of Inclusive capitalism. Table 5 illustrates the CSR’s related concepts appearance over the time horizon covering period from 1950 up to present with additional super-constructs and substructures (Table 6).

CSR concept should be defined as the fundamental instrument for measuring CSR initiatives and degree of CSR involvement by enterprises. CSR concept management is the way how CSR is incorporated in managerial process. We only stress that there is room for research to be continued. All “possible CSR mutations” contributed to improvement and clarification of the original CSR itself with progressive incorporation of new stimuli and amendments that have arisen due to geographical, cultural, historical, and political discrepancies or dimensions or new deviations, streams appeared. Responsible government governance means that government responsibly and in efficient way oversee and makes decision on areas, such as: property ownership, education of inhabitants, welfare and other benefits.

<table>
<thead>
<tr>
<th>CSR sector specific Implementation</th>
<th>2021 Corporate Digital Responsibility</th>
<th>2018 ESG Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 CPA – Corporate Political Activity</td>
<td>2015 SPA – Socio-political Activism</td>
<td></td>
</tr>
<tr>
<td>Bus. Ethics Management &amp; Ethics Management</td>
<td>Corporate Citizenship</td>
<td></td>
</tr>
<tr>
<td>Sustainable Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Social Rectitude</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSP Corporate Social Performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder Model</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Social Responsiveness</td>
<td>CSR Corporate Social Responsibility</td>
<td></td>
</tr>
<tr>
<td>Business Social Responsibility/ Social Responsibility of a Businessman</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Ethics/Business Philanthropy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Gestation and Innovations | Development and Expansion | Institution-isation | Maturing | Further Development of CSR and CSR Construct, Concept Branching
CSP construct

GOOD CORPORATE GOVERNANCE and RESPONSIBLE GOVERNMENT GOVERNANCE
AS A PART OF RESPONSIBLE OR INCLUSIVE CAPITALISM

Table 6.
CSR and related concepts in the time horizon processed by authors based on [3].
programs, aid distribution for people, protecting people from local threats, maintaining a justice system, setting up local governments such as counties and municipalities, maintaining state highways and setting up the means of administrating local roads, regulation of industry, raising funds to support their activities.

4.1 CSR - environmental, social and governance criteria for investors

Investors have become more intensively interested in knowing about sustainability, social responsibility or good corporate governance of their possible targeted investee. After investment, they need to obtain some background information on the business entities in which they have invested their capital. Environmental, social, and governance (ESG) criteria are methodological tools representing a set of standards for a company's operations that socially conscious investors use to screen potential investments. ESG reports inform about the analysis results of portfolios from different companies based on their sustainability criteria and social impact.

In recent years, the regulatory environment in the European Union has also required far-reaching obligations to disclose ESG-relevant data and to take them into account in investment decisions particularly in the case of institutional investors such as state pension funds and insurance companies [66, 67], so that financial market regulation – in addition to the self-interest of investors in reducing reputation risks, event risks, regulatory risks, technological and legal risks and saturating demand from private investors – provides additional incentives to include ESG criteria in the investment process [66].

Environmental, social, and governance criteria (ESG criteria) are increasingly in focus of companies as growing number of investments are being made based on such criteria [68–70]. Shares and bonds of companies that do good for the environment, society, and their own employees, suppliers, and customers in as many aspects as possible end up in special sustainability funds and receive more attention [71]. Thus, in the United States, for example, the total US-domiciled assets under management using sustainable strategies increased by 38% from USD 8,700bn (2016) to USD 12,000bn (2018) [69]. Thus, the consideration of ESG criteria and indicators is not only a question of ethics and morals because ESG criteria are considered relevant as filters for internal risks (e.g. event risks of assets) and external risks (e.g. climate change) [72, 73]. In the investment management framework, the pursuit of the highest possible risk/return ratio in capital investment may make it also necessary to minimize risk by taking ESG criteria into account [66]. Thus, ESG investing is not an irrational taste-of-assets decision (investor-taste decisions) but may have a performance-relevant effect so that ESG criteria should be considered as an instrument in rational decision-making [74].

Investment decisions today are largely made analytically in the framework of predefined processes analyzing continuously the same key figures more or less software-e-based resulting in the calculation of the risk/return ratios and the selected stocks and assets with the best ratios and indications [75, 76]. Such an approach quantitative investment results, on the one hand, from that globalization simply means that there are many more assets available as possible investment instruments, and it is no longer possible to evaluate them individually [77]. On the other hand, there is also a trend away from investment managers who base their investment decisions on gut instincts [78] or fundamental and technical analysis (discretionary asset management) and towards an automated, data-model-based investment decision process. So, what is required in general is standardized numerical data [79] such as ESG ratings provided from specialized rating agencies intending to assist in the selection and analysis of individual securities as well as funds and portfolios.
Therefore, the question arises on how ESG performance is measured [80], and to which extent such data is relevant in the investment process, particularly due to empirical results questioning the use for evaluating ESG risk exposure. Thus, Hübel and Scholz [70], for example, provide significant evidence by testing several different factor models finding that ESG ratings (in this case provided by EIKON) do not provide additional information useful in the management of ESG risks. Furthermore, they found no systematic ESG-related discount or risk premium [70] concluding that “investors can measure the ESG risk exposures of all firms in their portfolios using only stock returns, so that even stocks without qualitative ESG information can be easily considered in the management of ESG risks” [70]. From these results, they conclude that stock prices provide sufficient information also for the evaluation of ESG risk exposure [70]. Moreover, researchers [81, 82] find evidence that ESG ratings from different rating agencies show high positive correlations so that a data collection bias can be excluded as well, so that rating agency methodologies do not explain differences in research results from any form of selection bias.

Other recent studies have based their research on ESG indication effects on risk and performance by collecting primary data mainly from company reports such as [83] developing a carbon factor or using an individual methodology for calculating ESG ratings from company reports [84]. Both studies also provide evidence that ESG indications based on a larger number of indicators do not provide added value information. Nevertheless, selected data from company ESG reporting, particularly in the area of environmental criteria may provide information on ESG risks not included in stock price data [70, 84] recommending a different approach for future research and also risk management practitioners’ alternative to the use of agency ESG ratings or only the agencies’ sub-rating data.

It is thus not surprising that a recent Deutsche Bank Research study finds that although nine of ten of the world’s largest fund managers claim to have a responsible investing mandate, just two-fifths actually use ESG factors in the stock analysis. The study concludes that obviously, investment analysts have trouble translating non-financial information in terms of ESG data into investment decisions [79]. This leads to a follow-up question, how portfolio management practitioners in the area institutional investment use overall ESG performance ratings, or only parts of them or even completely different metrics to assess and manage ESG risks, because it seems to be obvious that agency ESG ratings have their limits in providing additional information on ESG risk exposure not included in market data. Yet, the research results on the integration of ESG information in the investment process of professional investors are rare in contrast to the more extensive research, including performance data and ESG ratings of funds or stocks. Besides the fact, that such research – as discussed above – provides only ambiguous findings on the performance effect of ESG ratings, the question remains unanswered how ESG data are included in the risk management process [71].

4.2 CRS concept cases in accounting and finance services environment

Digital and blockchain technology offers variety of utilization opportunities in many economic areas, such as accounting, finance, telecommunications, supply chain management, etc.. It requires understanding how new digital tools based on the progressive digital technology function and operate. A blockchain as a digital record of transactions, consists of records labeled as “blocks”, which are then linked together in a chain-like formation with a great deal of use. It is a financial domain with many applications. The following Table 7 summarizes benefits of blockchain implementation into daily management activities (Table 8).
Supply chain example:

A knowledgeable purchase manager designs an economic plan to eliminate waste and ongoing use of resources. Companies can act dishonestly, continue taking part in harmful activities very often while pretending environmental and social sustainability. Blockchain’s decentralized structure ensures that each participant oversees their processes and has access to appropriate data. “Procurement Blockchain” guarantees transparency, and acting on manager’s behalf when making purchases, negotiating different terms with suppliers, a procurement deal is based on total ecosystem volume (i.e. purchase data from purchaser and their partners). A blockchain-based database is capable of storing relevant data from all business partners, summarizing total volume of purchases, regardless of who managed the purchase activity. It enables calculating the exact volume discount based on the total purchase, in addition mathematical proof of a correct computation is provided. For instance, 25% reduction of costs of invoice factoring can be achieved as blockchain lowers the risk of selling multiple invoices. With blockchain technology operational data are constantly shared, no need for data-crosschecking – it enables audits to be conducted automatically, price verification process will be eliminated. With this detailed tracking and verification process, linking and sharing can be done synchronously. During the supply chain process, the details of every transaction are recorded and made accessible via a permanent history – once the data is created, it cannot be deleted or altered [86].

The following diagram illustrates how blockchain technology impact at nearly every element of the complex Procure-to-Pay (PTP) process (see the diagram) (Figure 4).

Managers can benefit from blockchain technology in the management process, for instance, cost-savings, achieving increased operational efficiency or forming

Table 7.
Source: Elaborated by the authors based on [66].

<table>
<thead>
<tr>
<th>Business leaders question:</th>
<th>CSR actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why to use use blockchain?</td>
<td>Transparent and controlled transactions.</td>
</tr>
<tr>
<td>Faster and more transparent settlements, The ledger is updated automatically, Visibility of a transaction to the authorized participants.</td>
<td>Preapproved transaction fees</td>
</tr>
<tr>
<td>Information on the fee in advance Immediate visibility of transactions to authorized parties No one can tamper, delete or conceal any information added to the blockchain.</td>
<td>Auditable.</td>
</tr>
<tr>
<td>Blockchain runs without failure. Transactions processed on the blockchain are immutable and irrevocable, eliminating the risks of fraud.</td>
<td>Reliability Due to its distributed nature</td>
</tr>
</tbody>
</table>

Table 8.
CSR and blockchain elaborated by authors based on [85–89].

Supply chain example:

A knowledgeable purchase manager designs an economic plan to eliminate waste and ongoing use of resources. Companies can act dishonestly, continue taking part in harmful activities very often while pretending environmental and social sustainability. Blockchain’s decentralized structure ensures that each participant oversees their processes and has access to appropriate data. “Procurement Blockchain” guarantees transparency, and acting on manager’s behalf when making purchases, negotiating different terms with suppliers, a procurement deal is based on total ecosystem volume (i.e. purchase data from purchaser and their partners). A blockchain-based database is capable of storing relevant data from all business partners, summarizing total volume of purchases, regardless of who managed the purchase activity. It enables calculating the exact volume discount based on the total purchase, in addition mathematical proof of a correct computation is provided. For instance, 25% reduction of costs of invoice factoring can be achieved as blockchain lowers the risk of selling multiple invoices. With blockchain technology operational data are constantly shared, no need for data-crosschecking – it enables audits to be conducted automatically, price verification process will be eliminated. With this detailed tracking and verification process, linking and sharing can be done synchronously. During the supply chain process, the details of every transaction are recorded and made accessible via a permanent history – once the data is created, it cannot be deleted or altered [86].

The following diagram illustrates how blockchain technology impact at nearly every element of the complex Procure-to-Pay (PTP) process (see the diagram) (Figure 4).

Managers can benefit from blockchain technology in the management process, for instance, cost-savings, achieving increased operational efficiency or forming
new operational models within management of working capital cycle, specifically in the following areas of supply chain management: procurement, provenance, product authenticity and traceability, digital payments and contracts, logistics and manufacturing.

A. Blockchain and CSR in Working Capital Cycle management Advantages

a. Order fulfillment and transaction execution incorporated in a company’s supply chain management

- Smart contracts can help reduce data redundancy across trading partners and eliminate costly mistakes. Can automate the invoicing process and “patch” the expensive procure-to-pay gaps.

“The smart contract: the brain of the blockchain It is a computer protocol designed to automate the execution of the terms of a contract. Once coded and deployed on the blockchain, the smart contract is tamper-proof, autonomous in its execution, verifiable by all parties of the network because it is distributed [91].”

- Transportation of goods from warehouses to markets

- State, quality, and price of the products

- Order fulfillment and transaction execution

- Business efficiency improved: transaction cost and time reduction
b. Principles of trust and transparency

- detailed tracking and verification process
- linking and sharing done synchronously
- eliminating human errors, reducing costs, minimizing time delays associated with performing transactions.

Disadvantages

- High energy consumption
- Lack of knowledge, lack of employees

The following table summarizes benefits of blockchain implementation into daily management activities [85–88] (Table 9).

B. CSR concept and Blockchain

4.3 Role of FinTech companies in CSR

Over time, FinTech companies have been recognized as an imperative element of business operations, especially with respect to CSR activities. FinTech companies could be considered as companies designing and developing technological and digital programs to aid financial or banking operations and services help businesses immensely in regulating the financial approach. Employing a FinTech company to CSR activities can contribute greatly to any business.

First major potential examples of blockchainization in the supply chain can occur in the following areas:

**The food supply chain:** the food chain giant Walmart is a pioneer in this domain, partnering with IBM since 2016 on a blockchain-based traceability

<table>
<thead>
<tr>
<th>Transparency in results and processes</th>
<th>Leaders may see what elicits the best response from a target audience, empower executives with the insight needed to make informed decisions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers demand social responsibility and accountability</td>
<td>To align the CSR initiatives with trustworthiness and reliability</td>
</tr>
<tr>
<td>Archive 1. concrete proof the company about 2. keeping its promise</td>
<td>Blockchain can build both tasks into a company’s processes</td>
</tr>
<tr>
<td>1. The enterprise may leverage blockchain to record impact results.</td>
<td>To record and measure activities contributes to making better decisions</td>
</tr>
<tr>
<td>2. The enterprise must be open about their intentions</td>
<td>To showcase relevant impact metrics and demonstrate progress.</td>
</tr>
<tr>
<td>consumers choose brands they perceive as taking a stand on social issues or being environmentally aware</td>
<td>a way to illustrate the firm’s belief, personal values using a blockchain technology</td>
</tr>
<tr>
<td>3. The enterprise use AI for predictive analysis</td>
<td>Conduct a predictive analysis of the impact of CSR initiatives before they begin</td>
</tr>
</tbody>
</table>

Table 9. CSR concept and blockchain elaborated by authors based on [85–89].
solution. In 2019, Wallmart plans to roll out their blockchain-backed traceability program, mandatory for all lettuce growers.

1. Distribution of fresh produce. Recalls have been a major and costly industry issue for years. Thus, several major food-borne bacteria outbreaks (USA case) is a driver for the companies to look into blockchain as a new method for increasing visibility and traceability of the goods.

2. The information about high quality of the grocery goods for sale - The goods’ provenance, authenticity and “life before reaching the shelves”.

3. Increased visibility - the retailer is capable to track incoming food supplies from “farm to store” in near real-time.

4. The company also explores and illustrates how blockchain technology can be extended towards monitoring and controlling the spread of foodborne illnesses and help minimize costly recalls.

Most consumers are ready to pay a premium for sustainable and ethically made goods. According to Nielsen, 49% of shoppers will pay extra for products that have top high quality/safety standards. **The wine sellers:** OriginTrail in partnership with TagItSmart has recently tested the IoT and blockchain combo to prevent wine fraud.

1. blockchain can be used to certify the origin and paths of goods sold and provide data on the authenticity of products.

2. blockchain-based protocol allows tracking every wine bottle from the vineyard to the stores. In China, nearly 30,000 counterfeit wine bottles are sold every hour.

3. anti-counterfeit technology that utilizes photochromic ink together with unique QR codes helps to verify the provenance and authenticity of every bottle health control measurements – help to reveal hazardous additives added to wine that can cause serious health problems among consumers.

Conclusion: early pilots testing already this innovative technology, prove, blockchain and supply chain management can be a powerful combination (20% of the top 10 global grocers will adopt blockchain for food safety and traceability to ramp up their visibility into production, quality, and freshness.)

**The precious metal manufacturers:** gold and diamond industry leaders (Asahi Refining, Helzberg Diamonds, and others) with ongoing collaborations with IBM, Everledger startup:

1. creation of new solutions for tracking and authenticating their products with blockchain throughout the supply chain. is attempting to do the same.

2. plans to release a cryptographic provenance platform for their portfolio of 60+ luxury brands – in LVMH conglomerate

3. UPS pending patent application, a blockchain-based solution for planning package routes and tracking them globally, through multiple carriers.
Logistics companies: utilizing a pair, blockchain and IoT provide more insights about the transportation conditions and add additional preventive measures against counterfeiting.

Existing successes of financial services that contributed to benefits of the society in are digital payments, crowd funding, helping businesses to reduce operational costs.

**Digital Payments:** Mobile wallets and app-regulated payment disbursal portals are used for the transfer of money. The means of saving for corporate entities - crucial time saving and money saving when they opt for digital methods.

**Bridging the Gap: Financing area** - FinTech companies helping countries that have a majority of the population thriving in rural and underdeveloped areas

1. access to banking enabled due to the inception of FinTech,

2. FinTech as intermediary between the lender and borrower and even reaching people who do not own a bank account.

3. They are further helping the customers by providing assistance before, during and after the financial transaction by extending the ecosystem of the banking system.

For instance, Bangladesh has about 70% of people living in the rural areas where not even half of them own a bank account. To cover the deficiency, 'bKash', a FinTech initiative, allows such people to receive as well as send money through mobile phones.

**Crowdfunding:** - assistance to find investors for initiatives of society - FinTech's role is to equip businesses with perfect payments receivable and disbursal model. Potential investors willing to donate to a particular project, initiative can contribute their money electronically without undergoing rigorous process of making donations. A big demand at present: crowdfunding digital payments is at an all-time high.

**Lowering Operational Costs:** Traditional forms involved cumbersome paperwork and documentation in company financing are substituting by fintech solutions are using technology and software at a high speed at low ancillary costs.

1. FinTech solutions and access to finance.

2. Lending, insurance and related needs for people in underdeveloped locations

4.4 Problems companies face with CSR

Corporate Social Responsibility has become a complex phenomenon with companies developing holistic policies to address the demands of the public. As such, there come several problems related to the execution of initiatives such as disbursal and tracking of funds, cost–benefit issues, etc. [86–90].

<table>
<thead>
<tr>
<th>Disbursement of Money</th>
<th>Accountability of Money</th>
</tr>
</thead>
<tbody>
<tr>
<td>Every company indulging in CSR has an exclusive monetary account through which the company disburses money for various causes. However, due to lack of digitization, such money is disbursed in the most haphazard manner, making it practically difficult to keep track of the amount</td>
<td>Once disbursed, there is hardly any check on how such grants are being deployed and utilized by those concerned. This makes it almost impossible for an entity to recognize the cost–benefit of its contribution. Without any digitization of money movement, the amount once paid out is nowhere to be accounted for, indicating lack of answerability and utter pecuniary wastage.</td>
</tr>
</tbody>
</table>
5. Closure

The chapter “Corporate Social Responsibility Theories” from the book The Oxford Handbook of Corporate Social Responsibility highlights on the weak and strong points of the four CSR theories – 1. Corporate Social Performance, 2. Shareholder Value, 3. A Stakeholder Theory, 4. Corporate Citizenship. The last one is the most used, the key concept is participation in society, going beyond fulfilling legal duties as occurs with state citizenship, to actively contributing to the good of society or the world as a whole, as in the case of “global corporate citizenship [91]”. This theory recovers the position of the company in society and suggests that the company stands shoulder to shoulder with citizens who together form a community supported by government responsibility. It expands the functionalist vision that would reduce business to an economic purpose. Moreover, it has a global scope. Critics argue that the concept is too diffuse, and it is difficult to define global standards for corporate citizenship. Nonetheless, a growing number of companies, particularly transnational firms, are adopting this approach [91]”. We defined that the integrity of CSR and digital financial services is to achieve such a state that management of (preferably not only) digital financial services is implemented compliant with CSR concept, thereby forming complete, compact and trustworthy system of digital financial services generating “CSR-quality financial service product” beneficial to the society. The enhancement of CSR concept by complements and deviations with its CSR-quality product which we defined, offers a room for other research focusing which criteria must be identified and tested for products of the variety of industry sectors.

Digitalisation contributes to innovation of e.g. accounting and financial services. Technological innovations in this sphere are visible in implementing electronic smart invoicing, e-reporting to the tax authorities on VAT payments, etc. but users must obtain the trust to new digital technology and have to master how to use them.

The producers via blockchainization may persuade the consumers informing them in the campaign on positive product characteristics thereby winning their support that it is worthwhile paying even more if this brings benefits to the environment or people, i.e. to society, in general. However, successful innovation and digital transformation of operations may be utilized to accomplish more efficient and effective way of production. If the effort of the manufacturers will be aimed at finding new and more economically efficient production, then it will be a natural choice for an educated and solvent consumer to prefer certified products if this also be reflected in the product price and product quality.

Shareholders/management and executive controlling units should understand not only benefits and the advantages of technologies introduced but moreover, also the potential threats of their abuse or shortcomings linked to them in order that those responsible should be prepared to cope with them and contributed to their augmentation if needed.

Finance environment cannot function without incorporating CSR concept management, there are many initiatives to monitor environmental or social issues that affect economic area, for instance the issuance of the first Global Reporting Initiative (GRI) guidelines in 2000 (GRI, 2015), and the initiation and expansion of services offered by accounting firms regarding climate change and sustainability services. Many companies strive to develop tools and measurement for assessing this activity in the companies. The area of social and environmental accounting (SEA) encompasses various branches of research- management accounting research for social and environmental issues; accounting for sustainable development; accounting for human rights and biodiversity; social accountability; relations between corporate social performance (CSP), corporate social disclosure (CSD), and corporate financial
performance (CFP), the blockchain implementation in the area of accounting and finance services. CSR concept management may assist nowadays if implemented properly, another area for research, because the uncertainty or fear that is present in economic confidence indicators adds volatility into the market [92], fear may be a bad advisor and may discontinue CSR activity for a limited time. It was observed that the unstable confidence indicators were further damaged in 2020. Reporting ended for the UK early in 2021, however the EU demonstrated a rebound of confidence during 2020, followed by a substantial increase in confidence in 2021, after the UK exited the EU, with consumer and services confidence indicator showing the largest percentage change in 2021. The EU financial markets experienced similar volatility as a result of COVID-19, with increased co-movement in times of uncertainty [93].

Blockchain technology can assist in identifying and correcting contract violations, redundancies, and bottlenecks in the flow of goods. This ease of tracking and identification also improves Corporate Social Responsibility. Blockchain can be incorporated in a business’ CSR efforts as it can create a record of transaction and production history. This can serve as proof of a company’s utilization of humanely sourced raw materials or products. It also provides an opportunity for consumers to be well-informed on a corporation’s business practices and sustainability within their products, allowing them to make knowledgeable decisions on where to spend their money. Increased consumer awareness would also encourage companies to sustainably source their materials and ensure social responsibility throughout all steps of the supply chain.

Businesses and Government with the assistance CSR concept management shall form well-being for the people in the country not only in the digital era.

Acknowledgements

This research study was realised within the project ERASMUS + ERASMUS MUNDUS and Jean Monet Activities: With the support of ERASMUS + Programme of the European Union “Business in the European Economic Area - the Present and Future of EU Integration” (600433-EPP-1-2018-1-SK-EPPJMO-MODULE). Financed from European Union resources.

Author details

Darina Saxunova¹*, Heiko Hector¹, Jana Kajanova¹ and Peter Slivka²

1 Comenius University, Bratislava, Slovakia

2 Zota Payment Technologies AG, Zurich, Switzerland

*Address all correspondence to: darina.saxunova@fm.uniba.sk

IntechOpen

© 2021 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/3.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.
References


[17] Pribulová M. Jan Antonín Baťa – Founder of Batovany #2 (Zakladatel Batovian) [Internet]. Baťovany.sk. 2021


[31] Quito A. Pope Francis is backing a new movement to redefine capitalism as a force for good [Internet]. 2020. Available from: https://finance.yahoo.com/news/pope-francis-backing-movement-redefine-185014786.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAC_I_07lCYRuQrt5TIjQirE709ojyddnl_jhZVzfuK7AxEzrpYOIHWAnFGDzlw_V4G4vY0ycpEHYounEOS_rhpzWgAnYvabc0jSrBoLKYY6jF3Ryud2sp0VKwf1AVWv7_WoOj7qzvRh0cRPTlFRXjt4esJWn4J7uTTevN9Y


[60] Beno M, Saxunova D. Revealed comparative advantage: a case study for


[66] Dornseifer F, Bommer M. ESG im Asset Management – wie nachhaltiges Investieren Branche und Portfolio verändert (Presentation at the 7th Investmentfund Days). Bonn: Bundesverband Alternative Investments; 2018


[76] Polenghi A, Roda I, Macchi M, Pozzetti A. Conceptual framework for a data model to support asset management decision-making process. IFIP Advances in Information and Communication Technology. 2019: 283-290


[88] Grant S. WeWork to start accepting crypto payments [Internet]. Coin Journal. 2021 [cited 2021Aug2].


Chapter 18

Corporate Social Responsibility Strategy to Raise the Value to the Community in the Mining Industry

*Cesar Saenz*

**Abstract**

The main purpose of this chapter is to acknowledge if Corporate Social Responsibility (CSR) acts as a Blue Ocean Strategy (BOS) in the mining industry. Additionally, this chapter introduces a comparative case study analysis of two mining operations in Peru. The conclusions indicate that CSR is the value innovation of BOS and there is a six-action framework to create responsible mining. CSR favorably influences both its cost structure and its value proposition to the community. Cost savings are made by eliminating and reducing the causes of social conflicts. Community value is lifted by raising, reducing, sharing, enhancing, and compensating elements the industry has never offered.

**Keywords:** social responsibility, Blue Ocean Strategy, value innovation, mining industry

1. Objective

The main purpose of this chapter is to acknowledge if Corporate Social Responsibility (CSR) acts as a Blue Ocean Strategy (BOS) in the mining industry. Additionally, this chapter introduces a comparative case study analysis of two mining operations in Peru. The conclusions indicate that CSR is the value innovation of BOS and there is a six-action framework to create responsible mining.

2. Introduction

Corporate social responsibility (CSR) has been defined broadly by dissimilar global agents without a consensus around its essence. Within the mining framework, three main dimensions are addressed in CSR: social, environmental, and economic. The approach estimates the consequences that mining firms may inflict within stakeholder groups in the following aspects: social, environmental [1], and economic [2]. Both firm’s and stakeholder’s perspectives regarding the meaning and reach of CSR are required by this approach within the mining industry. The
The relevance of the approach is substantial since conflict potentials between both company’s and stakeholder’s expectations and divergences will exist.

The mining industry has taken the lead on business engagement regarding CSR. This can be ascribed to the questionable nature of its expenditures and both environmental and social problems that are intrinsic to the mining venture. Leadership and vanguard at CSR by the mining industry reflect the rapid growth within the developing countries, specifically countries with weak governance, legislation, and institutional capacity [3].

In contrast, the blue ocean strategy (BOS) concept is introduced. Used as a business and marketing concept, BOS helps entrepreneurs and firms to develop a positioning strategy for a product or service that will distinguish itself from competitors. The main focus is to establish new zones or markets where a product or service can be developed where competitors have not yet addressed. In the development of the conceptual framework of their BOS, Kim and Mauborgne [4] stated that value innovation was the foundation of the BOS. Value innovation accentuates the quest for a low-cost and differentiated strategy simultaneously. It suggests observing market boundaries differently and developing products for each consumer segment by identifying common attributes. Firms ought to have higher activity standards than those of industry and offer higher value than competitors. Finally, the reduction and elimination of other activities are needed to deliver value at a low cost.

BOS is applicable for all types of innovation, not just value innovation. Moreover, CSR facilitates external knowledge and is frequently dissimilar from internal knowledge. Consequently, CSR can promote “creative leaps” and influence the innovation process [5]. Therefore, CSR is innovation and could be studied through the BOS lens. In the mining context, companies and communities are competing for natural resources such as water and land, and sometimes this competition results in a conflict. As a consequence, mining firms use CSR as a strategy to reduce social conflict and compensate the community for their impact. This being said, this Chapter aims to estimate whether CSR acts as a value innovation to create a BOS in the mining industry. To do that, the following questions arose: How CSR allows firms to reduce costs? And How CSR raises value to the community?

3. Literature review

3.1 Blue Ocean Strategy

BOS is focused on “creating uncontested market space and make competition irrelevant”. Profitable and continued growth has been the objective of straight on rivalry by firms. In today’s packed industries, contending head-to-head results in a bloody “red sea” of opponents battling over a shrinking profit pool, improbable to make gainful development later on. The creation of “Blue Oceans” is the key to conquer tomorrow’s victory [4].

Such strategic moves, called “value innovation”, create incentives in value for both the company and its consumers, releasing new demand and rendering rivalry insignificant. The “Four Actions Framework” used for creating brand new value propositions consists of the following: ‘Deleting’ factors that aged in competition and are taken for granted by clients; ‘lessening’ products or services that have been overdesigned in the race to beat the opposition, which the clients don’t appreciate; raising by deleting the understandings one’s industry forces clients to make by
setting new guidelines well above contenders; originating through the discovery of the latest sources of value for customers, therefore originating new demand and strategic price shifts.

### 3.2 CSR as value innovation: reducing costs

Within the project cycle, how companies respond to the conflict has a significant influence. In the early stage of the cycle, leading firms are bound to withdraw from an investment (which may infer diminished social and environmental effects or the shift of effects on another area) and consider a foundational realignment of the project. On the other hand, at the late stage in the cycle, firms are bound to suit the plan or aggregate social responsibility projects, which provides impact compensation instead of reduction [6].

Likewise, lower costs, improve efficiencies, and add competitive advantages to public companies looking for investors at the Stock Markets are the effects of CSR activities focused on sustainability. A vast number of benefits arise for organizations who engage in CSR activities increased brand value, healthier and safer workforce, and larger access to finance. Consequently, five key benefits of CSR are presented by Solihin [7] for a firm to achieve social responsibility to both stakeholders and the environment: sales and market share growth, solid and strong brand positioning, corporate image growth, lessen operational costs, corporate appeal growth for investors and financial analysts.

### 3.3 CSR as value innovation for communities value

The community’s and firm’s expectations are on the opposite “course” in regards to CSR. While communities focus on sustainability, firms focus on exhibiting their responsible behavior within operations. According to Hsieh [8], firms that operate in developing countries are awaited to satisfy the highest expectations. Consequently, to address necessities and requests tailored to their needs, scholars have requested more awareness to comprehend the firm’s impacts considering stakeholder’s perceptions.

Even though mining is one of the main sources of employment in Africa, it is of the utmost importance that companies contribute to improving living standards within the communities they operate. Apart from issuing mandates to employ locals, there are a few approaches utilized to improve socioeconomic quality within a mining community: finance the construction of hospitals and schools, building roads and highways, and making use of local services [9].

### 4. Case studies

In the following section, both case studies are introduced, described, and assessed on context, strategies, and outcomes.

#### 4.1 The Tintaya Copper Mine

Tintaya Copper Mine is run by BHP Billiton in Peru’s Espinar province Tintaya. Community members asserted that these land buys had been led in manners that were unscrupulous and unlawful. Also, community members started to protest about mine’s sensed environmental effects. By covering charges and agreeing to the Peruvian government, prerequisites, and laws, the firm thought they were maintaining their
commitments through the community relationship policy. The firm thought they were overseeing everything admirably. In November 2000, the Peruvian NGOs sent a report to Oxfam Community Aid Abroad, Oxfam International’s Australian fellow member. The Mining Ombudsman answered by composing a letter to BHP Billiton authorities in Australia that delineated the communities’ complaints and requested an answer.

Before the Dialog Table, the local’s doubt regarding the mine’s local administration was profoundly instilled. In the following months after the December 2001 gathering, BHP Billiton and the community NGO alliance deliberately arranged their particular positions, while working mutually to distinguish an outside facilitator for the primary Dialog Table gathering. The facilitator they recruited would assume a crucial part in establishing the framework for an effective discourse process.

At the Dialogue Table’s debut meeting, the facilitator drove network individuals, NGO delegates, neighborhood government authorities, and BHP Billiton staff through an iterative and participatory issue distinguishing proof procedure. Toward the finish of the procedure, an accord was reached on the need to address four key issues of worry to the networks: loss of land, ecological effects, human rights infringement, and maintainable turn of events. At that point, Dialog Table members consented to frame four working commissions to examine complaints, define proposals, and execute changes in every one of the four zones. Three of the four commissions – the Environment, Human Rights, and Sustainable Development – were set up as progressing, changeless commissions, while the Land Commission would be broken down once its obligations were released. Each commission was made out of the networks’ chosen chiefs and intrigued inhabitants, city and NGO agents, and BHP Billiton corporate and neighborhood staff. At that point, with the assistance of the facilitator, Dialog Table members recognized a few key standards and guidelines – cooperation, agreement chasing, joint certainty finding, and secrecy – to manage their connections.

The BHP Billiton designation was driven by CEO Paul Warner, a man who, unmistakably influenced the firm to follow through on his guarantees. Members deciphered his attendance as a sign that the organization was paying attention to the networks’ cases. An absence of trust in the kindness of the contradicting party was a conceivably destroying issue for both network individuals and BHP Billiton staff. After some time, and through recurred connections at the commission and entire gatherings, shared comprehension and regard between community leaders and BHP Billiton authorities gradually developed. Whether the organization has failed in the issues dissected, specialized examinations were required in each commission to decide and have suggestions to follow.

On December 21, 2004, a structured understanding between BHP Billiton and the five Dialog Table people group was agreed upon. The focal features of the structure understanding were the accompanying: First of all, each year the organization will contribute three percent of its benefit to develop the community. The Tintaya Foundation, an organization that was mutually managed by the firm and community, was created to fund different community activities including water system, specialized aptitudes preparing, and other rural improvement ventures. With this understanding, the mining firm was a pioneer at sharing direct profits among communities in Peru. Secondarily, to identify and alleviate environmental impacts from the mining activity, the firm and community associations will frame an ecological committee. Ultimately, the firm acknowledged that any activity performed within the community territory will be done with past assent from the proprietors. This
being said, the “Previous consent” concept was first developed between a mining firm and a local community.

4.2 Quellaveco project

Quellaveco is an enormous scope copper mining venture situated in the south-eastern region of Peru, at the department of Moquegua. Social and ecological concerns in regards to Quellaveco’s operations were referred by the complainants as the following: water shortage, water quality corruption, and enlarged competition over water assets in an arid territory; environmental impacts of toxic wastes, health impact within local communities; and concerns over land invasion without landowner’s assent. The Environmental Impact Assessment (EIA) was introduced by the firm’s to the Energy Minister in May 2020 and approved in December of that year.

Both positive and negative effects of the venture were included by the organization and, despite the firm’s efforts to inform both the community and local authorities, couldn’t agree with the firm’s conclusion that “the net effect of the undertaking’s improvement is certain” and “the advancement of the open cut and its resulting loading up with water opens the chance of utilizing the establishment as a store”.

In March 2011, the provincial administration of Moquegua started a dialogue table involving 27 stakeholders from society, government and the company.

5. Discussion

To recreate the community value elements for creating a new value curve and to answer the two research questions, the Four Actions Framework is utilized. Four main questions are introduced to challenge the industry logic and business model with the goal to break differentiation and low-cost trade-off and creating a new value curve:

5.1 Which factors that are taken for granted by the mining industry should be eliminated?

Causes of social conflicts should be eliminated. A noteworthy influence on how firms answer to disputes arisen when they arise within the project cycle. When early in the cycle, conflict more presumably leads firms to withdraw from investments (which may traduce into decreased social and environmental effect or the transfer of effects to a different area) and evaluate an essential restructuring of the project. The most constant costs distinguished were those emerging from lost productivity because of delays [6]. In Quellaveco’s case, the reasons for social clashes were water assets and the utilization of freshwater from the streams without the community consent. The social conflict generated huge monetary losses to the firm. Interviewees calculated that around US$10,000 is lost for each day of postponement in lost wages and the expenses of keeping up an investigation camp. Additionally, the manager of the company suggested that the company should provide more CSR programs to avoid these operational costs.

Reputation concerns should be eliminated. Firms are most certainly to adopt the design or increase the social responsibility activities, the latest providing impact compensation instead of impact reduction when conflict arises later in the project cycle [6]. The value of intangible resources such as trust can be increased by the
creation of a genuine solid reputation through certain and pre-planned activities and dealing with the corporate image. In BHP’s case, one of the community members of the NGO’s stated: “The community realized that the firm had numerous similar issues in Canada and Australia, so the organization didn’t want to keep being influenced by its awful reputation”.

5.2 Which factors should be reduced beneath the industry’s standard?

Environmental impact. In Quellaveco’s case, the community realized that the firm had the financial ability to reestablish the trajectory of the river. As a leader stated: “Economists, local engineers, and practitioners had a profound discussion with the firm about their interests. Thus, in the closure plan, the project evaluated leaving the open pit as a lagoon so the community could use it as a water reservoir. However, neighborhood engineers demanded the organization reinstatement of the trajectory of the Asana River as it was prior to the operations. After numerous researches, the firm embraced to execute the elective conclusion plan noted as Restoration of the Asana River Bed. The following would elude any social conflict and lose cash as an outcome of the conflict.

5.3 Which factors should be raised above the industry’s standard?

Relative power from community members should be raised. Relative power is crucial in the trusting process. If the trusted party is within a position authority, there is a deviation towards trusting because he can authorize an individual who abuses his trust. On the other hand, if the trusted party has little or no position of authority, he becomes vulnerable to the other’s party interests and would become less comfortable. Either way, prior to the dialogue table, community members did not have authority nor power. Once the dialogue table was settled, each participant had a vote. This means that a farmer from a rural village has the same power and authority that the other members, including the firm’s agents and the president of the region.

Secondly, stakeholder representation on decision-making committees should be raised. The following strategy exhibits that mining firms are aware of stakeholder’s interests. Within Quellaveco’s project, one of the last consensuses was that a Participatory Monitoring Committee will be created and framed by key stakeholders, civilians and institutions from local and regional governments will be made to screen the ecological effect during activity to oversee the environmental impact during the firm’s operations.

Thirdly, choice by agreement based methodology should be raised. Trust can be influenced by consensus, noticed. One of the government representatives at Quellaveco’s project stated: “The norm stated that any agreement should be done through consensus. We were looking for a discussion council to understand each party’s perspectives and to eventually join a consensus, not a voting session.”

In the fourth place, transparency should be raised. Stakeholder’s trust is increased by transparency; Expanding the stakeholder’s trust, a business separates itself and develops. Among non-employee stakeholders, trust creates considerable cooperative behavior, lowering operational costs, improving business reputation, and recruiting and holding new clients and skilled workforce. Call this the transparency-trust agreement. Within Quellaveco’s project, the firm’s agent stated: “The meetings were available to people in general, so the press could be there at any second, and some meetings were broadcasted live.”
Finally, support should be raised. The advantages of participation are ascribed to bigger trust, more prominent sentiments of control, better firm identity, and bigger goals. In the end, it upgrades trust and adds to a feeling of proprietorship and dominance, improving the acceptance system and dedication. On inspiration and active involvement, individuals lessen resistance to change and intensify acceptance of and commitment to both changes and decisions. In any case, there were numerous members from various firms: Those who were against and those who were in favor of the project.

Withing Tintaya’s case, an agent from the organization stated: “While the facilitator made a list of issues, everybody was questioned regarding their opinions on the issues. They conclude that there were four issues: human rights, land, sustainable development, and natural issues. Afterward, we asked each member which committee they would prefer to join.”

5.4 Which factors should be created that the mining industry has never offered?

“Create” didn’t emerge in the interviews. Alternately, the following three concepts had emerged: share, compensate and enhance.

Share profits. Within Tintaya’s project, the firm will annually share 3% of its profits with the community. Moreover, the firm created the “Tintaya Foundation” to finance community initiatives including technical training, irrigation, and different agricultural projects. With this accord, history was made since it was the first direct profit transfer from a mining firm towards a community in Peru.

Share norms of behavior. Trust cant be shaped without any previous foundation. Habitually, is created and evolved when two parties consistently agree to the equivalent moral and/or social norms and regulations. Within Tintaya’s case study, an agent from the firm stated: “The facilitator had more vision than us since he did not take any parties side. Since the earliest encounter, he helped set up a few guidelines of conduct. This seemed to be ordinary, nearly ridiculous. The rules were stated as follows: Listen to each other, and respect everyone’s opinion. Nonetheless, they were very useful”. The equivalent occurred within Quellaveco’s case: a participant created a guideline that established standards such as respect, transparency, equity, and participation.

Compensate by kindhearted concern. In both case study’s, the firms created a Social Fund, established as a non-profit organization formed by organizations representing civilians, intending to be recipients of social responsibility expenses to be made by the firm and give an appropriate use of the money to accomplish regional development.

Enhance resemblance. We are tribal at our core, which is the reason individuals trust easily those who look alike to themselves. Similitudes may incorporate values, group identity, personality attributes. Within Tintaya’s case study, the facilitator referenced: “We needed to create some systems and the proposal, which was agreed on by all, was to not leave a question unanswered. As a result, all the parties involved could express their purpose of existence clearly. Also, we felt that it would be a lot simpler for the firm to state its reason for existence and purpose. On the NGO’s side, it was intriguing because they also explained their identity, partners, financial background, and their sole purpose and objective. This system shattered various tales. If tales are not shattered, you can’t believe that the opposite party shares something with you. That is the most important lesson.

Enhance capability. The manager habitually evaluates capability upon the decision to trust or delegate authority to the individuals who work for them. Within
Tintaya’s case study, a delegate from the NGO stated: “The community was not prepared for a negotiation. The community did not have a clue how to perform upon arrival at the negotiation table to reach a solution”. Additionally, a delegate from the firm referenced: “We are a mining firm with top professionals. This being said, an unevenness in dialogue resulted since the community did not have the same opportunities”. Afterward, a leader of the community stated: “We decided as a group to search for assistance, so we could construct the capacity of the communities in how to participate in this type of dialogue. When this limit building was finished, the process starts managing easily”.

Enhance leadership. Relationship- oriented leadership, which suggests a moral implication, has a positive connection with trust, and associations as to administration – trust relationship varies measurably. Within the Tintaya’s case study, prior to the dialogue table, community members did not want the presence of the firm’s general manager since they couldn’t trust him. Hence, while the discussions were taken place at the Dialogue table, the firm assigned Paul Warner, a headquarter-based manager, a man who, as indicated by one delegate NGO, unmistakably had the power within the firm to follow through on his promises. Contrastingly, in Quellaveco’s case study leadership was generated from the base since the Regional Government started a dialogue table including 27 local stakeholders.

Enhance the alignment of interests. Before an individual place her trust in another person, she cautiously gauges the question “How likely is this individual to assist my advantage?” Trust is a reasonable response when an individual’s interests are aligned. In both cases, members had their interests, yet they found a common interest which was social development. For example, within the Tintaya’s case study, a community representative stated: “We assembled a Development Table were we identified the community’s social issues and attempt to discover a solution to them by working cooperatively”.

Enhance predictability and integrity. Sooner or later within the trust decision, trusters ask: Within Quellaveco’s case study, one of the community representatives stated: “The rule was as follows: If you had a commitment to do or a prior assignment to do it before entering to another understanding, do not let accumulate tasks. It implies we didn’t proceed to a new agreement before verifying if the past ones were finished. At this point, we all did a colossal effort to consent with agreements and be reliable. Similarly, within the Tintaya case study, before the dialogue Table, there was distrust. A delegate from the community stated: “We had consistently imagined that mining firms would enslave us with their laws and procedures. That was our point of view. Deceival was the feeling shared at the first encounter”.

Enhance the level of communication. Solid communication is crucial since trust is a relational concept. As anyone might expect, transparent communication frequently helps the decision to trust, whereas poor (or none) communication produces doubtfulness. When Tintaya’s case study, before the dialogue table, zero communication was found between the organization and the community. Nevertheless, following the dialogue table, the level of communication increase.

In summary, six strategies are found: Elimination, Reduction, Raising, Compensating, Enhancing, and Sharing. See Table 1.

CSR, as value innovation, is created both its cost structure and its value proposition to the community. Cost reductions are made by removing and lessening the factors mining competes on such water resources (Quellaveco), environmental impacts (Quellaveco and Tintaya), and land (Tintaya). Community value is lifted by raising, compensating, enhancing, and sharing CSR elements the mining has roughly offered. See Figure 1.
6. Concluding remarks

CSR favorably influences both its cost structure and its value proposition to the community. Cost savings are made by eliminating and reducing the causes of social conflicts. Community value is lifted by raising, reducing, sharing, enhancing, and compensating elements the industry has never offered. So, CSR acts as a value innovation of BOS. See Figure 2.
Figure 2.
The six actions framework.

Author details

Cesar Saenz
ESAN University, Lima, Peru

*Address all correspondence to: csaenz@esan.edu.pe

IntechOpen

© 2020 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/3.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.
References


Chapter 19

The Impact of the Strategic Interests and Communicative Actions between the Socially Responsible Entrepreneurial Universities and University - Industry Collaboration Ecosystem

Dorian Aliu and Armando Aliu

Abstract

There is a natural harmony between the organizations’ stakeholders and corporate social responsibility (CSR) communication. The roles of socially responsible entrepreneurial universities have become more important among many organizational structures that produce solutions to global social problems and transnational challenges. Recently, the UIC interface structures within the socially responsible entrepreneurial universities have ensured effective communication with stakeholders in the UIC ecosystem due to the strategic collaborative projects. Furthermore, the effective communication they provide strengthens trust and reciprocal understanding among organizations, creates a harmonious collaboration environment, and develops a more efficient understanding of partnership. The purpose of this study is to examine the attributes and operations of the UIC structures functioning in socially responsible entrepreneurial universities and explore the CSR-related projects potentials and project management culture of these structures with their stakeholders. In this context, the CSR-related communications and actions with the companies that are actively working in Technoparks, which are among the UIC interfaces, were examined by taking into account the nexus between the stakeholders, companies, and the UIC interfaces. In this study, case study research and content analysis were applied in terms of methodology.

Keywords: socially responsible entrepreneurial universities, UIC ecosystem, CSR communication, stakeholders, strategic interests, communicative actions

1. Introduction

Since the last two decades, socially responsible entrepreneurial universities have started playing a crucial role in economic and regional developments through the collaborations and partnerships they established with their internal and external stakeholders. Particularly, socially responsible entrepreneurial universities, which adopt a stakeholder approach within the scope of the university-industry collaboration (UIC)
ecosystem, coordinate their internal structures, and try to increase their cooperation with their stakeholders.

In the digital era we live in, it is argued that there are ecosystems where different insights, models, and approaches in the administrative sense are adopted and applied very quickly, conventional and contemporary channels are used together, and thus change and transformation takes place in many areas.

In recent years, universities have started playing important economic roles through their collaborations with their stakeholders. In general, universities mainly benefit from the development of the societies that exist in social and cultural areas. While adopting the stakeholder approach within the scope of the University-Industry Collaboration (UIC), they coordinate their internal structures and increase their cooperation with their stakeholders [1]. It can be stated that the institutions, which are evaluated as research universities, have a leadership role in the fields of R&D, innovation, and scientific research in the national sense, and they are also represented in scientific activities with their international partners in the global sense. It is denoted that distinguished scientists working in research-oriented universities that have their autonomous structure have significant contributions in maintaining targeted achievements in a country's higher education system and affect the increase in institutional prestige and resources [2].

It can be asserted that beside universities, industry and business stakeholders have a significant impact on the processes of change and transformation. In recent years, the most controversial management innovations have been the emergence of organizations such as Start-up and Spin-off, which are characterized as “sprout enterprises” and derived from large-scale companies (through young entrepreneurs) or universities (through entrepreneur academics). At first glance, such innovative approaches have enabled areas that seem opposite, such as the public sector, university, industry, and the business stakeholders to take a more convergent position and pursue various ways of collaboration [3]. In addition, several borderline interactions, including joint research or consultancy projects, have interlinked an enterprise and a university [4]. In this framework, the academic entrepreneurship can be considered as a training area and pioneer of Spin-off activity. The academics, who have seen themselves separate from the business stakeholders before, have so far been perfectly aware of the fact that the managers at the head of research groups are also acknowledged as business entrepreneurs. They see themselves as having the necessary organizational and leadership skills that are adequate to arrange small and even medium-sized businesses [5].

An entrepreneurial university model has emerged to generate socio-economic value in synergy with institutions and industries that open the boundaries of the university to the community of external actors and stakeholders [6]. Entrepreneurial universities aim to increase the wealth and prosperity of their societies by promoting a culture of innovation and competitiveness [7]. There is a symbiotic/complementary relationship between entrepreneurial universities and their regions. Policymakers consider the regional economic effects of universities. Particular attention has been paid to the increasing students’ “externships” through industrial participation by the faculty and students, Spin-off company establishment, and “non-traditional” university policy and outreach services [8]. Entrepreneurial universities can foster frugal innovation by providing the necessary skills, supporting entrepreneurship and innovation initiatives, and conducting applied research to meet societal necessities [9].

So far, social entrepreneurship has emerged and spread in many countries, abruptly. Social entrepreneurship is the process of applying business and entrepreneurship principles to social problems. Social initiatives are those that are dedicated to solving social matters. The reason for their existence is not to maximize the
direct returns to shareholders, rather create a positive social impact [10]. Likewise, social enterprises are private organizations that adopt business strategies to achieve socially focused goals [11]. Various interface units such as technology development zones, research centers, and technology transfer offices that are associated with the entrepreneurial universities have also been reconstructed in public universities which have less emphasis on research. Thus, these interface units started to expand the scope of their duties by promoting the first stages of the R&D process with commercial potential and focused on obtaining commercially available findings in the next stages [12]. Yet, both university administration and individuals have become a necessity for the UIC interactions, a top-down and bottom-up approach ought to be used together. In the case of a university has a desire to expand the UIC activities, it is recommended that the university administration should establish long-term strategies and follow a holistic strategy approach [13].

The public sector and universities can evaluate new scenarios of successful collaboration with companies in their research assignments. For instance, companies and organizations originating from the cooperation of the three parties actively participate in science and technology parks [14]. It is worth noting that public policies have the potential to increase innovation efficiency developed in science and technology parks by suggesting or encouraging companies to adopt corporate social responsibility (CSR) practices in their strategies [15]. In this context, the CSR is primarily concerned with achieving results from organizational decisions on specific topics and issues that have beneficial effects rather than negative impacts on relevant corporate stakeholders (according to some normative standards) [16]. The social responsibility of the enterprise covers the economic, legal, ethical, and philanthropic expectations that society has from institutions at a certain time [17].

The theoretical framework of this study has been associated with the use of multimedia opportunities used in communicative actions, the collaboration between stakeholders, and the effect of interfaces on interactions between university and industry. “Communication Theory of Action,” “Stakeholder Approach and the CSR nexus” and “Triple Helix” approach have significant effects on the formation of collaborations and interactions. The originality of this study is that the Technology Development Zone (TDZ), which is one of the interface structures in the UIC ecosystem and collaboration process. In essence, it highlights the importance of socially responsible entrepreneur universities. The TDZs, which contribute more and more to the innovation and entrepreneurship ecosystem, lead a crucial role that enhances both economic and social life within the scope of national and international projects. Communication and actions of companies actively working in the TDZs were examined by using a case study related to the CSR. The relationships between stakeholders, companies, and the UIC interfaces were analyzed by taking into account the CSR actions and stakeholder theory.

2. Methodology and background

In this study, content analysis, case study, and document review were used within the scope of qualitative research methods. Case study research is an observational study that examines facts, such as when the boundaries between the case and the content are seen and which multiple sources are presented as evidence of real life. A case study is a typical example of qualitative methodology. It is an in-depth and detailed “limited system” discovery of contextual data, and multiple sources over time [18, 19]. The case study research advocates the viewpoints of cross-case studies and descriptive structures. Eisenhardt asserted that the case study process can be established through the selection of appropriate categories that
are similar within the same group or different among groups. Likewise, Eisenhardt suggests that these categories can be selected by the literature review or simply by the investigator(s). In this manner, the main issues discovered through cross-case analysis can be compared with the similar and contradictory literature, and this facilitates achieving and establishing a theoretical consistency.

There are mainly three stages in the design and implementation of the theory-based case study research. In the first stage, the aims, design, and structure of the research are determined, respectively. In the second stage, each case study is carried out under the design. In the third stage, the researcher draws on the findings of the case study and evaluates the contributions of the case study analysis applied to achieve the ultimate objective of the research [20]. The case study approach is considered as the intensive operation or scrutiny of a small number of units or a single unit to design a large class with similar units. The design of the case study has its strengths and weaknesses according to its main research objectives. These are whether the study is for hypothesis testing, whether internal and external validity is a priority, whether the understanding of causal mechanisms or causal effects is more valuable, and whether the scope of causal inference is in-depth or broadwise. These also depend on the structure of the empirical universe of several impact factors. These factors are whether the population of the case study is heterogeneous or homogeneous, whether the causal interest relationship is strong or weak, whether the beneficial variation in key parameters in the population is rare or widespread, and whether the existing data are dense or distributed [21].

The TDZs operating in Turkey were taken into account in the scope of the selection criteria of case study research. The members of the Technology Development Zones Association that are actively operating in Turkey were selected as the UIC interfaces due to the regional limitations and performances of scientific and technological activities. Thus, the data were gathered from the member of these TDZs. It is possible to explain the Triple Helix model in a broadwise sense covering many diversified institutions and organizations operating as the public-university-industry collaboration (PUIC) interfaces in Turkey, such as the TDZs, TTOs, R&D and design centers, application and research centers or institutes, organized industrial zones, chambers of commerce, chambers of industry and so on. In general, there are 67 TDZs operating in Turkey. The total sales reached in the TDZs until today is approximately 84.8 billion TL, and the total exports are approximately 4.4 billion USD. In this context, the statistical indicators regarding the TDZs’ performances are included in Table 1 [22].

According to Table 1, the total number of the TDZs that were announced in Turkey is 85, and 67 of them have started their operations actively. It is seen that a total of 56,689 personnel are employed in 5506 enterprises operating in the TDZs, and 46,108 of them are comprised of personnel working in the field of R&D. Furthermore, it is stated that the Intellectual and Industrial Property Rights registered in the TDZs as of the end of December 2019 are 1653 and 2861 are in the application phase [22].

It was highlighted that the TDZs’ management ought to organize activities, such as social associations, meetings, and bring employees from different institutions together for the synergy effect arising from the meeting of academic, industrial, and financial structures on the same platform in the TDZs, which is one of the most crucial public-university-industry collaboration interface organizations. Thus, it was stated that some creative situations, such as the emergence of new innovative ideas, the meeting of project owners and possible financiers, and the exchange of information of employees can only be achieved by providing productive environments [23].
It was observed that the internet-based platforms, such as “Teknoportal” and “Argeportal” are used in the communication with the internal/external stakeholders of the TDZs, effectively. It is widely acknowledged that many of the TDZs contribute to a certain extent to different CSR projects for the development of their environment as well as their commercial activities. In the analysis of the CSR projects of the selected TDZs, the websites of these relevant organizations were subjected to the content analysis.

The content analysis method is used to analyze the content of documents that use quantitative measures of how often certain elements appear in a text. As a measure of the importance of certain ideas or meanings in a document, the number of contexts that appear in the text are used to highlight particular items. In the content analysis, the content of a document is analyzed according to the frequency with which certain categories of meaning are used. Therefore, content analysis is a useful and important tool for document analysis, providing objective and powerful methods to explore social meanings [24]. In this framework, documents are seen as communication channels between a writer and a reader and these channels contain meaningful messages. Such messages are usually in writing form, but other formats, such as maps, architectural plans, films, and photographs can also be interacted in the communication channels [25].

The documents can be used in printed copies or on the Internet platforms in different formats. In the classical sense, the “Internet” defines the electronic network that connects computers worldwide. The “Internet” written in lowercase is seen as a shortcut for various capacities, infrastructures, or cultural formations facilitated by digital communication networks [26]. Analyzing the documents on the Internet is a way to transfer document reviews to the virtual space [27].

The corporates’ documents shared on the official websites owned by the TDZs were used within the scope of this study. Likewise, a context has been established between the environment and quality policies shared institutionally and the CSR understanding of the TDZs. Table 2 illustrates that there are important CSR project areas that take place in some sample TDZs.

Among the CSR projects included in Table 2, financial and physical opportunities (laboratory, office, and computer) are provided to young entrepreneurs who want to realize their innovative projects and establish their companies to take part in the “ITU Ari Cekirdek: Innovation Workshop” project. In addition to the ITU

<table>
<thead>
<tr>
<th>Statement</th>
<th>Numerical value</th>
</tr>
</thead>
<tbody>
<tr>
<td>TDZ Declared</td>
<td>85</td>
</tr>
<tr>
<td>Number of TDZ in Operation</td>
<td>67</td>
</tr>
<tr>
<td>Number of Firms</td>
<td>5,506</td>
</tr>
<tr>
<td>Total Staff Number</td>
<td>56,689</td>
</tr>
<tr>
<td>R&amp;D Staff Number</td>
<td>46,108</td>
</tr>
<tr>
<td>Project Number (Completed + Ongoing)</td>
<td>43,917</td>
</tr>
<tr>
<td>IPR (Registered)</td>
<td>1,653</td>
</tr>
<tr>
<td>IPR (on application)</td>
<td>2,861</td>
</tr>
<tr>
<td>Written Copyright (Received)</td>
<td>288</td>
</tr>
</tbody>
</table>

Source: [22].

Table 1. The TDZs’ statistical indicators in Turkey.
Ari Technopark, there are stakeholders, such as the Istanbul Development Agency and the Elginian Foundation among the organizations that support this project [28]. Another CSR project, “Y emekaskisi.com”, was realized under the leadership of Yildiz Technopark. The purpose of this project is briefly clarified as follows: The “Y emekaskisi” is a CSR project that aims to support students during the university period and provides free meals to help those in need [29].

Another project carried out to reflect environmental awareness in Yildiz Technopark was entitled “Plant Life for the Future.” Through this project, it is aimed to establish effective communication between the TDZ employees and stakeholders. During the plant seedlings, the participants of the project experience a special moment by printing their names on the saplings. This project has also a sustainable dimension that encapsulates a natural relationship between human and plants [30].

The CSR projects carried out jointly with many stakeholders of the TDZs have evolved into different topics by the impact of recent national and international developments. An example of this is the project titled “Common Sense toward the Covid-19.” The project was created to seek for an innovative solution and bring life back to normal nationally and globally due to the Covid-19 pandemic. Many studies in different disciplines and sectors are expected to bring disruptive solutions to both the current process and possible future scenarios and changes. For this purpose, the Turkey Covid-19 Common Sense Platform was established by entrepreneurs and it brings together mentors and related institutions. The entrepreneurs aim to accelerate the maturation of ideas, necessary support for the implementation of projects, and establishment of cooperation. The platform’s stakeholders include 4 universities, 5 techno-cities, 18 enterprises, 4 associations, and 2 foundations [31, 32]. The enterprises within the TDZs provide fast and dynamic answers to the technology produced in the regions and continue to highlight their potential, quality, and functionality. Similarly, enterprises contribute to their products and ideas. Around 160 enterprises operating in 27 TDZs in Turkey are engaged in socio-economic terms in the fight against the Covid-19 [33].

In the light of the above-mentioned considerations, entrepreneurial universities, which act with social responsibility awareness, increase their activities in the direction of developing the UIC ecosystem through collaborations with the interface structures (e.g., the TDZs, TTOs, research centers, and so on). In particular, the technology development regions brought together universities and other stakeholders based on the projects and their contribution to the strengthening of this cooperation is quite significant. The physical infrastructures created by the TDZs and financial resources attract startups to the innovation and entrepreneurship ecosystem and form a base for the establishments of new startups and spin-off

<table>
<thead>
<tr>
<th>TDZs</th>
<th>Project title</th>
<th>CSR project issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITU Ari Technopark</td>
<td>“ITU Ari Cekirdek: Innovation Workshop”</td>
<td>Contributions to education</td>
</tr>
<tr>
<td>Yildiz Technopark</td>
<td>“Plant Life for the Future” “Yemekaskisi.com”</td>
<td>Ecology (concern for the environment) Contributions to education</td>
</tr>
<tr>
<td>METU Technopark, Bilkent Cyberpark, Baskent University, Ekin Incubation Center, Konya Innopark, Konya Technopark</td>
<td>“METU Teknopark Festival” “Common Sense toward the Covid-19”</td>
<td>Social activities Innovation and entrepreneurship</td>
</tr>
</tbody>
</table>

Table 2. The CSR project areas realized in the TDZs.
enterprises. It can also be put forward that the TDZs, where technological developments are intense, have an important role in providing solutions to the necessities arising in different fields (e.g., health, security, employment, social life, etc.).

3. Communicative actions in the context of university-industry collaboration

Habermas argued business, family, media, and language interactions by considering the theory-practice understanding in his theory of communicative action. In this context, Habermas classified social actions as instrumental, symbolic, communicative, and strategic actions. Particular attention was given to the importance of communicative action and strategic action while focusing on the interactions between the stakeholders in the UIC ecosystem. Although it is assumed that the validity of inter-subjective speeches is based on communicative action, it is stated that mutual awareness between actors is related to common compromise and universal validity principles in action. Habermas argued that the compromise in strategic action is lacking in the background and motivational conditions constitute differences. However, the preliminary assumptions of the compromise in communicative action can motivate actors. Therefore, the institutionalization of strategic actions must be established within binding norms between subjects, and thus the motivation of inter-subjective motivational conditions must be guaranteed [34].

The strategic action concentrates on the tendency of the actor to succeed, whereas the communicative action in the inter-subjective interaction tends to reach understanding. Habermas clarified that the communicative action is oriented to observe valid intersubjective norms that connect mutual expectations and awareness [35].

4. The nexus between the CSR and stakeholder approach

Most of the research on the concept of stakeholder is divided into four sub-areas. These are listed as such: normative business theories, corporate governance and organization theory, CSR and performance, and strategic management. In terms of
strategic management, the idea of stakeholders, stakeholder management or stakeholder approach is to suggest that managers should formulate and implement all the groups that support the business and processes that satisfy only those groups. The main task in this process is to manage and integrate the relationships and interests of shareholders, employees, customers, suppliers, communities, and other groups to ensure the long-term achievements of enterprises [38].

While most of the attention in the stakeholder approach literature is directed at managing the stakeholders of an enterprise, some researchers have focused on the impact of stakeholders on the strategies of enterprises. Further, some studies have focused on how external stakeholders increase the impact of the strategies of enterprises [39]. The stakeholder approach emphasizes the importance of investing in relationships that include core values or principles. Therefore, the stakeholder approach can allow managers to share their values in the implementation and formulation of strategic planning. A typical example of this is the business strategy concept [40].

The sustainability of an enterprise is one of the primary stakeholders; for example, it depends on the attendance of shareholders, investors, employees, customers, and suppliers. It also depends on public stakeholders (e.g., governments and societies) that will operate to provide infrastructure and legal frameworks. Secondary stakeholders are those that affect or shape an enterprise or are affected or shaped by that enterprise. However, it is the sector that is not exposed to the direct transactions of an enterprise and does not play a key role in maintaining the existence of that enterprise (e.g., press and special interest groups). Although these groups are not required for the direct operation of the enterprise, they can strongly influence how the enterprise is perceived by the public and various government agencies. Therefore, these groups can have a major impact on an enterprise through the interaction of stakeholders [41].

The concept of CSR is defined as a process in which enterprises decide to contribute voluntarily to a better society and a cleaner environment and manage the relationships of enterprises with their stakeholders [42]. The CSR practices express the practices, decisions, behaviors, and impacts of an enterprise that are understood as the environmental, social actions, decisions, behaviors, and impacts [43] that contain, affect, and respond to the demands of stakeholders. Organizations may face some dilemmas when considering the interactions between the CSR and various stakeholders within the context of ethical values. The ethical dimensions are the basis of sensitivity to the environment of organizations [44].

Environmental protection and consumer health issues ought to be questioned by taking into account ethical responsibility, moral awareness, and moral obligations [45, 46]. In the light of the stakeholder approach linking with the CSR, contemporary businesses have adopted environmental and social activities involving the economic interests of the CSR while responding to new social demands of interest groups [44, 47–49]. In this context, it is possible to see that many new generation enterprises operating within the TDZs are sensitive to environmental and social activities.

5. Changing business stakeholder ecosystem and triple helix approach

The ecosystem metaphor has become popular as a tool to identify, explain, and convey ideas, facts, and thoughts about how economic factors interact with the environment in academia, industry, politics, and management [50]. The concept of an ecosystem is defined as “the sum of all relevant environmental conditions and actors acting on the central organization” [51]. In other words, it is a structure
consisting of a variety of different elements working in harmony” [8]. At this point, the most important question is about how an ecosystem is described by economic activities as “innovation ecosystems”, actors as “entrepreneurship ecosystems” or boundaries as “national ecosystems.” Actors and organizations in the changing business ecosystem are another critical area that need to be addressed as part of necessary behavior and cooperation mechanisms [52]. Different types of enterprises, such as organisms in nature, multinational enterprises, small and medium-sized enterprises, family businesses, and entrepreneurial enterprises coexist and thrive in their ecosystems [50]. Based on biology [53, 54], the ecosystems in the business world were explained as a set of interrelated actors, such as universities, science parks, and the public sector. There are diversified types of enterprises that are developed in a common environment of ecosystems.

Surveys with proxy-based behavioral models can enable predicting and evaluating new operational methods. Thus, the “physics” aspect of the ecosystem can help visualize how it can be studied in the future. These models are based on symbolizing the “information exchange” (i.e., the necessary information flow) and the limited capacity (i.e., limited rationality) of actors who will interact and coordinate the system, goods, services, and the flow of funds (i.e., the investment of capital). It can provide a basis for modeling and evaluating human capital procurement, risk sharing, ecosystem governance structure, alternative forms of incentives, and contract agreements. The “chemistry” aspect of the ecosystem affects research areas, conventions, and the rules of the game on various interactions, relational issues, such as self-confidence, willingness to participate, understanding different personalities, different international organizations, and meeting structures. The “biology” aspect of the ecosystem was described as the ability of the system to reproduce itself and adapt to changes in its environment over time [52].

A university, which is considered as the source of knowledge and innovation, has taken an “entrepreneurial” structure by going beyond the interaction with the industry to use its potential much better. On the other side, the industry representatives have increased their scientific field of activity by displaying the functions of the R&D departments as the UIC interfaces. Thus, the UIC ecosystem, which has turned into a different dimension, has sought to use the public resources most effectively. Recognizing such an interaction in many countries, the public institutions have been included in the UIC ecosystem as “stakeholders” to a certain extent with various structural arrangements. This type of public-university-industry collaboration model has been widely adopted as “the Triple Helix Model” [55].

In the multiple actors’ involvement in the Triple Helix Model, a university is among both industry and the public as an affected and influencing factor. Research consortia created to develop new technologies that may include the R&D departments of enterprises, research centers of universities, and public laboratories. These innovation developments can be followed in a network format when the innovation activities carried out under certain contacts between these different institutions and are supported by national or multinational funding programs. Therefore, an urgent need for a new layer of “interface experts” and consortium managers located in the non-profit sector arises in this increasingly complex ecosystem [56, 57]. For instance, creating an interface, such as a TTO that regulates communication flows [58] can play an active role in establishing communicative links in the new layer in question. Besides, some horizontal links have emerged as the national professional associations of technology transfer managers in the Association of University Technology Managers (AUTM), Federal Technology Transfer Managers, and Licensing Managers Association in the scope of the Triple Helix Model. Over time, these intermediary groups have increasingly become closer thanks to their membership schemes. These groups also help bring technology transfer experts in university
and state laboratories together with industry representatives to facilitate the technology and knowledge transfer process through regular meetings, annual conferences, workshops, and so on [59].

6. The TDZs in the framework of the UIC ecosystem

A science park is a real estate development ideally located near to a university. The purpose of a science park is to host two types of research-oriented enterprises. These are enterprises that grow within a university and want to maintain close relationships with the institutions and research centers of a university, and enterprises that want to place their R&D unit and even all their laboratories in a semi-academic location. These enterprises often want to achieve many goals, such as establishing closer collaborations with academic investigators and inviting academic entrepreneurs and project experts who conduct promising research projects to work part-time in the enterprises’ units [5]. The fact that enterprises combine external information with internal knowledge and strengthen their absorption ability indicate that they are more concentrated on acquiring information assets [60]. Scientists argued that science and technology research parks are considered as “a tool for creating dynamic clusters that accelerate economic growth and international competition” [61]. Many studies suggested that the TDZs are exceptionally successful in linking universities with industrial development and other mechanisms that facilitate R&D actions and performances in the context of the UIC ecosystem [62–65].

The TDZs are considered as a concrete network model with physical proximity among the enterprises that constitute them. They promote collaboration and technology transfer, undertake some of the management tasks, and coordinate among enterprises in the science park as part of the intermediary services they offer. These conditions imply the existence of factors that are outside the internal control of an enterprise and voluntarily participate in the science and technology park for its initial benefits [66].

Units that are controlled, hosted, and largely state-financed in the TDZs and located in or near universities and colleges contain a large number of production, service, and R&D units and these ought to be associated with the public sector, effectively. Those that are largely controlled and financed by the private non-profit sectors should be included in the third sector, as well. Intercompany service providers and other units should be classified with the commercial enterprise sector [67]. Civil organizations such as the TDZs, private sector R&D and Design Centers, UIC Centers, TTOs and clusters, and the University-Industry Collaboration Centers Platform (USIMP) have the potential to bring together and encourage cooperation among many universities. The Triple Helix Model contributes significantly and holistically to the increase of innovative actions, sustainable technological development, and enhancing mutual interests by setting up strong collaborations in the UIC ecosystem [68, 69].

7. Conclusion

Recently, the relationships between the public sector, university, and private sector have been strengthened through different initiatives that create an environment for collaboration. On the one side, universities are interested in the training of young entrepreneurs and researchers, and on the other, they invite the industry to collaborate through the UIC interface structures. The private sector has a special
role in the innovation and entrepreneurship ecosystem by adopting new business models and increasing competition with developing technology and by focusing on academic research. The industry segment that shows such an approach is not alone at the competitive point as it used to be, but it acts with the UIC interfaces (i.e., the TDZs, TTO, research center, R&D center and so on) in the ecosystem. The public authority plays a balancing role in the rapid development of science and technology. It contributes to the development of the UIC interfaces by creating financial support programs.

The public sector in collaboration with the private sector created “centers of excellence,” “model factories” and “thematic laboratories” to reduce economic dependency on foreign sources through joint investments [70]. Beyond purely targeting economic results, entrepreneurial universities have been reorienting their talents toward sustainable social development for the Sustainable Development Goals of the United Nations [9]. The TDZs argued in this study can be considered as successful UIC interfaces. They apply the research projects and collaborate with the units and centers of universities in the framework of the Triple Helix Model, effectively. The TDZs contribute to the social needs and ecological system of the society by contributing to the regional economic development as well as supporting the CSR projects. It was observed that the TDZs, which have reached a certain institutional level, act sensitively to the needs of the society within the context of their mission, vision, environment, and quality policies. However, the spread of sensitivity toward societal issues requires the actions and contributions of all actors in the entire UIC ecosystem. It can be said that the TDZs which carry out important CSR projects should be taken as success stories, more CSR projects ought to be supported, and more stakeholders ought to be included in the innovation and entrepreneurship ecosystem. In the rapidly expanding ecosystem, it has become a natural expectation of changing and transforming lives for the TDZs to communicate with their internal/external stakeholders more effectively. It will also positively influence the usage of resources efficiently and increase the awareness and moral-consciousness levels of social and environmental issues and ethical values.

Author details

Dorian Aliu\(^1\) and Armando Aliu\(^2,3\)*

1 Institute of Social Sciences, Canakkale Onsekiz Mart University, Canakkale, Turkey

2 School of Social Sciences, Cardiff University, Cardiff, UK

3 Centre for the Study of Global Human Movement Institute of Criminology, University of Cambridge, Cambridge, UK

*Address all correspondence to: armando.aliu@alumni.uni-heidelberg.de

© 2021 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/3.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.
References


[14] Carayannis ED, Giudice MD, Peruta MR. Managing the intellectual capital within government-university-industry


[58] Leydesdorff L. A methodological perspective on the evaluation of the promotion of university-industry-government relations. Small Business Economics. 2003; 20: 201-204. DOI: 10.1023/A:1022272201042


[65] Mansfield E. Basic research and productivity increase in manufacturing.


Chapter 20

Empowering Professional Competence and Moral Responsibility for Corporate Sustainability: Insights from Industry and University Strategic Alliance

Mihtachul Huda, Roslee Ahmad, Mohd Aderi Che Noh, Azmil Hashim, Mohd Hairy Ibrahim, Badlihisham Mohd Nasir, Siti Suahila Ahwani, Arief Saleh Rosman, Nik Mohd Zaim Bin Ab Rahim and Monika Munirah Abd Razzak

Abstract

The stability of corporate sector is definitely related to the prominent firms’ conditions, where both inner and outer factor played a significant role in enhancing the value proportion in sustaining the existence. Although many was conducted in the outer part in the corporate sector, however, less attention was apparently being given to the internal point where professional and moral basis is needed for further exploration in giving insights into corporate sustainability. This chapter attempts to examine the insightful value of professional competence and moral responsibility to give the significant point in disseminating the enhancement of corporate sustainability. The literature review was carefully conducted from the referred articles: journals, books and conference proceedings on the related topic. The finding reveals that the insightful value of professional competence and moral responsibility in advancing the corporate sustainability could be achieved in particular point through industry and university alliance. The basis of this alliance of both could give insights into incorporating the particular model of strategic partnership along with the corporate social responsibility. Engaged through the higher education (HE) together with firm involvement, this aim refers to advance in achieving the quality balance on corporate social responsibility. As such, this study is expected to contribute in advancing the research development agenda on enhancing strategic partnership assigned between professional competences together with moral responsibility.

Keywords: professional competency, moral responsibility, corporate sustainability, and university and industry Alliance partnership
1. Introduction

In the last decade, the paradigm shift of social responsibility and environmental concern has been considerably transmitted into Higher Education (HE) to play a significant role in disseminating the sustainability engagement through cooperating with some certain programs [1–3]. However, some considerable issues shown into the number of challenges such as environmental concern, lack of moral enhancement in the organisation sphere, and also other problematic issues should be considered into giving the cooperation on the way to expand sustainable-based arrangement in the HE context [4, 5]. This chapter is aimed at critical analysis about the strategic integration of governance enhancement in HE context in referring to concern in driving the procedural stage on sustainable development. The outstanding value of strategic governance in the way to empower sustainable-based program initiative by the HE could play a significant role in ensuring the primary contribution to shape the commitment to build the partnership into some programs to be incorporated within the institutional arrangements.

In addition, this work will give insights into the wide attempts to contribute into prudent public policy formulation in the way to implement good service along with meeting the needs to solve environmental and related issues. Moreover, strategic partnership trend incorporated with HE context at this stage would be the point of view for sustainable development agenda rooted into the way of living processes paradigm together with demonstrating the wide range of sustainable properties and patterns [6, 7]. Thus, the initial value of empowering sustainable-based strategic governance in HE context could be achieved through mutual cooperation with strategic partnership through adaptability, resiliency, awareness, creativity and flexibility interconnected to work with creating the sustainable engagement [8]. In providing the problem solving at this stage, it is important that wide range of opportunities in achieving the certain goal which HE may deal with should consequently bring the solution in generating the innovative approach in the attempts in encouraging the creative participation in working together to solve problems. Here the inner process could be transmitted into giving insights in providing the number of great potentials for planning together with implementation and monitoring the strategies as key responsibilities in the HE context to ensure the sustainable development could be achieved.

2. Incorporating strategic cooperation with management skills

In addition, the further exploration in advancing the structured cooperation amongst the various managements from the top to the ground side refers to enhance the initiative in giving the facilitation with the skills and abilities on organisational commitment. The competency element in enhancing technical management with sufficient knowledge understanding refers to develop the effective training through cooperative engagement amongst interpersonal association linked into the cultural environment awareness [9, 10]. In the attempts to begin with incorporating the approach relevant to the way to manage the individuals across the learning culture, it is important to take a note that strategic collaboration along with the mutual understanding has to go through the organisational commitment to achieve the goal [11, 12]. In terms of cooperative engagement transmitted into the organisational culture, the strategic approach should be expanded with the management skills in enabling the supportive practice to assist amongst them [13, 14]. The focus should be based on committing with the competency features in underlying the way of comprehending the sustainability assurance through allocation, where the financial
sustenance has to be taken into consideration in ensuring the existence of continued practice [15, 16]. With this regard, the early control of monitoring the strategic performance along with assessing the progress should be incorporated into the systematic practice in the organisational culture.

In line with coordinating the operational standard on strategic cooperation, incorporating the leadership skills and well managed personal abilities is entirely a basic integration of mobilisation and organisation structure in the sustainable development. In this view, the way of managing both understanding and experienced skills refers to enhance the leadership basis together with incorporating the assessment procedure context. In the attempts to integrate the evaluation progress and continued practice, the organisational commitment here refers to engage into the active performance in achieving the efficiency and effectivity of driving the pathway to the planning goal target [17, 18]. Transmitting leadership in the basis of civic engagement aims to point out the way of disseminating the comprehensive vision configured with the contemporary circumstance in enabling the actual practice on what to do wisely and appropriately within the basic competence of organisational culture [19, 20]. Both coordination and management practice require going through organising the performance from the top to the ground level of the society. As such, attempts to manage in monitoring the appropriate practice are in line with expanding the societal basis coordinated with the programs and service to be delivered in the linkage of wider systematic direction.

In addition, managing the appropriate organisation linked into the social and personal basis has to be well constructed within the leadership skills. This particular attention attained through training programs would enable the coordination features as the strategic provision programs in deliberating the services together with monitoring standard operation [18, 21]. The actual aspect of theoretical and practical basis on incorporating the strategic management should bring along with a wide-ranging assessment of knowledge and skills capacity as noted in the basic guideline rule. The main priority given to the measurement process refers to entirely expand the organisational development linked into the personality with professional and moral responsibility [22]. In pointing out systematic procedure of what to do wisely and appropriately within main guideline of organisational skills, the engagement of coordination process and knowledge understanding transmitted into the competence outline aims to assist the practice in developing the culture atmosphere discipline [23, 24]. As such, addressing the culture strength in the organisational engagement is required to provide the role model of the way on supporting all personal and social management amongst wide range of corporate background mainly in expanding environmental responsibility [25]. With this regard, emphasising the know-how skills at the professional development should bring along with culture values in the organisational structure in order to transmit into the operation procedure management. Providing such achievement with formulating the personal, social and religious values into the organisational experience refers to expand eco-friendly support altered into the strategic approach on building the managerial cooperation [26, 27]. As the fundamental obligation of emphasising the professional progress in the organisational culture, the integrated norms of beliefs, commitment, and responsibility on developing the learning atmosphere through knowing from others’ experienced base attempts to maintain the principal organisation skills.

3. Professional competency in corporate context

The basic competencies refer to the particular area of conceptual synthesis in the basis of determining the components transmitted into the domain with policy
making context [28]. The main identification could point out disseminating the core competencies regarded as the key role in distributing the professional skills mainly in organisation context. Towards the conceptual synthesis in driving the direction, the policy development basis in forming the core competencies should bring the strategic planning management in the context of coordination and negotiation [20]. In this view, attempts to advance the policy development need to incorporate the cross-coordination well prepared through considering the organisational planning in the context of management development procedure [29, 30]. With this regard, the organisation management with the particular coordination across professional competence refers to enhance the strategic communication skills as an asset in transmitting the collaboration attempt. In the professional learning for instance, attempts to develop the way of learning on what to do and how to achieve should bring along with the processes assigned into the material content in giving the care amongst the students’ learning [29, 31, 32]. Developing the organisation engagement through the various basic activities such as planning management, implementation stage, and evaluation procedure would enable the conceptualisation amongst the users in directing the professional competencies.

In line with elucidating the basic point of professional know-hows, addressing the overall competencies materials in developing the individual management should bring along with promoting the organisation sustainability. In the attempts to expand the basic competency through conceptualising professionalism with the entire context of teaching material in addressing the level of thinking skills, it is necessary to enhance in developing such attainment in the organisational activities [33]. In terms of identification basis on addressing the overall context on professional competence, corporate sustenance in following the overall point of organisational sustainability should be taken into account promoting the core competencies wisely and appropriately [34]. With this regard, the way of understanding the basic points of competency elements refers to the detailed conceptualizations in the perspective of variety of essential part of professional in line with providing the individual and social management on what to do and how appropriately within the basic principle [35]. This should do with the attempts on elucidating the guideline material on professional basis together with suitability into application procedure. In this context, the entire identification towards material sources in conceptualising the various bases on synthesis in highlighting the main concern and also mutual link needs to be described in particular way in having a look at the possible link of professional competencies into the basic theoretical framework.

In addition, the particular point of giving the guidance through the strategic plan management could be expanded with the professional competency basis referring to the wider detail on the rule advance. It is important to note that the attempts on theorising the main category of knowledge understanding and practical pattern has to do with the focus on skills improvement transmitted into the human abilities in the organisational context. Both knowledge basis and practical skills are the key point on promoting the strategic abilities linked into the policy management in underlying the organisational context of learning enhancement [29, 36]. As a result, it is necessary to enlarge the basic assessments of professional capabilities in fitting to the elements of professional competency in underlying the strategic planning management context. Adopted into the technical basis on the organisation sustainability, the need to fully have the suitability in following the environmental condition has to be expanded with the strategic design on wellbeing circumstance and training program [37]. The essential conceptualisation on knowledge expertise and practical skills are the key line in directing the role of professional competence in driving the wisdom components together with developing the strategic appointment of building harmony [38–41]. At this point of view, balance between
knowledge and skills should bring into the policy making with the health accomplishment into the organisational sustainability.

4. Expanding professional competence-based knowledge skills

The committed awareness on enhancing the professional competence referring to the material sources of conceptualising the knowledge and skills assigned into the professional competence could have a strategic point in transforming the policy making fitted into the practice [42]. In following the health condition procedure for policy making, it is necessary to take note as an important point in transmitting the knowledge understanding and practical skills in the way to transform individual and social awareness in accepting the rule and guideline point. Towards the essential components of knowledge understanding and practical skills in the professional competence, attempts to link the point of policy into practice have to develop the theoretical framework basis referring to such both attainment in getting clear goal of achieving the objectives in line with the vision [43, 44]. Through expanding the wider accessibility in providing the appropriate guideline in running the organisational stability, the professional skills assigned into emphasising the leadership management role have a necessary point with the attempts to transform the policy outcome into practical stage. In particular, the extensive point of knowledge understanding together practical skills refer to give insights into developing the featured detail on expanding the awareness through the identification and description towards strategic management planning.

In terms of giving the clear picture on key point of implementation stage, basic understanding on the way to develop the procedure from the macro to the micro stage should bring along with strategic point in enlarging the true information and the key stages of translating such rule into the local context. The mutual link of policy making and environmental concern needs to have a balance through the systematic approach of both development and management, in the sense that is explicitly determined into the wider context of organisation, mainly in the corporate capacity [20, 35]. With this regard, cooperative expense and competitive advantage has to be applicable into the context of social approach with the cultural empowerment within the learning environment [45, 46]. Explicitly articulated into the stage of social culture approach, determining the professional competence could be viewed into the various points including the basis of comprehending the administrative environment [47, 48]. As such, the number refers to the extensive point of understanding the governmental atmosphere in how to manage properly in such way within the organisational sustainability. In this view, the following point of giving the beneficial feedback raises the way of having the decision making assigned into getting clear about the goal achievement through the involvement on managing the overall vision of corporate sector.

In the attempts to incorporate the strategically objective point through formulating the number of goals to be achieved within the visions, professional skills expressed into measuring the health procedure of policy making need to incorporate in employing the effective strategy together with appropriate means in expanding the social and individual balance along with planning management. In this view, the strategic appointment in getting accessibility in transmitting the information relevant to the customer need in the basis of the entire methods on expressing the corporate governance should bring along with the strategic organisation plan formulated in the basis of emphasising the organisational sustainability technique [49, 50]. As such, the essentials of strategic competency as the culture in expanding the social elements with organisational development would
be the key assessment of determining the policy making together with establishing the management procedure structured into the technical based governance.

5. Strengthening moral responsibility for corporate sustainability

The basis of committing with the moral responsibility refers to the focused alignment in enabling knowledge and wisdom integrated within the corporate sustainability through the procedural context. The moral engagement assigned into the professional skills requires the understanding way on enhancing the accountability awareness [51]. Balanced with the learning process committed in enhancing the moral responsibility, the responsiveness on possessing the manners quality the context of organisational context should bring along with transmitting the personal capacity together with social accountability. Personal quality with moral standard could give insightful value in underlying the appropriate manners in the social community, apart from the corporate base [41, 52, 53]. The need to emphasise the moral ethics has to be taken into consideration in transmitting the individual quality assurance together with expanding know-how association in the organisational sustenance in the corporate context. The particular attention on committing with moral behaviour to give the strategic incorporation in the individual and social concern needs to engage with incorporating the organisational culture [54]. In engaging with the moral manner standard to underlie the strategic incorporation of corporate responsibility awareness, it is important to take into consideration in dealing with the integrity commitment of balancing between individual and social accountability.

In addition, the particular attention of possessing the moral standard assigned with the professional development refers to deal with sustaining the individual quality to enhance the responsible awareness committed to maintain the environmental concern towards the pollution. Attempts to commit in behaving moral manner standard in line with corporate sustenance and social community refer to the strategic incorporation of balancing between individual quality and promise in ensuring the moral values responsibility [38, 55, 56]. With this regard, the certain principle in dealing with the community development through committing with the moral manners has to be incorporated into the basis of personal expansion's moral responsibility. In the wider context, the transmission process of quality assurance between individual performance and social responsibility should bring along with stressing corporate social responsibility (CSR), where the platform could be assigned with service learning [19, 25]. In achieving such transformation in the balance between professional and moral accountability, the extent of CSR based workplace in the firms' environment should be emphasised with expanding the responsibility awareness together with the knowledge understanding in underlying the way to conduct appropriately within the guideline [57, 58]. With the proper inclusion in emphasizing the essential foundation towards the moral principle, the wide-ranging responsible engagement is considerably in raising personal and social awareness.

In addition, taking responsibility commitment with the strategic awareness undertaken between personal and social engagement is widely determined as the actual practice framework in facilitating the appropriate conduct with the particular attempts in determining proper knowledge appropriately related to the manner standard. In order to be implemented in corporate community and social concern, the additional responsibility components might be determined in transmitting the firm's practice together with environmental care as a comprehensive process with the continuous support in attaining the respectful responsibility [59–62]. Since the engagement process in achieving the understanding stage about the moral manners,
the mutual connection between industrial practice and its environmental community incorporation has to be transformed into realising the goal as the main objective of plan management decision. In terms of incorporating the special attention to incorporate the moral manner standard in underlying the proper way with decision making process, the committed awareness of applying for the production process and supply chain management refers to the careful engagement of maintaining the strategic principles of making transparent in the procedural process [63, 64]. As a result, the firms’ goal orientation on the certain plan management should ensure in achieving the knowledge transfer from the top to the bottom amidst the corporate community. It is important to take note that understanding basis, practical stage, and commitment enhancement could be properly transmitted into obtaining the continuity of corporate sustainability.

6. Expanding professional competence and moral responsibility in advancing corporate sustainability

Attempts to empower the corporate sustainability through professional and moral balance are in line with the strategic principles of oriented quality standard as the basis on expanding individual and social quality assurance [65, 66]. With the orientation of standard quality in achieving the nurturance of principles of corporate sustainability, the need to incorporate professional competence and moral responsibility should be taken into consideration in advancing the environmental concern in the worldwide. The wider attempts on achieving the standard quality in committing with the main principles of professional and moral engagement should bring along with continued learning procedure transformed into the mutual accountability in ensuring the proper solution with a wise approach basis [39, 67, 68]. As such, getting advance towards the appropriate solution of transmitting individual quality with the social responsibility refers to expand the progression in responding the challenging issues on the professional competence, such as lack of digital native towards information management, communication strategy for harmony, and also environmental concern. With this regard, the committed awareness in possessing the responsible engagement to determine the standard quality of firm’ manufacturing process and production procedure should be wisely consolidated within the main principle as in the design plan [69, 70]. In this view, the continued assessment should be conducted properly in achieving the responsible continuance together with bringing professional and moral orientated procedure.

In line with expanding professional competence in advancing corporate responsibility, moral responsibility progression is determined as an essential element to bring along with considering the individual and social balance transmitted into the committed awareness. The subsequent orientation of gaining the extent of standard quality on the goal achievement refers to have a sufficient enhancement towards the overall production process together the service management performance [71–73]. It is important to take note that social and individual quality assurance should bring along looking into the whole context of purpose-based instruction strategy. Determining the main point of basic application on professional skills, the overall production process could incorporate with continuing experiential-based learning, referring to the service learning enhancement [19, 25, 30]. In this view, the real application basis assigned into taking the mutually beneficial value from the entire process of production instruction needs to potentially fit into the strategic purpose as in the plan decision. In enhancing the instructional purpose by bringing the commitment awareness on professional expertise and moral duty, having the mutual responsibility with particular attention on obtaining the appropriate
solution towards the certain challenging issues possibly emerged has to go through wisdom-basis. As such, this specific incorporation basis as the strategic way to look into the whole context of the particular issues could bring the particular means to find out the proper answer. It is sure to acknowledge that the extensive point of systematic approach will give insights in allowing the appropriate solution in giving the response on the challenging issues, for instance conflict between individual and social concern. With this regard, the corporate social responsibility (CSR) may play its role in giving the appropriate way in managing the multi-human with their unique diversity background within one venue in the certain firm.

In terms of intensifying the solving progression towards the certain problematic issues, the prominent element of knowledge skills referring to both professional and moral competence should bring along with designing the principles in line with the phase of production and service. As such, the particular attention on instructing the commitment on determining the goal achievement together with firms’ procedural context has to go through balancing the alignment on taking benefit along with intensifying concern of personality and community in assisting the readiness into the firms’ environmental basis [74–76]. With this regard, addressing the wider context of achieving the accessibility in assessing the profit assigned into the societal concern is potentially needed to have a sufficient measurement on the quality process and outcome. The certain standard quality in attempting to incorporate the solving problem towards the issues possibly occurred refers to expand a sufficient preparation in managing professional and moral responsibility within the social community [77–79]. Apart from this, the consolidation on transmitting into the production service needs to point out disseminating the principal requirement in achieving target through mentoring procedure in the form of dynamic approach. In the contextual basis, determining the societal approach with the balance between quality and duty amongst the firms’ team should bring along with the committed awareness in maximising the appropriate manners actually comprehended in enabling what to do in line with right and responsibility in corporate sustainability [67, 80, 81]. In ensuring the sustainable development in continuing the process together with matching to the proper way, the procedural context in emphasising the strategic enhancement to cooperate into the entire process of firms should do with empowering the personal and social responsibility within the continued performances in achieving the planned aim together with providing them the solving-based strategy. Through maximising the knowledge-based comprehension together with actual practice incorporation, the basic systems in empowering the corporate sustainability is really linked into the problem-based management assigned into incorporating the stage of firms’ objective plan to lead into the sustainable development.

7. Empowering strategic partnership between university and industry collaboration

The strategic partnership between Higher Education (HE) and industry refers to widely transmit the central role to raise the innovative approach in founding the mutual consistency towards the plan arranged in the agreement. In the recognition context, universities are central to ensure the knowledge transfer from the theoretical basis to the actual performance [65]. With this regard, the innovation-based mutual cooperation is potentially involved into the sufficient consolidation to have an arrangement of playing the key role through research and development (R&D). Moreover, the particular attention should bring along with an innovation on the basic research agenda together with know-how assignment and knowledge
dissemination to the firms’ creative innovation enhancement. Thus, professional and moral responsibility should be incorporated through knowledge expertise under university alignment and real practice under firms’ production and process. Disseminating the entire process of strategic alliance of university-industry refers to attempt in maximising the jointly published research from the real-practice carried from the theoretical idea background [35]. In this view, maximising the diffusion to expand the firms’ processes to underlie the university-industry (UI) connections should bring along with making a value to empower the key role amongst academics and strategic creators. As such, the beneficial value policymakers can make is potentially engaging into the proper way in maximising the efficiency and effectiveness on the practical stability amongst the firms’ production together with enhancing the academic activities.

In line with managing the continued stability of UI strategic partnership, the proper arrangement of decision making process involving the academic skills together with an innovative practice of firms’ regional and local stability should be carried in a continued transmission. It is important to take note that expanding the significance of enhancing the crucial aspect of academic contribution into the industry’s continued performance should bring along with the multidisciplinary enhancement. With this regard, attempts to consider in a particular alignment of UI partnership will result in expanding the outcome linked into the plan arrangement [82], in the sense that can be announced with the innovation policy the stakeholders can access to conduct wisely and appropriately [83]. Strategic alignment incorporated between academia and industrial expansion refers to consider the proper arrangement in looking into the available space to fulfil in line with the agenda of commercialisation [84]. Moreover, the principal incorporation of UI in the basis of academic agenda and policy making in the firms’ procedural context should look into the innovative approach on characterising the sectors of theoretical and practical side as an ultimate point in taking into account the corporate strategy. With this regard, the strategic partnership here should enable the mutual line of conducting the structured research activities through the facilities provided by the corporate sector, where the scientific product and service could be expanded in a particular approach. It indicated that the mutual link of UI is consolidated into recognising the pattern significantly aligned into highlighting the pattern from the research agenda as arranged in the plan. The particular linkage of scientific approach together with technology engagement refers to expand continued sustenance on staying relevant, in the sense that is established into innovation.

In addition, the subsequent point in determining the relation in highlighting the diverse patterns to raise the innovation together with scientific expertise on knowledge basis refers to have a sufficient characterisation of strategic partnership. With this regard, enhancing the academia and industrial partnership should go through the mutual line of scientific style assigned into the actual firms’ following practice [85], production and service [86], together with exchanging strategic idea [87]. As such, the industry role in implementing the knowledge understanding towards the scientific discipline in expanding the fundamental research collaboration refers to expand the outcome based achievement incorporated through commercialization. The ultimate point of disseminating the construction process of industry and academia in increasing the number of collaboration through cross sector discipline needs to enhance the strategic plan to innovate the main component of cooperation in the wider form. For instance, both social sciences and applied one may have their own decision for selecting the venue in establishing the research area of technology allocation to get beneficial value [88].

In the further incorporation process of enhancing the strategic partnership, attempts to improve the sufficient contribution on getting the crucial design for
UI strategic partnership should be taken into consideration in empowering the complementary procedure to organise in a proper way together with cooperating innovation and creativity. As such, this attainment refers to raise the production process transmitted into creating the new normal amidst the digital age, where all rules and regulation through data transmission could be accessible through an online platform [89, 90]. Thus, digital governance dimension is potentially putting forward the electronic basis together with an online platform to enlarge the technology transformation and knowledge transfer to sustain the innovation in underlying the effectiveness and effectivity of firms’ production. As arranged into the principal strategy of UI collaboration, the continued agenda of dealing with the policy making procedure should have a sufficient proportion on strengthening the mutual line of goal achievement through diverse norms and implementation stage. It is important to note that cooperative engagement of UI strategic partnership could restore the essential element on outcome-based research to assist in enhancing the productivity and efficiency.

8. Implications for university and industry’s strategic partnership

The strategic partnership of university and industry alliance could be improved in the attempts on building the collaboration initiative for sustainable governance. This is to ensure the environmental concern issues may be handled together with achieving the wide range of corporate values in facing the sustainable problems [91]. With considering the emerging issues on complex circumstance of environmental problems, university and industry-strategic alliance partnership should be addressed into demanding the active engagement for the society basis in resolving the issues appropriately within the wise basis. Sustainable awareness in governing the systems in running the program project is entirely rooted with the mutual achievement of fulfilling the need for sustainability-based moral quality. In this view, the encouragement process of governing the sustainable expansion should bring along with stressing the responsibility awareness in attaining the environmental conduciveness [92]. The way of getting improved with a real implementation of corporate values attainment assigned into the social responsibility should be committed to enhance the initiative of responding the environmental concern. Critical exposure on committing with the responsibility awareness has to begin with gaining the societal community through joining partnership alliance between private and public sector in ensuring the integrity development for sustainable development.

In addition, the significant approach in empowering the sustainable development through strategic partnership engagement in determining an important instrument to adopt the positive feeling involved with optimistic mechanism progression to achieve the societal balance. Through the critical mechanism on considering the initiative of sustainability enhancement, the commitment on expanding the rise of partnerships in the setting of societal steering mechanisms could be initially incorporated with self-control management systems in enabling the accessibility of decision making policy to open recommendation for new progress initiative reform [93]. The variety of joining the cooperation along with the environmentally sustainable concern should be provided with the new arrangement assigned into the distinctive engagement process for strategic mechanisms in achieving the goal achievement. In this context, joining strategic partnerships incorporated with the emerging trends and approaches on the environmental governance arrangements should be employed with framing the appropriate instrument to deal with problem solving skills together with rational thinking scale [94]. As such, this emerging
trend combined with the nature point of determining the partnership to accelerate the goal decision refers to attain the necessity of knowledge understanding on the way to maximise on the functioning of partnerships. With exploring the perspective from focusing on the framing initiative as the strategic instruments to support the goal achievement, the individual actors in advancing the skills of problem solving should be transmitted into the knowledge understanding with the partnership engagement.

In line with incorporating the partnership engagement through academia and industry alliance, the goal achievement of sustainable responsibility could expand the entire assessment in organising the mutual commitment to advance the initiative of knowledge base on the current academic trend within the contextual comprehension [95]. In the effort to advance the strategic partnerships to enlarge the commitment initiated in the context of sustainable development, the way of organising the procedural context should be addressed along with reviewing the current basis in addressing the knowledge type gained through identifying the principal understanding on environmental issues. Through fulfilling the components of this knowledge gap, the critical exposure in the attempts of reviewing process should bring along with beginning into the basic issues reflected through contextual approach in order to determine the necessary goal achievement dealt with the strategic plan to be applied amongst the emerging issues wisely and appropriately within the principal guideline of sustainable development responsibility [96]. In this view, the role of strategic planning management is important to give an insightful value of what to do and how to achieve in the context of sustainability enhancement for environmental context. This is to ensure in enabling the balance between content and context within a mutual line into the practical and theoretical engagement assimilated with enlarging the characterisation of the significant way to explore the knowledge understanding basis. In the attempts on building the valuable points of strategic partnership, the comprehensive assessment should be undertaken in a mutual line of examining the necessary contribution to be achieved through elaborating the significant essence in sustainability commitment.

9. Conclusion

In this chapter, the expansion of enhancing the stability of corporate sector and academic potentials refers to cooperate with the prominent conditions in both inner and outer factor. As such, the interplay amongst them could give a significant role in enhancing the value proportion in sustaining the existence. Adopted with the outer part in the corporate sector, the internal point of professional and moral basis should be taken into consideration to further explore in giving insights into corporate sustainability. This chapter did examine the insightful value of professional competence and moral responsibility to give the significant point in disseminating the enhancement of corporate sustainability. The insightful value of professional competence and moral responsibility in advancing the corporate sustainability could be achieved in particular point through industry and university alliance. The basis of this alliance of both could give insights into incorporating the particular model of strategic partnership along with the corporate social responsibility. Engaged through the higher education (HE) together with firm involvement, this aim refers to advance in achieving the quality balance on corporate social responsibility. As such, this study is expected to contribute in advancing the research development agenda on enhancing strategic partnership assigned between professional competences together with moral responsibility.
Author details

Mihtachul Huda, Roslee Ahmad, Mohd Aderi Che Noh, Azmil Hashim, Mohd Hairy Ibrahim, Badlhiham Mohd Nasir, Siti Suhaila Ahwani, Arief Saleh Rosman, Nik Mohd Zaim Bin Ab Rahim, and Monika Munirah Abd Razzak

1 Universiti Pendidikan Sultan Idris, Malaysia
2 Universiti Sains Islam, Malaysia
3 Universiti Teknologi Malaysia, Malaysia
4 Universiti Malaya, Malaysia

*Address all correspondence to: halimelhuda@gmail.com

IntechOpen

© 2021 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/3.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.
References


[14] Sahlan MK, Abu-Hussin MF, Hehsan A. Market coopetition:


[34] Del Giudice M, Garcia-Perez A, Scuotto V, Orlando B. Are social enterprises technological innovative? A quantitative analysis on social entrepreneurs in emerging countries. Technological Forecasting and Social Change. 2019;148:119704


[50] Zhang Q, Oo BL, Lim BTH. Drivers, motivations, and barriers to the implementation of corporate social responsibility practices by construction enterprises: A review. Journal of Cleaner Production. 2019;210:563-584


[54] Snyder K, Ingelsson P, Bäckström I. Enhancing the study of lean transformation through organizational culture analysis.


[76] Syarkun MRN, Huda M. The role of Ahl Al-Sunnah Wa Al-Jama’ah As Manhaj (predecessor) and Mazhab (school of thought) on progressing of World’s civilization. Journal of Critical Reviews. 2020;7(2):707-711


Chapter 21

How to Do CSR with Dialogic Meeting Talk: A Conceptual Framework for Managing Change in Cross-Sector Social Partnerships

Christa Thomsen

Abstract

Within the theoretical framework of Cross-Sector Social Partnerships [CSSPs], strategic communication and dialogue and by use of an example drawn from a case study of a CSSP, this article argues that Corporate Social Responsibility [CSR] initiatives are best developed in partnership-wide meetings involving relevant stakeholders. Importantly, it proposes a framework for analysis. Following a theoretical discussion of the interconnectedness of CSSPs, strategic communication and dialogue, the article outlines a framework for analysis. It delineates the potential of the framework through an analysis of a partnership-wide dialogue conducted in a local CSSP at a seminar/meeting dealing with the creation of common understanding for a social inclusion project among internal and external stakeholders. The analytical findings support the main argument and the conceptual endeavor by illustrating how common understanding of the need for social inclusion is constructed through a partnership-wide meeting organized as dialogue.

Keywords: corporate social responsibility [CSR], cross-sector social partnerships [CSSPs], partnership-wide meetings, dialogue, strategic communication

1. Introduction

Definitions of cross-sector social partnerships [CSSPs] generally put emphasis on elements such as cross-sectorial collaboration, commitment of resources, problem-solution and social issue [1, P. 18]; [2, P. 14]; [3, P. 3]; [4]. The definitions have to a large extent been used as conceptual frames of reference for understanding, describing, interpreting and developing partnerships as a political tool and innovative form of cross-sectorial collaboration to address social inclusion [5]. Two perspectives seem to dominate the partnership literature: A private organizational perspective (e.g. [1]) and a public governance perspective (e.g. [3]). As a consequence of this, partnerships have also been conceptualized as a stakeholder dialogue (e.g. [6, 7]). The dialogue has been conducted in four “arenas”: business-nonprofit, business-government, government-nonprofit, and trisector [5]. According to [5, 8], research on CSSPs is multidisciplinary using conceptual...
platforms, e.g. resource dependence, social issues, and societal sector platforms. Within the sub-field of Cross-Sector Social Interactions [CSSI], the focus has for example been on unpacking more generally oriented key processes that lead to success [7, 9–13]. Only more recently, communicative platforms have been used [9, 14–16]; see also the review by [17].

This is surprising in light of the conceptualization of partnerships as a stakeholder dialogue. It is even more surprising that research using empirical evidence is almost non-existing. This paper aims to contribute to the empirical investigation of the communicative aspect of CSSPs. Within the theoretical frameworks of strategic communication and dialogue and by use of an example drawn from a case study, we will answer the following research question:

How can corporations successfully develop Corporate Social Responsibility [CSR] initiatives in partnership-wide meetings with stakeholders organized in a CSSP?

The example we will use is a partnership-wide meeting in a local CSSP in Denmark. The meeting, which becomes apparent in the analysis, not only represents one principal entity with an overall strategic intent to reach a specific outcome but is used strategically by the partnership management in order to establish legitimation towards new organizational practices, i.e. social inclusion through job integration and job retention. We will argue that the structure of the meeting can be seen as the concrete, in-situ practice of strategic communication organized as dialogue. By use of theories within the field of strategic communication and dialogue, we will argue that strategic partnership dialogue is relevant at both a macro and a micro, interactional level in which specific instances of text and talk can be used strategically to establish legitimation. Following a theoretical discussion of the interconnectedness of cross-sector social partnerships, strategic communication and dialogue, we outline our theoretical framework and present our analysis. The analytical findings support our argument and conceptual endeavor by illustrating how common understanding of the need for social inclusion is constructed through dialogue at a partnership level.

2. The interconnectedness of CSSPs, strategic communication and dialogue

In their article from 2012, Koschmann et al. [16] introduce the concept of collective agency - the capacity of strategic communication practitioners, e.g. CSSP managers, to influence a host of relevant outcomes, e.g. social, economic and environmental change, beyond what individual organizations could do on their own. The authors argue that partnerships develop depending on “how people interact” [pp. 339–340]. Thus, the conventional conception of dialogue—in which the term references ends-oriented talk that advocates a simplistic openness, urges personal sharing, and gives precedence to consensus and common ground over conflict and argument— is not likely to be helpful according to the authors [who refer to [18–20]]. This is because dialogue is seen only as a special case of communication used when groups are forced to overcome differences. The conventional conception of dialogue also assumes that meanings are private and internal and can be expressed more or less productively if the situation is structured well, forming the basis for compromise as a decisional procedure [and outcome]. The authors argue that a more richly communicative conception portraying dialogue as implicit in communication such as meanings, identities, and agendas (e.g. [21]) is more helpful. This view of dialogue acknowledges that participants hold different [and often deeply opposed] positions. Further, a simultaneous ethic of inclusiveness and confrontation is more likely to generate the meaningful participation needed for the creative, integrative, and legitimate
solutions participants seek [22]. The research by [16] is supported by research by e.g. Brennan et al. [23]; Crane and Livesay [24] and [15].

In this article, we will follow [16] and argue that a more richly communicative conception portraying dialogue as implicit in partnership-wide meeting agendas is helpful for understanding for example how common understanding of the need for social change is created in and among stakeholders in a CSSP.

In a more general discussion of the agency of strategic communication practitioners, [25] introduce the principal-agency theory, which holds that principals [i.e. owners or shareholders] appoint agents [i.e. managers] to act on their behalf through contracts, output measurement and rewards. Hence, within the field of strategic communication there seems to be an implicit notion that communication agents due to the purposeful and instrumental nature of this particular communication activity act and speak on behalf of someone else. Overall, the guiding principles in any strategic communication, change and learning process, whether in the public or private sector, are about understanding what changes are needed, and how to manage and communicate them [26]. Creating vision, showing wholehearted and visible support for the change, maintaining buy-in to mission, sense-making and feedback, communicating goal achievement and establishing legitimation have been seen as pivotal to maintaining commitment to corporate change programs [27, p. 128]. Especially, the creation of common understanding and legitimation is a challenge in organizations where change is driven by changes in dominant values and practices [28–30], which is most often the case in organizations that have chosen to engage in a cross-sector social partnership. Thus, managers in such organizations need to navigate between the heterogeneous discourses expressed within the organization and the discourses expressed at the partnership level. Research has demonstrated that the strategic use of communication, e.g. in the form of narratives and metaphors plays a pivotal role in attempting to facilitate the disruption of taken-for-granted practices and confront or overcome potential adversaries [31–34]. Our focus is not on narratives and metaphors as strategic communication but on dialogue structure.

Overall, the field of strategic communication positions itself at the intersection of management strategy and communication [35]. Argenti et al. [36] define strategic communication as “aligned with the company’s overall strategy, to enhance its strategic positioning” [p. 83], whereas [37] define it as “the purposeful use of communication by an organization to fulfill its mission” [p. 3]. Both definitions rely on the ideas of rationality, predictability, and free agency [38], and as such the term “strategic communication” implies an overall focus on the purpose of the message as well as the intentions of the sender, as the communicator, according to the definitions, seems to have decisive influence over the communication process. The elements of purposeful intent inherent in strategic communication clarify the purpose-driven nature of an organization’s messages, and hence according to such understanding of strategic communication, a manager is “apt to enter a conversation, make a statement, prepare a document, or deliver a presentation with a preset goal, a strategic intent, in mind” [39, p. 124]. Hence, strategic communication recognizes that purposeful influence is the fundamental goal of communication by the senders, i.e. managers in CSSPs, and within such instrumental view, communication is characterized as something managers do to accomplish something else [40–42]. This line of research is supported by CSSP research, e.g. [7, 9–11, 13, 43] in discussions of the effects of interactions across sectors with the aim of unpacking key processes that lead to success.

In this article, we will argue that the study of strategic communication encompasses more than goals, means and outcomes at a partnership level solely conducted by managers on behalf of a principal entity. From our perspective, strategic communication is also conducted at a meso and micro level with the purpose of for instance gaining support towards corporate changes and new organizational practices.
through the creation of common understanding. As a result, we will pursue the idea that strategic communication is not merely a macro-organizational discipline but can also be seen as a particular micro-level mode of communication, which can be applied with the strategic intention of gaining common understanding and legitimation among the organizational members. In specific, we will pursue the idea that dialogue as a particular mode of communication is a key element of building relationships, common understanding, learning and commitment at both a micro and a macro level [44–48]. We argue with [49] that agents, i.e. CSSP managers, have the potential to deliberately and effectively choose and carry out certain communicative actions. As such, from Gidden’s perspective, the communicator is able to reflexively play an active role in shaping the organization and its members through his/her strategic communication role in the organization [37, 40]. Within this line of thinking, it becomes blurrier who is the communicator who is able to play an active role in shaping the partnership, its members – and ultimately social change.

On the basis of the above, we argue that managers in CSSPs deliberately and effectively choose and carry out certain communicative actions which will help them to obtain common understanding and legitimation in relation to internal and external stakeholders. In addition, we argue that managers in CSSPs acting as change agents navigate between the heterogeneous texts and talks expressed within the organization and the texts and talks expressed at the partnership level. Hence, the struggle for common understanding can be seen as a strategic communicative endeavor conducted at both a textual, discursive and interpersonal level and a more overall, formalized organizational level. By use of our exemplary analysis we will expand the understanding of the management and communication of change in a CSSP to also encompass the more agency-and dialogue-oriented discipline of strategic change communication in CSSPs. Below, we elaborate on the concept of dialogue and how to analyze dialogue.

3. The micro-, meso- and macro-level study of CSSPs as dialogue

Our analytical framework is rooted in dialogue analysis. Thus, we analyze the meetings in the CSSP as dialogue, focusing on how social change is constructed in dialogic meeting talk. Our framework is outlined in Section 4 below.

We argue that dialogue is both a formal structure of discourse [50–53] and a discursive practice, i.e. an approach to language analysis which concerns itself with issues of language, power and ideology. A discursive practice in foucauldian terms [54] is the process through which [dominant] reality comes into being. Thus, dialogue is not only a tool for managing interaction with a specific goal, but also a concrete communicative practice that relies on language. We extract fundamental notions from different disciplines and areas that we find relevant in the analysis of dialogue as a tool in partnership-wide meetings for change.

As one of the fundamentals of communication as a formal structure, conversation analysts [53] introduced the concept of turn taking, a turn defined as any participatory act committed by the respective discourse partners. The interaction rests on specific rules for turn taking which respect the rules of politeness of the specific culture in which we speak; certain openings are inevitably followed by certain responses, the so-called adjacency pairs. A question and an answer constitute such an adjacency pair, just as does a request and an acceptance, a greeting and a greeting response. If one of these openings is not followed by the expected response, this is understood as a violation of the politeness pattern, which underlies all verbal interaction. A question and an answer consist of such an adjacency pair given that the construction is held together by the expectation of an answer. Added to this is
the fact that some types of answers are preferred. Conversation analysts have also made the observation that an opening and a closing surround almost all interactions. According to [50], politeness can be derived from fundamental anthropological notions of what it is to be a human being. The basic notion of their model is that of face, defined as the public self-image that every member of society wants to claim for himself, which is divided into negative face – or freedom of action and the wish that one’s actions will not be constrained by others – and positive face, the positive self-image that people have and their desire to be appreciated and approved of by at least some other people. Face Threatening Acts [FTAs] are acts that infringe on the hearers’ need to maintain their self-esteem and be respected. Politeness strategies are developed for the main purpose of dealing with these FTAs, and speakers use these strategies for lessening the threat. Questions and requests can be more threatening than other acts or be put forward in a relation of power, which underlines the threat. Questions, requests and other threatening acts are therefore often prepared and explained before and after, so that the face of the interlocutor is protected. Any speech act may impose on this sense and therefore paves the way for preparatory acts.

Conversations with a clear purpose, such as for example conversations conducted in an organizational and/or partnership context, have another common feature: a logical structure. The Geneva School [52], drawing on works by Bakhtine, Austin, Searle and Grice, and Goffman, among others, understands dialogue as a hierarchical or logical construction. According to this school, dialogue consists of units at different levels [for example, a superior versus a subordinate exchange], which are tied together in different ways. In practice, it can be difficult to delimit the units. However, one possibility is to consider a meeting between two or more persons in a certain place and in a certain space of time as a unit [51, p. 214]. Furthermore, a unit can be defined by its topic, as topic shifts can mark the transition to a new unit. The starting point of the model is a conception of dialogue as negotiation. This means that a dialogue is not closed before the partners have reached an agreement, including agreeing that it is not possible to reach an agreement. This also means that a turn is not complete until it is so clearly formulated and motivated that the recipient is capable of answering. According to models of dialogue analysis, a good dialogue is characterized by the fact that the partners know their rights and duties. They have a right to speak and they have a right to expect something from their dialogue partner. For example, they can expect an answer to a question. At the same time, they have duties, such as listening to their dialogue partner.

We will now outline our analytical framework.

4. Framework for analysis

In line with the general view of the study of organizational/strategic communication [55], our model consists of three levels of analysis: context, structure and process. First, as our focus is on talk as a change management tool, we distinguish between the organizational context (i.e. the CSSP for social change) and the communicative context (i.e. strategic/change communication). Next, the selection of theories and areas studied shows dialogue as both a formal structure and a discursive practice. We believe that only by encompassing both of these fundamental sides of dialogue, it is possible to actually analyze and use dialogue as a change management tool. Formally defined, dialogue becomes an idealistic concept, seldom found in its pure form but more in ‘combinations’ or mixed forms in real contexts. Context is an important part of our framework in that dialogue depends on situational
characteristics related to both the organizational and the communicative context, not least goal-orientation.

The specific approach we take is to base the analysis of our partnership-wide dialogue on central notions or concepts and definitions gathered from each of the theoretical areas outlined above. On this basis, we establish a number of parameters and elements which allow us to analyze partnership dialogue as a concept which will allow managers in CSSPs to deliberately and effectively choose and carry out certain communicative (inter)actions, e.g. turn-taking, in order to obtain common understanding and legitimation in relation to internal and external stakeholders (Table 1).

The field of change management and strategic communication has for example also contributed with concepts such as perspective or motivation for using dialogue [e.g. effectiveness, organizational learning etc.], purpose [e.g. social purpose, problem solution, negotiation etc.], organizational levels of analysis [e.g. dyadic, group, wide-organizational, and extra-organizational, including the concept of multiple, interrelated levels of analysis]. From dialogue theory we have borrowed a formal structure and elements such as turns, adjacency pairs and beginning, middle and end. Other important elements are related to the relationship: who has taken the initiative, who holds the floor, who has the power and so forth. Politeness/Face-Threatening Act is a central concept here. These elements can be used/combined in different ways, i.e. discursive practice, and in principle there is a script for each situation.

<table>
<thead>
<tr>
<th>Level of analysis</th>
<th>Parameters</th>
<th>Example of elements (our case study)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Context</td>
<td>Organizational context</td>
<td><strong>CSSP for social change: social inclusion</strong></td>
</tr>
<tr>
<td></td>
<td>Communicative context</td>
<td><strong>Strategic/change communication:</strong> Collective agency, the capacity of strategic communication practitioners, in our case CSSP managers, to influence a host of relevant outcomes, e.g. social change, beyond what individual organizations could do on their own. <strong>Goal-orientation, principal-agency theory</strong> – due to the purposeful and instrumental nature of the particular communication activity, communication agents act and speak on behalf of someone else [in CSSPs, the partners typically speak on behalf of stakeholders such as for example owners, investors, employees, governments, etc.]. Creating vision, showing wholehearted and visible support for the change, etc. are pivotal to maintaining commitment to corporate change programs. Our example focuses on creating common understanding and legitimation.</td>
</tr>
<tr>
<td>Structure</td>
<td>Dialogue as a formal structure (i.e. an approach to language analysis which concerns itself with rules and fundamental anthropological notions of what it is to be a human being)</td>
<td><strong>Turn taking, adjacency pairs, preference system, Face-Threatening Act (FTA), middle and end (goal orientation or not)</strong> – functional relations between structural elements</td>
</tr>
<tr>
<td>Process</td>
<td>Dialogic as a discursive practice (i.e. an approach to language analysis which concerns itself with issues of language, power and ideology)</td>
<td>**Relationships, partnerships, organizations, etc. develop depending on how people interact, here dialogic partnership-wide meetings. Dyadic, group and extra-organizational levels are not addressed in our example. <strong>Script</strong></td>
</tr>
</tbody>
</table>

Table 1. Levels of analysis and elements of dialogic organization-wide meeting talk.
In our analysis, we use central concepts from our above framework to examine the specific ways in which dialogue is carried out strategically at the text and talk level, focusing on various ways of organizing the talk to create a sense of common understanding. In specific, we will show how the various moves applied strategically by CSSP management can vary in intensity, insofar as some moves of building common understanding may be stronger than others. By applying a dialogue structure, we want to show that management navigates between the heterogeneous texts and talks expressed within the organization and the texts and talks expressed at the partnership level.

5. Research methods

The empirical material for our exemplary analysis consists of observations made in a local CSSP for social change in Denmark, the focus being on a partnership-wide meeting organized by the partnership to initiate a dialogue with employees and other stakeholders about the development and the implementation of a model for CSR in the private company [56]. In this article, the focus is on the partnership-wide meeting, in particular how the meeting is organized. A central quote is used to illustrate the “extreme”, systemic change potential of the selected case [57].

For the purpose of our research, we used extensive observations throughout a two-year period in the social partnership established between the private company and a public partner [4 seminars, 25 steering group meetings, 11 background meetings, 6 group “sparring” meetings, 6 evaluation meetings and 3–4 meetings in the different working groups from 2000 until 2002]. The observational work was combined with interviews, of which two were in-depth interviews with the partnership management from which the above-mentioned quote is taken. In this article, the focus is on the partnership-wide dialogues conducted over the two-year period. We have used a note-taking technique (note-taking, coding, categorization) and subsequently analyzed our data by use of dialogue analysis in order to extract central concepts [cf. our framework for analysis] and thereby enrich our understanding of partnership-wide dialogues as a particular mode of strategic change communication. In this article, empirical material from our case study has been selected purposely as an example to best support our argument.

6. Analysis

Below, we delineate the potential of our framework by applying it on an example drawn from our case study consisting of observational data from a successful CSSP for social change. The focus in our example is on the initial steps in the partnership, i.e. building common understanding of the need for a social inclusion “project.”

6.1 Context

The organizational context is a CSSP for social change. Over a period of two years, the private company (rescue company) and a public partner have worked hard to
develop and refine a model for CSR focusing on social inclusion (people outside the labour market) and sustainable HR (retaining employees in the private company). The decision to take “affirmative action” was taken at the strategic management level as a result of the increasing pressure from government.

The communicative context is a context focusing on communication as a change management tool. It is interpersonal and involves employees and managers at different levels in both organizations who met each other/participate in workshops, seminars and different kinds of meetings. The focus in our example is on partnership-wide meetings used initially in the partnership as tools for relationship building and strategy development. The work was highly structured, focusing on elements such as formal contracts or agreements, success criteria, well-organized cross-sector oriented groups [e.g. sparring group, steering group and working groups] and time schedules. The groups were formed after the first partnership-wide meeting according to participants’ wishes regarding the group profile and outcome of the project. The process and the dialogue between the partners on the content of the agreement were of vital importance to the effect and the results obtained. It was necessary to establish a platform for dialogue [with an expression used by the partnership] and to ensure that the circumstances for the change process were ideal. The aim was to build mutual understanding and positive relations between the private company and the public partner and between the partners and various groups that had any kind of stake in the partnership, such as trade unions and NGOs.

6.2 Structure

The platform for dialogue, i.e. the expression used by the CSSP in our case study in order to explain the goal of the dialogue, was established in three phases (three seminars) of which we will focus on the first and initial phase, i.e. the opening seminar. Table 2 below shows that this seminar was organized as a dialogue consisting of three turn-takings: an initiative, a reaction and an evaluation/closing. We see that the specific rules for turn taking were observed insofar as the initiative is followed by a response (the notion of adjacency pair). The construction is so to say held together by the expectation of a response. The positive evaluation of the response indicates that the response is a so-called preferred response. Thus, the partnership can close the dialogue and proceed to the next phase in the CSSP.

<table>
<thead>
<tr>
<th>Dialogue structure [exchange consisting of three turn-takings]</th>
<th>Change process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase no 1 A: Initiative [opening seminar]</td>
<td>The partnership [steering group] with the public partner in front: presentation of the context for social responsibility and invitation to employees in the private company and other stakeholders to contribute to and participate actively in the project/partnership.</td>
</tr>
<tr>
<td>Phase no 1 B: Reaction</td>
<td>The employees in the private company and other stakeholders: identification and discussion of crises, potential crises and essential possibilities.</td>
</tr>
<tr>
<td>Phase no 1 A: Evaluation/closing</td>
<td>The partnership: thank you very much for your contribution; outline of future work.</td>
</tr>
</tbody>
</table>

A = the partnership, B = employees at middle management level [nearest manager] in the private company and other stakeholders.

Table 2.
Developing the project in a dialogical process.
6.3 Process

All major representatives from the partners in the CSSP were involved in the dialogue. Before the opening seminar, the so-called steering group had met several times to negotiate the contract and prepare the partnership-wide dialogue. At the opening seminar, the steering group with the public partner in front presented the context, in particular the pressure from government who had asked private companies to take a social responsibility and the decision made by top management in the private company to take affirmative action. In particular, there was a need to explain to the employees in the private company and the other stakeholders why the partnership with the public sector was necessary or beneficial. In this way, the primary role of the public partner at the seminar was to legitimize the project and the contract made with the private company (authoritative power). The employees at middle management level in the private company and other stakeholders (e.g. unions and NGOs) were asked to discuss the whole idea and identify potential strengths, weaknesses, opportunities and threats. This was their contribution to the dialogue/process. The steering group reflected upon/evaluated the contributions from the employees and others and closed the partnership-wide seminar by outlining future work. In this way, the dialogical structure (initiative, reaction, evaluation/closing) supported the purpose of the dialogue, i.e. establishment of common understanding. This common understanding was necessary in order to proceed with the implementation of the project. The dialogue used in implementing the strategy was more closed than the one used in developing the strategy. The employees were for example not invited to give feedback (managerial power). The communication was rather two-way and asymmetrical relative to the two-way and symmetrical communication of the development phase. This is natural when it comes to the communication of decisions. According to James E. Grunig, the situation and the purpose determine which communication form is best [58–60].

Summing-up, our analysis has illustrated contextual, structural and process-oriented parameters that are relevant to analyzing and understanding partnership-wide meetings as a change management tool. Importantly, it has illuminated the interplay between these parameters. We find that partnership-wide meetings in CSSPs for systemic change can be analyzed and organized on much the same terms as interpersonal and intergroup dialogues, which we believe can inspire us to rethink social change as a dialogue, i.e. dialogue as both a formal structure and a discursive practice where issues of language, power and ideology are involved.

7. Discussion

Within the theoretical framework of Cross-Sector Social Partnerships [CSSPs], strategic communication and dialogue and by use of an example drawn from a case study of a CSSP, this article has argued that partnership-wide meetings can be analyzed and practiced on much the same terms as ordinary interpersonal and inter-group dialogues. Importantly, the article has outlined a framework for analysis and delineated its potential through an analysis of a partnership-wide dialogue conducted in a local CSSP for social change.

The analysis shows that the change project was developed in a partnership-wide dialogical process. The dialogue was goal-oriented, which we see from the third turn, insofar as it temporarily closes the dialogue. In order to analyze partnership-wide meetings as dialogue, we have drawn on a number of parameters and elements selected from various theoretical fields [turns, adjacency pairs, opening, closing, goal orientation, sequence etc]. However, if we compare partnership-wide
dialogues with interpersonal and inter-group dialogues, we see two major challenges, the first one being how we delimit very big dialogue units, and the second how we determine the functional relations between these units.

We have proposed considering a meeting between two or more persons at a certain place and in a certain space of time as a unit ([51]: 214). This is nevertheless problematic since partnership meetings between several people often involve reorganization. New people join meetings while others are not invited or do not show up. In our example it was characteristic of the change process that the employees in the private company and the other stakeholders were invited to participate. Their active participation was required especially in the first part of the process [bottom-up approach] and less so in the second part [top-down approach]. It was also characteristic that the public partner was actively involved. A close investigation of the role distribution between the private company and the public partner shows that the public partner played a well-defined and somewhat alternative role. The role of the public partner can be characterized as that of legitimization, change agent and professional sparring partner [e.g. social legislation and political 'winds']. For example, the public partner helped the company to establish a sense of urgency [61] by explaining to the employees why social responsibility is a common responsibility and issue. In order to analyze the specific roles of the participants, it is necessary to delimit the dialogue units more rigorously.

As for the functional relations, we have established different kinds of functions such as initiative functions [questions, requests etc] and interactive functions [e.g. evaluation]. For example, the question raised at the opening seminar had an initiating function. The relation between the question and the reaction/answer was linked by an expectation, i.e. a so-called preferred answer. Other channels than meetings and seminars are possible, and this is why we propose to characterize the form of interaction as multimedial. Thus, in order to further analyze the functional relations, it is necessary to define the different channels used.

The above case shows that the delimitation of structural dialogue parameters was possible, and that the approach or the method was successful in lasting change. Today, both partners organize their work in new ways. Referring to the evaluation of the project, the top management in the private company of the case study mentions, for example, that the new models and tools that have been developed have helped the company to save time and money. Furthermore, the top management mentions that the cross-sector collaboration has resulted in innovative thinking:

*In the beginning, it appears that the pressure from the public sector to take on a social responsibility or engage in a partnership is problematic because it is detrimental to competitiveness. However, new methods and new technologies often follow which become business activities themselves [participant evaluation, top management].*

The partnership can be seen as an example of social change through organizational learning in a CSSP, since the structure, culture and processes have changed in both organizations [62]. The dialogue forum created by the partners has paved the way for cross-sector learning. The main condition for creating this forum was that at the very beginning the partners made a strong effort to create a ‘we’ contract and identity [joint purpose, joint value creation, mutual benefits, clear role distribution etc]. Management’s dialogue with employees and other stakeholders is enhanced by projects like the one described here. It is clearly in the interest of the organization to develop a new, more consciously motivated dialogue culture as a result of organizations’ more stakeholder-oriented approaches and
new role in society. The role of organizations has changed, and we have shown that dialogue is an important tool in the management of change and learning. Organizations clearly need to motivate employees to participate in a new form of dialogue with new roles in relation to central stakeholders like customers. Through a development project like the one described here, employees and other stakeholders can become dialogue partners. Based on our analytical framework and exemplary analysis, we suggest that partnership-wide dialogues for change must be clearly structured in order to ensure participation, common understanding and commitment.

8. Concluding remarks

This article has investigated the creation of common understanding for a social inclusion change project through partnership-wide meetings organized as dialogue. The investigation was conducted within the theoretical frames of strategic communication and dialogue and by use of an exemplary analysis of a partnership-wide dialogue for social inclusion. The analytical framework was rooted in dialogue analysis. The empirical data for the exemplary analysis consisted of observational data from a case study of a CSSP.

In the article, we argue that the study of strategic communication encompasses more than goals, means and outcomes at a macro-organizational level solely conducted by manager agent on behalf of a principal entity. In addition, the study of strategic communication must also be conducted at a meso- and micro-level with the purpose of for instance understanding how to gain support towards social change and new organizational practices through the creation of common understanding at an interpersonal level. Thus, it is important to map the three levels.

Our findings confirm previous research demonstrating how management actors create understanding by use of certain strategies [63–65]. It adds to this research by proposing a novel dialogical approach to the study of CSSPs and by identifying strategies in partnership-wide dialogues used by managers in private and public sector organizations. As such, we claim that it is possible to argue for the existence of and the notion of strategic, intentional and purposeful communication at a micro-, meso- and macro-level, namely in relation to the in-situ enactment of partnership-wide dialogue. Overall, the research contributes to uncovering the social world articulated in partnership communication of social issues. In addition, from a practical perspective, our analytical findings indicate that managers in private and public sector organizations participating in CSSPs need to pay attention to different “available” meeting structures and agendas among which the formal structure of dialogue and the agendas of government seem to be the strongest in terms of arguing for social change.

We acknowledge that this exemplary study may have a number of potential shortcomings restricting its validity. In particular, the current study investigates strategic communication and the creation of common understanding towards internal and external stakeholders in only one CSSP. While this organization was selected for sound reasons, the sample may only be representative of this [type of] partnership and its management. However, we believe that additional empirical studies, e.g. micro-, meso- and macro-level case studies, investigating strategic communication and the creation of common understanding in text and talk towards internal and external stakeholders in other types of CSSPs could bring research a step forward.
References


[32] Landau MJ, Keefer LA. This is like that: Metaphors in public discourse shape attitudes. Social and Personality Psychology Compass. 2014;8:463-473


[36] Argenti PA, Howell RA, Beck KA. The strategic communication imperative: Companies that continue to take a tactical, short-term approach to communicating with key constituencies will find it increasingly difficult to compete. Developing an integrated, strategic approach to communications will be critical to success. MIT Sloan Management Review. 2005;46(3):83


[46] Schein EH. Organizational culture and leadership. N.Y. Jossey-Bass; 2004


[53] Sacks H, Schegloff EA, Jefferson G. A simplest systematics for the organization of turn taking
for conversation. Language. 1974;50(4):696-735


Chapter 22

What is the Business of Business? Time for Fundamental Re-Thinking

Frederick Bird

Abstract

This chapter challenges the taken-for-granted assumptions regarding the purpose of business expressed in the financial or shareholder model of business enterprises. The chapter points to the adverse consequences of operating in keeping with this model on the natural environment, loss of employment opportunities, and aggravated inequalities in wealth. In addition, the chapter maintains that the financial model misrepresents the character of businesses and the nature of productivity, identifying both in relation to increased financial returns. Enterprises are better described as the nexus of value creating interactions with diverse stakeholders. Productivity is better understood as the effective value-added use of natural and human resources, always taking into account the costs accrued in the process. The chapter makes the case for the stakeholder model of business enterprises. It notes that metrics are being developed to measure the productivity of businesses in relation to the diverse ways businesses add economic value to society through their interaction with their several stakeholders. The chapter then calls for reforms of governance practices that will better enhance the well-being of businesses as a whole rather than prioritizing the interest of one particular stakeholder, namely the shareholders. The chapter ends with a discussion of legal reforms, a few of which have already been instituted in some countries, to incentivize these reforms.

Keywords: financial model, stakeholders, productivity, value-added, governance, purpose of business

1. Introduction

We live in a business civilization. What businesses do and how they operate extensively affect all areas of contemporary life both in industrialized societies and worldwide. Several contemporary trends are deeply disturbing – regarding climate change and other environmental concerns, the reduction in employment opportunities, and increasing inequality with regard to wealth. To a significant degree each of these problems grows out of the ways businesses have been operating. These problems have become more aggravated since the 1970s in spite of the noteworthy efforts by many businesses to address these concerns during this same period of time. Many businesses have committed themselves to foster social responsibility, environmentally sustainable practices, ethically informed conduct, and more responsible governance. These efforts have made a significant difference
but the trends to which I have referred remain disturbing. Accordingly, while supporting these diverse efforts to foster socially and environmentally responsible business practices, it is time as well to undertake some fundamental re-thinking about underlying character and purposes of business enterprises. What is and what should be the business of businesses? Typically how are critical decisions made and how should they be made? These are vital questions because the disturbing trends with respect to the environment, the reduction of employment opportunities, and increased inequality in wealth seem to be closely connected with the current financial model regarding the character and purposes of business activity.

I will begin this project in “re-thinking” by analyzing these trends and the ways current businesses practices contribute to them. To begin with, we see around us evidence of considerable environmental damage directly and indirectly caused by how businesses operate. These include climate change, the pollution of both fresh and ocean waters, deforestation and soil degradation in many areas, and depletion at anxiety-provoking rates of a number of non-renewable minerals. Climate change has already occasioned increases in more destructive storms, droughts, forest fires, lands lost to rising sea levels, and the migrations of millions of people forced to leave where they had been living because of these conditions. Despite the commitment of many businesses to sustainability, these disturbing trends have continued.

In the second place, many people worry as well about the ways current business practices have become associated with the disappearance of jobs, both because more goods and services are being produced by workers in other countries and because more and more tasks that used to be performed by laborers are now being performed, or will in the not too distant future be performed, by smart machines. In spite of contemporary lower rates of formal unemployment in some industrialized countries, rates of underemployment have markedly grown as have the rates of working age men and women who have simply dropped out of the labor force. A goodly portion of the reduction in full time employment has occurred not just as the results of technological changes and globalization but because of increasing use of temporary workers and the steady decrease in the share of business earnings devoted to paying for labor and the increasing portion devoted to paying investors. The rates of joblessness are likely to increase steadily in the future unless we act in some ways to address this issue. The consequence of these trends for family life, political processes, and community activities has been and are likely to continue to be very disturbing. Finally, although rates of extreme poverty have declined globally as have the rates of income inequality between countries, the rates in inequality in wealth have increased steadily over the past four decades. These rates of inequality have increased in part because low and middle income households have not appreciably gained in their wealth but even more because the wealthy have found more ways to enhance and protect their wealth. Businesses generally and businesses in the financial sector especially have contributed to these trends by creating more ways of accumulating and protecting financial wealth.

2. Critique of the financial model

These trends have become more aggravated since 1970s. Since that time a number of taken for granted assumptions about what businesses are in the business for have also changed in small but profound ways. Increasingly the normative assumption that chief purpose of businesses is to provide a healthy return to their investors has been regarded like an obvious descriptive account of the basic nature of businesses. As Milton Friedman wrote in 1970, albeit still using normative terms, “The primary social responsibility of business is to make a profit.” It has become
a widely accepted assumption that most businesses, if not otherwise restrained or inspired, will make their critical decisions with the aim of maximizing their financial worth as gauged by their potential value if sold or the current value of their shares on financial markets. These assumptions about nature and purposes of businesses is well-illustrated by the current response of businesses to the announcement of Blackrock Investors that it would remove investments from firms that failed to operate in keeping with sustainability guidelines. Accordingly, because what really counts are financial returns, businesses will even adopt sustainable business practices if they can thereby attract and keep investors. I will elaborate on this analysis further along in this essay. Here, I simply want to call attention to the way the financial model of the nature and purposes of business has become more ascendant since the 1970s. Furthermore, this model, which is of course normative, is widely regarded as describing the taken for granted reality of how businesses by nature operate. This financial model is widely invoked to describe the basic nature of businesses in much the same manner as gravity is invoked to describe why planets circle around the sun or why prices go up when supply drops and demand increases.

The financial model for how business enterprises operate has gained widespread support for a number of reasons. It has, for example, been assumed that as businesses function in keeping with this model the economies as a whole have tended to grow, standards of living have improved, and customers have benefit. These are, of course, discussable if not debatable conclusions. It has been further assumed that, if sometimes when enterprises do businesses in compliance with this model they occasion adverse consequences, then companies can minimize or compensate for these adverse side effects by engaging in corporate social responsibility and sustainability practices. Fundamentally, it has been widely assumed that the financial model for business enterprises provides the most fitting way of describing the basic feature of the core business of businesses while also providing a workable framework for measuring how well businesses are in fact doing. Business enterprises have often become quite complex realities at once engaging with multiple stakeholders. In the past over many years, business people often attempted to gain a good sense of how well their enterprises were doing by variously reviewing their relationships with employees, customers, suppliers, creditors, and/or competitors. Often, to be sure, these surveys resulted in imprecise and incomparable assessments. Accordingly, it has seemed convenient to many business people to gauge the overall wellbeing of their enterprises by consulting a single measure, such as their financial value. Over time, the financial model has gained wider acceptance at the same time as investors have gained greater control over business enterprises [1, 2].

It has been possible to mount a very compelling case for the credibility and reliability of this model based on the assumption that any increases in value of financial investments were residual in principle and, it was assumed, in practice. According to this assumption, business enterprises are in principle expected to use their earnings first to pay their employees, their suppliers, their rents, their debts, and their taxes, to make appropriate upgrades in their operation, and then to use what remains to benefit their investors. Correspondingly, if businesses enterprises are doing so well that they can meet their regular expenses and still reward their investors, then to that degree, it has been assumed, enterprises must be doing very well indeed [3]. In practice, however, payments to investors are often assigned priority as evidenced by the disturbing trends I just described as well as the steady decrease in the proportion of business earnings being used to pay for labor costs and increases in the proportion used to pay investors.

It is possible to identify in a number of different ways how the ascendency of the financial model for business enterprises has fostered adverse outcomes environmentally and socially. For example, many businesses have refused voluntarily...
Corporate Social Responsibility

to reduce both toxic emissions and pollution unless legally required. As they often explained, they could not afford these extra expenses without significantly reducing their financial returns or raising prices for their products. In the early 1980s many traditional manufacturing firms failed to invest funds in upgrading their productive technology because of high short term costs of these investments, even though lack of these upgrades eventually rendered them less competitive to foreign competitors. Although in Nigeria it did invest in exemplary ways in a number of CSR type programs over the years, nevertheless, in ways that would later occasion much trouble for itself, Shell Nigeria initially failed to bury its pipelines and failed to explore ways of using excess gas to generate and distribute electricity. Instead it flared 85% of this gas, thus both occasioning pollution and wasting a very valuable resource. Given the expectation of their investors during the 60s, 70s, 80s, and 90s, Shell Nigeria simply did not consider these alternatives [4].

In addition, since the 1970s, businesses generally have found they can reduce their expenses and make higher returns for investors by investing in technologies that reduce the need for workers. Smart machines have been installed to make automobiles and many other manufactured products. In ever greater numbers smart machines are undertaking clerical work. In addition, in order to reduce labor costs, firms both contract with external suppliers for a number of their services and supplies rather than undertaking these operations themselves and they hire increasing portions of employees on a part time and temporary basis, thereby often freeing themselves from having to pay fringe benefits [5]. As a result of these strategies, post-tax corporate profits in the United States increased from an average of 5% GDP in 2000 to between 8% and 9% for the 2010s. If profit levels had remained at 5% of GDP, than average wage levels would be 6% higher [6]. With a measure of alarm a number of recent observers have called attention to the dramatic decline in employment opportunities over the past several decades [7–9]. Official rates of unemployment hide the problem, because increasing number of adults have either dropped out of the labor market or are working in temporary jobs part time or part year. After surveying both current trends and informed estimates of future developments, Yang describes the sizeable decline in employment opportunities that has happened and will happen in factory work, trucking, clerical positions, legal firms, and even therapy [10]. Of course, the current pandemic has rendered the situation of employees even more precarious.

In addition to factors I have already discussed, the financial model has in practiced operated to increase the wealth of the wealthy in several other ways. For example, many businesses have deliberately incorporated or established their headquarters in jurisdictions with very low or no corporate taxes. Many businesses have also established subsidiaries in these tax havens again to reduce their taxes and increase thereby their overall financial value [11, 12]. Interestingly, much of the effort put into fostering responsible governance of business has been designed at reducing the arbitrary activities of senior executives and at increasing the influence of Boards of Directors, who are in turn in many countries primarily expected to represent the interests of investors. Furthermore, along the same lines, while the compensation levels of executives have greatly increased, much of that increase has assumed the form of paying executives with larger portfolios of shares in their own companies, thereby instilling and reinforcing an intrinsic interest for executives in augmenting the financial value of their firms. In practice the ascendancy of the financial model has been closely associated as well with the growth of large firms within particular markets. As the financial value of particular firms grow, they become able to buy out competitors, thereby increasing the concentration and near monopoly power of these financially successful enterprises. This has become a seriously worrying trend. In 1980 the aggregate revenues of the 1000 largest
firms represented 30% of the GDP of the OECD countries. By 2010 the aggregate demand of the 1000 largest firms had increased to represent 70% of the GDP of these countries [13]. Thomas Piketty has argued that the wealth of the wealthy increases naturally as a characteristic feature of industrialized market economies [14]. In contrast, I think that recent increases in the wealth of the wealthy results from discrete policy decisions not only by national governments but also by the way many business enterprises are organized and governed.

We can find much evidence to demonstrate that operating business operations in keeping with the financial model has aggravated environmental problems, reduced employment opportunities, and increased inequalities in wealth. These all represent disturbing trends. To be sure, in keeping with this model, many businesses have increased their financial value and as a whole financial markets have greatly expanded. From the perspective of the financial model, the overall economies of most countries seem comparatively healthy with a few incidental problems. And the latter might well be addressed, so the defenders of this model contend, by more vigorous business social responsibility initiatives. However, if we think these environmental and social consequences as well as disparities in wealth represent very serious problems, then we are indeed called upon to see if there are other models for operating businesses that might be both viable and less likely to occasion such adverse consequences.

As a way of understanding and managing businesses, the financial model – often referred to as the shareholder model – has been criticized by a number of observers and interested parties. A number of pension funds have lobbied business to adopt more sustainable practices. Most recently the Business Roundtable, an influential association of chief executives in the United States, made a strong case for adopting the stakeholder model of the firm and thinking about the purposes of business in relation to this model. Acknowledging the vital role that businesses play “creating jobs, fostering innovation, and providing goods and services,” the statement signed by more than 200 chief executives, on behalf of their companies, asserted their “fundamental commitment to all our stakeholders” [15]. The Business Roundtable expressed an important but modest commitment to an understanding of productive enterprises, now viewed in relation to multiple stakeholders. This statement expressed no overt commitment towards alternative views of corporate governance that might, like policies adopted in Germany, for example, provide for greater representation of workers on corporate boards. Even so, the Economist magazine initially was so alarmed by this statement that it argued in a lead editorial that “this new form of collective capitalism will end up doing more harm than good.” Overlooking the way the German model of governance has operated in practice to render executives more responsive and responsible to several stakeholders on whose contributions their businesses depend, the Economist editorial instead opined that the model proposed by the Business Roundtable “risks entrenching a class of unaccountable CEOs who lack legitimacy” [6]. One might argue that the stakeholder model favored by the Business Roundtable actually increases while broadening the accountability of chief executives. In any case, the Business Roundtable maintains, as I maintain in this essay, that the business of business is to foster productivity, rightly understood, in ways that enhance the wellbeing of the enterprises as a whole and fittingly benefits all of their stakeholders.

3. Re-thinking the purpose of business

Accordingly, in addition to promoting various socially and environmentally responsible business practices, if we are concerned about the trends discussed
above, then we must also consider if there are acceptable alternatives to the currently almost universally taken for granted financial model for conceiving of the business of business. We must acknowledge that some proposed alternatives, such as state ownership of enterprises, would not in many countries be acceptable either politically or economically. Acceptable alternatives must in some ways be in accord with widely shared values, traditional practices, and existing realities. And they must be practical.

In the remainder of this essay I will make the following argument. Business enterprises ought to operate in keeping with the stakeholder model as proposed by the Business Roundtable both because operating in keeping with this model will go a long ways in reducing the adverse impacts described above and because this model more accurately describes what businesses actually do and how businesses produce what they produce. Accordingly, the social responsibility of businesses can best be represented not as the mandate to make profits but as the mandate of enterprises to make productive use of natural and human resources in order in diverse and fitting ways to add value to their stakeholders and thereby to the larger society and to use the resources of the Earth respectfully and sustainably. Furthermore, enterprises can and should measure how their interactions with their several stakeholders add and erode economic value in diverse ways. They can undertake these assessments using increasingly more sophisticated measures developed over the past several decades. In order to realize the advantages of the stakeholder model and thereby protect and increase productivity, rightly understood, governance practices of many enterprises must be adjusted and reformed so that governing boards have a vested interest in enhancing the well-being of the enterprise as a whole rather than the well-being of particular, privileged stakeholders, such as investors. Finally, in order to realize these several objectives, it will be necessary in many countries to introduce some corresponding legal changes facilitating and supporting these objectives. For the most part, it is possible to find examples of these kinds of legal changes that have already been introduced in a number of countries. The aim overall is to maintain and enhance the productivity of business enterprises, rightly understood, in ways that benefit these enterprises as a whole and thereby the larger societies in which they operate and the Earth whose resources they count on and utilize.

To begin, then, we know that the financial model represents only one of several alternatives ways of understanding the business of businesses. For example, producer cooperatives have been organized to maximize the benefits for workers and retail cooperatives have been established to maximize the benefits for consumers. These are genuine alternative models although probably relevant only to a small number of firms. So long as they were able to meet their expenses, many businesses traditionally have seen their purposes largely as providing particular goods and services they have taken pride in providing and in providing good employment for their workers. For many years many businesses were organized in this manner [1, 2]. Certainly, many professional businesses – whether they have been offering medical care, architectural services, legal assistance, or educational opportunities – continue to see themselves in these lights. So, there are viable bases for considering alternative ways of understanding the purposes of business.

It is time to re-consider the viability of the financial model of business enterprises not only because there seems to be a correlation between acting in keeping with this model and the rise in disturbing environmental, social, and economic consequences, but also because this model provides a distorted account of how businesses in fact operate. This model provides an imbalanced view of what businesses do, over emphasizing the financial agenda and focusing less attention on the many other goals that business enterprises seek to realize.
Businesses are complex organizations best described not as things but as sets of overlapping and interacting activities. Oliver Williamson once argued that business enterprises are most fittingly characterized as the nexus of treaties or contractual relationships [16]. While this characterization is indeed helpful, it is not quite accurate because the relationships of businesses with some of their more vital constituents, such as retail customers and some affected community groups, are frequently not strictly contractual. In addition, Williamson’s model does not focus enough on the activities by which businesses engage in business. Utilizing the sociological perspective associated with Symbolic Interaction, we can I think more fittingly observe that business enterprises are the nexus of usually negotiated, often legally recognized, value-adding interactions with diverse constituencies (1). Depending on the particular enterprise, the number and the importance of these diverse stakeholders vary. Nonetheless, each of these interactive relationships -- whether they be with employees, supplier, creditors, investors, competitors, or other constituencies – function both to create and to reduce value for the enterprise as a whole, contingent upon the benefits and costs associated with these relationships. To be sure, those managing enterprises work at managing effectively so that each of these sets of interactions become more value-adding than value-decreasing. At the same time, each of these interactive relationships exposes particular constituents to different kinds of characteristic risks. Moreover, based on expectations variously spelled out in negotiated contracts, laws, and/or changing societal mores, each of these constituencies are in position to make particular kinds of claims on business enterprises in relation to the character of their interactions (2).

Viewed from this perspective, it is not quite correct to argue that business enterprises have stakeholders. Using this kind of language makes it seem as if these constituencies were external to business enterprises. Rather, it is more accurate to acknowledge that business enterprises are constituted in the first place by establishing interactive relationships with several different stakeholders. Without these interactive relationships, they would not be in business.

While it is useful to think of business enterprises as nexus of value-creating interactions, and correspondingly to recognize that the boundaries of businesses are often porous and flexible [17], it is important to add that business enterprises are entities. They are indeed complex, interactive entities. They are also inherently productive entities. By utilizing natural and human resources, business enterprises produce goods and services to meet the needs and wants of consumers. As entities, correspondingly, the core responsibility of businesses is to promote the wellbeing of their overall operations and not only and not even primarily the well-being of particular stakeholders, whether these be their investors or employees. The good of business is to promote the good of this complex, interactive entity as a whole. Beginning two centuries ago, courts in the United States affirmed this view by regarding business enterprises as if they were – not real but – legal persons: that is, as distinct kinds of legally-recognized social beings. The current interest in assessing businesses in relation to integrated standards, like the Global Reporting Initiative, take account of the overall ways businesses add and erode value and also reflect this insistence on regarding business as a whole.

4. The productivity of business enterprises

What has been especially characteristic of business enterprises is their productivity. They are and they become “productive” to the degree that they utilize given natural and human resources to add economic value to societies. They do so in
multiple ways. For example, whether they be farms producing food, manufacturers producing mobile phones, or real estate firms helping people to buy and sell houses, business enterprises add value to society through the goods and services they produce. To the extent that they meet the needs and wants of people, these goods and service are paid for and valued. At the same, business enterprises add economic value to society both through the wages and salaries paid workers employed to produce these goods and services and through earnings paid to suppliers who supply the resources and tools businesses use to provide these products. Furthermore, business enterprises add economic value to society through the taxes they pay, the profits they generate, the returns they make to creditors, and rents they may pay. The productivity of businesses grows out of the multiple interactive relationships by which each business enterprise engages in its particular business.

In this essay I am primarily gauging the productivity of enterprises in relation to the economic values they generate rather than in relation to social values. The latter are significant and must be taken into account, in relation both to values added and values eroded. After all, as a whole businesses enterprises have operated to create many of the goods and services that have functioned to enhance life conditions in modern societies. In addition, businesses provide workers not only sources of income but also jobs. The latter have often been associated with a wide range of social benefits including opportunities to experience agency, routines, valued social relations, and play-like opportunities to compete in addition to social costs, which have often been noticed, like experiences of drudgery and oppressive supervisors. Businesses have often fostered feelings of community among workers and with the locales in which they are located. In addition, in ways most famously noticed by the sociologist Emile Durkheim, modern business enterprises as the nexus value-creating interactions help to bring into being a larger sense of social inter-relatedness Durkheim referred to as organic solidarity [18]. However, while I think it is indeed very important overtly to acknowledge these and other social values of business enterprises, I am primarily analyzing in this essay the ways economic value of firms have been too narrowly understood by the financial model. This model not only fails to appreciate the wide range of ways business enterprises add economic value to society but it fails appropriately to acknowledge the economic costs it imposes on many of its stakeholders, the larger society, and the Earth [19, 20].

Over time, business enterprises have become more productive. They have increased the several different economic values they generate as a result of a number of noteworthy developments. These include finding and utilizing more effective sources of energy, developing cleverer and more effective tools, organizing business operations in ways that better facilitate working arrangements [21] and utilizing more effective means for storing and communicating information. In all of its different forms, productivity takes place and increases as business enterprises find ways of utilizing natural and human resources more effectively. Correspondingly, productivity is best measured by calculating the overall value that their productive process add to the basic natural and human resources they utilize, taking into account at the same time the costs incurred in accessing and utilizing these resources.

These costs assume many different forms. For example, if a business enterprise needs funds, it must be ready to pay interest on loans and/or profits to investors. They must also operate in ways so that investors remain confident that they will earn a fair return on their investments. There are, to be sure, costs involved in how businesses operate in order to gain and maintaining that confidence. In order to acquire the supplies they need, businesses have to develop reliable relationships with all sorts of suppliers, always seeking to find the best quality and most reliable supplies accessed at the most reasonable prices. All these are comparatively
straight-forward, widely understood costs. Costs become less clearly defined and a bit more complex with respect to the utilization of natural resources. Costs here include not only the price to access these resources (that is, to extract and transport them) but also the often hidden costs incurred in so far as the process of accessing these resources in turn reduces the overall supply of these resources and/or degrades the environment from which businesses take these resources. Accordingly, in so far as the processes of accessing natural resources – whether these be agricultural and forestry goods, minerals, air, water, and energy sources – are not strictly environmentally sustainable, then these processes give rise to added costs. These added costs have typically not been borne by enterprises themselves but by the society at large, later generations, and the Earth itself. Many observers today argue that businesses must also take into account the less tangible benefits they enjoy from ecosystem services provided by the Earth, its climate, and its biosphere [22].

The overall costs incurred for obtaining an adequate and appropriately skilled supply of labor are also not so neatly defined. On the surface, it seems relatively simple. Enterprises seek workers through labor markets to work under certain terms and pay them at rates comparable to similar enterprises. In keeping with these terms, workers may work part time or full time; they may be paid by their output or time worked; and they may be paid a salary, wage and/or shares or bonuses. Many enterprises incur additional costs associated with recruiting and later training potential employees. However, from the perspective of the larger society, there are a number of other costs associated with labor markets. For example, societies incur the costs of educating potential workers, helping to develop basic skills of numeracy and literacy, skills at problem solving and communicating, as well as specialized skills associated with specific trades and professions. Societies face additional costs of providing unemployment insurance, pensions, and workmen's compensation to that extent needed when potential workers are unable to work.

Societies face a number of additional cost that emerge as they seek to develop physical, social, legal, and economic infrastructures that help to create the conditions so that businesses can engage in business. They must develop appropriate physical infrastructures – roads, rail lines, supplies of water, sewage systems, garbage collection, telephone lines, and supplies of electricity – without which businesses cannot do business. Businesses also require social infrastructures – systems for health care, policing, social welfare, and education, to which I have already referred. Business also counts on societies providing legal infrastructures, to protect their contracts and property, allow for negotiated exchanges, and the judicial review of conflicts. Businesses greatly benefit to the extent that particular societies are able to develop these legal infrastructures [23]. Although the systems vary, most business enterprises pay taxes in exchange for benefits they receive from the societies in which they operate. It is a matter of ongoing debate, whether the taxes businesses pay adequately reimburse governments for all the cost entailed in developing and maintaining these physical, social, and legal infrastructures.

If we are to measure the productivity of business enterprises adequately and accurately, then we are challenged to find ways of measuring the overall value these enterprises add to societies less the several different costs they occasion. Before we address the question of how businesses might in practical ways calculate these added values and attendant costs, it is useful to observe that this understanding of productivity differs significantly from that the typical taken-for-granted ways of understanding productivity. Typically, productivity is thought of as increases in the economic output in relation the amount of labor involved. Accordingly, if an enterprise can produce the same amount of goods and services using either fewer workers or the same number of employees working fewer hours, then these changes are regarded as representing increases in productivity. These changes might be
brought about by re-organizing patterns of work, improving the skill level of workers, and/or making greater use of technology. This view of productivity directly reflects assumptions built into the financial model of business enterprises. Thus, everything else being equal, enterprises are regarded as being more productive if their production of goods and services yields more value to owners and investors as labor costs are reduced.

Although this understanding of productivity is widely accepted, it is flawed in a number of ways. In the first place, productivity ought to be measured not just financially in relation to added value for investors but also in relation to earnings of laborers as well as benefits to other relevant stakeholders including suppliers and the larger society. As I have already noted, societies benefit from the productivity of businesses in many ways. In the second place, productivity should also take into account the various overt and hidden costs incurred by all stakeholders who contribute to the productive process. Much attention has been directed, for example, at the ways business enterprises have failed to pay the true costs of their uses and abuses of natural resources. In so far as business operations reduce or exhaust mineral and hydrocarbon resources, degrade soils, pollute the atmosphere or water systems, these are real costs that must be taken into account. If we accurately take account of these costs, we would realize that standard measures of productivity often in distorted ways overlook these costs. I think a case can also be made that while the standard way of gauging productivity with respect to the utilization of labor may often adequately represents the situation of individual enterprises, it misrepresents what is happening in labor markets for societies as a whole. It can be argued that well-functioning labor markets ought to help both enterprises find the workers they need and for workers to find the remunerative positions they seek. Sub-employment occurs when working age adults who would prefer to work find themselves unemployed, under-employed, or dropped out of the labor market. Because the costs for sub-employment are borne by these individuals, their households, and the larger society, individual enterprises do not typically take these costs into account when gauging their own productivity. Nonetheless, these represent real costs that must be considered when gauging the overall productivity of business activity.

Businesses enterprises are complex, productive organizations, whose productivity should be – and can be – measured in relation to the several ways they add economic value and occasion economic costs. Clearly, assessing the degree to which businesses add economic value to society by taking into account the value added with regard to the utilization of labor, societal resources, as well as natural resources, is a more complex, multi-dimensional exercise than assessing the value added strictly in financial terms. In order to realize this fuller objective, a number of initiatives have been undertaken to develop practical means for calculating these values and costs not only in relation to financial assets but also natural resources, labor assets, and social capital. In the mid-1990s, for example, Margaret Blair made the case for assessing the economic value of corporations in relation both to financial as well as human capital [24, 25]. Since the 1990s a number of international organizations like Social Accountability International, CERES, the United Nations Environmental Program, the UN’s Global Compact, and the World Bank have developed multi-dimensional performance standards. These in turn have been used by thousands of businesses to evaluate in measurable terms the ways their operations add to or reduce economic values in relation not only to finance but also to workers and natural environments [26, 27]. Robert Eccles in particular has worked at developing practical measures for gauging the ways and degrees business add to or reduce economic value, broadly gauged, by their operations [28]. An increasing number of firms are now undertaking assessment of the non-financial
ways businesses add to or erode economic values in relation to environmental, social and good governance standards (ESG). One of the most widely utilized methods for assessing the overall ways business augment and erode economic value is that developed by the International Integrated Reporting Council (IIRC), which began its operation in 2011 [29]. The IIRC calls for business to undertake their regular accounting in relation to their utilization of six different forms of capital: namely, financial, manufactured, intellectual, human, social and relationship, and natural [13].

5. Governance reforms

Thus far I have argued the business of businesses, as complex multi-dimensional organizations, lies in their productive capacity to add economic value to societies in multiple ways. I have observed the progress that has been made in the efforts to measure both the added economic values beyond financial values as well as the costs incurred in the process. If the current operations of business enterprises are to be less closely connected with the adverse environmental, social, and economic trends discussed earlier in this essay, then businesses must do more than measuring their performances in keeping with integrated accounting standards. They must also consider reforming their systems of governance -- that is, the way they deliberate and make authoritative decisions. The operations of many businesses have occasioned these adverse outcomes not only because they tended to measure their goals and costs largely in financial terms but also because characteristically decision-making processes were structured to assign greatest authority to those representing financial interests.

If we hope to encourage business enterprises to foster productivity, rightly understood, in ways that both benefit the enterprises as a whole as well as the larger society, and fittingly benefits all relevant stakeholders, we must consider reforms in governance practices of firms as well as legal changes that will create corresponding legal incentives.

The basic responsibility of businesses is to add economic value to society by making the most productive use of natural and human resources in relation to their particular purposes as particular kind of enterprises. To that end, governing processes must be structured and operate to protect and enhance the wellbeing of the enterprise as a whole. No particular group or constituency should be so positioned that it exercises undue influence in pursuit of its own interests. Accordingly, in recent years many of the initiatives aimed at reforming the governance practices of businesses have aimed at limiting the self-serving actions of senior executives [30–32]. Williamson warned about the dangers of opportunism and bureaucratization that occurred when governing boards failed to monitor and restrain the agendas of particular groups within the larger organization [33]. It is possible to point to examples, both actual and feared, where other particular stakeholders have exercised -- or might exercise -- excessive influence over authoritative decision-making within business enterprises. For example, many defenders of neo-liberal economics, while defending the financial model, have worried about the excessive influence of government regulators. They have feared -- I think, excessively -- that regulations imposed by governments in pursuit of distant goals like the reduction of greenhouse gases or corporate social responsibility might undermine the productivity of businesses in ways that would be costly to businesses and society and especially to financial interests of investors. At times, many business people have felt that trade unions might exercise disproportionate power over particular companies and industries in ways that both limited their capacities to realize their purposes and
reduced their productivity. A case can be made that some huge enterprises have in practice acted like monopsonies with respect to their suppliers, setting strict limits on the prices they pay for purchases, in the process excessively limiting the productivity and, thereby, aggravating working conditions of the latter. In a book titled *Permanently Failing Organizations*, Meyer and Zucker studied a number of organizations that consumed greater value of resources than the values they generated but remained in business because in an unbalanced way they served the interests of particular stakeholders, in the case of their studies, community groups, employees, and consumers [34]. Accordingly, while recognizing the possibilities of imbalance caused by privileging particular stakeholders, boards ought to be structured and engage in their deliberations in ways that promote the good of the organization as a whole rather than any particular stakeholders.

In order to oversee and promote the wellbeing of enterprises as a whole, governing boards must be structured so that their self-interest as boards aligns with that objective. At present many governing boards operate primarily to promote a financially articulated agenda that especially functions to promote the interests of investors and owners. The financial model primarily regards business enterprises as property belonging to investors and owners, who as they seek to maximize the financial value of firms will, these supporters claim, promote the wellbeing of the enterprise as a whole. We know in fact that does not always happen. Most investors act primarily not as shared proprietors but as consumers of equities. As I have observed, following the financial model, governing boards have often acted in ways that aggravated environmental problems, reduced employment opportunities, and exacerbated wealth inequalities. In order better to promote the overall wellbeing of enterprises as a whole, governing boards must include among their members individuals who are both well acquainted with activities and interests of diverse stakeholders and committed to promoting the value of the enterprise as a whole. In order to realize this goal, most governing boards of business enterprises in Japan and Continental Europe have often included representatives from employees, creditors, community groups, as well as investors [35]. I think a case can be made that it might not be in the best interest of the enterprise as whole for board members to be formal representative of – and primarily answerable to -- diverse stakeholders. Such arrangements might significantly add to governing costs and render boards less focused on protecting and enhancing overall productivity and more given over to wrangles about benefits and costs assigned to particular constituencies [36]. Instead, several steps can be taken so that governing board members exercise the fiduciary loyalty to the enterprise as a whole and their legal responsibilities for due diligence and due care of enterprise resources while fairly respecting the interests of their several stakeholders [24, 37]. Accordingly, while still appointing their own members, governing boards can select individuals who are themselves members of particular constituencies and well-informed with respect to their concerns and interests. Governing boards should also have access to staff who can on an ongoing basis monitor the interactions with stakeholders so the boards remain well-informed.

6. Considering possible legal incentives

As I noted at the outset, we live in a business civilization. Governments have extended to businesses a license to operate for several reasons, including especially the productive capacities of businesses to add economic value to society in multiple ways. Over the years, governments have taken steps to protect and promote the productivity of business enterprises in many ways. They have established laws
identifying and protecting diverse forms of property, contractual relations, currencies, as well as reliable systems of credit. They have funded and arranged for the development of physical, social, and economic infrastructures, good for societies as a whole and also necessary for business operations to develop and grow. They have used their good offices to facilitate trade. They have both developed system of education, so businesses can hire competent workers, and social insurance schemes to help workers who can no longer work. In order for business enterprises in the contemporary world to maintain their productivity, and thereby add greater value than they erode, it has been and it will continue to be necessary for governments to take appropriate actions. For example, in order to reduce GHG emissions, it has been necessary and useful for governments to institute carbon taxes and offer subsidies and tax credits to encourage the development of alternative sources of energy. In order for them to remain competitive and to keep retail food prices from excessively climbing, in some areas governments have already demonstrated their willingness to offer subsidies and tax credits for some agricultural businesses. Given the seriousness of the climate crisis, many observers think much more must be done to address these problems. In order to foster lively and open competition, it has been necessary and useful for governments from time to time to reduce the monopolistic influence of particular firms within specific industries. These measures have functioned in small ways to limit factors which otherwise would have acted to aggravate inequalities in wealth and economic power. Given the dominance of several firms in the information system sector, many people feel government action is long overdue to foster more lively competition in these industries. With these examples in mind, we can see that there is much evidence that publics have supported governments when the latter have taken actions affecting business activities in order to further societal purposes, to facilitate productivity broadly understood, and limit the adverse effects of particular business practices. In the following paragraphs I propose a number of additional actions governments might take so that businesses operate productively to promote the wellbeing of their enterprises as a whole, limit or reduce their adverse impacts, and thereby maximize the value they add to society.

With respect to overall governance of business enterprises, just as governments (or their agencies) require business to conduct annual financial audits, so they should also be required as well to undertake annual audits of the costs incurred and values added with respect to their uses of natural resources, including air and water, and their uses of human and social capital. So that governing boards are well-informed, some governments now require these kinds of audits. Further along and in keeping with comments I have already made, I will elaborate on the fitting metrics for assessing productivity with respect to labor, viewed not from a financial perspective as is usually done today but regarding human and social assets as intrinsically valuable. Also, with respect to governance of enterprises, a strong case can be made for following the examples of countries like Germany and Japan and require that the governing boards broaden their membership to include people who are well able to know and represent the interests and concerns of the most strategically important stakeholder groups, such as, for example, employees, major suppliers, relevant environmentally oriented groups, creditors, and government agencies.

With regard to efforts to foster responsible environmental practices by businesses, governments have established a number of relevant initiatives in addition to subsidies and tax credits for developing alternative sources of energy and taxes on carbon emissions to reduce GHG emissions. Many governments have been taxing or fining businesses for excess water pollution. Because all businesses involved in extracting non-renewable resources are depleting valuable resources, some countries like Norway are effectively taxing these operations in order to establish huge public funds that can in turn be used to further other public purposes.
For some time many governments have de facto recognized that dysfunctions in labor markets. They have, accordingly, established minimum wage standards as well as employment offices to help enterprises find suitable employees and worker find positions of employment. Partly in response to the expansion in the use of temporary workers, some government, like the United States, offer payments in the form of tax credit to workers whose annual income falls below recognized poverty lines. This has become a huge public transfer program that functions to reinforce the practices of many businesses to hire workers part time and/or part year rather than full time. Given the slow but steady replacement of workers by smart technology, governments face in the future several options. They will be forced either to expand these kinds of tax credit programs; develop some form of basic income initiatives; re-establish the kind of employment generating programs like the Public Works Administration, the Works Progress Administration, and the Community Conservation Corp that were so effective in the United States during the 1930s; and/or they must think seriously about initiatives that would foster greater employment within existing businesses.

Because in this essay I am calling for a re-thinking of the business of business, I will elaborate on the last alternative. The United State government has spent hundreds of billions of dollars supporting the housing industry and related employment opportunities by means of tax credits for mortgage costs. Correspondingly, I think governments must now consider initiatives that would operate to retain or expand employment opportunities in business enterprises in general. Basic to these initiatives would be a re-thinking of productivity and labor, not from a financial perspective but, from the perspective of all working age adults seeking remunerative employment opportunities and the vast and valuable stock of human capital they represent. Accordingly, finding feasible ways for businesses to retain useful workers and to expand the hours of employment would be regarded as fostering forms of productivity associated with uses of human labor. During slow periods, business enterprises might direct some of their employed workers to invest greater amounts of time learning and upgrading their skills, exploring new lines of business activity, and/or engaging in community projects. Because adding these hours of employment would in turn represent added costs to enterprises, then governments in recognition might be called upon proportionately to reduce business taxes and/or offer tax credits. These added costs to governments would in turn be balanced by reduced costs for programs like employment tax credits and unemployment insurance. This kind of initiative would be in the interest both of enhancing wellbeing of workers as well as enterprises as a whole.

We must also consider what kinds of initiatives governments might take to reduce the way current business practices tend to aggravate inequalities in wealth. I am not at this point proposing particular initiatives. Rather, I refer to several actions that might be taken in order to indicate that possibilities for re-thinking the purposes of business enterprises with respect to their influence on aggravated inequalities in wealth that do exist. Obviously, the kind of government incentives just discussed to encourage businesses to retain workers, hire more employees full time rather than part time, and expand employment hours might indirectly function to influence firms to decrease the share of business earnings allocated to reward investors and increase the share used for labor expenses. At the same time, if governments increase the tax rates for the highest incomes and introduce even small taxes on wealth, then business might be less inclined to use their earnings to increase executive stipends and returns on investors, knowing that a significant portion of these increases will be taxed. Clearly, if the governance practices are altered to represent better the interests of stakeholders other than investors, then it is more likely that earnings of businesses will be more broadly distributed to the
7. Conclusion

In conclusion, currently many businesses are operating in ways that have had adverse outcomes on natural environments, employment opportunities, and aggravated inequalities in wealth. These adverse consequences occur to a significant degree because many businesses are operated and organized in order to maximize the value of businesses measured almost exclusively in financial terms, thereby prioritizing financial interests above all other interests. The financial model of business enterprises has become so dominant that many ESG initiatives are promoted and defended as being financially advantageous to businesses rather than because they will provide means for increasing the productivity of enterprises with regard to natural and human resources valued on their own terms as valued economic assets. I have criticized the financial model for a number of reasons. In so far as businesses have operated in keeping with this model, they have tended to occasion the adverse environmental, social, and economic consequences described above. This model provides an overly narrow and restricted understanding of productivity and has encouraged businesses disproportionately to favor the interests of investors over other stakeholders.

I have called for significant changes in how to think about the business of businesses and how business enterprises govern themselves. Many people have a vested interest in the financial model of business enterprises and will resist these changes. As the climate crisis becomes more severe, many people will probably be forced to modify their views modestly and work to reduce GHG emissions, while still prioritizing their financial interests. The proposed changes, like those endorsed by the Business Roundtable, that recognize business enterprises in relation to their stakeholders are likely to meet with resistance. Nevertheless, a number of these changes have already been introduced, in this or that country, in this or that firm, and defended by business people both because they respect the complex, interactive character of business enterprises as they operate in practice and because they more adequately foster and gauge productivity – not as currently almost exclusively in relation to financial returns but in the effective and value-added utilization of natural and human resources to meet human needs and wants. After all, that is what the business of business is all about.

Notes

1. I initially developed this line of analysis in an essay on corporate governance, published in 2001 [38]. For typical expressions of Symbolic Interaction, see the writings of Anselm Strauss [39] and Irving Goffman [40, 41].

2. This view of stakeholders is more limited than that proposed by Freeman and many others, who define stakeholders broadly in relation to any group influenced by or in a position to influence the activities of business enterprises [42, 43]. I think we ought to restrict which groups count as stakeholders to those who can, on the basis of law, contractual arrangements, customary practices, or changing political realities, make legitimate claims on business enterprises.
Author details

Frederick Bird¹,²

¹ Concordia University, Canada
² University of Waterloo, Canada

*Address all correspondence to: fbird@uwaterloo.ca
References


[22] Millennium Ecosystem Assessment. Living Beyond Our Means: Natural


Implementation of Corporate Social Responsibility to Increase the Value of Companies Listed on the SRI Kehati Index Indonesia

Eddy Winarso

Abstract

Corporate social responsibility (CSR) is the latest issue that must be observed by business people in carrying out their business processes from raw materials to the end consumers who have implemented CSR properly. And, the company must promote superior products that its produces are environmentally friendly and do not damage the environment. Investors will see the technical and fundamental analyses of the company whether they have implemented regulations and government policies in producing their products, and then buy shares from the company because they have confidence that companies that implement CSR will increase the company’s value and have a good brand image so that the market responds positively. As well as the roles of government and society as regulators of laws, and the public who observe the implementation of CSR must be responsive and must inform if there are violations committed by business practitioners against CSR. Based on the analysis by the author, it turns out that CSR has no effect on company’s value as measured by the price-to-book value (PBV). CSR implemented based on the GRI G4 is still below 50% of the 79 items that must be disclosed in the financial statements, which means that the company has not fully implemented CSR based on GRI G4 in its business processes, which obtained an average of 41.43%; but there are those who have applied it close to 100%, namely, PT Timah (Pesero) Tbk with an average CSR of 89.62%. But the PBV is low at 1.55. In contrast, PT Unilever Indonesia CSR is at an average of 41.43% but the PBV is 46.09, meaning that in this study CSR has no effect on firm value. CSR is implemented by companies not because of the awareness of the company or its responsibilities but only because of regulations issued by the government in order to complete and manage permits obtained easily.

Keywords: CSR, company value, Sri Kehati Index, PBV, GRI

1. Introduction

Every company in the business process will interact with the social environment. As a result of this interaction requires reciprocity between the company and the social environment that has implications for the emergence of social impacts on the company’s operations on the environment around the company. As long as
the company uses existing human and community resources, the company has the responsibility to return it as profit to the community [1].

A good company not only seeks economic benefits but also has a concern for environmental sustainability and public welfare. So, now it is known as a company whose products are environmentally friendly, which is not polluting the natural environment by the products it produced. Then a concept called corporate social responsibility (CSR).

In addition, consumers are now thinking rationally about buying products and services that are environmentally friendly because they have felt a very terrible impact due to environmental damage, namely, ecosystems and irregular seasonal cycles. Because the disturbed ecosystem, which is one of these cycles, has been damaged, there are undesirable environmental impacts such as floods, landslides, river and groundwater and air pollution. Damaged natural resources require a lot of costs that must be sacrificed to return it to its original state.

With the change in consumer behavior mentioned above, manufacturing companies are oriented to consumer needs, that is, they expect products produced by producers to have a low environmental impact. So the manufacturer must inform that the products produced are environmentally friendly and do not have a global effect on the environment both around the factory and on the environment outside the factory, with the use of these products by consumers.

To overcome the above matter, it is not only handled by manufacturers and consumers but the government has also participated in issuing regulations and very strict rules so that the natural damage does not become severe.

The relationship between the four entities related to CSR is shown in Figure 1.

The four entities have an interest in CSR, therefore each has a mutually supportive role so that CSR can work well and the natural environment is maintained.

Government makes rules and legal products that must be obeyed by producers, for example, in the form of environmental impact assessments and regulations related to environmentally friendly production processes.

Producers make environmentally friendly products that do not pollute the land, water, and air and they obey the rules issued by the government.

The public observes the impact of deviations that occur because producers who do not obey laws and regulations and become partners of these producers in improving living standards and having a healthy environment.

Consumers will buy products produced by producers if they have little influence on environmental pollution and become partners with producers. The impact for

---

**Figure 1.**

Entities related to CSR.
the company is the level of sales increases and profits increases so that the company’s value increases from the investor’s perspective.

Based on the description above, the researcher wants to find out whether the implementation of corporate social responsibility will increase the value of companies listed on the Sustainable and Responsible Investment (SRI) Kehati Index Indonesia.

2. Understanding corporate social responsibility (CSR)

The concept of CSR was first put forward by Howard R. Bowen (1953) based on philanthropic activities. This concept has long been abandoned because now the company views CSR as one of the company's strategies to improve the company's image which will also affect the company's finances.

Achmad [2] explained that CSR was born from the public's insistence on corporate behavior, which is usually always focused on maximizing profits, the welfare of shareholders, and ignoring social responsibilities such as environmental destruction, exploitation of natural resources, and so on. In essence, the existence of the company stands opposite to the reality of social life. Current CSR concepts and practices are no longer seen as a cost center but also as a corporate strategy that can spur and stabilize long-term business growth.

It is therefore important to disclose CSR in financial statements as a form of social responsibility reports to the public.

The definition of CSR was raised by the World Business Council in Sustainable Development “Corporate Social Responsibility, the continuing commitment by business to be ethical and on attribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.”

According to Edi Suharto [3], CSR emphasizes more on efforts to balance corporate and environmental and social goals, where CSR is defined as: “a way by which companies strive to strike a balance between economic, environmental and social objectives of the community, while continuing to respond the expectations of shareholders and stakeholders.”

International Standards Organization (ISO) 26000 [4] Guidance on Social Responsibility formulates CSR definitions and guidelines, which have become international standard guidelines, as follows:

“Corporate Social Responsibility is the responsibility of the organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that contributes to sustainable development, including health and welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and practiced its relationship.”

CSR disclosure standards developed in Indonesia are referring to the Global Reporting Initiative (GRI) standard because they are more focused on disclosure standards on various performances: economic, social, and corporate environments with the aim of improving the quality and utilization of sustainability reports.

GRI is an organization-based network that has pioneered world development, uses the most sustainable reporting frameworks, and is committed to continuous improvement and implementation throughout the world (www.globalreporting.org) [5]. The focus of GRI disclosures consists of three disclosures, namely:
2.1 Economy

The economic dimension concerning organizational sustainability has an impact on economic conditions and stakeholders and the economic system at the local, national, and global levels, and the indicators illustrate:

a. Capital flows among various stakeholders

b. The main economic impact of the whole community organization

Financial performance is fundamental to understanding the organization and its sustainability. However, this information is usually already reported in the financial statements.

2.2 Environment

The environmental dimension concerns the sustainability of an organization’s impact on life, within natural systems, including ecosystems, soil, air, and water. Environmental performance indicators are related to inputs (materials, energy, and water) and outputs (emissions/gas, river waste, and dry waste/garbage). In addition, their performance includes performance related to biodiversity, environmental compliance, and other relevant information such as environmental waste and the impact of products and services.

2.3 Social

The social dimension concerns the sustainability of an organization that has had an impact on the social system that operates. The social performance indicator GRI (Global Reporting Initiative) is an organization-based network that has spearheaded the development of the world, identifying key aspects of performance which include labor/labor practices, human rights, community/social, and product responsibility.

CSR activities in GRI are stated in the Corporate Social Responsibility Index (CSRI). CSRI will be assessed by comparing the number of disclosures made by the company with the number of disclosures required in the GRI, which includes 79 items of disclosure in the form of: economic, environment, labor practices, human rights, society, and product responsibility.

CSR Index (CSRI) calculation is formulated as follows:

\[ CSRI_i = \frac{\text{Amount disclosed}}{79} \times 100\% \]  

3. Legal foundation for corporate social responsibility (CSR) in Indonesia

The implementation or practice of CSR can be seen from several angles, one of which is the civil law raised by Elly Erawaty [6], which states there are some crucial things that need to be observed and must be based on strong laws, so it needs to be considered regarding the following matters:
1. Law Number 40 of 2007 concerning Limited Liability Companies and related to the social and environmental responsibility Article 74 paragraph (4), namely: (a) limitations or scope of the company that is required to implement CSR, (b) synchronization and harmonization of laws and regulations that regulate the substance of CSR, (c) legal sanctions for companies that do not implement CSR, and (d) the relationship between CSR with Partnership Programs and special environmental development for state-owned companies.

2. The meaning of CSR is the company’s commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the company itself, the local community, and society in general.

3. The company is responsible for guaranteeing that its operational activities are able to produce goods and/or services economically, efficiently, and competitively for customer satisfaction in addition to profit.

4. In principle, CSR aims to make companies able to contribute to the progress or improvement of the welfare of the local community.

Based on the description above, CSR is able to create a brand image for companies in the midst of a competitive market so as to create customer loyalty and build and maintain the business reputation.

CSR can help companies to get a license to operate from the government because the company is considered to have met certain standards and has social care.

Indonesian government regulations on CSR:

Regulations for sustainability reporting in Indonesia were adopted from the PWC publicizing paper [7] which states:

1. Regulation No. KEP-431/BL/2012 on annual reporting for public listed companies to disclose CSR including policies, types of programs, and expenditure on: environmental performance, labor practices, social and community empowerment, and product responsibility.

2. Government regulation No. 47/2012 stating that companies’ annual reports will contain social and environmental responsibilities.

Starting in 2013, companies that have gone public must make a sustainability report referring to “G4” published by GRI, namely:

G4 places the concept of materiality at the heart of sustainability. The framework sets out the principles and indicators that organizations can use to measure and report on their economic, environmental, and social performance, focusing on the concept of “materiality.”

Understanding GRI’s guidelines will help you to create communications that convey your organization’s sustainability efforts effectively and to an international standard as well as to allow comparability across companies. GRI provides a 2-year transition period where the GRI reports are issued after December 31, 2015 and must follow G4 guidelines.

Until now, there are only four legal regulations that require companies to carry out CSR as well as one international guide on sustainability in Indonesia, namely:
1. For state-owned enterprises (BUMN)

2. BUMN Ministry Regulation No. 05/MBU/2007 must implement: (a) the Partnership Program and (b) environmental development.

   a. The Partnership Program is a program to improve the ability of small businesses to become resilient and independent through the use of funds from the BUMN profit share.

   b. The Community Development Program is a program to empower the social conditions of the community by SOEs through the utilization of funds from the profit share of SOEs, including assistance for victims of natural disasters; assistance in education and/or training, improving health, developing infrastructure, and/or public facilities and religious facilities; and support for nature conservation.

3. For Limited Liability Companies (PT) that manage Natural Resources (NR): Regulated in Law No. 40 of 2007, Article 47: (1) A company which carries out business activities in the field and/or related to natural resources is required to carry out social and environmental responsibility (CSR); (2) social and environmental responsibility as referred to in paragraph (1) is an obligation to companies, which is budgeted and calculated as the cost of the company, whose implementation is carried out with due regard to propriety and fairness; (3) companies that do not carry out the obligations referred to in paragraph (1) are subject to sanctions in accordance with statutory provisions; and (4) further provisions regarding social and environmental responsibility are regulated by the government regulations.

4. Foreign investment is regulated in Law Number 25 Year 2007 concerning Investment; in Article 15 (b), it is stated that: “every investment is obliged to carry out corporate social responsibility.” Sanctions against business entities or individuals who violate regulations are regulated in Article 34, namely, in the form of administrative sanctions and other sanctions, including: (a) written warning, (b) restrictions on business activities, (c) freezing of business activities and/or investment facilities, and (d) revocation of business activities and/or investment facilities.

5. For oil and gas management companies, related to Law No. 22 of 2001, concerning Oil and Gas, Article 13 paragraph 3 (p) states that: “the cooperation contract as referred to in paragraph (1) must contain at least few basic provisions, namely: (p) development of the surrounding community and guarantee of the rights of indigenous peoples.”

6. ISO 26000 [4] is an international standard in the field of corporate social responsibility based on the understanding that CSR is very important for business sustainability. ISO focuses on: organizational governance, Human Rights (HR), employment, the environment, fair operating, consumer issues, and community development. ISO publishes practice guidelines and broadens public understanding of CSR.

   International Standard Organization (ISO) 26000 Guidance on Social Responsibility definition is as follows:

   “Corporate social responsibility is a responsibility of the organization for the impact of its decisions and activities on society and the environment, through
transparent and ethical behavior that contributes to sustainable development, including health and welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated through the organization and practiced in its relationship.”

4. Company’s value

Brigham and Erdhardt [8] provide an understanding of the company’s value as follows: “Corporate value which is the present value of expected free cash flow, discounted at weighted average cost of capital,” and Gitman [9] provides an understanding of the company’s value more to the actual value per share of common stock as follows: “The actual amount per share of common stock that would be received if all the firm’s assets were sold for the market value.”

Suad and Enny [10] explained that “the value of the company is the price that is willing to be paid by the buyer if the company is sold. For companies going public is reflected in the company’s stock price.”

Company’s value is the perception of investors to increase the prosperity of owners and shareholders as reflected in the share price (Brigham and Houston) [8]. But according to Weston and Copelan [11], the value of a company is measured through the price-to-book value.

Price-to-book value (PBV) is the comparison between the price of a share and the net book value per share expressed in the number of times between the price of a share and the value of a share according to accounting; the formula used is:

\[
\text{Price to book value} = \frac{\text{Stock price}}{\text{Book value stock}} \quad (2)
\]

\[
\text{Book value stock} = \frac{\text{Assets - liabilities}}{\text{Outstanding stock}} \quad (3)
\]

In this study, researchers used price-to-book value in measuring company’s value.

5. The influence of corporate social responsibility on company’s value

Corporate social responsibility is disclosed in an annual report called sustainability reporting. The aim is to increase the value of the company. The value of the company will grow sustainably if the company pays attention to the economic, social, and environmental dimensions contained in CSR. Research conducted by Clacher and Hagendorff [12] states that companies with poor environmental performance will reduce the value of shareholder wealth.

Brine and Hacke [13] said corporate social responsibility contributes to financial performance. This is because, in making decisions, we must consider various social and environmental issues. If the company wants to maximize long-term financial results that can increase the value of the company. Also, as stated by Friedmen in Lako [14], the company believes it will generate maximum profits by including CSR as its business strategy.
6. Sri Kehati Index

On June 8, 2009, the KEHATI Foundation in collaboration with PT Indonesia Stock Exchange launched the Sustainable and Responsible Investment (SRI) - KEHATI (Indonesian Biodiversity Foundation) launched an index that refers to the procedures of the Sustainable and Responsible Investment (SRI) under the name SRI KEHATI Index.

The base year used as the index starting year, with a base of 100, was launched in December 30, 2006, and was published by the IDX as the SRI KEHATI Index, which stood at 116,946 [15]. It is hoped that with the launch of the SRI KEHATI index, the public will be aware of the existence of an index that illustrates companies that are economically profitable while paying attention to environmental sustainability.

The purpose of the establishment of this index is to provide information to the public at large about the characteristics of selected companies in the SRI KEHATI Index, which is considered to have various forms of consideration in its efforts relating to environmental concerns, corporate governance, community involvement, human resources, human rights, and business conduct with business ethics that is accepted at the international level.

The KEHATI Foundation establishes 25 selected companies that are considered to be able to meet the criteria in the SRI KEHATI Index so that they can become guidelines for investors. The existence of selected companies will be evaluated every two periods in a year, namely, in April and October, and after being chosen, the names of 25 company constituents will be published by the IDX, which can be seen at www.idx.co.id [16].

The mechanism for selecting companies to enter the SRI KEHATI Index is carried out through two stages, namely, the first stage, which is the initial screening of negative selection and the financial aspect, and then the second stage, which is the fundamental aspect. The first stage of this initial screening is to ensure that the companies that are assessed as fulfilling the assessment requirements satisfy the selection stage, as shown in Figure 2.

The assessment is done through a review of secondary data, by filling out questionnaires by companies that have gone through the selection stages above, and from other relevant data. From the results of the review, 25 (twenty five) companies with the highest value were included in the SRI KEHATI Index. It is one of the indicators that are indicators of stock price movements on the Indonesia Stock Exchange (BEI), and it can be a benchmark for investors or investment managers in determining which public companies have good performance in carrying out their business.

Figure 2.
Selection stage to enter SRI KEHATI Index.
Implementation of Corporate Social Responsibility to Increase the Value of Companies Listed...  
DOI: http://dx.doi.org/10.5772/intechopen.93482

in terms of financial, social, and environmental management in a sustainable manner [15].

The SRI KEHATI index is the first green investment index in ASEAN and the second in Asia based on Exchange and Sustainable Investment data (www.world-exchange.or) [17]. This index is included in the category of Socially Responsible Investing (SRI) or ethical investing, which is an investment strategy that considers both financial and social benefits that bring change. The growth of the SRI Kehati Index can be seen in Figure 3.

Several types of indexes included in the SRI index category include.

So, the SRI-Kehati Index is an index that measures the stock performance of 25 companies that have good performance in encouraging sustainable businesses as well as having an awareness of the environment, social, and good corporate governance or the so-called Sustainable and Responsible Investment (SRI). In addition, there are other indices such as the LQ45 index and the Composite Stock Price Index (IHSG) and JCI (Jakarta Composite Index). This indicates that there is a positive response from investors who are willing to pay a premium price from the shares of listed companies with the category, Sustainable and Responsible. There are six indicators used as a basis for assessment, including: (1) environmental awareness, (2) community development, (3) good governance, (4) business behavior, (5) labor practices, and (6) human rights. As of April 2017, there were 25 listed companies as shown in Table 1.

Figure 3.
Growth of the SRI KEHATI Index. Source: https://www.srikehati.or.id.

<table>
<thead>
<tr>
<th>No.</th>
<th>Index name</th>
<th>Number of members (constituents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dow Jones Sustainability World Index</td>
<td>340 constituents</td>
</tr>
<tr>
<td>2</td>
<td>Ethical Europe Equity Index</td>
<td>30 constituents</td>
</tr>
<tr>
<td>3</td>
<td>FTSE4 Good Global Index</td>
<td>883 constituents</td>
</tr>
<tr>
<td>4</td>
<td>MSCI World SRI Index</td>
<td>401 constituents</td>
</tr>
<tr>
<td>5</td>
<td>SRI KEHATI Index</td>
<td>25 constituents</td>
</tr>
<tr>
<td>6</td>
<td>Shanghai Stock Exchange (SSE) Social Responsibility Index</td>
<td>100 constituents</td>
</tr>
<tr>
<td>7</td>
<td>S &amp; P ESG India Index</td>
<td>50 constituents</td>
</tr>
</tbody>
</table>

Source: https://www.kehati.or.id, accessed date: September 14, 2017 [15].

Table 1.
Indexes in SRI.
7. Discussion

In this study, we examined whether corporate social responsibility affects the value of companies listed on the SRI KEHATI Index from 2012 to 2016 (Table 2).

The study began by reviewing secondary data for companies listed on the SRI Kehati Index since its inception in 2009 up to 2016; there were 39 companies selected, namely, companies that were consistently in the index, and 18 companies remained in the SRI Kehati Index. So, the number of observations is 18 companies with the period from 2012 to 2016, as shown in Table 3.

The corporate social responsibility (CSR) variable is a variable that shows information related to corporate responsibility activities presented in the annual financial statements. Processed according to the standard Global Reporting Initiative (GRI), descriptive statistics are presented as follows:

Based on Table 4, the average CSR variable of the companies listed on the SRI KEHATI Index for the period from 2012 to 2016 was 41.45, with a standard deviation of 12.64 or 41.45%, which is still considered small because it is still below 50% of the indicators contained in CSRI GRI. The highest value of 93.67 in the company PT Timah (Persero) Tbk is almost close to 100%, meaning that 17 companies registered in the SRI KEHATI Index have not fully implemented the CSRI that is applied based on GRI G4. The lowest value of 26.58 was for PT PP London Sumatera Indonesia Tbk in 2012. The average value of CSR from 2012 to 2016 fluctuated and this indicates the unstable CSR value generated by issuers

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AALI</td>
<td>PT Astra Argo Lestari Tbk</td>
<td>14</td>
<td>KLBF</td>
<td>PT Kalbe Farma Indonesia Tbk</td>
</tr>
<tr>
<td>2</td>
<td>ADHI</td>
<td>PT Adhi Karya (Persero) Tbk</td>
<td>15</td>
<td>LSIP</td>
<td>PT PP London Sumatera Indonesia Tbk</td>
</tr>
<tr>
<td>3</td>
<td>ASII</td>
<td>PT Astra International Tbk</td>
<td>16</td>
<td>PGAS</td>
<td>PT Perusahaan Gas Negara (Persero) Tbk</td>
</tr>
<tr>
<td>4</td>
<td>BBCA</td>
<td>PT Bank Central Asia Tbk</td>
<td>17</td>
<td>PJAA</td>
<td>PT Pembangunan Jaya Ancol Tbk</td>
</tr>
<tr>
<td>5</td>
<td>BBNI</td>
<td>PT Bank Negara Indonesia (Persero) Tbk</td>
<td>18</td>
<td>SMGR</td>
<td>PT Semen Indonesia (Persero) Tbk</td>
</tr>
<tr>
<td>6</td>
<td>BBRI</td>
<td>PT Bank Rakyat Indonesia (Persero) Tbk</td>
<td>19</td>
<td>TINS</td>
<td>PT Timah (Persero) Tbk</td>
</tr>
<tr>
<td>7</td>
<td>BDMN</td>
<td>PT Bank Danamon Indonesia</td>
<td>20</td>
<td>TLKM</td>
<td>PT Telekomunikasi Indonesia (Persero) Tbk</td>
</tr>
<tr>
<td>8</td>
<td>BMRI</td>
<td>PT Bank Mandiri (Persero) Tbk</td>
<td>21</td>
<td>UNTR</td>
<td>PT United Tractor Tbk</td>
</tr>
<tr>
<td>9</td>
<td>BSDE</td>
<td>PT Bumi Serpong Damai Tbk</td>
<td>22</td>
<td>UNVR</td>
<td>PT Unilever Indonesia Tbk</td>
</tr>
<tr>
<td>10</td>
<td>GIAA</td>
<td>PT Garuda Indonesia (Persero) Tbk</td>
<td>23</td>
<td>WSKT</td>
<td>PT Waskita karya (Persero) Tbk</td>
</tr>
<tr>
<td>11</td>
<td>INDF</td>
<td>PT Indofood Sukses Makmur Tbk</td>
<td>24</td>
<td>WIKA</td>
<td>PT Wijaya Karya (Persero) Tbk</td>
</tr>
<tr>
<td>12</td>
<td>JPFA</td>
<td>PT Japfa Comfeed Indonesia Tbk</td>
<td>25</td>
<td>WTON</td>
<td>PT Wijaya Karya Beton Tbk</td>
</tr>
<tr>
<td>13</td>
<td>JSMR</td>
<td>PT Jasa Marga (Persero) Tbk</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: https://www.kehati.or.id, accessed date: September 14, 2017 [15].

Table 2.
Companies included in the SRI KEHATI Index per 2017.
registered in the SRI KEHATI Index from year to year; this can be seen in the graph in Figure 4.

The value of the company in this study was calculated using price-to-book value (PBV) which measures the value given by the financial market to the management and organization of the company as an entity that continues to grow, and the data shown in Figure 5 were obtained.

Based on Table 5, the average value of the price-to-book value of companies listed on the SRI KEHATI Index from 2012 to 2016 was 2.64 with a standard deviation of 1.61; and an analysis based on the year that obtained the highest PBV was 58.48 for PT Unilever Indonesia Tbk in 2016, while the lowest PBV was found for PT Timah (Pesero) Tbk in 2015. The average PBV value of companies listed on the SRI

<table>
<thead>
<tr>
<th>No.</th>
<th>Code</th>
<th>Name issuer</th>
<th>Sector</th>
<th>Subsector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AALI</td>
<td>Astra Agro Lestari, Tbk</td>
<td>Agriculture</td>
<td>Agriculture</td>
</tr>
<tr>
<td>2</td>
<td>ADHI</td>
<td>Adhi Karya (Persero) Tbk</td>
<td>Property, real estate, and building construction</td>
<td>Building construction</td>
</tr>
<tr>
<td>3</td>
<td>ASII</td>
<td>Astra International, Tbk</td>
<td>Various industries</td>
<td>Automotive industries and their components</td>
</tr>
<tr>
<td>4</td>
<td>BBCA</td>
<td>Bank Central Asia, TBK</td>
<td>Finance</td>
<td>Bank</td>
</tr>
<tr>
<td>5</td>
<td>BBNI</td>
<td>Bank Negara Indonesia, Tbk</td>
<td>Finance</td>
<td>Bank</td>
</tr>
<tr>
<td>6</td>
<td>BBRI</td>
<td>Bank Rakyat Indonesia, Tbk</td>
<td>Finance</td>
<td>Bank</td>
</tr>
<tr>
<td>7</td>
<td>BDMN</td>
<td>Bank Danamon Indonesia, Tbk</td>
<td>Finance</td>
<td>Bank</td>
</tr>
<tr>
<td>8</td>
<td>BMRI</td>
<td>Bank Mandiri (Persero), Tbk</td>
<td>Finance</td>
<td>Bank</td>
</tr>
<tr>
<td>9</td>
<td>INDF</td>
<td>Indofood Sukses Makmur, Tbk</td>
<td>Consumers industry</td>
<td>Foods and beverage</td>
</tr>
<tr>
<td>10</td>
<td>JSMR</td>
<td>Jasa Marga (Persero), Tbk</td>
<td>Infrastructure, utilities, and transportation</td>
<td>Toll roads, port, and airports</td>
</tr>
<tr>
<td>11</td>
<td>KLBF</td>
<td>Kalbe Farma, Tbk</td>
<td>Consumption goods</td>
<td>Pharmaceutical</td>
</tr>
<tr>
<td>12</td>
<td>LSIP</td>
<td>PP London Sumatera Indonesia, Tbk</td>
<td>Agriculture</td>
<td>Agriculture</td>
</tr>
<tr>
<td>13</td>
<td>PGAS</td>
<td>Perusahaan Gas Negara (Persero), Tbk</td>
<td>Infrastructure, utilities, and transportation</td>
<td>Energy</td>
</tr>
<tr>
<td>14</td>
<td>SMGR</td>
<td>Semen Gresik (Persero), Tbk</td>
<td>The basic industry and chemical</td>
<td>Cement</td>
</tr>
<tr>
<td>15</td>
<td>TLKM</td>
<td>Telekomunikasi Indonesia, Tbk</td>
<td>Consumer goods industry</td>
<td>Telecommunication</td>
</tr>
<tr>
<td>16</td>
<td>TINS</td>
<td>Timah (Pesero), Tbk</td>
<td>Mining</td>
<td>Metal and mineral mining</td>
</tr>
<tr>
<td>17</td>
<td>UNTR</td>
<td>United Tractors, Tbk</td>
<td>Trade, service, and investment</td>
<td>Production and consumer goods</td>
</tr>
<tr>
<td>18</td>
<td>UNVR</td>
<td>Unilever Indonesia, Tbk</td>
<td>Industry of Cosmetics</td>
<td>Consumption goods and household goods</td>
</tr>
</tbody>
</table>

Source: SRI KEHATI, 2012–2016 (processed).

Table 3.
SRI KEHATI Index issuers’ data which continue to be in the Index continuously from 2012 to 2016.
KEHATI Index from 2012 to 2016 fluctuated but did not soar so far that it can be said that PBV is stable, ranging from 4.61 to 5.57, which is indicated in the graph in Figure 5.

Based on the description above, it can be seen how the relationship between CSR and PBV can be analyzed, as follows:

PT Timah (Pesero) Tbk implements CSR almost near perfect which is an average of 89.62%, but its PBV value does not show a good development of an average of 1.55. This means that investors still think that investing in the mining sector has a high risk. But, on the contrary, PT Unilever Indonesia Tbk has a low CSR that is 41.77%, but its PBV value is 49.09, meaning investors prefer stocks with low risk because PT Unilever Indonesia products are already known by the public. Whereas, for other companies, it can be said to be balanced between the value of CSR and PBV.

Hypothesis examiner:
Based on the draft hypothesis stated above whether corporate social responsibility affects the value of companies listed on the SRI KEHATI Index from 2012 to 2016 by using the SPSS obtained as follows (Tables 6–8):

Simple linear regression analysis:

---

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AALI</td>
<td>27.85</td>
<td>37.97</td>
<td>37.97</td>
<td>37.97</td>
<td>37.97</td>
<td>35.95</td>
<td>37.97</td>
<td>27.85</td>
<td>4.53</td>
</tr>
<tr>
<td>2</td>
<td>ADHI</td>
<td>32.91</td>
<td>34.18</td>
<td>34.18</td>
<td>32.91</td>
<td>34.18</td>
<td>33.67</td>
<td>34.18</td>
<td>32.91</td>
<td>0.70</td>
</tr>
<tr>
<td>3</td>
<td>ASII</td>
<td>43.04</td>
<td>43.04</td>
<td>43.04</td>
<td>44.30</td>
<td>45.57</td>
<td>43.80</td>
<td>45.57</td>
<td>43.04</td>
<td>1.13</td>
</tr>
<tr>
<td>4</td>
<td>BBCA</td>
<td>31.65</td>
<td>40.51</td>
<td>43.04</td>
<td>40.51</td>
<td>41.77</td>
<td>39.50</td>
<td>43.04</td>
<td>31.65</td>
<td>4.51</td>
</tr>
<tr>
<td>5</td>
<td>BBNI</td>
<td>29.11</td>
<td>31.65</td>
<td>30.37</td>
<td>34.18</td>
<td>36.71</td>
<td>32.40</td>
<td>36.71</td>
<td>29.11</td>
<td>3.05</td>
</tr>
<tr>
<td>6</td>
<td>BBRI</td>
<td>32.91</td>
<td>34.18</td>
<td>36.71</td>
<td>37.97</td>
<td>36.71</td>
<td>35.70</td>
<td>37.97</td>
<td>32.91</td>
<td>2.08</td>
</tr>
<tr>
<td>7</td>
<td>BDMN</td>
<td>30.38</td>
<td>37.97</td>
<td>37.97</td>
<td>37.97</td>
<td>37.97</td>
<td>36.45</td>
<td>37.97</td>
<td>30.38</td>
<td>3.39</td>
</tr>
<tr>
<td>8</td>
<td>BMRI</td>
<td>32.91</td>
<td>35.44</td>
<td>39.24</td>
<td>39.24</td>
<td>39.24</td>
<td>37.21</td>
<td>39.24</td>
<td>32.91</td>
<td>2.91</td>
</tr>
<tr>
<td>9</td>
<td>INDF</td>
<td>31.65</td>
<td>39.24</td>
<td>39.24</td>
<td>37.97</td>
<td>37.97</td>
<td>37.21</td>
<td>39.24</td>
<td>31.65</td>
<td>3.17</td>
</tr>
<tr>
<td>10</td>
<td>JSMR</td>
<td>43.04</td>
<td>45.57</td>
<td>45.57</td>
<td>44.30</td>
<td>37.97</td>
<td>43.29</td>
<td>45.57</td>
<td>37.97</td>
<td>3.15</td>
</tr>
<tr>
<td>11</td>
<td>KLBF</td>
<td>35.44</td>
<td>35.44</td>
<td>35.44</td>
<td>35.44</td>
<td>36.71</td>
<td>35.69</td>
<td>36.71</td>
<td>35.44</td>
<td>0.57</td>
</tr>
<tr>
<td>12</td>
<td>LSIP</td>
<td>26.58</td>
<td>34.18</td>
<td>31.65</td>
<td>31.65</td>
<td>36.71</td>
<td>32.15</td>
<td>36.71</td>
<td>26.58</td>
<td>3.76</td>
</tr>
<tr>
<td>13</td>
<td>PGAS</td>
<td>53.16</td>
<td>46.84</td>
<td>46.84</td>
<td>50.63</td>
<td>50.63</td>
<td>49.62</td>
<td>53.16</td>
<td>46.84</td>
<td>2.74</td>
</tr>
<tr>
<td>14</td>
<td>SMGR</td>
<td>46.84</td>
<td>45.57</td>
<td>46.84</td>
<td>46.84</td>
<td>37.97</td>
<td>44.81</td>
<td>46.84</td>
<td>37.97</td>
<td>3.86</td>
</tr>
<tr>
<td>15</td>
<td>TINS</td>
<td>92.41</td>
<td>93.67</td>
<td>93.67</td>
<td>83.54</td>
<td>84.81</td>
<td>89.62</td>
<td>93.74</td>
<td>83.54</td>
<td>5.02</td>
</tr>
<tr>
<td>16</td>
<td>TLKM</td>
<td>40.51</td>
<td>36.71</td>
<td>36.71</td>
<td>35.44</td>
<td>29.11</td>
<td>35.70</td>
<td>40.51</td>
<td>29.11</td>
<td>4.14</td>
</tr>
<tr>
<td>17</td>
<td>UNTR</td>
<td>44.30</td>
<td>40.51</td>
<td>40.51</td>
<td>41.77</td>
<td>41.77</td>
<td>41.77</td>
<td>44.30</td>
<td>40.51</td>
<td>1.55</td>
</tr>
<tr>
<td>18</td>
<td>UNVR</td>
<td>39.24</td>
<td>39.24</td>
<td>39.24</td>
<td>45.57</td>
<td>44.30</td>
<td>41.52</td>
<td>45.57</td>
<td>39.24</td>
<td>3.15</td>
</tr>
<tr>
<td></td>
<td>Mean</td>
<td>39.66</td>
<td>41.77</td>
<td>42.12</td>
<td>42.12</td>
<td>41.56</td>
<td>41.45</td>
<td>39.67</td>
<td>26.58</td>
<td>12.94</td>
</tr>
<tr>
<td></td>
<td>Max</td>
<td>92.41</td>
<td>93.67</td>
<td>93.67</td>
<td>83.54</td>
<td>84.81</td>
<td>89.62</td>
<td>93.74</td>
<td>83.54</td>
<td>5.02</td>
</tr>
<tr>
<td></td>
<td>Min</td>
<td>26.58</td>
<td>31.65</td>
<td>30.37</td>
<td>31.65</td>
<td>29.11</td>
<td>13.70</td>
<td>11.53</td>
<td>11.76</td>
<td></td>
</tr>
</tbody>
</table>

Source: annual report of company (processed).

Table 4.
Statistic description of corporate social responsibility listed on SRI KEHATI Index, year 2012–2016.
From the research model, the regression equation is obtained as follows:

\[ Y = 41,512 - 0.014X + e \] (4)

or

Company’s value = 41,512 – 0.014 CSR + e (5)

Based on the above output, a significance value of 0.918 is known to be greater than 0.005, so it can be concluded that H0 is accepted and Ha is rejected, which means CSR (X) has no effect on PBV (Y).
Corporate Social Responsibility

Table 6.
Model summary.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R square</th>
<th>Adjusted R square</th>
<th>Std. error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.011*</td>
<td>0.000</td>
<td>−0.011</td>
<td>13.01552</td>
</tr>
</tbody>
</table>

*aPredictors: (constant), PBV.
CSR influences PBV by 0.00%.

Table 7.
ANOVA.*

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>Df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1.807</td>
<td>1</td>
<td>1.807</td>
<td>0.011</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>14,907.531</td>
<td>88</td>
<td>169.404</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>14,909.338</td>
<td>89</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Dependent variable: CSR.
*Predictors: (constant) PBV.
CSR has no influences on PBV, and it can be shown the significance value 0.918.
Then it is obtained that the value of the company measured by price-to-book value is not influenced by corporate social responsibility and shows a negative sign, meaning the greater the CSR, the lower the company’s value will be.

This is contrary to what has been found in the background of the research that CSR will affect the value of the company, which is not proven in Indonesia. Because investors still think profit taking is not based on the impact of the products produced affecting the environment.

8. Conclusion

Based on the discussion, it can be concluded as follows:

1. Corporate social responsibility is not yet a focus for companies to raise the value of the company; it is just to meet the obligations set and determined by the government.

2. The government must be firm and implement the law clearly and clear legal sanctions so that companies comply with the CSR that has been determined by the government.

3. Government officials must conduct strict supervision of companies that have severe environmental damage impacts.

4. The government must always socialize about CSR programs that have been made to be complied with and implemented by companies.

5. Conduct certification for government officials who have expertise in assessing environmental impacts and provide certificates to companies that have implemented sustainable natural environment sustainability.

6. The application of CSR has not been fully adapted by the company because the descriptive analysis has only reached below 50%, therefore there must be strict supervision of actions for companies that have not implemented CSR.

9. Suggestion

1. Government officials must strictly supervise companies in implementing CSR based on clear operating standards.

2. Companies that violate CSR must be announced in the mass media so that the public knows that the company pollutes the environment.
3. The community must be involved in implementing CSR so that a good relationship exists between the company and the community.

4. Investors in investing in shares must also pay attention to whether the company has implemented CSR properly before making the decision to buy the company’s shares so that the company realizes that consumers want environmentally friendly products.

Author details

Eddy Winarso
Jendral Achamd Yani University, Economic and Business Faculty, Accounting Department, Bandung, West Java, Indonesia

*Address all correspondence to: edi.winarso@gmail.com

IntechOpen

© 2020 The Author(s). Licensee IntechOpen. This chapter is distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/3.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.
References


[12] Clacher I, Hagendorff J. Do announcement about corporate social responsibility create or destroy shareholder wealth?. Evidence from


[16] Available from: www.idx.co.id

Abstract

This research aims to analyze the role played by firm visibility in moderating the relationship between Corporate Social Responsibility (CSR) and Firm Financial Performance (FFP). Based on the legitimacy theory, a firm’s responses to stakeholder’s expectations would be affected by its public visibility; we hypothesize a positive link between CSR and firm visibility. Moreover, visibility is expected to moderate the CSR-FFP relationship. We applied a Moderated Regression Analysis using the aggregate ESG scores as a CSR proxy on a panel data of listed French Companies (SBF120) over the period 2008–2017. Our findings are in line with legitimacy theory, suggesting that social initiatives would be mean to strengthen the legitimacy and to secure “license to operate”. Furthermore, firm visibility would be a contingency variable that moderates positively CSR-FFP relationship.

Keywords: corporate social responsibility (CSR), financial performance, firm visibility, legitimacy theory, SBF 120

1. Introduction

The link between Corporate Social Responsibility (CSR) and Firm Financial Performance (FFP) remains one of the most controversial issues during the past fifty years. Despite the extensive research, both theoretical and empirical carried out in different contexts; it seems that no consensus has been reached on causality, sign and even less on its shape. On a theoretical level, the arguments in favor of a positive relationship are mainly found in the social impact hypothesis defended by the stakeholder approach according to which good stakeholder management would generate better performance. In contrast, the trade-off hypothesis stemming from a liberal view postulates that CSR would divert the company from its main mission of profit maximization Friedman [1]. Regarding the causality of the relationship, two hypotheses are also theoretically defensible: on the one hand, it is the Available Fund Hypothesis [2, 3] that would play an initiating element in CSR practices. This hypothesis is based on Slack Resource Theory [4, 5], maintaining that availability of financial resources would encourage...
companies to get involved in CSR activities, [6, 7]. On the other hand, according to the Managerial Opportunism Hypothesis [8], good financial performance would push managers to reduce their commitment to CSR actions to increase short-term profitability as well as their personal remuneration. Conversely, poor financial performance would lead to an increase in social spending in order to divert attention and justify their poor performance [8, 9]. On an empirical level, the researches carried out to date do not seem to have been sufficient either to draw a definitive conclusion as to the relationship between CSR and financial performance. Indeed, these investigations do not allow us to rule on a general and stable relationship between CSR and performance given many contingent factors that affect this relationship. In recent Meta-analysis, [10, 11] conclude that even if empirical research on the CSR-FFP relationship favors a positive link, the latter would be affected by several contingent variables (moderators and mediators). Thus, several variables are likely to influence this relationship such us firm size [12], firm’ origin country [13], Competition intensity within the industry [14], Industry [15, 16], earning management [17], ownership concentration [18], R and D expenditures [19], leadership styles [20], cultural differences and the crucial role that owner-managers could play when dealing with CSR agenda [21].

Furthermore, others arguments have been put forward to justify the lack of consensus on the nature of this relationship, such as the difficulties and biases related to the operationalization of CSR, the performance measurement indicators retained as well as the delay effects necessary to be able to judge the interaction between the two variables [22]. At last, some other recent empirical research questions the linearity of the relationship - when it exists - evoking cubic, or quadratic forms [23, 24]. Thus, specifying the nature of the relationship between CSP and FFP is a very “challenging task”. According to legitimacy theory [25], a firm needs to appropriate certain legitimacy granted by the stakeholders. Indeed, Stakeholders tend to pay more attention, surveillance and exert more intense pressure on the most visible companies by their size, their industry, their presence in the media …. The response to these different pressures depends on the firm’s Corporate Social Responsiveness as firms may tend to manage their legitimacy according to the intensity of the pressures to which they are subject. Thus, CSR commitment would be a way of responding to various pressures whose intensity depends on the degree of visibility of the company. The main arguments put forward to justify the impact of organizational visibility on social performance relate to the fact that large companies are supposed to be more visible would be subject to greater pressure from stakeholders to encourage them to consolidate their legitimacy. Much more, firm visibility has been identified as a factor impacting the social performance by recent empirical work [26, 27]. On the other hand, by reducing information asymmetry, firm visibility is supposed to attract more investor’s attention. Investors could better assess the company’s financial performance and make predictions on firm prospects. Firm visibility could also be affected by its sustainable innovation commitment. Cillo et al., [28], conducted a systematic literature review on this subject emphasizing the need for companies to adopt a collaborative approach with different stakeholders to implement new products and processes suggesting that firms should develop organizational and individual capabilities by integrating external sources of information while adopting sustainable innovation strategies. Previous studies have also indicated that organizational visibility could reduce the cost of equity, which can improve a company’s financial performance [29]. Additionally, under tighter control from external stakeholders, visibility decrease agency costs and increase financial performance by reducing free cash flow to managers. Given the reduction in the cost of equity and agency cost and easy access to greater financial and political resources, visibility could improve the financial performance of the company.
In other words, visibility is probably going to increase the company’s exposure to implied claims. Thus, when these complaints are ignored by management, they might impact the performance of the company and compromise its legitimacy since as the firm visibility increases, the involvement of the general public in a company increases, initiatives will become more and more necessary leading to more social involvement.

However, if firm visibility is liable to affect CSR on one hand and financial performance on the other hand, it will probably be a moderating variable in the CSR-FFP relationship. Hence, our research aims to test the impact of CSR on FFP and to highlight the moderating effect of firm visibility on this relationship on a sample of large French companies. This study makes three contributions to the literature. First, it provides proof of the significant impact of visibility on CSR. Then, it contributes to the literature on CSR by presenting visibility as a predictor of CSR initiatives. Third, this study demonstrates that visibility has a moderating effect on the link between CSR and FFP.

The remainder of this study will be organized as follows: Section 2 represents the research hypothesis, Section 3 describes the methodology, Section 4 provides the results and discussion of results and Section 5 presents the conclusion and recommendations.

2. Theoretical framework and hypotheses

CSR can be defined as the commitment to an improvement process in which companies integrate social, environmental, and economic considerations into management in a voluntary, systematic, and consistent manner with their stakeholders. Two theories are likely to shed light on the behavior of the company in society. Firstly, stakeholder theory [30] suggests that the success of the company depends on its ability to develop and maintain exchanges and transactions involving several resources with the various stakeholders [31]. It also recognizes that the expectations and interests of stakeholders are varied and sometimes contradictory [32]; it would therefore be called upon to take care of a real dialog to reply to its conflicting expectations and continually seek their support. From this angle, CSR is considered as a form of a dialog between the company and the various stakeholders. Secondly, legitimacy theory postulates that organizations continually seek to confirm that they operate within the bounds and in step with the standards of their respective Societies. According to Chiu and Sharfman [33], any institution – firms in particular - operates in society through an explicit or implicit contract. This continuous look for legitimacy could depend upon the degree of exposure of the firm to the assorted stakeholders and so, on the degree of its visibility. Indeed, visibility increases the company’s exposure to implicit claims, media, and the general public and can therefore lead to higher CSR; visibility is more consistent and a more powerful predictor of CSR initiatives than other factors previously studied [34].

2.1 Direct relationship between CSR and firm financial performance

Stakeholder theory [30], has marked the literature on the relationship between CSR and company performance [11, 35]. It states that if a company satisfies its stakeholders, by carrying out social projects, for instance, it will improve its image and reputation, and thereby it’s financial performance [4]. However, if the company fails to achieve a positive social impact, this will create fears among its stakeholders about its image which will increase costs and decrease profits [36]. A company that seeks to reduce its implicit costs (environmental costs, product quality costs, etc.)
through irresponsible social actions should face higher explicit cost (reputation, payment of penalties, etc.). This will have a negative effect on its profitability and competitiveness. Therefore, authors who support this view predicting a positive correlation between CSR and FFP. This assumption is called “positive social impact” or “good management”. According to Cristache et al. [37], integration of social responsibility dimensions into companies’ strategies, would help to increase their long-term performance.

According to the legitimacy theory, CSR legitimizes firm’s businesses and guaranteed their existence [38]. Thus, the disclosure of the assorted CSR activities expected and desired by Society, make it possible to legitimize their commercial activities and failure to go with this instruction compromises overall profitability.

Resource Based View approach [39] suggests that by satisfying the expectations of stakeholders, the company develops inimitable and non-substitutable resources and skills. These resources can be intangible assets [40] such as innovation, human capital, leadership, etc. If the company manages to create and exploit these new resources, it will be able to develop sustainable competitive advantages [41].

Signaling theory [42] also provided an argument for the positive impact of CSR on financial performance. Thus, through their social achievements and especially through their disclosure, companies will try to send a positive signal in order to obtain a positive response from the market.

On an empirical level, several researchers have concluded a positive link between CSR and financial performance. Laskar [43] detected a positive relationship between CSR scores (based on content analysis) and Market-to-Book Value (MBV) on a sample of 119 large Southeast Asian companies over the period 2009–2014. By adopting the same approach, Nguyen [44] established a positive link between CSR scores and ROA on a sample of 31 Vietnamese commercial banks. Choi et al. [45] were also able to conclude that there is a positive link between philanthropic commitment (as an indicator for measuring CSR) and ROA; their research focused on 11,000 observations over the period 2002–2014 in Korea.

In Europe, Rodríguez-Fernández [46] constructed a social behavior index to show the existence of a positive relationship between this index and financial performance apprehended by both ROA, ROE and Tobin’s Q; their study focused on a sample of 107 companies listed on the Madrid stock exchange. Adeneye and Ahmed [47] also found a positive link between CSR scores and market to book value (MBV) on a sample of 500 British companies. More recently, in a recent second-order Meta analysis, covering 25 primary Meta analyzes, 1274 empirical researches, or nearly one million observations, Busch and Fried [10] concluded that a positive and highly significant relationship between CSR and financial performance.

Based on theoretical justifications, empirical literature and our research questions, we make the following central hypothesis (H1):

**H1:** CSR is positively related to firm financial performance.

### 2.2 Moderating effect of firm visibility

Firm visibility describes the extent to which companies are observed by their stakeholders. It can be viewed as a unique attribute that reflects the exposure and attractiveness of a firm [48]. Visibility is a concept close to reputation. However, it is necessary to make a distinction: if the reputation reflects the image stakeholders have of the firm (good or bad), visibility mainly reflects the presence and ‘observability’ within the community and it is related to the level of ‘stakeholder recognition’ [49].
Such presence can be affected by size, brand, impact on the natural environment, employability, presence in the media but also by various scandals within which firm may well be involved. Firm visibility could be the source of an “excess” of pressure and oversight on the part of stakeholders, since they have more information on corporate social responsibility. Thus, companies with high visibility are more likely to obtain more positive responses from their external stakeholders prompting them to improve their social performance, with more effort in terms of innovation. On the other hand, companies with high visibility can attract more attention from investors. Additionally, visibility may be a recognizable attribute that can help customers differentiate them from other businesses [50]. In keeping with Pfeffer and Salancik [51], external stakeholders are more curious about visible firms which affect the intensity of the pressures they are subjected to. Visible firms would be under more public scrutiny. Hörisch et al. [52, 53] noted that the more exposed position lead to higher public pressure and more CSR activities.

Firm visibility also can reduce information asymmetry degree between companies and their stakeholders and amplify the information disclosed by companies [54]. Thus, companies with higher visibility are more likely to elicit adverse reactions from their stakeholders. For example, within the case of high firm visibility of companies, violations of environmental regulations are going to be particularly pronounced [55], to which investors react strongly negatively. Additionally, a high firm visibility can even allow customers to understand their environmental irresponsibility [56]. Wu et al. [57] underlines the existence of a correlation between positive stakeholder’s responses and firm’s level visibility. Visible companies are likely to attract and gain support of community stakeholders as well as favorable evaluations from regulatory stakeholders. Likewise, CSR practices are expected to increase firm visibility which might help talented workers attraction as an effective knowledge management spillover [58]. The authors showed empirically the positive effect of a firm’s CSR practices, operating in knowledge-based industries, on attracting highly skilled workers, thus enhancing the company’s competitiveness.

Finally, the active CSR behaviors of companies are much easier to know by governments allowing them to access preferential policies, like access to bank loans, tax deductions and market access that stimulate social innovation [33]. Therefore, we make the subsequent assumption:

**H2**: Firm visibility strengthen the positive effect of CSR on Firm Financial performance

---

**Figure 1.**
The research design is presented in Figure 1.
3. Research methodology

3.1 Sample and data collection

Our sample consists of French SBF120 listed firms from the year 2008 to 2017. The final sample includes 88 French companies. We base on a balanced panel dataset of 880 firm-year observations. We used secondary data drawn from the Thomson Reuters Inc. database on the French companies in our sample.

The choice of the period analysis coincides with the adoption of the Grenelle\(^1\) law which makes the production of annual CSR report mandatory for all large companies. This period also coincides with the dissemination of the main codes of governance in France. Furthermore, the analysis period of 10 years makes it possible to constitute a fairly large panel which enriches the results and improves the estimates and econometric tests. The SBF120 index includes the 120 largest companies in terms of market capitalization and trading volumes on the Euronext Paris market. These large companies, mostly groups, remain very “visible” when it comes to their societal achievements and are subject to permanent “monitoring” by societal rating organizations, media, and investors. It should be noted that companies with a lot of missing data were also removed from the sample.

3.2 Measurement of variable

3.2.1 Dependent variables

There are many ways to measure Firm Financial Performance. However, in this study, we use the return on assets (ROA). ROA is an accounting measure, calculated by reporting the result before taxes and interest to the total assets. It has the advantage of providing information on the operating profitability of the business by eliminating the effect of debt and corporate tax. This ratio provides information on the performance of the company in carrying out its “business” regardless of the financing structure.

3.2.2 Independent variable

Given the multidimensional nature of CSR and taking into consideration that the weights of its various dimensions must consider cross-sectoral specificities and socio-cultural differences, we retain in this research a measure including three fundamental dimensions of CSR (Environmental, Societal, and Governance: ESG). ESG score is based on a company’s performance in the environmental (E), social (S) and governance (G). In this study we use the Thomson Reuters/S-Network which attributes a specific weight to very indicator on the basis of selected considerations and their relative importance. ESG ratings provided by the Thomson Reuters Asset4 are widely employed in the literature as a CSR measure [59].

3.2.3 Moderating variable

Visibility is a concept that remains difficult to measure. Previous research has tried to develop own measures. For example, firm citations in the specialized press [60]; firm size [61], the distinction between B2B and B2C companies [49] or even the media coverage [62] were used as proxies of the visibility of the firm. Firm visibility (VBL), following the lead of previous research [63, 64] was calculated as the ratio of advertising expenses to sales.

\(^1\) Law N° 2010–788 on the environment national commitment (Grenelle II).
3.2.4 Control variables

Following prior-related studies, we control for a variety of variables that may affect CSR-FFP link.

According to Waluyo [65], firm age affects CSR since mature firms are more experienced and pay more attention to social issues and reputation. Moreover, mature firms are likely to invest significantly more in CSR. Indeed, the predictability of income allows mature companies to invest more in CSR; on the opposite hand, younger companies with less predictable income may pursue survival and growth-oriented strategies and subsequently run out of funds to invest in CSR activities. This hypothesis is criticized by other authors. For instance, Withisupakorn and Jiraporn [66] who argue that mature companies, enjoy a reputation regardless of their CSR engagement. Otherwise, Age can affect the general public firm’s visibility [67, 68]: On one hand, older firms are speculated to be “known” by the public through patronage and sponsorship, on the other hand, young firms would even be tempted to ascertain a brand image with the public by an increased media presence. In this study, we measure firm age (AGE) by Natural logarithm of the number of years since the inception of the firm.

On the other side, considering that large companies are alleged to have more resources to commit to CSR initiatives [27] and that larger firms have more exposed position lead to higher public pressure and more CSR activities [52, 53], SIZE, measured by Natural logarithm of total assets is introduced into the model as a control variable. Following pervious researches [69, 70], we also control by leverage (LEV). Indeed, we would expect companies with high levels of leverage to have less cash available to engage in CSR actions. On the other hand, excessive leverage could negatively impact financial performance. In this study, we used the total debt ratio by dividing the sum of financial debts (regardless of their horizons) by total assets as a measure of leverage.

Finally, we integrate innovation (RDI) measured by R&D expenditures divided by total annual sales, as a control variable to the extent that it is theoretically accepted that innovation often allows dissipating a competitive advantage and improving profitability [41, 71, 72]. On the other hand, there is empirical evidence that the degree of innovation has an impact on firm social performance [73, 74]. McWilliams and Siegel [75] highlighted that innovation is important for the understanding of the CSR influence on financial performance. According Luo and Du [76], CSR can be a catalyst for innovation.

3.3 Methods

In this study, we aim at examining the effect of CSR on REM and the moderating role of firm visibility on this relationship. For this purpose, we proceed by two steps. We start first by estimating the following equation:

$$
FFP_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 VBL_{it} + \beta_3 AGE_{it} + \beta_4 SIZE_{it} + B_5 LEV_{it} + B_6 RD{D}_{it} + \epsilon_i
$$

(1)

In order to examine the moderating effect of firm visibility on the CSR-FFP relationship described in our basic model, we regress FFP on the CSR variable, visibility variable and the interaction between both of these variables.

$$
FFP_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 VBL_{it} + \beta_3 CSR \times VBL_{it} + \beta_4 AGE_{it} + \beta_5 SIZE_{it} + B_6 LEV_{it} + B_7 RD{D}_{it} + \epsilon_i
$$

(2)

In Eq. (1), $FFP_{it}$ is the dependent variable which is measured by Return on assets and $CSR_{it}$ is lagged by two years to avoid simultaneity. In Eq. (2), $CSR \times VBL_{it}$ is the
interaction variable lagged by two years and is used to avoid the endogeneity with FFP. \( \epsilon_i \) is the error term for firm \( i \) during the period \( t \). For more detailed description of variables see Table 1.

We consider the GMM equations for panel data to estimate models. The GMM estimator has the advantage of controlling for endogeneity between variables and unobservable heterogeneity. For this purpose, the following two models have been specified by using random-effects panel regression.

4. Findings

4.1 Descriptive statistics

Table 2 presents the descriptive statistics. It shows the minimum value, maximum value, average and standard deviation. The dependent variable, ROA, has an average value of 0.398 with a standard deviation of 0.0689. Thus, on average result before taxes and interest represent 3.98% of total assets of companies of our study. The average firm visibility variable equals 5.69% with a standard deviation of 0.1466 suggesting high dispersion between the companies of our sample.
The averages of the control variables are 3.670 for firm age, 9.996 for firm size, 0.7328 for leverage and 0.0486 for R&D intensity.

The mean value of overall ESG score for all the companies in our sample over the period studied is 0.5787 with a standard deviation of 0.1852. This score did not change significantly over the analysis period with a maximum recorded in 2015 (65.91%) and a minimum of 49.43% in 2011. For international comparison, the average ESG score observed on a sample of 94 Korean companies listed on the KOSPI (Korea Stock Exchange) over the period 2008–2014 is close to 46%. According to the rating agency Novethic, the average ESG score of European companies is 45.4% in 2017.

4.2 Correlation matrix

Table 3 shows the Pearson correlation matrix. All correlation coefficient are less than the acceptable limit (0.5). Therefore, there are no multicollinearity problems in our study.

The correlation coefficient shows that visibility has a high positive correlation with CSR variable at a significance level of 5%. This is can be in accordance with the hypothesis that more visibility should create incentives for a firm to engage in social initiatives and to divulgate their social performance and is additionally in line with the results of previous researches [62, 77, 78]. There is also a significant positive correlation between visibility and firm age. This is expected as old firms should have more visibility and access to media. Visibility also has strong correlations with R&D intensity [72, 79]. In fine, significant correlation was reported between CSR and firm leverage in our sample. This is consistent with the literature up to this point which has supported a strong positive correlation between leverage and CSR [80]. Indeed, firms that participate in more CSR initiatives are more likely to be less leveraged. This is often expected as firms that are highly leveraged should find it tougher to participate in “non-essential” spending [34].

4.3 Multivariate regression analysis

The main objective of this research was to study the link between CSR and FFP and the moderating effect of firm visibility on CSR and firm performance relationship. Table 4 presents the results. The findings of the first model demonstrate that CSR have a positive and significant relationship with firm performance. Our first

<table>
<thead>
<tr>
<th>Variable</th>
<th>FFP</th>
<th>CSR</th>
<th>VBL</th>
<th>AGE</th>
<th>SIZE</th>
<th>LEV</th>
<th>RDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>FFP</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR</td>
<td>0.0458**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VBL</td>
<td>0.1147***</td>
<td>0.4331**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGE</td>
<td>0.0341**</td>
<td>0.0137*</td>
<td>0.1372***</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIZE</td>
<td>−0.0746</td>
<td>0.0568</td>
<td>0.0557*</td>
<td>0.0965**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEV</td>
<td>−0.2844*</td>
<td>−0.0124**</td>
<td>−0.0788</td>
<td>0.0299**</td>
<td>−0.1550***</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>RDI</td>
<td>0.1864</td>
<td>−0.0174</td>
<td>0.0936***</td>
<td>0.1748</td>
<td>0.1562**</td>
<td>0.0514***</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: For description of variables see Table 1.

The superscripts *, ** and *** indicate significance at the 5%, 1% and 0.01% levels, respectively.

Table 3.
Pearson correlation matrix.
hypothesis H1 is accepted. These findings are in line with previous studies [81–83] which have determined that greater CSR activities enhance firm performance.

With the second model, we employed Aguinis’s [84] Moderate Multiple Regression (MMR) model by creating a new variable (product between the two predictors). The effect of interaction variable (CSR × VBL) is positive on firm performance (coef. 0.0137, p-value = 0.022) and significant at 5 percent level. Our second hypothesis H2 is accepted which suggests that firm visibility moderates the link between CSR and FFP. This indicates that as a firm is more visible, the positive effect of CSR on ROA becomes stronger. Thus, increased visibility would encourage more commitment and disclosure of societal achievements that can be valued by stakeholders and leading to better financial performance. Our results are also supported by Park [85] who demonstrated that visibility moderates the correlation between CSR and reputation, which mediates the CSR-FFP relationship in the long run. These results are also in accordance with those of Madsen and Rodgers [86] who underlined the role of firm visibility and “stakeholder attention” when studying CSR-FFP link.

Regarding the control variables, firm leverage was found to be negatively and significantly related to firm performance in both models. This finding is congruent with that observed in researchers carried out in the same context (see, for example, [87]).

Firm size has negative and statistically significant effect on firm performance within the two models at a 5 percent level. The results are in line with those of prior studies [88, 89]. Finally, the coefficients of firm age and R&D intensity are negative but not significant.

5. Conclusion

Over the past decades there has been growing interest, both in academic literature and within the business world, in CSR and its impact on the actions and results of companies. The empirical research carried out to date does not seem to be sufficient to draw a stable and definitive conclusion about the existence, direction and stability of CSR-FFP link, to give for investigations about contingent variables which could affect this relationship. In this research, we essentially mobilized

### Table 4.
Multivariate regression analysis.

<table>
<thead>
<tr>
<th>Dependant variable: Financial Firm Performance measured by ROA</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef.</td>
<td>p-value</td>
</tr>
<tr>
<td>CSR</td>
<td>0.0141**</td>
<td>0.021</td>
</tr>
<tr>
<td>VBL</td>
<td>0.1109</td>
<td>0.501</td>
</tr>
<tr>
<td>CSR × VBL</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>AGE</td>
<td>−0.0771</td>
<td>0.377</td>
</tr>
<tr>
<td>SIZE</td>
<td>−0.2240**</td>
<td>0.050</td>
</tr>
<tr>
<td>LEV</td>
<td>−0.0389***</td>
<td>0.001</td>
</tr>
<tr>
<td>RDI</td>
<td>−0.7909</td>
<td>0.390</td>
</tr>
<tr>
<td>Wald χ²</td>
<td>73.01</td>
<td>79.33</td>
</tr>
</tbody>
</table>

The superscripts *, ** and *** indicate significance at the 5%, 1% and 0.01% levels, respectively.
legitimacy theory to advance that the firm’s response to several pressures exerted thereon by the various stakeholders could vary consistently with its degree of visibility and therefore the attention given by the community. The empirical validation on a sample of large French firms allowed us to conclude that visibility plays the role of a positive moderator on the link between CSR and financial performance. Indeed, we have demonstrated the existence of a positive and significant relationship between ESG scores (CSR measure) and the return on assets (firm financial performance measure) to validate our first hypothesis. Likewise, we have demonstrated the existence of a positive relationship between visibility level and CSR to argue that visibility increases the company’s exposure to implicit complaints can therefore lead to higher CSR. This study showed significant positive relationships between visibility and CSR demonstrated by correlation and multivariate analyzes.

This research also made for an interesting finding that might be the topic of further investigations: the chosen visibility indicator has a significant positive relationship with the ESG scores. This observation is in step with that revealed by other studies carried out in other contexts [85, 90, 91]. French companies with high visibility seem to support CSR issues to manage social expectations and reinforce their legitimacy. These results match in particular with what was revealed by Aouadi and Marsat [92] who found that ESG scores are positively related to company value for highly visible companies after using a large sample of over 4,000 companies from 58 countries between 2002 and 2011.

The results of this study have practical implications; they can be interesting and useful for managers in their decision making since they indicate that decision makers should be aware of the importance of visibility to gain legitimacy. Indeed, this research shows that the visibility positively moderates the correlation between CSR and financial performance. This moderating effect would most likely be exerted through the firm’s reputation, suggesting that companies should pay more attention to visibility when implementing and disclosing their CSR programs.

The main limitation of this study is related to the visibility metric, future research may well be inquisitive about further developing indicators for firm visibility measures based, for instance, on media coverage or on the interest given to the company by social networks or Internet search engines. Comparative studies with other countries would be possible. Finally, in this research, we used an overall ESG score; it would be interesting to perform the effect of specific ESG components on financial performance.

Conflict of interest

The authors declare no conflict of interest.
References


[34] Li, F., Morris, T., & Young, B. (2019). The Effect of Corporate Visibility on Corporate Social Responsibility. *Sustainability, 11*(13), 1-16.


Chapter 25

The Institutional and Cultural Challenges of Corporate Social Responsibility: Case Study in Indonesia

Melia Famiola, Bambang Rudito, Prameshwara Anggahegari and Neneng Nurlaela Arif

Abstract

Performing CSR programs in developing countries has distinctive challenges form their practices in developed countries. The majority of companies face the higher expectation of public to the positive social change of their CSR program, particularly in form of community development. Many companies, both multinational as well as local companies, have tried challenge themselves to make the social innovation through their CSR initiatives. However this is not easy. The companies are always in dilemma of how to achieve better company performance with confronting to the institutional aspects as well as challenged by the culture of the local communities where the CSRs are conducted. This chapter tries to elaborate the institutional and cultural challenges of CSR implementation in Indonesia.

Keywords: institutional theory, culture, corporate social responsibility

1. Introduction

Corporate Social Responsibility (CSR) has become a debate and interesting discussion among governments, academics, and businesses [1–3]. The discussions have begun to drive how CSR does not only an ethically normative pressure to business [4–6] but it being to be a new direction and shifting in business management in this modern era [7, 8]. Businesses are request to do not only focus on pursing profit, but also generate positive impact to the wider society and environment [9].

Scholars had employed different methods to reveal the CSR phenomenon. For example, from the perspective of stakeholder theory, CSR is seen as the business response ‘s compliance to the expectations of its stakeholders [10, 11], while CSR is viewed in the context of the global sustainable development movement as a commitment of the corporation to participate in sustainable development initiatives [12, 13], meanwhile Bansal [14] submitted that the concepts of duty and sustainability are of different concern and may generate ambiguities in business practices. This statement does, however, give us insight that corporate activities do not escape external pressure. Corporations need to tackle the stresses of their day-to-day activities as their response and perception conformity. Furthermore, Rathert [15]
also mentioned that CSR is a measurement tool on how they get legitimation from the local people as well to expose their roles and contribution of global interests. Studies of CSR practices in developing countries had shown the different characteristic practices from developed countries of their counterparts [16]. Visser [17] even argued that CSR’s Carrol pyramid has not worked in developing countries. He demonstrates a trend that CSR is related to philanthropic rather than legal and ethical obligation in developing countries. CSR is viewed as community projects of companies in developing countries. The public in these countries expect Corporations to take an active role in solving certain social issues [18]. Though their contribution to public standards is seen from the corporate viewpoint as a way to legitimize the local stakeholder [19].

Accordingly, this study underlines the drivers of CSR in developing countries from the institutional and cultural aspect perspective. CSR studies from an institutional or cultural perspective may be very popular in the literature but there is no study yet to be discussed in one of the discussions on understanding the CSR phenomenon, particularly in developing countries. By using the two approaches in one discussion, it is expected to increase our understanding of the CSR drivers of corporations in developing countries, particularly in Indonesia.

2. Theoretical foundation and model of the study

2.1 Institutional logic of corporate Social Responsibility practices in developing countries

Institutional theory is one of the common theories to understand the organization’s behavior [3, 20] including why a corporation participates in social activities [2, 21]. Institution refers to formal and informal laws within a neoclassical system. This is also associated as tools for monitoring and sanctioning. The company must use the rules and limitations arising from monitoring and sanction mechanism as a justification for its rational and logic reasons to carry out their activities. These reasons are affected by the institutional context in which they operate. This context could include public opinion, social norms and values, rules, regulations and the political interests of local governments, as well as introduced knowledge from the education system [22].

Scott [23] identifies three institutional factors: regulation, cognitive, and norm. Different dominant power of that institutional factor will create different isomorphism models. The regulatory factor reflects the element such as laws, rules, sanctions and government regulations in which an organization operates. The high pressure of this element creates coercive isomorphism. The cognitive factor explains the influence of knowledge in a community and how people behave and interpret particular phenomena. Pressure from cognitive elements in host countries will create mimetic isomorphism. Finally, the normative factor reflects the values, beliefs, norms and assumptions that guide individual behavior in a country.

CSR studies with institutional context are more predominant with the mainstream logic of CSR practices in Western developed economies, in which CSR tied to particular efficient National Business Systems configurations [24, 25]. These practices are not similar to a phenomenon in developing countries. Some studies in these countries revealed the unsynchronized character of social responsibility with the practices developed in those countries. In Indonesia, for example, Famiola and Adiwoso [19] stated that Indonesia’s CSR tends to be compulsory with various government-designed regulations to push businesses with their social responsibility. Nevertheless, the model of isomorphic mimicry is more prevalent in explaining companies’ CSR behavior in this country.
Furthermore, the CSR practices in developing countries with the socialism background, also show similar pattern, the cognitive factors more powerful to direct the character of CSR within these countries. For example, in Russia, this country’s choice of CSR is more affected by the cultural system in those countries. The public placed their high expectations of the role of businesses as their caretaker and worked on issues such as healthcare provision, education and housing [26]. Similarly, CSR researches in China found similar issues that CSR in this country is a long history as a reflection of local culture to develop harmony within society [16, 27].

The question is what the institutional challenge of CSR logic is in developing countries, particularly Indonesia.

2.2 Culture context and corporate social responsibility

Past studies indicate that in developed countries culture plays a significant role in CSR activities [24, 28, 29]. There are various issues illustrated when it comes to understanding the CSR and culture phenomena. Nonetheless, of literature as a whole, we find two mainstreams of studies that describe the relation between culture and CSR more dominantly.

First, the relationship between CSR activities and religious beliefs [28, 30, 31]. Studies on this subject consistently find the positive impact on CSR practices of religious values [30]. While the CSR definition of different religions does have different characteristics [28, 31]. The crucial issues of these studies showed religious beliefs play a major role in the ethical analysis of business decision-making and social responsibility expressed by the CSR activities of the company. For example, Zolotoy [30] found that using religious principles as corporate decision-making guides would minimize unethical risk managers. Furthermore Su [32] states that more positive attitude and environmentally friendly behavior is shown by a manager with a religious denomination. In many cases, when a religious manager uses the religious values and principles as the guideline for the business decision-making, it will reflect the social responsibility of the company [33].

Second, studies focused on the link between CSR and the National Cultural Model of the Hofstede [34–37]. Studies on this topic focused particular attention in four natural Hofstede cultures [38] and how their impact on CSR motivation: power distance, individualism, masculinity and avoidance uncertainty.

Power distance refers to the extent of society that is willing to accept inequality and power distribution. Culture of individualism explains the degree of an individual’s interdependence within a society, and how they maintain their relationship. Masculine culture defines a community’s propensity to accept the degree of competition which drives its concept of success and achievement. While the culture of avoidance of uncertainty refers to the extent to which people within the community deal with the fact that the future is unpredictable.

The studies in this topic show dynamic findings. A research by Peng [34] found that the atmosphere of high individualism and ambiguity avoidance has a positive association with the motivation for CSR. Power distance and masculinity show the negative influence. Whereas Thanetsunthorn [36] studies revealed that companies operating in countries with individualistic and masculine societies appeared to have low interest in conducting CSR. Thus, businesses that work in uncertain avoidance will participate more in CSR with environmental concerns. In his next study contrasting culture in Eastern Asia and Europe, Thanetsunthorn [39] found that CSR activities would take low interest in companies operating in high-power distance, individualism and masculinity countries. By comparison, businesses operating in countries with lower rates of ambiguity tend to have a high degree of participation in CSR activities with the society and climate.
Accordingly, the next research question of this study is how the national culture in Indonesian context could explain the CSR practices within this country?

2.3 The translation institutional and cultural logic to CSR: a research model

Institutional theory does not only highlight the written factors that affecting the choice of individual or organizational behavior in the form of regulations and the strength of government policies in regulating organizations which is operating in their area. Social factors such as culture, traditions and norms that present in a society are also understood having an important role in creating organizational behavior.

Drawing to a national culture model developed by Hofstede [38], we argue that the cognitive dimension of institutional theory can be explored in more detail with the components of Hofstede’s national culture. We focus on selecting four cultural components that have been examined in previous studies discussing the correlation of CSR and national culture: 1) power distance; 2) collective (low individual); 3) Masculinity and 4) Avoidable uncertainty.

According to the Hofstede cultural analysis, Indonesian national culture is presented in below Figure 1.

Indonesia has a high-power distance score, which means Indonesians are hierarchically dependent, leadership is a directive and expect high management controls. This power distance component of Indonesia’s national culture might correlate with the regulatory dimension. We will examine this two-aspect relationship and explore whether the high-power distance as Indonesia’s national culture is reflected in the government’s efforts to regulate CSR, and what is the challenge in the implementation?

Figure 1 also reveals that Indonesia has a low individualism score, which means Indonesia is a society of collectivism. Indonesians also have the character to consider the quality of life more as caring for others than as competitive (low score for masculinity/feminine). In addition, Indonesia also gets a low score for avoidance uncertainty, which means most Indonesians tend to avoid conflict in order to maintain harmony within their society. These facts will be examined to what extent CSR decision making in Indonesian companies is affected by them.

Referring also to the results of previous studies, CSR also has a strong relationship in developing countries, such as the implementation of traditional cultures, such as the influence of the application of religious and other beliefs, such as the
influence of Islamic cultural values on CSR in Turkey [40] Confucian in China [16] and Buddhism in Thailand [41] or Christianity in Brazil [42].

Every citizen in Indonesia has to have one of the foundations of believing in God and mention their religious denomination of Indonesia’s five recognized religions: Islam, Christianity, Hinduism, Buddhism, Confucian. Then that difference of belief is united in the context of a national ideology named Pancasila. As previous findings, we assume that these two-dimensional dynamics will heavily color the normative dimension of the institutions in Indonesia: the values of religion and Pancasila.

In this study, therefore, our argument and exploration will capture all the issues and we are working with the research model below (Figure 2).

3. Methodology

3.1 Data collection

Qualitative approach is employed in this research. With this approach, we have more opportunities to explore the subject-object relationships in depth without interfering with reality construction [43].

Three approaches are used in this study. The first we do is literature review of CSR practice in Indonesia. The purpose of desk research is also to select the correct companies to be approached as the key data resources for the analysis. We observe media coverage and other research papers to pick the companies that are suitable for finding our objects for the theoretical sampling. We list the companies in three categories: 1) subsidiaries of a multinational corporation; 2) large national companies (Indonesian companies) 3) state-owned companies. We have also tested their CSR achievements by considering the corporate success in social and environmental activities relevant to the Indonesian government’s assessment (read PROPER).
We also recognize their international reputation for multinational corporations, such as their role in Dow Jones sustainable indexes. Nine of these were chosen as our primary target companies. It consists of four multinational companies, three local private companies and two state-owned companies as presented in Table 1 below.

Second, we conducted in-depth interviews and spoke to key staff appointed to oversee CSR in selected firms. Appointment for the meeting was about 1 hour. We ask our interviewee about their CSR initiatives as well as question them in developing CSR programs, particularly for a program that aims to give the targeted community a high and sustainable impact.

As a model defined in Figure 2, we explored their experiences regarding the challenges they faced with CSR regulation and cultural factors in Indonesia. What is the implication of Hofstede model of Indonesia national culture to the institutional logic of CSR practices in Indonesia?

The cultural elements we will concentrate on are four topics that stand out as characteristics of Indonesia's Hofstede-based national culture: high power distance, collectivism (low individualism), and religion values.

3.2 Data analysis

All collected data both literature analysis and interview's results were combine together to get our comprehensive understanding of CSR practices in Indonesia.

First, the outcomes of all the interviews were translated into transcripts. Such transcripts have been read several times while we consider the thematic problems that our informants have highlighted. In this way we could have a thorough explanation of the phenomena and the building of ideas that formed the basis of the research. We noted particular contexts and identified certain themes and trends in the data. We then created initial codes and categorized the data [44].

To guarantee the reliability of the analysis, we used NVivo to code the data and build the database. We compared our initial codes to tests from NVivo. We ensure there were no major variations between our initial review and the findings of the NVivo code. To support our points, during the interviews we quote several significant claims made by the participants.

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Position of informants</th>
<th>CSR Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multinational 1</td>
<td>Corporate Shared Value Manager</td>
<td>Enhancing skill capacity of farmers that is integrated in their supply chain</td>
</tr>
<tr>
<td>Multinational 2</td>
<td>CSR Manager</td>
<td>Empower Farmers</td>
</tr>
<tr>
<td>Multinational 3</td>
<td>Sustainable Development Manager</td>
<td>Clean water access to a community in remote areas</td>
</tr>
<tr>
<td>Multinational 4</td>
<td>Head Corporate Affair</td>
<td>Sustainable Agriculture and nutrition improvement for children in rural areas</td>
</tr>
<tr>
<td>Local private 1</td>
<td>CSR Manager</td>
<td>Empowerment of cow farmer</td>
</tr>
<tr>
<td>Local private 2</td>
<td>CSR Manager</td>
<td>Empowerment program for Small Farmers and women's empowerment</td>
</tr>
<tr>
<td>Local private 3</td>
<td>Chief Marketing Officers</td>
<td>Inspiring and support young people to take part of change to their community</td>
</tr>
<tr>
<td>State Owned 1</td>
<td>CSR Manager</td>
<td>Women empowerment</td>
</tr>
<tr>
<td>State Owned 2</td>
<td>Senior Manager of Community Development</td>
<td>Empowering SMEs</td>
</tr>
</tbody>
</table>

Table 1. List of informants.
4. Findings and discussion

In Indonesia, CSR is mandatory by definition, in view of the Indonesian constitution. Indonesian constitution states that “national economic and social welfare must be regulated by the government to the biggest society’s wealth.” There is some legislation created to support these claims, such as Indonesian Corporate Law No. 40 and Indonesian Investment Law No. 25 of 2007. This legislation applied to CSR as mandatory in nature. Nevertheless, every company has a duty under Article 15 of Investment Law No. 25 of 2007 to carry out corporate social and environmental responsibility [45].

CSR policy in Indonesia is stringent enough from the standpoint of power distance practices. In doing their social responsibility, the government makes regulations for the business. Nevertheless, the implementing regulations are challenging. We had found some facts. First, Law overlapping. First, Overlapping in law. Even the government had regulations that could push companies to run their social responsibility, due to the overlapping of the policy some companies found some dilemma. Some statements underlined these problems below.

“I think we produce so many regulations and sometimes one regulation is overlapped with the other and non-synchronized with the other” (State-owned 1).

“We find that the overlapping regulations are due to the Indonesian regional autonomy law. Different perceptions and concerns between the local and central governments” (Local company 2).

Second, the high cost of bureaucracy due to corruption needs to be given serious attention, some experiences of our respondent are highlighted in below quotes:

“We generally have to follow so many stages of bureaucracy to get permission for our programme. Sometimes, when our CSR tried to collaborate with the local agendas community association in charge until we got the permission, we have to contact too many people from low level of government to regional government. Otherwise, we could pay someone internally to get access.” (State-Owned 1).

“Even all government offices stated that they always say no to briberies and in war with corruption. But we often find the condition when the permission need several days to be processed. As you now, our CSR based on the company’s budget year, we need a quick response and progress. The government officer may not specifically or directly indicate that they request for money, but without the fund, there is possibility that they could delay our programme for quite some time and long and this is ineffective for us” (Multinational company 4).

“Frankly speaking, we dislike dealing with bureaucracy, we are going to choose a program that may not be in touch with some boundary of administration. That’s why our choices help microenterprise renew their booth carts, or make soccer school for unfortunate kids. Because such programs do not need authorisations from them” (Multinational 1).

This situation often leads to a dilemma among companies: whether the company should consistent with its code of conduct and commit to anti-corruption practices or succumb to bribery as global commitment. Corruption has become a chronic problem in Indonesia nowadays. The model of ‘petty corruption’ or small scale of corruption [46, 47] as indicated above is a common practice among low-level government officer.
Third, the weak low enforcement; Our respondents also highlighted the law’s inconsistency and its strengthening. Some regulation is also created and usually not followed by punishment and sanction for those who have failed to implement the regulation.

“Another problem is inconsistency in term of sanctions and law enforcement. Many regulations made by government do not provide the consequences should the implementation failed. So, it is seen as just an advice or suggestion. I Think the government is in dilemmatic on whether CSR should be mandatory or just a volunteerism (Multinational company 4).

Problems explained above show weak overlapping legislation, high rates of corruption, as well as law enforcement as the country’s main problem. Some earlier studies related to CSR practices and debate among academic and business practitioners in Indonesia had also identified these problems. Due to some conflict between economic interests the difficulty of reducing these practices is quite difficult. Moreover, due to the intention to attract foreign investment, the Indonesian government often gives special treatment to corporations, such as tax-reducing and less stringent environmental standards [19].

Power distance in Indonesia therefore does not become relevant for encouraging CSR practices. This finding is in line with the previous study that high-power distance will eliminate the interest of corporation to work with CSR [34]. We argue, however, that the reason why power distance does not correlate with CSR motivation is not due to the limited opportunity and space for the company to express its interest and sound its social interest, but more about the problem of implementing the regulation as discussed above: overlapping of regulation, bureaucracy and low law enforcement that has created ambiguity in the regulation implementation thus creates uncertainty among the businesses.

Our previous studies found that the intent to implement CSR among Indonesian corporations is increasing [19], and that the trend is also attracting small businesses [48]. This research shows there are several things that might explain the phenomenon. In Indonesia, we argue that the increase in social responsibility initiatives is the conformity of the combination of the collective and feminine character of Indonesian society. The two dimensions of national culture are seen as the main motivation of why companies in Indonesia work with CSR. The character of both cultures matches two normative values of the Indonesian people: “gotong royong” (mutual cooperation) and “teposeliro” (being tolerance) that include in Pancasila (Indonesia’s five national principles) articles. Below are some of the quotes of our informants that we sum up as a reflection of this argumentation.

“Togetherness, I think is a major value in our society. Helping each other is actually very relevant to religious values and also the values of gotong royong as a foundation in Pancasila. All companies can do this through their CSR. Apart from that any religion teaches us to help each other” (Multinational 3).

“CSR is actually a reflection of a tradition that has existed in our society for a long time. Our society is a society that likes togetherness and upholds family values, such as gotong royong, teposeliro. Everything is the same as the spirit of CSR. Corporate CSR is a tangible form of the company’s contribution to show that it is part of society” (State Owned 2).

This finding is quite significantly contradictory with Indonesia’s collective character, where previous research Peng [34] found that countries with higher levels of
individuals are more capable of encouraging CSR but are consistent with the findings [39]. In Indonesia we see a phenomenon that the collective character of the Indonesian people makes CSR the main reason why it is easily acceptable in society and becomes a corporate culture in Indonesia. However, these findings may differ with Peng [34], since the cultural elements were viewed separately in the previous research.

In the meantime, our findings indicate that Indonesian society’s collective element is not only a single problem but also a synthesis of Indonesian society’s feminine culture. The effort to be integrated into community life is also high when a company feels itself as a community member. Harmonization with society in attitudes in Indonesian society is very significant, and that is also translated by company behavior. So, CSR is not seen merely as acquiring “legitimacy” in the Indonesian sense. Nevertheless, the CSR that the organization carries out is more of an attempt to connect with the society and show its commitment.

Nonetheless, the type of national culture of collectivism also often becomes a challenge for companies to develop and execute CSR programs in Indonesian society. Collective between them is often described as equalizing the same justice. The following comments demonstrate that collectivism in Indonesian culture faces yet another obstacle in Indonesia’s implementation of CSR.

“There was jealousy from the unreached people in our CSR program. They often ask for the same activity to be carried out in their area. For us, this is certainly not easy, because apart from having a limited budget, we also have to measure impact” (State Owned 1).

“You have to be smart in choosing the agent of change, people who will support our program. Indonesians like to ‘ngekor’ or follow others. If you want to join a program, they will first see who their friends are (that joined the same program). Often at the beginning of the program it was not easy to find people like this. This person must be able to invite others too and be able to encourage others to continue engaging in our program” (Local private company 1).

“Selection of issues and who is confident in these issues are crucial aspects that we have to be cautious about. We have a plan for giving children the vaccines. Yet several people have refused to believe in vaccination because they received recitation from their ustad. Therefore, we need to also identify informal representatives who can clarify the right facts to the public” (Local private 2).

In addition, we do not really see the low level of ambiguity avoidance in Indonesian society as being linked to the essence of CSR and CSR decision taking in Indonesia. As explained earlier, due to the complexity of the regulations, in order to avoid confusion in reacting to the different stakeholders’ expectations, the company’s CSR choices are more likely to respond to community expectations and seek models for their respective approaches either in the form of charity or community project programs. This result is not in accordance with the findings of Thanetsuthorn [39], that companies operating in countries with high uncertainty avoidance tend to carry out CSR that is more concentrated on the environment and society.

However, Indonesian people’s attitudes and behaviors, which have a low-uncertainty avoidance character, pose challenges to a CSR program’s success or failure. Our study found that group character which is not too straightforward and appears to avoid confrontation sometimes creates obstacles to 1) identify the real community needs and 2) identify potential conflicts and conflict resolution during the program, like the following remarks we come across during data collection:
“Indonesian culture is in general a little closed, it is not easy for us to recognise their needs if we only address them a few times. Nevertheless, we need to be more observant about seeing and understanding them both from their actions and from what is the topic of conversation among them” (Local company 2).

“Sometimes in the program, we cannot avoid conflicts. Conflicts between communities must be examined longer because they sometimes do not want to talk about it. But suddenly, sometimes someone (who has problems with their friend) has disappeared and is no longer active in the program” (Multinational company 1).

Finally, this research also clearly explores the role of religion in taking social actions related to corporate CSR, particularly when making choices about CSR programmes.

It is fascinating and also a obstacle for Indonesia’s implementation of CSR is how to communicate CSR in the most effective way. And when we ask what the firm thinks about the CSR initiatives for the business. There were many answers that were very normative in nature, such as:

“CSR is doing a good thing, we do not expect anything in CSR. In accordance with religious teachings, we must pay attention, do not let the right hand give and the left hand tell”. (State-owned company 1).

This normative response often appears from officers at CSR who may have strong religious observances. This awareness of CSR engagement continues to make businesses less conscious of whether CSR can be a strategic concern for the organization, and to avoid focusing on CSR operations. Except for organizations that are really aware of the need for strategic CSR collaboration.

5. Conclusion

To sum up, in Indonesian society the institutional logic of CSR practice is more influenced by cognitive factors than by regulatory factors. Although Indonesia has sufficiently complex regulations to encourage corporate responsibility that is supported by community character with cognitive values of high-power distance determines CSR in Indonesia. Problems related to overlapping policies, bureaucracy, and corruption make ineffective regulations encourage businesses to have social responsibility.

Indonesian society, which is collective and also tends to be feminine, contribute significantly as a driver of CSR practices. This research shows that the company interprets two cultural features as their form and endeavor to attach themselves to the surrounding community where they operate. This condition cannot only be explained as an effort to gain legitimacy, but rather to build harmony in society. However, the Indonesian people who are collective and tend to have low uncertainty avoidance (avoiding inconvenience and conflict) make CSR implementation more challenging.

This study also sees that the role of religion and the normative values of the Pancasila ideology also provides its color in the practice of CSR in Indonesia. Such principles are yet another challenge in how CSR can be expressed in Indonesian society.
References


[38] G. Hofstede, "Dimensionalizing cultures: The Hofstede model in context..," *Online readings in psychology and culture*, vol. 2, no. 1, pp. 2307-0919., 2011.


Corporate Social Responsibility in India: The Saga Continues

Shouvik Kumar Guha and Anuradha Roychowdhury

Abstract

In course of this paper, the authors have sought to trace the various contours of the manner in which the concept of corporate social responsibility has evolved in India, culminating into its inclusion into the governing legislations for companies. The apparent shift of the CSR regime from being a voluntary one to a mandatory one involving sanctions for non-compliance via the latest legislative amendments has also been commented upon. After having discussed the key legislative provisions that govern CSR spending by companies by India, the paper goes on to highlight some of the legislative amendments relating to CSR and the potential impact thereof, including relaxations provided to start-up companies, the mandatory transfer of unspent CSR funds to escrow funds and eventually to public funds centrally controlled by the government, the additional compliance monitoring authority granted to the government, and the penal provisions for non-compliance. The paper finally refers to the draft Companies (Amendment) Bill, 2020 and its possible effect on the CSR regime in India that is looking more and more like corporate taxation with these new amendments.

Keywords: corporate social responsibility, CSR, companies, mandatory, voluntary, compliance, penalty, India, Draft CSR (Amendment) Rules 2020, Companies (Amendment) Act 2019, Section 135, unspent CSR fund

1. Introduction

In 2013, the Indian government introduced corporate social responsibility (CSR) in the newly drafted Companies Act. One of the most discussed aspects was whether the provision held CSR spending to be ‘mandatory’ in certain classes of companies. However, the requirement was largely perceived as being a ‘comply or explain’ requirement, and companies responded accordingly. However, it became evident that many companies were choosing to not comply with the provisions of the Act, as a result of which the recent amendment of the Act in 2019 redefined Indian CSR as mandatory with significant penalties and criminal liabilities attached to non-compliance. Significant criticism of these amendments has subsequently led to the government once more pulling back from the stringency of criminal liability for the failure of meeting CSR spending obligations. This chapter highlights the evolution of the CSR law in India with a special emphasis on the 2019 amendment and its impact. It concludes that the constant shifting of the government position of CSR and its enforcement comes from a failure to appreciate the inherently voluntary nature of the practice of CSR, which requires a change in corporate thinking rather than only corporate spending.
2. Understanding corporate social responsibility

There is no canonical definition of CSR, which has evolved considerably from its earliest roots in charitable or philanthropic concerns of companies. CSR can now be seen as the 'obligations of business to pursue those policies, to make those decisions or top follow those lines of action which are desirable in terms of the objective and value of the society’ [1]. Modern conceptions of CSR owe much to Archie Carroll’s “Pyramid of Corporate Social Responsibility” which classifies the four corporate responsibilities. The first and most obvious is the economic responsibility of the company owed to its shareholders to be profitable. The second is the legal responsibility to abide by necessary legal obligations. The third, which is closely linked to the second, is the ethical responsibility to ‘embrace those activities and practices that are expected or prohibited by societal members even though they are not codified into law’ [2]. The fourth is the philanthropic responsibility of a business, which is the responsibility to be a good “corporate citizen” and contribute resources to the community to improve its quality of life. All of these are responsibilities of the corporate but social responsibility is mainly related to philanthropic and ethical responsibilities, and as Carroll clarifies ‘CSR includes philanthropic contributions but is not limited to them... In a sense, philanthropy is icing on the cake’ [2].

An imperative aspect of CSR, as evident from Carroll’s pyramid, is that CSR implies an understanding that socially responsible actions can operate to the benefit of the business as it may attract many shareholders and also helps in image building and may often lead to certain efficiency improvements [3]. However, CSR cannot be seen as merely legal compliance or a tool for improving business [4]. It is in this context, that one of the foremost issues in relation to CSR emerges, whether CSR should be voluntary or mandatory. Traditionally common definitions and codes on CSR viewed it as voluntarily adopted practices by firms in assuming greater responsibility to stakeholders rather than only shareholders [5]. More recently though, scholars have pressed towards recognition of CSR as transcending voluntary practices and instead there should be a move towards sustainable development where social, environmental and economic agendas play a central role in corporate decision- making [6]. However, a much further move away from voluntary corporate adoption of CSR spending is the so-called mandatory CSR regime that was introduced in India by the Companies Act 2013.

3. Companies Act 2013

CSR has always been closely embedded in some Indian companies; from more than over a century ago, several Indian corporate groups have been involved voluntarily in charitable and other activities that benefited society [7]. In 2009, the Indian government introduced voluntary guidelines that required companies to establish CSR policies, allocate specific amounts for CSR expenditure and to disseminate information on these to stakeholders [8]. The government hoped that these voluntary guidelines would be applied on a ‘comply or explain’ basis, whereby companies who were unable to comply would provide an explanation for non-compliance. However, not many companies adopted the voluntary requirement for CSR [7].

The main impetus towards recognising CSR and stakeholder interests came from the Parliamentary Standing Committee on Finance [9], which lead to the Companies Bill 2011 and eventually the Companies Act 2013. The 2013 Act expressly recognised that companies must take into account stakeholders. This is evident in Section 166 (2) of the Companies Act which recognises that directors...
must take into account certain stakeholder interests. This Section can in many ways be seen as a doorway towards the introduction of Section 135 of the Act [10].

Section 135 of the 2013 Act along with Schedule VII and the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 which came into effect on April 1, 2014 regulate CSR in Indian companies. The application of the Section is triggered by not by the nature of the company (public, private, listed) but rather the financial strength of the company. Hence any company with a net worth of Rs 500 crore or a turnover of Rs 1000 crore or net profit of Rs 5 crore needs to constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. It is then the responsibility of this CSR Committee to ensure that in every financial year the company spends at least 2 percent of the average net profit of past three financial years on certain specified CSR activities. If the company fails to spend such amount, the Board shall specify the reasons for not spending the amount in its report [11].

The provision must be read in conjunction with the Companies (Corporate Social Responsibility Policy) Rules 2014 which provide for some of the procedural aspects of the CSR requirement. They provide that the CSR activities of a business should not be undertaken in the ‘normal course of business’ and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act [12]. These activities include eradicating hunger, poverty and malnutrition; promoting preventive health care; promoting education and livelihood enhancement projects and contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief, amongst others. This list is merely indicative and not exhaustive of the activities that the company might define as CSR. Although CSR activities must be relatable to Schedule VII, ‘the entries in the said Schedule VII must be interpreted liberally so as to capture the essence of the subjects’ [13]. An instance of this is evidenced in a recent circular that has declared that the liberal interpretation of Schedule VII would mean that spending of CSR funds for COVID-19 would be eligible CSR activity relating to promotion of health care and sanitation, and disaster management [14].

4. Impact of Section 135

Section 135 and the Rules as they were did not contain any enforcement provision and was thus largely viewed as a provision that would apply on a ‘comply or explain’ basis [15]. This means that in case of non-compliance, the board has to include an explanation in its responsibility statement with reasons as to non-compliance. Thus, the mandatory aspect of the provision was that companies were mandated to have a CSR committee and to make CSR disclosures, rather than the CSR expenditure itself. Despite the clear wording of the provision, at the outset there was some confusion as to whether the CSR expenditure requirement was mandatory or not. This was largely due to the fact that at the time the Ministry of Corporate Affairs and the headlines heralded CSR as a mandatory provision. For instance, Sachin Pilot (the then Minister of Corporate Affairs) ‘claimed without batting an eyelid that India was first to make CSR mandatory although this was a largely exaggerated statement’ [16].

However, the comply or explain nature of the CSR provision meant that compliance was largely dependent on companies. Early data circulated by the Government of India highlighted that in the first year of its implementation, out of 10,475 eligible
companies, 7334 have reported on CSR as of 31 January 2016, indicating compliance by about 70% of the companies [17]. However, of these reporting companies, only 3139 (or about 30% of all eligible companies) actually any CSR expenditure. Thus, out of the total prescribed CSR spending of Rs 118.83 billion by these 3139 companies, Rs 88.03 billion (or 74%) was actually spent. A study by Varottil considered a preliminary analysis of CSR spending amongst a sample representing the Nifty 100 companies based on hand collected data containing disclosures made in the annual reports of the companies as required by Section 135 of the Companies Act 2013 as well as the CSR Rules [7]. The findings highlighted that for the financial year 2014–2015, out of these top 100 companies (for 91 of which data was available), 37 (40.65%) complied with the 2% CSR spending requirement, while 54 (59.35%) did not meet the requirement [7]. In the financial year 2015–2016, a total of 99 companies were analysed (for 89 of which data was available), 49 (55%) complied with the 2% CSR spending requirement, while 40 (45%) did not meet the requirement [7]. Varottil writes that, ‘this suggests a perceptible increase in the number of companies that complied with CSR spending in the second year as compared to the first’ [7]. However, he also points to the fact that although spending may be on the rise, the overall effect of the enactment can only be deemed to be mixed; this is because the disclosures as to non-spending are sub-standard, ‘boilerplate and inadequate and do not reveal any material information to investors and other stakeholders’ [7].

Unsurprisingly, another government report conducted in 2018-2019 as part of the constituted Committee on CSR found that CSR compliance in India had been moderate over the last few years except in the FY 2015-2016 when it had been quite high [18]. It defined CSR compliance in terms of the total CSR expenditure as a percentage of total prescribed amounts for all companies for each financial year [18]. In the FY 2015–2016, the compliance percentage has shot up to 85% from 59% in 2014–2015. In the subsequent years, the compliance percent has decreased from 72% in 2016–2017 to 57% in 2017-2018. The report once again found that although some of the reasons given by companies to justify non-compliance were reasonable, most others were untenable [18]. It is unsurprising that in this context it was felt that for the CSR provision to be enforced more seriously, significant changes would need to be made.

In the period between 2013 to 2019, several circulars were issued by the Ministry of Corporate Affairs to try to clarify some of the uncertainties around the implementation of s 135 of the Companies Act. A High Level Committee constituted by the Ministry also produced a report in 2015 highlighting some potential changes that would need to be made. However, the Report also clearly stated that the provision was ‘based on the general principles of ‘comply or explain’ (which) are for the time being sufficient for ensuring compliance with the law’ [19]. The next big change in CSR enforcement in India comes from the 2019 amendment of the Companies Act, which moves away significantly from this ‘comply or explain’ approach.

5. Companies (Amendment) Act 2019

The recent amendment to the Companies Act, which was notified on the 31st of July 2019, has once more brought CSR issues to the forefront. Section 21 of the Companies (Amendment) Act 2019 makes several important alterations to the provision. These alterations will have a significant impact on the how companies contribute two percent of their net profits towards corporate social responsibility. The primary change that has happened is that although CSR largely operated on a comply or explain basis, after this amendment, CSR in India must be seen as being
completely mandatory. The amendment now mandates that companies must spend two percent of their profits within a three-year period, as it entails that unspent funds must be transferred into Government-run funds. It also introduces rigorous penalties where companies fail to spend two percent or transfer the amount to the requisite funds. This has resulted in taking ‘CSR in India to an extreme level, which deviates considerably from the concept (embedded in voluntarism) as it is understood globally’ [20]. A detailed discussion of the amendment follows.

5.1 Exemptions to start-ups

One of the compliance-related relaxations that have been provided by the legislature by way of this amendment is to clarify that for start-up companies that have come into existence for less than three years, while calculating the minimum statutory obligation to contribute funds for CSR activities, 2% of the net profit of the immediately preceding financial year would be considered, instead of 2% of the average net profit of the three immediately preceding financial years [21]. While on the face of it, such a clarification might seem rather obvious and practical, the absence of it has been giving rise to considerable confusion till date, especially amongst the start-up companies, which have already welcomed the clarification.

5.2 Carry forward of unspent CSR funds

There have been instances wherein a company might have found that in course of a given financial year, it has not succeeded in spending all the funds earmarked for an ongoing CSR project. While the 2019 Act does not clarify all the possible contours of such ongoing projects, there has been a subsequent attempt on the legislature’s part to define the same in the draft Companies (CSR) Amendment Rules, 2020, as a multi-year project that has been undertaken by a company in order to fulfil its CSR obligations, with the project being supposed to span a maximum range of four years including the year on which it has commenced [22]. Questions can and have been raised as to whether projects that might be started in the month of February of a financial year and intended to be continued up to say, June of the next financial year can be included in this category; further, in the light of the COVID-19 pandemic, the gestation period of four years might also need to be reexamined [23]. There may also be additional arguments made about whether ongoing projects might include those for which the company has already disbursed funds, but not commenced the project within the same financial years, or those for which the company has made budgetary provisions but not disbursed the funds within the same financial year. According to the 2019 Act, if there is any unspent fund originally dedicated to such a project by the end of any financial year, then the same needs to be transferred to a specific escrow account called the Unspent CSR Account that the company would have to open with a scheduled commercial bank. In case the company fails to spend the proceeds from such account towards its CSR projects within 3 years from the date of such transfer, then the leftover proceeds from that account would have to be transferred to a fund specified under Schedule VII of the Companies Act, 2013 within 30 days from the end of the third financial year [21]. Some of the funds mentioned under Schedule VII are the Prime Minister’s National Relief Fund, the Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund, the Clean Ganga Fund, as well as other funds established by the Central or State governments for the socio-economic development or relief or welfare of the scheduled castes and tribes, other backward classes, minority, and women. In the light of this development, it seems quite clear that existing and future CSR policies of companies would have to make year-wise budget allocation for all
CSR projects and develop strategic plans accordingly. However, the present legal position about projects which would otherwise have gone on for more than four years, seems uncertain, as is the position about whether the companies are required to form separate escrow accounts for each ongoing project, or a consolidated one for all projects combined.

Another important concern regarding this escrow fund is one that may arise involving companies that route their CSR expenditure through trusts or specific agencies that professionally engage in project implementation. Especially in case of group companies, lump-sum CSR funds may be diverted as a practice by each company to such trusts or agencies, and given that such diversion might not be considered as actual CSR expenditure in itself, unspent amounts remaining with the trusts might also be required to be transferred to the escrow account. Moreover, the companies themselves might not have control over the day-to-day spending by the agencies, some of which might be established and reputed non-governmental organisations – this practice may also potentially get affected because of such legislative amendments.

In the event of the company retaining any surplus fund from a project that does not qualify as an ongoing project, the company even earlier could not have claimed such funds as part of its profits; however, the 2019 Act clearly requires such surplus fund to either be used for the same project within the same financial year, or otherwise transfer the entirety of the surplus to one of the funds mentioned above under Schedule VII within six months from the end of the financial year concerned. Therefore, the government would in effect gain control of such surplus corporate fund to use in a centralised manner. As has been discussed in subsequent parts of this paper, such a stance on the part of the legislature has effectively rendered the CSR spending by the companies in every financial year mandatory, unlike the earlier position, wherein the companies were still left with an option of providing reasonable justification for their inability to spend such amount in any given financial year, thus providing new rigour to the CSR regime.

5.3 Compliance monitoring

The 2019 amendment has given the Central Government the power to ‘give such general or special directions to a company or class of companies as it considers necessary to ensure compliance of provisions of this section and such company or class of companies shall comply with such directions’ [21]. This provision is vague as it does not specify when such directions will be given to companies and in what context. It also has the power to be potentially dangerous since it could open up a Pandora’s box whereby, it could end up allowing the Central Government ‘to issue general or special directions to a company or class of companies (PSUs for example) to contribute towards a specific government programme or project’ [24]. Such a move would be disastrous not only from the viewpoint of the voluntariness that CSR is supposed to uphold but also may open up significant abuse to amongst other things, democracy.

5.4 Penalty

One of the biggest frailties of Section 135 has been that in its original form it was largely unenforceable. The 2019 amendment of the Companies Act altered that by creating both a criminal and a civil liability for breaching the CSR requirements. Such liability is to be imposed on both the company, which is subject to a ‘fine which shall not be less than fifty thousand rupees, but which may extend to twenty-five lakh rupees’ [21] and on every officer of the company who is in default [25], who
shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both’ [21].

Not unsurprisingly, the penalty provision, especially the criminal liability, met strong resistance from Indian Companies [26]. It was labelled by industry specialists and academics as harsh [26], retrograde [27], reminiscent of socialism [28] and forcing the hand [29] of companies, similar to taxation. It was also criticised heavily in the general context of the problems attached to criminalising economic offences [30]. In 2018, a High Level Committee on Corporate Social Responsibility had been set up by the Ministry of Corporate Affairs under the chairmanship of Injeti Srinivas. This Committee presented its report in August 2019. Amidst a series of recommendations, the Committee also recommended that the offence within Section 135 be de-criminalised and made a civil offence, although it recommended that penalties be imposed, it highlighted that there should not be any imprisonment [18]. It did so stating that ‘CSR is a means to partner corporates for social development and such penal provisions are not in harmony with the spirit of CSR’ [18].

On the basis of this report, the finance minister, Nirmala Sitharaman made an announcement at a meeting of the Confederation of Indian Industries that the provision would be reviewed once again [31]. On 23rd August 2019, she announced in a press conference that that the government had no intention to go through the prosecution route, making Section 135 only a civil offence and that the Ministry of Corporate Affairs would once again review the section which would remain unnotified for the time being [32].

6. Companies Bill 2020

In March 2020, a new amendment to the Companies Act was once again introduced in the Lok Sabha. The government expressed that the new changes were committed to committed towards ease of doing ethical and honest business [33]. The Bill has proposed numerous changes amongst which the largest change is the recategorization of offences, many of which would be decriminalised. A few amendments have also been proposed to Section 135. Most importantly, the lack of CSR expenditure would be seen as a civil offence whereby ‘the company shall be liable to a penalty of twice the amount required to be transferred by the company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less, and every officer of the company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less’ [34]. This is a welcome adoption of the Srinivasa Committee's recommendation, which rectifies the stringency of the criminal penalty.

The Bill proposes a procedural relaxation to companies who are not required to spend more than fifty lakh rupees on CSR expenditure- such companies will not have to constitute a separate CSR committee and the functions of such committee shall, in such cases, be discharged by the Board of Directors [34]. The Bill also proposes a set-off, whereby if a company spends an amount in excess of the requirements provided, such company may set off such excess amount against the requirement to spend under this sub-section for a prescribed number of succeeding financial years [34]. These are both practical amendments which would minimise the realistic burdens that companies may face in complying with Section 135. These changes have much to recommend them.
In March 2020, the Ministry of Corporate Affairs also invited comments on a new set of Draft CSR Rules [22]. These new draft rules recommend several changes, in the definition of CSR and CSR policies of the company. Interestingly, it has also bars registered trusts and societies from implementing CSR, which are allowed in the current CSR rules. This seems contradictory to the view that was taken by the High Level Committee’s Report [35] and may create implementation issues for companies. The proposed rules also make a significant improvement by recognising that International Organisations may play a significant role in Indian CSR, thus permitting such organisations to help companies in designing, monitoring and evaluation of CSR projects and also for Capacity Building of Company’s employees for CSR. The Rule also permit CSR expenditure to operate through international organisations after Government approval, paving the way for International Donors to operate in the Indian NGO arena.

7. Concluding remarks

Corporate Social Responsibility in India has gone through a series of changes. A ‘comply or explain’ model of corporate governance was deemed to be less than successful and the Government has now moved towards a mandatory enforceable model of corporate governance, albeit, with a civil liability attached to it rather than a criminal liability. It is worth considering here whether a mandatory regime of CSR will be effective. It is likely that a mandatory scheme of CSR will compel more companies to contribute towards CSR and CSR expenditure figures in India will increase. However, on a more normative level, such a conception of mandatory CSR operates almost as a tax; CSR implies an inherent business responsibility where businesses take socially conscious decisions and even go beyond that to improve the local community and other stakeholders. Mandating CSR then will operate only as box-ticking compliance rather than changing the way companies make decisions.
References


Corporate Social Responsibility


[22] Draft Companies (Corporate Social Responsibility) Amendment Rules, 2020, rule 2(h).


[25] For the complete definition of “officer who is in default”, see the Companies Act, 2013, S 2(60).


[34] Companies (Amendment) Bill 2020, s 27.

This Edited Volume *Corporate Social Responsibility* is a collection of reviewed and relevant research chapters, offering a comprehensive overview of recent developments in corporate behavior. The book comprises single chapters authored by various researchers and edited by an expert in the field. All chapters are complete in themselves but united under a common research study topic. This publication aims at providing a thorough overview of the latest research efforts by international authors and opening new possible research paths for further novel developments.