

## Corporate Social Responsibility

### Strategy, Communication, Governance

This upper-level textbook offers an original and up-to-date introduction to issues in corporate social responsibility (CSR) from a global perspective. Written by an international team of experts, it guides students through key themes in CSR including strategy, communication, regulation and governance. Balancing critiques of CSR with a discussion of the opportunities it creates, it includes chapters devoted to critical issues such as human rights, anti-corruption, labour rights and the environment.

Pedagogical features include customised case studies, study questions, key term highlighting, practitioner pieces and suggestions for further resources. The book is also complemented by a companion website featuring adaptable lecture slides, teaching notes for cases and links to related resources. Tailored for upper-level undergraduate and postgraduate courses on corporate social responsibility, sustainability and business ethics, it is also relevant to non-business courses in political science, international relations and communications.

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# CORPORATE SOCIAL RESPONSIBILITY

## Strategy, Communication, Governance

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CAMBRIDGE  
UNIVERSITY PRESS

CAMBRIDGE  
UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom

One Liberty Plaza, 20th Floor, New York, NY 10006, USA

477 Williamstown Road, Port Melbourne, VIC 3207, Australia

4843/24, 2nd Floor, Ansari Road, Daryaganj, Delhi – 110002, India

79 Anson Road, #06-04/06, Singapore 079906

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning, and research at the highest international levels of excellence.

[www.cambridge.org](http://www.cambridge.org)

Information on this title: [www.cambridge.org/9781107114876](http://www.cambridge.org/9781107114876)

10.1017/9781316335529

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First published 2017

Printed in the United Kingdom by Clays, St Ives plc

*A catalogue record for this publication is available from the British Library.*

*Library of Congress Cataloging-in-Publication Data*

Names: Rasche, Andreas, editor. | Morsing, Mette, editor. | Moon, Jeremy, 1955- editor.

Title: Corporate social responsibility : strategy, communication, governance / [edited by] Andreas Rasche, Copenhagen Business School, Mette Morsing, Copenhagen Business School, Jeremy Moon, Copenhagen Business School.

Description: Cambridge, United Kingdom : Cambridge University Press, 2016.

| Includes bibliographical references and index.

Identifiers: LCCN 2016036438 | ISBN 9781107114876 (hardback) | ISBN 9781107535398 (pbk.)

Subjects: LCSH: Social responsibility of business. | Corporate governance.

Classification: LCC HD60 .C6954 2016 | DDC 658.4/08–dc23 LC record available at <https://lccn.loc.gov/2016036438>

ISBN 978-1-107-11487-6 Hardback

ISBN 978-1-107-53539-8 Paperback

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Cambridge University Press  
978-1-107-11487-6 — Corporate Social Responsibility  
Edited by Andreas Rasche , Mette Morsing , Jeremy Moon  
Frontmatter  
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## Preface

The significance of **corporate social responsibility** (CSR) for business, society and governance is now undisputed. It is even discussed at length by its traditional critics, ranging from neo-liberal economists to anti-corporate campaigners and scholars. Yet, it is also a contested concept, not only by its critics, but also by those who claim to work for it. Our aim is to clarify understanding of CSR and the nature of and reasons for the contestation.

This textbook joins a growing number of texts and other resources on CSR. It is designed for advanced undergraduate and postgraduate students, although no prerequisite knowledge is assumed. But, what you are holding in your hands (or viewing on your hard-drive) differs in many ways from other textbooks on CSR and such related concepts as business and society and **corporate sustainability**. This is for five main reasons: its conceptual ambition; its focus on issues; its critical awareness; its integration of expertise; and its attention to how you learn from it, or pedagogy.

First, this book is unique in bringing together *three indispensable conceptual perspectives on CSR*: strategy, governance (including regulation) and communication. Like most other CSR textbooks, we address strategic approaches to CSR in our book (Part I). However, we bring new perspectives on these, including critical and developing country viewpoints. We also examine the role of governance in CSR because so much of CSR now pertains to socio-economic governance and the political nature of corporations' responsibilities. This book helps students to explore how CSR itself is regulated (Part II), and the role that corporations play in new governance arrangements (e.g. multi-stakeholder initiatives (MSIs) or public-private partnerships – Part IV). As much of CSR is about communicating firms' social and environmental responsibilities, we invite students to think about how communication is formative of CSR actions (Part III). We explore the significance of CSR communication in different contexts, such as crises, transparency and reputation management.

Second, while other CSR texts are structured around stakeholders or management issues, they often give rather selective attention to the *issues that CSR practitioners are concerned with*. We have provided chapters that allow students to gain knowledge about four core CSR issue areas: human rights, labour rights, environmental issues and corruption. The chapters offer an accessible and clear introduction to these issues and show students why these areas matter, what firms can do to improve their social performance, and what voluntary (and legal) frameworks have influenced firms' practices over time.

This will help students to understand what exactly is at stake when we talk about firms having responsibilities towards society.

Third, other CSR textbooks tend to take a relatively uncritical stance on CSR, offer a standalone critical chapter or are single-mindedly critical. We asked authors throughout the book to engage in *critical reflection* – i.e., to reflect on the concepts, theories and frameworks used in their chapter in a way that explores their limits and hence challenges students to ‘think ahead’. All three of us share a deep desire to have challenging conversations in the classroom, and this book is designed to help instructors create such conversations by making readers aware of critical as well as positive insights into CSR.

Fourth, while most textbooks are authored, we offer an edited guide to CSR. Given the multifaceted and dynamic nature of CSR, we have brought together *leading experts to write chapters* on the topics of their established scholarly reputations. So while the structure, character and themes of the text reflect our own editorial thinking, the individual chapters reflect knowledge and insights of subject specialists in our international networks. We have taken a lot of care to avoid redundancies across chapters and also to make chapters comparable in terms of style, pedagogical features and length.

Finally, this book offers more than the text. It presents eighteen chapters which both link to one another and can be used in a standalone fashion. These scholarly contributions are *supplemented by a variety of other resources*, including: reflection pieces by well-known practitioners on the four major themes; case studies at the end of each chapter to enable students to critically reflect on CSR opportunities, challenges and dilemmas; and access to the slides that have been prepared in collaboration with the chapter authors.

Many people have contributed to make this book a success. We would particularly like to thank Luisa Murphy and Helene Morissette at Copenhagen Business School who assisted us in coordinating with authors and preparing the final manuscript. Paula Parish and Rosemary Crawley supported this project at Cambridge University Press and gave many helpful comments while finalising the book. We want to thank the VILLUM Foundation, the Governing Responsible Business (GRB) research environment at CBS, and the CBS Sustainability Platform for their financial support of this project. Materials for this book were also produced with funds from the Carlsberg Foundation and the International Network Programme (INP) under the Danish Social Science Council. Most of all we need to thank all those who contributed to the book. We appreciate their patience and openness to adapt their texts during the editing phase, so that we all can enjoy a book that is filled with exciting content!

Much like the man on this book cover, who overlooks a city with its busy social and economic life, studying CSR is about standing back for a moment and reflecting on the purpose of business. We hope that this book serves this purpose.

Andreas Rasche  
Mette Morsing  
Jeremy Moon

## List of Abbreviations

AA1000	AccountAbility Standards Series
ACC	Aquaculture Certification Council
ACTA	Alien Tort Claims Act
API	American Petroleum Institute
ASC	Aquaculture Stewardship Council
B2B	Business to Business
BCI	Better Cotton Initiative
BHR	Business and Human Rights
BSCI	Business Social Compliance Initiative
CCC	Clean Clothes Campaign
CCWG	Clean Cargo Working Group
CDM	Clean Development Mechanism
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFP	Corporate Financial Performance
CER	Corporate Environment Responsibility
CITES	The Convention on International Trade in Endangered Species
CO <sub>2</sub>	Carbon Dioxide
COO	Chief Operating Officer
COP	Communication on Progress
CPA	Corporate Political Activity
CPG	Consumer-Packaged Goods Companies
CPI	Corruption Perception Indices
CRRep	Corporate Responsibility Reporting
CSO	Civil Society Organisation
CSP	Corporate Social Performance
CSIR	Corporate Social Irresponsibility
CSR	Corporate Social Responsibility
CSV	Creating Shared Value
ECOSOC	United Nations Economic and Social Council
EEDI	Energy Efficiency Design Index
EGS	Environmental Goods and Services
EITI	Extractive Industries Transparency Initiative
EMAS	European Union Eco-Management and Audit Scheme
EP	Equator Principles
EPA	Environmental Protection Agency

ERM	Enterprise Risk Management
ESI	Environmental Ship Index
ETI	Ethical Trading Initiative
EU	European Union
FCCC	Framework Convention on Climate Change
FCPA	US Foreign Corrupt Practices Act
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FLA	Fair Labor Association
FSC	Forest Stewardship Council
FSG	Foundation Strategy Group
FWF	Fair Wear Foundation
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GMO	Genetically Modified Organism
GRI	Global Reporting Initiative
GVC	Global Value Chain
HRDD	Human Rights Due Diligence
IATI	International Aid Transparency Initiative
ICC	International Chamber of Commerce
ICCPR	International Covenant on Civil and Political Rights
ICCT	International Council on Clean Transportation
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICT	Information and Communication Technology
IIRC	International Integrated Reporting Council
ILO	International Labour Organization
ILRF	International Labour Rights Forum
IMO	United Nations' International Maritime Organization
INGO	International Non-Governmental Organisation
IPF	International Project Finance
IRS	Internal Revenue Service
IRT	Image Repair Theory
ISAE	International Standard on Assurance Engagement
ISCC	International Sustainability and Carbon Certification
ISEAL	International Social and Environmental Labelling Alliance
ISO	International Organization for Standardization
ITTO	International Tropical Timber Organization
LEED	Leadership in Energy and Environmental Design
LETS	Local Exchange Trading Systems
MACN	Maritime Anti-Corruption Network
MARPOL	IMO's International Convention for the Prevention of Pollution from Ships
MEA	Multilateral Environmental Agreement
MeTA	Medicines Transparency Alliance

MNC	Multinational Corporation/Companies
MNE	Multinational Enterprises
MRV	A mandatory scheme for Monitoring, Reporting and Verification
MSC	Marine Stewardship Council
MSI	Multi-Stakeholder Initiative
NAFTA	North American Free Trade Agreement
NCP	National Contact Point
NGO	Non-governmental Organisation
NHRI	National Human Rights Institutions
NOx	Nitrogen oxides
NPO	Non-profit Organisation
OECD	Organisation for Economic Cooperation and Development
OSH	Occupational Safety and Health
PACI	Partnering Against Corruption Initiative
PEFC	Programme for the Endorsement of Forest Certification
PPP	Public Private Partnership
PRME	Principles of Sustainable Management Education
PWYP	Publish What You Pay
RED	Renewable Energy Directive
RSB	Roundtable for Sustainable Biomaterials
RSPO	Roundtable on Sustainable Palm Oil
RTRS	Roundtable on Responsible Soy
SA 8000	Social Accountability 8000
SBR	Sustainable Beef Roundtable
SCCT	Situational Crisis Communication Theory
SDG	Sustainable Development Goals
SEC	Securities and Exchange Commission
SEEMP	Ship Energy Efficiency Management Plan
SME	Small and Medium-Sized Enterprise
SOE	State-Owned Enterprise
SRI	Socially Responsible Investment
SRSG	Special Representative of the Secretary-General
SSE	Sustainable Stock Exchanges
SSI	Sustainable Shipping Initiative
TEG	Transnational Environmental Governance
TI	Transparency International
TNC	Transnational Corporations
UDHR	Universal Declaration of Human Rights
UN	United Nations
UNCAC	United Nations Convention against Corruption
UNCED	United Nations Conference on Environment and Development
UNCTC	United Nations Centre on Transnational Corporations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme

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UNFCCC	UN Framework Convention on Climate Change
UNGC	United Nations Global Compact
UNGP	United Nations Guiding Principles
UNODC	United Nations Office for Drugs and Crime
VP	Vice-President
WCED	World Commission on Environment and Development
WEF	World Economic Forum
WPCI	World Ports Climate Initiative
WTO	World Trade Organization
WWF	World Wide Fund for Nature

## List of Case Studies

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## Prologue

JAMES P. WALSH

Andreas Rasche, Mette Morsing and Jeremy Moon have edited and authored a very important book here. CSR, as they define it, may be the most important issue we as a people confront in the decades ahead. We face it with a mix of appreciation and apprehension. While we have debated the proper place of the firm in society since the dawn of commerce (Avi-Yonah, 2005), the power and reach of the modern firm raises the stakes in this debate. Now living in what Perrow (1991) calls ‘a society of organizations,’ we live in a world where commerce is global and corporate control is local. Spanning nation states, transnational firms can operate in most all of them and at the same time, be bound by none of them. While firms can affect life on the entire planet, there is nothing resembling a planetary governance system to control them. And so, the way we conceive and control business enterprises’ responsibility to humanity carries with it enormous consequences. Business leaders and citizens of the world alike must understand these issues. Our challenge is to find a way to embrace the prosperity that private enterprise generates, while at the same time guarding against its excesses or worse. We learn here that no less than our human rights and the sustainability of the planet hang in the balance.

Open this book to learn why business plays such a central role in our lives these days. With both a historical appreciation for ‘Business and Society’ scholarship and an evaluation of the changing nature of business activity through the years, we learn what society now wants from business (in the areas of human rights, labour rights and environmental sustainability). We also learn what we do not want from business (corruption). We then learn about the nature of accountability, from both the firm and society’s point of view. Communication and transparency are crucial: control is a knotty issue. Readers will come away with a considered understanding of the range of control mechanisms now available. They range from business **self-regulation** to government regulation, with non-governmental organisations (NGOs) and

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We decided to invite Jim Walsh for the opening reflections on the importance of understanding CSR for students in view of his passion for making students aware of how they may influence the world as future leaders. Since 1991 Jim Walsh has been Professor at the Stephen Ross School of Business at University of Michigan, and he has influentially set CSR on the agenda in the world’s leading scholarly network, Academy of Management, where he served as President (2011). Today he serves on the Editorial Boards of some of the world’s leading management journals.

activists of various kinds operating in the voids. All the while, the authors are quick to point out the promise and peril in every domain. This book aims not just to communicate knowledge about these important issues but also to cultivate wisdom. We will certainly need this wisdom as we manage and navigate a world so marked by immense corporate power and influence.

Ultimately, this book raises questions about how we may best live. Focusing on the many complexities attendant to the place of business in our lives, readers in the end may find themselves questioning an even broader dynamic in play here. After all, any business' attention to human rights and environmental sustainability must commingle with its quest to generate sustained competitive advantage and shareholder value. A firm cannot exist for long without profit. High CSR aspirations notwithstanding, corporate leaders can be tempted to put profits before people. In such times, business no longer serves humanity; humanity serves business. Perhaps universal values should guide our business activity. Donaldson and Walsh (2015) recently made a case for dignity. At minimum, they argue, we should prohibit any indignity committed in the name of business to humans, animals and the Earth itself.

Absent consensus about values, one wonders if our planet can withstand a life so shaped by business activity. Questioning the quality of a life marked by consumerism and consumption, Pope Francis (2015) recently wondered aloud if the planet itself could long sustain such life choices. In the end, readers of this book will better understand our social, environmental, ethical and philanthropic responsibilities towards society, both mediated by business activity and not mediated by such activity. Such insight is as important to living a good life as it is to sustaining life on the planet itself.