WHAT’S IN A WORD?
An exploration of the changes in meaning of corporate social responsibility over the last century with an emphasis on the last decades

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Introduction

Throughout history, the notion of responsibility and of being responsible has been debated and will be debated time and again. These debates are based on various lengthy strands literature in sociology, philosophy, medicine, theology, law, and the public domain. This rich theoretical background generated an ambitious goal to capture the changes in meaning of corporate social responsibility (CSR) over the last six decades. Through an analysis of this transformation of meaning, this study aims to gaining better understanding of how responsibility is positioned in organizations and businesses in particular.

All kinds of organizations shape (and dominate) our lives and societies. We live in them, we make a living through them, and they determine if the lights can be switched on, if there is bread in the shops, nurses in the hospitals, and money in our pensions. Organizations’ omnipresence in all aspects of lives is something relatively new, the result of two centuries of organizing on an industrial scale. With the invention of the industrial organization, the classical artisan or craftsman working in a one-man-shop became doomed for depletion. Machines, processes and anonymous legal structures took over. After WWII — and perhaps because of two world wars in a relatively short period of time — this approach to organizing became “taken for granted” and responsibility in an organized environment became an issue. Ever since, responsibility has been the subject of intense scholarship through its evolution from the 1950s to the present.

This chapter describes the various stages of meaning that the concept of corporate social responsibility has undergone through each decade over a little more than half a century. These stages are: (1) 1950s: Self-evident CSR, (2) 1960s: Discovery of Social Constituencies, (3) 1970s: Social Responsiveness, (4) 1980s: Social and Economic Responsibility, (5) 1990s: The Quest for Measuring, (6) 2000s: Theorizing, and (7) the present decade: Strategizing and Economizing. Of course, other categorizations of the
literature are possible; however, an historical approach to the literature provides the necessary background for CSR conceptions through the years. Although these proposed stages cannot be precisely demarcated, they help to make an on-going relevant debate a bit more transparent. They are a starting point for a crisp description of the development of the debate around responsibility.

**Stages of CSR**

The roots of CSR can be found in the early environmental concerns of the 18th century. Most consider the inventor of the term “sustainability” to be Hans Carl von Carlowitz (1645–1714), “Chief Project Supervisor” (Oberberghauptmann) in Kursachsen, who was concerned about the use of wood. His book *Sylvicultura oeconomica, oder haufswirthliche Nachricht und Naturmäßige Anweisung zur wilden Baum-Zucht* (1713) was the first comprehensive treatise about forestry and lay the foundations of sustainable yield forestry. In the 20th century, sustainability became an issue for industrial organizations and for management. In this context, Mary Parker Follett (1868–1933) is considered a founder of sustainable development in business. As one of the few female management gurus in the early days of classical management theory, Follett also pioneered the establishment of community centers.

In 1924, Sheldon wrote that an enterprise should assume not only economic and legal duties, but also social responsibilities beyond these duties. In the 1930s and 1940s, some scholars referred to a concern for social responsibility and social consciousness of managers (e.g. Barnard, 1938; Clark, 1939; Kreps, 1940). These and other works from that period can be considered as theoretical foundations for the first stage of CSR theory with sufficient critical mass of scientific endeavour.

**Stage 1: Self-evident (1950s)**
Howard Bowen presented one of the earliest conceptualizations of CSR in his *Social Responsibilities of the Businessman* (1953). Bowen defined a businessman’s social responsibilities as an obligation to pursue policies with desirable societal objectives and values. In the 1940s, 93.5 percent of the American businessmen accepted social purposes (*Fortune*, 1946, cited in Bowen, 1953: 44; and Carroll, 1999: 269).

Peter Drucker (1954) also included the concept of public responsibility as one of the eight key areas in which business objectives should be set. He maintained that organizations must promote the public good and contribute to society stability, strength, and harmony. He believed strongly that all institutions, including those in the private sector, have a responsibility to the whole of society. In subsequent decades, Drucker promoted the idea of business responsibility this way: “*The fact is that in modern society there is no other leadership group but managers. If the managers of our major institutions, and especially of business, do not take responsibility for the common good, no one else can or will*” (1973: 325).

Both Bowen and Drucker, renowned management thinkers, considered social responsibility as a natural part of business. Hence, this first stage can be called “Self-evident CSR”; that is, it is self-evident that managers assume social responsibilities, which provides a solid ground for the further development of CSR theories.

**Stage 2: Discovery of Social Constituencies (1960s)**

In 1960, William Frederick asserted that businessmen should be concerned with total socioeconomic welfare, taking into account the wider interests of various social constituencies and not simply the narrowly circumscribed interests of private persons and firms. In the same year, Davis (1960) presented a similar definition of social responsibility, adding the notion of “*long-term needs and wants of the broader social constituencies.*” Corporations’ social responsibility must extend beyond economic and legal obligations and
consider the ethical consequences of their decisions and actions on the whole social system. Davis suggested that social responsibility refers to businesses’ “decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest.” (Davis, 1960: 70–71).

Other authors in this decade also expanded the idea of social responsibility beyond economic and legal obligations. The following three citations are examples:

[...]The corporation must take an interest in politics, in the welfare of the community, in education, in the “happiness” of its employees [...] (McGuire, 1963: 144);

Businessmen apply social responsibility when they consider the needs and interest of others who may be affected by business actions. (Davis and Blomstrom, 1966: 12);

Social responsibility moves one large step further by emphasizing institutional actions and their effect on the whole social system. (Davis (1967: 46).

These authors also were also concerned about what is currently called stakeholder’s satisfaction. The emergence of stakeholder satisfaction as a concept stems from the work of Johnson, who stated, “A responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation” (1971). About a decade later, Edward Freeman elaborated on this idea (1984).

Also in the 1960s, Nobel-prize winner Milton Friedman (1962, 1970) proposed different ideas. In Free to Choose, he argued that corporations’ only objective is to make money for their shareholders. He contested social responsibility because it can undermine market economy by adding costs that reduce corporation profitability. Among Friedman’s wide range of publications was his notorious article in The New York Times Magazine (September 13, 1970) in which he stated:
So the question is, do corporate executives, provided they stay within the law, have responsibilities in their business activities other than to make as much money for their stockholders as possible? And my answer to that is, no, they do not.

This argument was a frontal assault on CSR theory; however, Friedman’s position provided a fortunate opportunity for the debate about whether managers should consider social constituencies in their daily work.

**Stage 3: Social Responsiveness (1970s)**

In 1971, the American Committee for Economic Development made an important contribution to CSR theory with its book, *Social Responsibilities of Business Corporations*. This work embedded the concept of social responsibility within the economic and societal context of business and suggested the need for responsiveness to this context. Hence, their definition of social responsibility was based on three concentric circles: The inner circle includes the economic functions related to production, employment, and economic growth. The intermediate circle promotes exercising economic functions with a sensitive awareness of, for example, environmental conservation, relations with employees, and greater attention to customers’ needs. And the outer circle outlines newly emerging responsibilities like poverty, urban problems, and human rights.

Many authors in the 1970s reiterated concern for these corporate social responsibilities. Business must help society achieve its basic needs (Steiner, 1971) through voluntary activities (Manne and Wallich, 1972), beyond the requirements of the law (Davis, 1973). Backman (1975) presented a list of programs to improve the quality of life that can be considered in the concept of social responsibility, such as employment of minority groups, reduction in pollution, improved medical care, and improved industrial health and safety. Thus, it is important to identify and “[...] solve social problems caused wholly or in part by the corporation” (Fitch, 1976).
In his discussion about the dimensions of corporate social performance, Sethi (1975) also stressed this emphasis on corporate responsiveness to social problems (Davis, 1973). Sethi argued that companies have social obligations in response to market forces or legal constraints, and beyond. He described social responsiveness as the adaptation of corporate behavior to social needs.

**Stage 4: Social and Economic Responsibility (1980s)**

At the end of the previous stage, Archie Carroll (1979) presented an innovative conceptualization of CSR, which influenced many works presented in Stage 4 and beyond. He defined CSR in four dimensions in which the economic and the social responsibilities of managers are complementary:

1. organizations should be productive and profitable and meet the needs of consumers and investors (economic responsibility);
2. organizations are compelled to work within existing legal frameworks (legal responsibility);
3. organizations must follow socially established moral standards (ethical responsibility); and
4. organizations’ voluntary corporate activities (philanthropy) must attempt to help other people and contribute to the well-being of society (discretionary responsibility).

In 1985, Aupperle, Carroll, and Hatfield presented the concept of social orientation of an organization, which can be assessed through the importance it places on the three noneconomic dimensions compared with the economic one. This division is artificial because there are also economic impacts with legal, ethical, and philanthropic activities.

In the 1980s, new models appeared around corporate social performance (CSP) that gave importance to the notion of process. Wartick and Cochran (1985) presented a framework consisting of principles, processes, and policies; and Epstein (1987) related social
responsibility, responsiveness, and business ethics in a definition of corporate social policy process.

More important was Drucker’s statement in 1984 that considered profitability and responsibility as complementary notions, going so far as to argue that business ought to covert its social responsibilities into business opportunities. He presented the social responsibility of business as “Taming the Dragon” by turning “a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs and into wealth.” (Drucker, 1984: 62). Stroup and Neubert (1987) described social responsibility as an investment, a description that could sweeten the shareholder pain of diverted managerial attention from profit generation.

Also in 1984, remarkably enough, Freeman published his seminal work Strategic Management: A Stakeholder Approach concerning the roles of stakeholders in strategic management, which has influenced many researchers from thereon. Freeman stated:

That’s what stakeholder theory is — it says: business creates value in a responsible way that takes care of the environment, that tries to make the world a better place, that engages employees, and it makes money for shareholders. Those things have to go in the same direction. The idea that business and ethics and sustainability and responsibility are separate is an idea whose time has passed.

Stage 5: The Quest for Measuring (1990s)

In the 1990s, some developments appeared based on the models of Carroll (1979, 1991) and Wartick and Cochran (1985). One of these was the CSP model of Wood (1991), who presented the core of CSR, the principles of social legitimacy, public responsibility, and managerial discretion, next to the processes of corporate social responsiveness, and the outcomes of corporate behavior.
Meanwhile, Maignan and colleagues (Maignan, 1997; Maignan, Ferrell and Hult, 1999; Maignan and Ralston, 2002) developed an instrument to measure CSR practices. They replaced “society” with “stakeholder expectations” in their definition of CSR, which includes the economic, legal, ethical, and discretionary responsibilities of an organization. In opposition to this mainstream view, Jones (1996) stated that social responsibility makes sense only if it generates more profit to the company. At that time, the quest had begun to for a measurement to prove the arguments of Stage 4: Namely, social and economic responsibilities go hand in hand. Margolis and Walsh (2003) found that 127 studies in the period 1972–2002 explored the relationship between social and financial performance. In these studies, researchers have used aggregate measures of CSP (for example, the KLD index) and various ratios of profitability. Although the majority of these studies reported a positive relationship between both variables, reviewers of studies on the CSP-CFP link asserted that the relationship must be regarded as inconclusive, complex, and nuanced (Arlow and Gannon, 1982; Griffin and Mahon, 1997; Margolis and Walsh, 2001; Roman et al., 1999). Such a conclusion is not surprising since the way for causality between one aspect of doing business (responsibility to one issue) and the overall result of this business (profit) is very long and hairy, if not impossible to determine (Dentchev, 2004).

Therefore, various attempts were made to operationalize CSR (e.g., Kanji and Chopra, 2007, 2009, 2010); describe a social footprint (e.g., McElroy, Jorna, and Engelen, 2008; Henriques, 2010); or present a new interesting approach called “social life cycle assessment,” which addressed the impacts that a product has on people who interact with the life cycle of the product (Dreyer, Hauschild and Schierbeck, 2010). Measuring remains an issue that is addressed and debated time and again (see, e.g., Eccles, Ioannou and Serafeim, 2011). The whole idea of “if you can’t measure it you can’t manage it” remains an object for many theorists and practitioners.
Stage 6: Theorizing (2000s)

In the first decade of this century, there have been many attempts to systematize the CSR research strands (e.g., De Bakker et al., 2005; Dentchev, 2009; Garriga and Melé, 2004; Margolis and Walsh, 2003; Wood, 2000; Windsor, 2001). Garriga and Melé (2004) stated that the theories related to social responsible practices could be divided into instrumentality, political, integrated, and ethical great groups. According to instrumentality theories, companies are instruments to create wealth, and so, social responsibility must only be used to that purpose (e.g., Levitt, 1958; Friedman, 1962, 1970). The origin of instrumentality theories is in the neoclassical economic school, which maintains that managers already perform social responsible actions when they govern their companies profitably. In this research strand, McWilliam and Siegel (2001) described social responsibility as a differentiation to which consumers can give value since they have acknowledge of them. This allows companies to charge more for their goods and services. Thus, social responsibility must be treated as any other investment decision.

Porter and Kramer (2002) also took an instrumental view — social responsibility only makes sense if it assures a competitive advantage. Henderson (2001) stated that social responsibility is an enticement because behind that kind of discourse is the constant quest for profit maximization. Furthermore, a social responsible behavior is not free because there are costs to the company and so higher prices. However, some authors insisted that to be social responsible provides sustainability and profit in the long run.

In relation to political theories, several scholars took the position that the firm takes responsibility in political arena using social responsibility as vehicle of interaction with society. Among those who took this perspective are Bowen (1953), McGuire (1963), Davis (1973), Davis and Blomstrom (1975), and Hay, Gray and Gates (1976). Altman (1998) talked about corporate citizenship as the basis to corporate community relations, in which
companies interact, intentionally, with nonprofit organizations, groups of citizens, and other community stakeholders. Many authors referred to the corporate citizenship concept as related to the impact of corporate activities in society and the way they are managed (Waddock and Smith, 2000); as a marketing instrument (Maignan and Ferrell, 2001); as a result of the pressure for better social and environmental performance that moves upstream through the value chain (Warhurst, 2001); as related to ethical values (Wood and Logsdon, 2002); as related to the ethical and philanthropical areas of responsibility (Matten, Crane, and Chapple, 2003); and as a strategic instrument to attract better job applicants, retain them once hired, and maintain employees’ motivation and morale (Peterson, 2004).

Some theories implied that the existence and growth of companies depends on society. Thus, social responsibility is a means for companies to integrate society’s demands into their management processes, maintaining their continuity. The works of Sethi (1975) and Carroll (1979) are in this group as well as the works based on stakeholder theory (e.g., Freeman, 1984; Varadarajan and Menon, 1988; Evan and Freeman, 1993; Harrison and Freeman, 1999), in which social responsibility is seen as a consequence of stakeholders’ pressure imposed on companies. Companies and stakeholders reach an ethical compromise, which has a positive return in the long run.

Another author with an integrative perspective is Frederick (1986, 1994, 1998), who proposed sequences that, systematically, address the company’s concerns. At the first level, CSR1, social responsibility imposes on companies an “obligation to work for social betterment.” This concept evolves to level CSR2, corporate social responsiveness, or the capacity to respond to social pressures. The third level, CSR3, embodies the notion of moral (ethical) correctness in actions taken and organizational policies. And the fourth level, CSR4, embodies cosmos (C), science (S), and religion (R). To achieve this level, a firm must be social responsible (CSR1), answer to the social needs (CSR2), and act with moral and ethical
integrity (CSR3), integrating societal expectations in management practices to become legitimate.

Finally, according to ethical theories, the firm must relate itself with society on the basis of ethical values: Thus, social responsibility is based on an ethical obligation (Mulligan, 1986; Wood, 1991). This approach is more oppositional to the instrumental view, and maintains that law is not enough because some laws can be bad. These are other complementary theories, but there is also a gap between academic discourse and the manager’s actual ethical behavior. The existence of an organizational code of ethics does not mean that ethical behavior occurs in the organization. In many situations, ethical codes only serve to enhance the organization’s image, becoming merely symbolic. This observation shows that most of the corporate philanthropic activities are grounded in underlying economic interests (Schwartz and Carroll, 2003) and as a “tool” of legitimization not as a measure of actual corporate social responsibility (Chen, Patten, and Roberts, 2008). Social responsibility is ethical if it is based on substantive ideas that implicate an array of stakeholders.

Stage 7: Strategizing and Economizing

Nowadays, the scientific literature has moved from a normative argument that firms need to assume social and environmental responsibilities to the argument for knowledge development in how managers can fulfill these responsibilities more effectively and efficiently. Fueling this transition in recent years were business practices that spawned multiple huge scandals (BP, Parmalat, Enron, WorldCom, Arthur Andersen, Nike, among others), prompting management action in this field. CSR managers, social and environmental policies, and reports are tangible outcomes of business attention to the topic. Moreover, corporate attention to social and environmental stakeholders led to tangible business opportunities. For example, innovations and new business models are real opportunities for
considering environmental and social issues, even concern to the less privileged among us, or the so-called “bottom of the pyramid” (Hart and Sharma, 2004; Prahalad, 2010).

Yet, strategizing and economizing of CSR has never been in conflict with prior conceptions. Business organizations are created as economically driven entities designed to provide goods and services to societal members. The profit motive was established as the primary incentive for entrepreneurship. Before it was anything else, business organization was the basic economic unit in our society (Carroll, 1991: 4). In 1979, Carroll stated, “Economic success is no longer a basis for ‘doing good by doing well.’” In 1991, he elaborated, saying, “The point here (is) that CSR, to be accepted as legitimate, had to address the entire spectrum of obligations business has to society, including the most fundamental — economic.” Four kinds of social responsibilities constitute total CSR: economic, legal, ethical, and philanthropic.

Jonker (2010) stressed the evolution of CSR through many perspectives, enriching the concept but also making it difficult to understand. He maintained, “Responsibility implies mastering the art of balancing diverse needs and expectations of various stakeholders at the same time.” This implies organizations must create shared or multiple values for their constituencies (Porter and Kramer, 2006, 2010). Shared value creation achieves economic and social success, simultaneously. Value creation is the result of a set of intentional organizational activities.

Managers and society in general are rather confused about the differences between the essence of CSR and “mere” philanthropy. While the latter is related to donations and “doing good,” CSR requires the organization’s continuous commitment to social efforts over the long run. The concept of CSR cannot be based on charity and altruism; rather, the association of social responsibility and organizational strategy gives more backbone to economic and legal responsibilities. Lantos (2002) considered ethical CSR to encompass all economic,
legal, and ethical responsibilities. He further described altruistic CSR as the philanthropic responsibilities of managers and strategic CSR as the fulfilment of those philanthropic responsibilities, which benefits the company through positive publicity and goodwill. As one can see, self-interest is always present, which is completely acceptable. However, strategically, it is more important to society for organizational activities to have an increased social responsibility to stakeholders than to expect philanthropic performance.

Recently, Turker (2009) excluded the economic component from his definition of CSR, considering only corporate behavior that goes beyond organizational economic interests and aims to affect stakeholders positively. We cannot agree with this perspective because the economic impact on stakeholders and the use of resources imply in their own right the social responsibility of business. Instead, CSR must be seen as intimately connected to the needs and expectations of a growing array of stakeholders. Philanthropy is positive, but not the core of CSR. In fact, to spend part of a company’s profit in philanthropic activities and simultaneously fail to be responsible and accountable to various stakeholders in economic, legal, social, and ethical performance is rather schizophrenic behavior. Unfortunately, many organizations consider their philanthropic activities as the core of their CSR strategy.

A better way to achieve a close link with stakeholders is to be stakeholder-market-oriented. This strategic orientation guarantees a positive social and financial impact on the organization’s performance and can happen naturally only if the approach is integrated into the organizational culture, beyond ethical or moral impositions. If an organization satisfies the human needs of its stakeholders, then it presents a natural social responsibility. Crittenden et al. (2011) developed a framework in which sustainability is a consequence of market orientation. However, to assess the authentic social contribution — the stakeholder impact of each organization — the level of market orientation must be measured as well as CSR or the sustainability outcomes.
European Policies and Their Influences

In 1997, sustainable development became a fundamental objective of the European Union (EU) when it was included in the Treaty of Amsterdam establishing EU policies. Four years later, at the Gothenburg Summit in June 2001, EU leaders launched the first EU sustainable development strategy based on a proposal from the European Commission. This 2001 strategy was composed of two main parts: the first proposed objectives and policy measures to tackle a number of key unsustainable trends, and the second part, arguably more ambitious, called for a new approach to policymaking that ensured the EU’s economic, social, and environmental policies mutually reinforce each other. The central instrument developed for this purpose was the commission’s obligation to submit each new major policy proposal to an Impact Assessment. The EU Sustainable Development Strategy (SDS) added a third, environmental dimension to the Lisbon Strategy of economic and social renewal. The two strategies are complementary. This is how the EU described sustainable development:

*Sustainable Development stands for meeting the needs of present generations without jeopardizing the ability of futures generations to meet their own needs — in other words, a better quality of life for everyone, now and for generations to come. It offers a vision of progress that integrates immediate and longer-term objectives, local and global action, and regards social, economic, and environmental issues as inseparable and interdependent components of human progress.*

In 2004, the European Multi-stakeholder Forum on CSR achieved many important conclusions on the basis of the definition of CSR provided by the European Commission:

“*CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis.*”

The forum concluded, among other things, that (1) CSR contributes to sustainable development, (2) CSR is one means for achieving economic, social and environmental
progress, (3) the dialogue with relevant stakeholders adds value to the development of companies’ CSR practices and tools, (4) the CSR approach is complementary to other public approaches for ensuring high environmental and social performance, (5) CSR involves an ongoing learning process for companies and stakeholders, and (6) the convergence of CSR practices and tools is occurring on a market-led basis through voluntary bottom-up and multi-stakeholder approaches.

Against this background and at the conclusion of the review of the EU SDS launched by the Commission in 2004 and on the basis of the Commission Communication “On the review of the Sustainable Development Strategy — A platform for action” from December 2005 as well as contributions from the Council, the European Parliament, the European Economic and Social Committee and others, the European Council has adopted an ambitious and comprehensive renewed SDS for an enlarged EU, building on the one adopted in 2001.

The EU sustainability strategy sets out a single, coherent vision for meeting the EU’s long-standing commitment to sustainable development. The strategy reaffirms the need for global solidarity and recognizes the importance of strengthening partnerships with those outside the EU, including rapidly developing countries that will have a significant impact on global sustainable development.

After a review in 2009, the EU released in the fall of 2001 a renewed 2011–14 strategy for Corporate Social Responsibility. The European Commission has previously defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” Corporate social responsibility concerns actions by companies over and above their legal obligations towards society and the environment. Certain regulatory measures create an environment more conducive to enterprises voluntarily meeting their social responsibility.
What is new is that the strategic approach to CSR is increasingly important to the competitiveness of enterprises and can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity. Also important is the introduction of the notion of creating shared value in relation to strategy. Companies are invited to strategize their value creation processes in such a way that they are encouraged to adopt a long-term, strategic approach to CSR, and to explore the opportunities for developing innovative products, services, and business models that contribute to societal well-being and lead to higher quality and more productive jobs. By giving public recognition to what enterprises do in the field of CSR, the EU helps to disseminate good practice, foster peer learning, and encourage more enterprises to develop their own strategic approaches to CSR. (COM(2011) 681 final : pages, 3, 6 & 8).

**Theoretical Foundations**

Many theories have influenced the evolution of the concept of CSR over the past 50 years. Among these are: (1) agency theory, (2) institutional theory, (3) the theory of the firm, (4) the resource-based view of the firm, (5) stewardship theory, (6) contingency theory, (7) system thinking theory, and (8) stakeholder theory. Following McWilliams, et al. (2001, 2006), we summarize the contributions of these theories to several approaches to CSR.

Agency theory accounts for the conflict between the interests of managers and shareholders. Assuming that an investment in CSR decisions and activities may reduce the shareholder value, we can suggest that CSR is only a means to promote managers’ social, political, or career agendas (Friedman, 1970). Thus, this theory emphasizes importance of demonstrating that shareholder benefits also emerge from corporate social responsibility. Stewardship theory (Davis, Schoorman, and Donaldson, 1997) presented an alternative view, maintaining that managers can also be good “stewards” of corporate assets, satisfying shareholders, and stakeholders.
Obviously, stakeholder theory assembles all main ideas that defenders of CSR have developed since the 1960s. A stakeholder is any person or group that may influence organizational performance, or that is affected by it (Freeman, 1984). Hence, CSR applies to all organizational stakeholders (workers, managers, shareholders, suppliers, clients, consumers, competitors, authorities, community, and so on), and has been a widely used theoretical framework. Stakeholder theory implies that CSR decisions and activities can be beneficial for organizational performance because nonfinancial stakeholders demand them. But prudence is imperative because shareholders have the power to boycott any manager’s decision that soundly harms their financial returns. Thus, the need to measure CSR effects on organizational performance leads to new approaches from scholars, based on other theories of the firm that have been showing mixed results.

One of those theories is the resource-based view of the firm (RBV) from the work of Penrose (1959), Wernerfelt (1984), and Prahalad e Hamel (1990). This theory maintains that the organization’s distinctive resources, capacities, and competences establish organizational performance and competitive advantage. Hart (1995) stated that environmental social responsibility could constitute an intangible resource that could confer competitive superiority to an organization, an idea that Russo and Fouts (1997) empirically confirmed.

Another theory of the firm assumes that managers try to maximize shareholder value, and their outcomes are controlled by the stock markets. Thus, as CSR decisions and activities may be seen as an investment, they have an impact on financial performance. Based on this theory, McWilliams and Siegel (2001) proposed a cost-benefit analysis to determine the appropriate level of CSR investment that will maximize profit while satisfying stakeholder demand for CSR.

Currently, a great number of companies incorporate CSR into their marketing strategies of differentiation and advertising because it helps to build a reputation of reliability
and honesty concerning health, safety, ecology, and sustainable issues. Husted and Salazar (2006) showed that CSR decisions and activities leads to better societal quality of life and organizational performance when they are used strategically rather than when they are imposed by regulations or other factors.

To be successful, a manager must achieve some kind of organizational consensus around the meaning of CSR decisions and activities. Institutional theory provides insight into how this consensus is developed and diffused among organizations (Jennings and Zandbergen, 1995). Thus, this theory helps explain how definitions of sustainability or CSR are constructed and accepted and which practices are created and adopted over time by organizations, thus becoming institutionalized. Overall, organizations must consider stakeholders’ needs and wants and, simultaneously, they must be sustainable, minimizing the negative effects of their actions. And managers ought to be “builders of stakeholder relations,” rather than only shareholders’ agents (Lantos, 2001).

Conclusions

CSR is a “lively” organizational phenomenon at the interface of business and society. This analysis demonstrates how CSR has changed in meaning and form of expression since the concept first appeared. And, a whimsical creature, the CSR concept will continue to change in connotation with time and context. As the business enterprise is transforming, responsibility will transform along with it. Responsibility will follow the development of the contemporary business enterprise. A clear tendency is the enlargement of CSR at different levels of analysis, including environmental sustainability, social sustainability, public responsibility, corporate social performance, social accounting, market-oriented sustainability, sustainable development, social and ecological footprints, business responsibility, corporate governance quality, corporate citizenship, stakeholder shared value, human rights, human capital development, philanthropy, well-being and — why not —
happiness! Over the past decades, economical and ecological responsibility has fused with moral and social responsibility under the CSR umbrella. Therefore, delineating the boundaries of CSR is a rather useless endeavor.

Inevitably, organizations are likely to develop a strategic orientation aimed at economizing CSR to satisfy their stakeholders. Such an orientation has become a condition for organizational continuity. Scholarly work has led to substantial progress surrounding the conceptualization of CSR — from the initial “self-evident” understanding to today’s notions in which more numerous and more long-term organizational strategies are intertwined with the idea of creating shared value.

**References**


