Chapter 1

Introduction

Corporate Social Responsibility and the challenges of business–society interplays

The recent US$66 billion merger of Bayer and Monsanto, which gave birth to a multinational biotech giant endowed with unprecedented power over food production and food security of the human kind, has raised intense controversies all over the globe. While some protagonists emphasized revenue prospects and the ability of such an entity to help feed the world's population, others described the merger as the creation of a Frankenstein-like entity, which is set to exploit peasants, destroy ecosystems, and put public health at risk for the sake of profit. Big oil companies, which supply society with energy and provide income to hundreds of thousands of people, have faced similar critics because of environmental pollution (for example, the Deepwater Horizon oil spill; climate change) and instances of collaboration with the police and military forces of autocratic regimes to repress protest (for example, Shell in Nigeria; Total in Myanmar). Leading providers of financial services, such as Morgan Stanley and Goldman Sachs, also raised controversies as some of their highly profitable activities contributed to the global economic and financial crisis that erupted in 2007–2008. The collapse of the Rana Plaza building in Bangladesh in 2013, which claimed the lives of more than a thousand workers from the garment industry, is a further case where profit-making business is entangled with competing collective values and interests.

These diverse cases epitomize structural tensions characterizing 'business–society' interplays. In fact, over the course of the past two centuries, companies have gradually developed into a core institution of modern society, and their profit-making business activities have had both positive and negative consequences for the life chances of billions of people. In the economic domain, companies have provided income to a growing number of private capital owners, as well as to waged and salaried workers who now represent 55 per cent of the 3.2 billion people employed worldwide.[1] Companies also constitute a key income source for governments, for international organizations, and for a large number of non-governmental organizations (NGOs). Besides, by developing innovative products and supplying markets with goods and services, companies have contributed to shaping modern living conditions and lifestyles, which are valued by billions of moneyed consumers and aspiring poor persons.

However, companies are also involved in issues such as rising socio-economic inequalities, discriminatory recruitment and remuneration practices, or cost-cutting programmes that lead to low wages and/or exhausting working conditions.[2] As illustrated by the 'Panama papers' scandal, many companies limit their contributions to government income by using sophisticated techniques of tax evasion and fiscal optimization. Companies' support to international organizations and NGOs also raises questions, as it often comes with strings attached.[3] As for innovation and production, cases abound where commercialized goods have been criticized for their harmful impacts on public health or the environment (for example, Monsanto's Roundup herbicide; Volkswagen's diesel cars).

Tensions between profit-making and competing collective values and interests also characterize corporate activities in politics and law. Indeed, companies are not only economic actors but also political actors and 'governing institutions' that actively participate in the production and implementation of collective rules.[4] Companies' political activities include legitimate forms of participation, such as lobbying or the funding of political parties. But companies sometimes also use illegitimate means of influence, such as the corruption of political decision-makers. Moreover, the extent of companies' political power can appear to threaten democratic principles and institutions.[5] Regarding governance functions, companies have become a source of private standards that complement and sometimes override positive law.[6] While

1 See www.ilo.org/ilostat and https://data.worldbank.org/indicator/SL.TLF.TOTL.IN (accessed on 26 February 2018).
2 On the latter, see, for instance, a recent study by Locke and Samel (2018).
3 See, for instance, Shamir (2004), Barkan (2013), and Seitz and Martens (2017).
4 Wilks (2013, p. 251). See also Coen, Grant, and Wilson (2010).
5 See, for instance, Hertz (2001), Reich (2007), Crouch (2011), and Corporate Europe Observatory, The Austrian Federal Chamber of Labour, and The Austrian Trade Union Federation (2014).
6 See, for instance, Fuchs (2007) and Bartley (2018).

such private norms can palliate shortcomings of state-based regulation, they can also weaken the legal protection of labour welfare, public health, nature conservation, and other collective values and interests that can stand in the way of business opportunities.[7]

These tensions between profit-making and competing collective values and interests are generally envisaged as problems that, as such, must be addressed. However, the formulation both of these problems and of the way they should be tackled has proved to be everything but consensual. Which profit-driven activities are socially beneficial, and which ones are socially harmful? Which moral, legal, political, or economic criteria should be used to distinguish between the two? Which trade-offs between positive and negative outcomes of profit-making are acceptable, and when do negative outcomes justify regulatory constraints? Which policies and institutional arrangements should be adopted by the state to bolster socially beneficial corporate conduct while preventing profitable but socially harmful practices? Should companies be involved as legitimate partners in the political governance of corporate conduct, for instance, through self-regulation and multi-stakeholder governance initiatives? Or does such involvement undermine democracy by transferring regulatory functions to powerful private entities that account to shareholders, not to citizens? Are collaborations with business a good way for civil society organizations to promote socially fair and environmentally sustainable production? Or are such collaborations a form of co-optation of civil society by dominant capitalist actors, whose power must be tamed with more confrontational strategies?

As part of these debates, Corporate Social Responsibility (CSR) has emerged and asserted itself across the world as a modern phenomenon that sets out to settle business–society interplays. As an offshoot of late nineteenth-century American business ethics, CSR was conceived originally as an alternative both to growing regulatory constraints and to the doctrine of 'laissez-faire'.[8] This middle-ground position, which acknowledges the societal problems generated by capitalism, while expecting core institutions of capitalism to address them, has remained the hallmark of CSR. In fact, CSR has prospered out of the core belief that by opening the eyes of business executives to the profitability of ethics and 'socially responsible' conduct, by helping them realize this vision in their company, thanks to dedicated organizational structures and management tools,

[7] See, for instance, Utting and Marques (2010a).
[8] See Clark (1916) and Abend (2014).

and by engaging business actors in societal problem-solving through private and public–private governance initiatives, tension-ridden business–society interactions can be transformed into harmonious and mutually beneficial ties.

Such an ambitious project put forward by CSR has triggered friendly reactions across society. Countless books and articles have been published to showcase the virtues of CSR for business and for society at large, as well as to bolster the CSR movement with new ideas and practical knowledge. Many governments and international organizations, such as the United Nations and the World Bank, have also supported CSR with programmes and projects that encourage companies to adopt socially responsible practices. Auditing and consultancy firms, including the influential 'big four' (Deloitte, Ernst & Young, KPMG, and PricewaterhouseCoopers), have further added to the CSR momentum by offering services that promise to help companies reap the benefits of CSR. Some NGOs, such as CARE or the World Wildlife Fund (WWF), have also contributed to CSR by developing partnerships with companies as part of the latter's CSR activities. Last but not least, since the mid-1990s, a growing share of the world's large companies have introduced more or less extensive CSR components in their organizational structures and activities. For instance, companies have partnered with NGOs to prevent child labour and improve working conditions along their supply chains. Companies have also adopted ethical codes of conduct to tackle issues such as employee discrimination or the corruption of public officials. Initiatives aimed at reducing the ecological footprint of production processes provide further examples of CSR activities. In short, ideas about business ethics and CSR have progressively morphed into a highly complex social phenomenon, whose reach has expanded into most aspects of business–society interplays.

CSR advocates versus CSR critics

The driving force of CSR is the claim that it can transform corporate profit-making from being a source of societal problems to becoming an efficient response to these problems. But *how is CSR changing the structural tensions in modern society between profit-making and competing collective values and interests*? Is CSR changing corporate behaviour for the common good? What if CSR was only simulating change to shield profitable business opportunities from regulatory constraints, political interventions, and the attacks of anti-corporate protest movements? Could it be that CSR does not redefine corporate profit-making to make it compatible with the common good, as CSR advocates like to claim, but that it discursively redefines the common good to make it compatible with corporate profit-making? These questions have animated decades of CSR research.[9] But research findings have not provided many sound and conclusive answers yet. On the contrary, the more CSR scholarship has progressed, the more depictions of CSR have become controversial.

Business ethics, for instance, has produced more than a century of research that conceives of CSR as a way to guide business actors towards socially desirable goals.[10] But it has also met with harsh critics. Unlike what the moral connotations of 'ethics' and 'social responsibility' suggest, according to critics, business ethics and CSR would be an instrument used by more or less cynical corporate actors to neutralize moral criticism of unbridled profit-making, in particular through the construction of an alternative morality that frames profit-making as a virtuous means to achieve the common good.[11]

Similarly, a large body of literature on 'stakeholder theory', which is concerned with interdependencies between companies and other internal or external actors (for example, trade unions, consumers, public authorities, NGOs), has promoted CSR as a way to overcome conflicts between business and other sectors of society. The core idea is that CSR-related stakeholder management systems allow companies to take those affecting or being affected by their business activities into account.[12] Going one step further, the main advocate of the 'stakeholder management' concept, Edward Freeman, promotes the development of 'stakeholder capitalism', where voluntary contractual arrangements between companies and their stakeholders are to replace the regulation of corporate conduct by the state.[13]

However, critics argue that stakeholder management actually puts companies at the centre of 'business–society' relations while relegating other actors to the periphery. In particular, stakeholder management would undermine the vertical

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9 See, for instance, the handbooks edited by Crane, McWilliams, Matten, Moon, and Siegel (2008) and Gond and Moon (2011).

10 See, for instance, Moriarty (2008), Brenkert (2012), and Crane and Matten (2016).

11 See, for instance, Salmon (2009), Abend (2014), Kaplan (2015), and Lampert (2016).

12 See, for instance, Freeman (1984), Mitchell, Agle, and Wood (1997), and Bhattacharya, Sen, and Korschun (2011). Other strands of stakeholder theory exist, which militate for deeper changes in corporate governance law that would give effective and democratic control of companies to other 'stakeholders' than shareholders (for example, Moriarty 2014). However, these normative positions have remained peripheral both in the literature and in terms of concrete impacts on the CSR phenomenon.

13 Freeman, Martin, and Parmar (2007).

authority of the democratic state by treating public authorities as a 'stakeholder' among others.[14] Moreover, the managerial systems of conflict prevention and conflict resolution promoted by stakeholder theory would obfuscate the uneven power relationships between mighty companies and weaker members of society. In short, stakeholder management would help companies address their own problems, with little genuine concern for the interests of 'stakeholders' and of society at large.[15]

The contribution of CSR to 'collaborative governance' is another contested dimension of this phenomenon. According to some CSR scholarship, complex societal problems arising from globalized economic activities would outgrow the regulatory capacities of territorially bounded national states. Against this backdrop, CSR would provide opportunities to involve companies in private and multi-stakeholder governance structures, including labour and environmental standards (for example, SA8000, ISO14001, ISO26000, Forest and Marine Stewardship Councils), as well as multilateral initiatives (for example, UN Global Compact, UN Guiding Principles on Business and Human Rights, EU CSR Strategy 2011–2014), in the pursuit of the common good. Thanks to these CSR-related governance structures, CSR would help palliate the deficiencies of national states by mobilizing companies' resources in collaborative problem-solving.[16]

Critical commentators find this claim dubious.[17] According to them, the growing involvement of companies in collaborative governance would rather reinforce the political power of companies under the guise of 'CSR', 'partnerships', and 'corporate citizenship'. In so doing, collaborative governance would weaken society's ability to protect collective interests when they are threatened by the pursuit of profitable business opportunities. More specifically, by promoting self-regulation and 'soft' law as an alternative to legally binding norms, CSR would undermine the ability of democratic public authorities, workers, activists, citizens, and other bearers of collective interests to oppose corporate malpractice and enforce rights.

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[14] Banerjee (2008), Cazal (2009), Mansell (2013).

[15] See, for instance, Cooper and Owen (2007), Derry (2012), and Helin, Jensen, and Sandström (2013).

[16] Ruggie (2007), Vandenbergh (2007), Vogel (2008), Scherer and Palazzo (2011), Moon, Crane, and Matten (2011).

[17] Fuchs (2007), Sum (2010), Daugareilh (2010), Shamir (2010), Jacobsson and Garsten (2012), Fleming and Jones (2013), Kaplan (2015), Marchildon (2016).

Finally, CSR has triggered heated debates regarding companies' development impacts in developing and emerging countries from the Global South. Over the past two decades, the 'private sector' has been increasingly promoted as a partner for development by actors such as the United Nations, the World Bank and its bilateral counterparts, and governments of developing/emerging countries.[18] CSR is closely associated with this trend. For instance, according to CSR approaches based on the 'triple bottom line' (TBL: people, planet, profit), companies can develop business practices that combine profit-making with socio-economic development and environmental sustainability across the world.[19] In the same vein, the 'bottom of the pyramid' (BoP) concept put forward by Coimbatore Krishna Prahalad envisages CSR as an opportunity for companies to design business models that alleviate poverty while opening up profitable market opportunities.[20] By implementing such approaches in concrete CSR projects located in the Global South, companies would increasingly compensate governments' inability to provide adequate public goods such as livelihood opportunities, education, health and sanitation, or access to water.[21]

Critics have highlighted inconsistencies and ideological biases characterizing these claims. In particular, concepts such as the TBL and the BoP would focus on synergies between 'business' and 'development', while overlooking structural contradictions between the two – for example, cost-cutting at the expense of unprotected workers, tax avoidance at the expense of the welfare state, resource extraction and mass production at the expense of the environment.[22] Moreover, studies of concrete CSR projects implemented in the Global South suggest that companies often put words into practice only when it benefits their financial prospects, and that the limited development outcomes of CSR projects do not make up for the negative effects of core business operations.[23] Ultimately, according to Dinah Rajak, CSR would not aim to advance 'development' as such, but 'to authenticate and extend the authority of corporations, not only

[18] See, for instance, Scheyvens, Banks, and Hughes (2016).
[19] Elkington (1998).
[20] Prahalad (2005). Williams (2015) makes a similar argument by pointing at untapped synergies between business development and environmental sustainability.
[21] See, for instance, Valente and Crane (2010).
[22] Norman and MacDonald (2004), Arora and Romijn (2012), Karnani (2011).
[23] Jeppesen and Lund-Thomsen (2010), Blowfield (2010), Sikka (2010), Gilberthorpe and Banks (2012), Jamali, Lund-Thomsen, and Khara (2017).

over the economic but over the social and political order, as transnational corporations are elevated as both agents and architects of development'.[24]

The limits of straightforward definitions of CSR

Notwithstanding their valuable contributions, both the mainstream managerial approaches and the critical approaches tend to take sides for or against CSR, and hence to produce competing homogeneous depictions of this phenomenon. Peter Utting and Jose C. Marques have once criticized the CSR literature for being 'largely ahistorical, empirically weak, theoretically thin and politically naïve'.[25] This hard-hitting assessment might be a little harsh, and it certainly applies only to a part of the CSR scholarship. But it points at important challenges for the study of CSR.

Abstract, general, and ideologically tainted definitions of CSR fail to account for the empirical characteristics of this concrete historical phenomenon. Indeed, the CSR phenomenon has developed out of a particular historical context, which is the controversial rise of large modern corporations in North America in the late nineteenth and early twentieth centuries.[26] From there on, CSR has gradually expanded geographically to become a 'transnational' phenomenon. A recent study on the spread of CSR in Venezuela (1962–1967) and in Great Britain (1977–1981) illustrates the intricate processes underlying this transnational expansion, in which business elites and CSR business associations have played a key role.[27] Besides, the CSR phenomenon has developed and changed historically in terms of its form and social significance. It has been enriched over time with new ideas, with new CSR-related norms, certifications and labels, as well as with new CSR-related corporate structures and activities. The CSR phenomenon has also expanded in terms of the number and type of participating actors. While religious actors, business schools, and business associations played a key role initially, CSR now involves a vast array of other actors such as experts and consultants, specialized auditing firms, financial investors, international organizations, national states, and NGOs.

This historic formation of the CSR phenomenon has been all but homogeneous. Distinct cultural traditions, institutional settings, political-

24 Rajak (2011, 231).
25 Utting and Marques (2010b, 3).
26 See Carroll, Lipartito, Post, Werhane, and Goodpaster (2012) and Abend (2014).
27 Kaplan and Kinderman (2017).

economic conjunctions, market positions, and technological systems have created regional and sectoral variations.[28] For instance, CSR tends to be more restricted to voluntarism in liberal market economies, such as the United States and United Kingdom, while coordinated market economies such as the Nordic countries have adapted CSR to their national political-economic models, in which the state plays a stronger role.[29] With regard to sectoral variations, Western multinational companies (MNCs) in the garment and sportswear industries are likely to use CSR to protect and enhance their brand value, while engineering companies involved in business-to-business (B2B) transactions might use CSR to address different concerns. Similarly, CSR in the banking industry does not resemble CSR in the mining sector. The diversity of CSR also shows up within multinational companies, whose subsidiaries do not share the same policies and practices, depending on the political-economic contexts in which they operate. In short, while the expansion of CSR has been primarily the work of globally active entities (for example, multinational companies, international organizations, and norm-setting agencies), and while many CSR-related norms and governance initiatives have a transnational scope, CSR remains embedded in multiple contexts that produce a diversity of characteristics and outcomes.[30]

Besides its historical and socio-spatial variations, the CSR phenomenon is deeply ambiguous. While companies and business-friendly actors (for example, business associations, consultants, business schools) seem to be prominent, CSR involves actors whose goals and *modi operandi* are not always aligned with business interests. For instance, some protagonists promote CSR-based 'soft' regulatory norms not to support business-as-usual, but to enrol companies in an incremental dynamic that starts with voluntary mechanisms to prepare the ground for more binding regulatory constraints.[31] Similarly, CSR policies adopted by national states are not always designed by business-friendly policy-makers, as other political forces sometimes gain the upper hand.[32] More generally, CSR mixes up diverse elements such as self-regulation and regulatory constraints, economic and political logics, as well as cynical uses of

28 See, for instance, Matten and Moon (2008), Chen and Bouvain (2009), Brammer, Jackson, and Matten (2012), Gjølberg (2010), and Bansal, Gao, and Qureshi (2014).
29 See Gjølberg (2010) and Brammer, Jackson, and Matten (2012).
30 On global CSR, see in particular Dashwood (2012) and Tsutsui and Lim (2015).
31 See, for instance, Vogel (2008), Hofferberth (2011), and Utting (2015).
32 See Bernhard and Christian (2010), Kinderman (2013), Vallentin (2015), and Krichewsky (2017).

CSR and genuine beliefs in its proclaimed virtues. In other words, the concrete institutionalization of CSR is an open and ambiguous process that involves a plurality of actors, interests, goals, and institutional logics.

Finally, the CSR concept itself resists any attempt to pin down its meaning with a simple definition. Following Adaeze Okoye, CSR can be considered an 'essentially contested concept', that is, a concept whose intrinsic properties trigger ongoing contention about its proper meaning by its different users.[33] As companies have a direct interest in describing themselves as 'socially responsible' entities, their claims raise scrutiny. However, the actual 'social responsibility' of a company can be assessed in many different ways, on the basis of many different conceptions of what is socially responsible or irresponsible. Hence, agreement on the actual social responsibility or irresponsibility of a company is tedious. The contested character of CSR is strengthened by the fact that CSR can be used both aggressively and defensively: when activists criticize a company for being socially irresponsible, the company is likely to react by putting its social responsibility forward. As both claims are opposite depictions of the same entity, they are poised to generate controversies. Moreover, controversies on the meaning of CSR attract public attention, which reinforces controversies in return. Mainstream approaches and critical studies tend to get caught in these dynamics of contention. By depicting CSR as 'window dressing' or 'green washing', critical studies defend one 'true' meaning of CSR against the meanings put forward in mainstream managerial approaches, such as 'doing well by doing good', which they reject as false and misleading.[34] These

[33] Okoye (2009, 616). This was acknowledged earlier by other authors, such as Dow Votaw, who wrote in 1973 that

> the term … is a brilliant one: it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others it means socially responsible behaviour in an ethical sense; to still others, the meaning transmitted is that of 'responsible for,' in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large. Even the antonyms, socially 'irresponsible' and 'non-responsible' are subject to multiple interpretations. (Quoted by Carroll, Lipartito, Post, Werhane, and Goodpaster 2012, 7)

[34] Such controversies are perfectly illustrated by the debate in the *California Management Review* (2011, vol. 53, no. 2) between Aneel Karnani on the one hand ('"Doing Well By Doing Good": The Grand Illusion'; 'CSR Stuck in a Logical Trap: A Response to Pietra Rivoli and Sandra Waddock's "First they Ignore You…: The Time-Context