## Introduction

Corporate Social Responsibility (CSR) is a contested phenomenon. Here, we refer to CSR as an umbrella term to describe how business firms, small and large, integrate social, environmental and ethical responsibilities to which they are connected into their core business strategies, structures and procedures within and across divisions, functions as well as value chains in collaboration with relevant stakeholders. As yet, there is no consensus as to what exactly these responsibilities are, how to best address them, and more generally what the role of business in society is and should be. Researchers, managers, politicians and other stakeholders such as the media have not reached an agreement about the scope and content of CSR. At the same time, CSR has moved from the margins to the mainstream. It now takes centre stage in managerial and scholarly discourses and has entered the boardroom of most corporations.

Our aim with this Element is to shed light on the contested nature of CSR. We thereby do not seek to develop theory or provide an exhaustive review of the literature. Rather, we select those key questions and topics in the contemporary debate on CSR that provide those interested in the concept with a concise and critical introduction to the state-of-the-art of CSR research and practice. In going beyond yet another handbook of 'how to manage' CSR strategy and implementation, we provide readers with a fresh perspective to reflect on how CSR is commonly practised by business firms. By illuminating and scrutinizing present approaches to CSR, this Element aims to provide readers with the ability to understand key concepts in the context of CSR and how businesses attempt to meet the social and environmental expectations of society.

This Element is structured into five sections that each deal with a central question in the CSR debate. First, we ask what the relevant CSR issues are that companies nowadays are confronted with, and what the resulting scope of CSR is. Here, we make a critical distinction between what we call the 'low-hanging fruits of CSR' and the 'high-hanging fruits of CSR'. We further explain the important shift in understanding CSR no longer as 'how the money is spent' but as 'how the money is made'. Second, we ask why companies would pay attention to those issues, illuminating the key drivers and motives for CSR. We unfold two important tensions of the instrumental motive for CSR, namely the 'ethical fallacy' and the 'managerial fallacy', and argue that contemporary CSR is mainly driven by stakeholder expectations that form the institutional infrastructure of CSR. Third, we ask how business firms can implement their CSR commitments into organizational practices and procedures, reviewing important components of the implementation process such as codes of conduct, policies, CSR management frameworks, stakeholder engagement and CSR reporting. We also highlight important complications that are widely observable among business firms in the CSR implementation process. Fourth, we turn to the dark side of CSR and ask why greenwashing and Corporate Social Irresponsibility (CSiR) became common phenomena in the context of CSR. We portray empirical evidence of this and unfold selected theoretical approaches to illustrate some important reasons that help to understand and explain the prevalence of such behaviour. Fifth, in wrapping this Element up, we ask what the key themes are that (should) shape the CSR discussion over the next decade, zooming in on new responsibilities that emerge from digitalization as well as the Sustainable Development Goals (SDGs).

# 1 What is Corporate Social Responsibility (CSR)? Scope, Issues and Definitional Clarity

The objectives of this section are:

- To introduce key social, environmental and ethical issues to which business firms are confronted and which define the scope of what is commonly understood as Corporate Social Responsibility (CSR).
- To show that CSR is fundamentally about 'how the money is made', in other words about responsibility for harm that emerges along globally expanded value chains. Importantly, CSR is no longer constrained to 'how the money is spent', i.e. limiting CSR to philanthropy or other forms of charitable actions.
- To explain that for understanding CSR in a globalized economy, attention needs to shift from a liability logic based on legal obligations towards the logic of social connection between companies and societal impacts along their supply chain.

## 1.1 From 'How the Money Is Spent' to 'How the Money Is Made'

Nowadays, hardly a day passes on which we don't hear in the media about yet another corporate scandal, irresponsible behaviour or cases of social, environmental or ethical wrongdoing in which business firms are involved in one way or another. Some of these cases come high on the agenda of public attention, such as working conditions in global textile supply chains in the aftermath of the collapse of the Rana Plaza factory building in April 2013. That day, 1,135 workers of a garment factory in Bangladesh died, and 2,438 were injured because of extremely poor safety conditions and an overcrowded factory building. Such kind of – oftentimes deadly – harm to workers in global supply chains of fashion brands is unfortunately not rare. Rather, the Rana Plaza incident was only a particularly severe case leading to the long necessary public outcry that called for change in the global fashion industry.[1]

However, attributing responsibility for such tragedies is not as easy or straightforward as it might seem. One might indeed ask who is responsible for violations of basic health and safety conditions at the workplace: factory operators flouting national laws? Local governments failing to enforce these laws? Multinational retailers squeezing the last penny out of suppliers? Western consumers unwilling to pay more than a few bucks for a T-shirt? The international community failing to intervene? It may not come as a surprise that much of the subsequent controversy was not primarily directed at the local factory owners, but mainly against powerful Western multinational textile brands such as Adidas, H&M, Inditex (the company behind labels such as Zara and Mango), Primark and the like. Western fashion brands reacted not by denying any sort of responsibility, but rather by acknowledging their linkages to factories violating health and safety conditions.

As a consequence, soon after Rana Plaza, major players in the fashion industry, mainly from Europe, set up an initiative called the Accord on Fire and Building Safety in Bangladesh in May 2013, often referred to as 'the Accord'. This initiative is an independent, legally binding agreement between fashion brands and trade unions designed to work towards a safer garment industry in Bangladesh. Signatories of the Accord pledged to enable a working environment in which basic standards of workplace health and safety measures are implemented and monitored by an independent inspection programme involving retailers, workers, trade unions, local governments as well as non-governmental organizations (NGOs). Furthermore, signatories promised to ensure that safety conditions in involved factories were made publicly available to allow inspections and devise corrective measures in case of breaches of the key health and safety guidelines. In addition, democratically elected health and safety committees were installed in all factories to identify and act on health and safety risks, while worker empowerment was encouraged through training, complaints mechanisms and by giving workers the right to refuse unsafe work. Only a few years later, more than 200 apparel brands had signed the Accord which now covers more than 1,000 Bangladeshi garment factories. Today, six years after the incident, workers' rights are still much of an issue in Bangladesh and other emerging markets.[2] However, the example at least demonstrates that even though global fashion brands are connected to those factories only through complex and globally expanded webs of supply chains and production

[1] www.stern.nyu.edu/sites/default/files/assets/documents/con_047408.pdf
[2] https://bhr.stern.nyu.edu/five-years-after-rana-plaza/

networks, they have accepted a responsibility for the health and safety of workers in distant places.

Another example that, relative to the Rana Plaza tragedy, remained somewhat under the radar of large-scale public attention is a 'food drive' organized by US retailer Walmart. The case strikingly illustrates how public perception of social and environmental responsibilities that can be attributed to corporations has changed over the last few decades. According to media reports,[3] for several years some US branches of Walmart organized Thanksgiving food drives for their own employees in order to help those in need by asking co-workers to donate food. At first sight, this may sound like a nice idea. Walmart employees show how much they care about each other by helping their fellow colleagues with too little income to buy their own food to have a nice Thanksgiving dinner. However, as a CNN journalist reported, many workers at Walmart rather felt betrayed by such hypocrisy and the subsequent public outrage came as no surprise.

While local store managers at Walmart may have even acted out of good intention, critics pointed out that according to a report by the National Employment Law Project in 2012,[4] Walmart turned out to be one of the worst-paying companies in the USA. In fact, associates at the company were paid so poorly that they could hardly cover their daily bills, let alone a proper Thanksgiving feast. Critics hence argued that the whole idea and need for organizing such a food drive would not be necessary if Walmart would simply pay their employees a decent wage so that they could afford enough food on their own in the first place. In some way, Walmart was delegating the responsibility for its own employees to its other employees. According to *Forbes* magazine,[5] at the same time Walmart's net income was at around US$17bn, and ample amounts of bonus cheques and stock options have been paid to top management and shareholders.

What do the Rana Plaza factory collapse, the Accord in Bangladesh as well as the Walmart food drive demonstrate about contemporary CSR and the roles and responsibilities of business firms in society? They show how CSR has moved from the idea of 'giving back to society' towards a concept that is about how value is created by a firm, and what the social, environmental and ethical implications of the corresponding value-creating processes are. CSR is no

[3] www.forbes.com/sites/rickungar/2013/11/18/walmart-store-holding-thanksgiving-charity-food-drive-for-its-own-employees/#40b69ad02ee5; www.cnbc.com/2014/11/20/wal-mart-defends-employee-food-drive.html
[4] www.nelp.org/content/uploads/2015/03/NELP-Big-Business-Corporate-Profits-Minimum-Wage.pdf
[5] www.forbes.com/sites/clareoconnor/2014/04/15/report-walmart-workers-cost-taxpayers-6–2-billion-in-public-assistance/#39b9d640720b

longer constrained to philanthropy or charity and how the money is spent. According to this logic, companies would maximize their profits without costly adjustments in core business operations, and then compensate for some of the collateral damage by making a few donations to affected stakeholders, as the case of Walmart demonstrates. Today, CSR is elevated to a strategic level and has become fundamentally about how the money is made. Hence, it is about integrating CSR principles in businesses' strategy and core operations that include all parts of the often globally expanded value chain. This includes paying fair wages to workers in distant factories and making sure production processes are socially and environmentally responsible (Wickert et al., 2016). The scope of responsibility is then no longer restricted to the company's headquarters, but is instead stretched along its entire, and often global, supply chain and production network. The Rana Plaza case and the subsequent launch of the Accord demonstrate how CSR has gained strategic relevance in a globalized world.

The expanded scope of CSR brings along a number of complications. As we will show in this Element, disaggregated global supply chains have increasingly replaced the vertically integrated organizational structure that dominated corporations of the twentieth century across multiple industries. While this may allow cost reductions and efficiency gains, it limits a business firm's ability to control and monitor its own supply chains, including labour practices and the very locations from which materials are sourced (Kim & Davis, 2016). Moreover, stakeholders increasingly attribute corporate responsibility *upstream* to actors along the supply chain. This includes those workers in sweatshop factories in Bangladesh that sew shirts for global retailers such as H&M, Nike or Adidas. Moreover, upstream responsibility can go even further to fourth- or fifth-tier suppliers that for instance harvest and deliver raw cotton in the fields of Uzbekistan.[6] Responsibility also reaches *downstream* to consumers and includes the product life cycle. For example, there are potential implications for the environment once products are disposed of as, for instance, in the case of smartphones. Product ingredients may also have implications for consumers, such as food products with high amounts of sodium or trans fats typical in the fast food industry. Figure 1 summarizes these developments.

## 1.2 From a Liability to a Social Connection-based Understanding of CSR

When considering how CSR has evolved, it appears that stakeholders, including civil society groups, NGOs and consumers, have started to attribute

[6] Uzbekistan is a major producer of raw cotton worldwide and has been repeatedly accused of human rights abuses and severe forms of child labour.

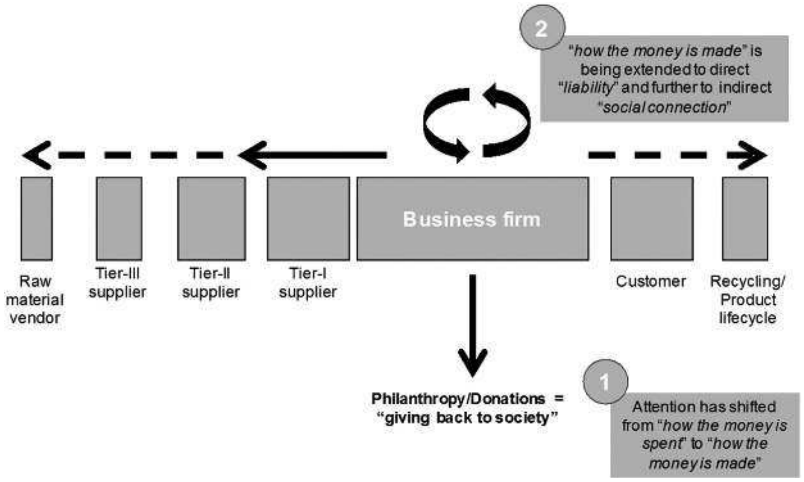


**Figure 1:** How CSR has transformed from philanthropy to liability to a social connection responsibility.

**Source:** Own illustration.

responsibility to firms no longer based on liability (i.e. the legal relationship between two entities). Instead, responsibility is increasingly attributed based on a firm's *social connection* to an issue. The liability approach to CSR is based on a legal mindset. Here, responsibility emerges when a legal relationship, and hence an immediately visible causal link between action and harm, can be objectively shown. As the examples above show, holding companies legally responsible is limited when CSR is about how the money is made. This is particularly evident in globally dispersed and highly complex production networks. A clear identification of supply chains is extremely difficult since they involve dozens of steps and unclear or interrupted legal relationships between raw-material producers, vendors, manufacturers, distributors, retailers, and so on. Indeed, over the past decades new communication technologies, low-cost shipping and the liberalization of trade have led many businesses to reconsider their 'make or buy' decisions covering nearly all sectors, from manufacturing to services. As Kim and Davis (2016: p. 1897) have pointed out, 'Nike shoes, Apple phones, and Hewlett-Packard laptops are all manufactured by far-flung contractors, not by the company whose logo is engraved on the product.'

An alternative understanding that offers justification for why and when responsibility emerges is therefore necessary. Evidence suggests that companies have started to acknowledge and act according to this new logic of CSR. While in the past companies used to deny responsibility by pointing to the lack of a legal relationship between themselves and a certain supplier where some harm occurred, the public no longer accepts this. Instead, companies have started to act on a concept of responsibility that instead refers to the consequences of their structural connectedness, the social connection that holds actors 'responsible precisely for things they themselves have *not* done' (Young, 2004: p. 375).

Based on social justice theory, the philosopher Iris Marion Young has developed the concept of social connection (Young, 2004). Her reasoning provides the moral philosophical, rather than legal, basis for thinking about and justifying why and to what extent business firms should meet their social responsibilities in the global marketplace. Her main concern is where firms might create and maintain systemic forms of injustice or harm to distant parties, such as factory workers in Bangladesh or elsewhere. As such, the social connection approach provides an analytical basis for identifying the areas where it is difficult to establish an immediate causal connection between a social, environmental or ethical problem (e.g. low labour standards for supplier factory workers in developing countries) and companies based in other parts of the world. An important assumption here is that systematic disregard of environmental standards or the continuous exploitation of workers and violations of their rights are sources of chronic, rather than incidental, injustices that are linked to the systems and structures of globalized production networks (Schrempf, 2014; Wickert, 2016).

What Young (2004: p. 365) then argues is that companies and also consumers have to 'acknowledge a responsibility with respect to the working conditions of distant workers in other countries, and to take actions to meet such responsibilities'. If companies are said to hold responsibility for the welfare of subcontracted workers in distant places, then this type of responsibility cannot be understood as a legally grounded liability but must be seen as a morally grounded 'political duty'. The liability logic would imply that actors who are directly involved in causing injustice plausibly can be held responsible for the consequences. This may include factory owners, but also governmental authorities that are unwilling or unable to enforce basic laws that protect human rights and labour standards. The case of the Rana Plaza tragedy illustrates that indeed some factory owners had been brought to court and received substantial fines because of their legal responsibility. The problematic aspect in the liability logic, however, is that it allows those companies which have sourced from that factory, including well-known fashion brands such as H&M, to defend themselves by arguing that they did not actually own the factory. In consequence, there has not been an immediate legal relationship to the factory owner, as there are typically multiple subcontractors involved (Young, 2004).

However, stakeholders such as consumers or NGOs no longer accept that powerful global brands can hide behind the excuse of not being legally connected. For example, the Accord in Bangladesh strikingly demonstrates that companies have acknowledged their extended responsibility for global injustice and have taken decisive action. At least among the well-known companies with a valuable brand name to protect, you would hardly find open denial of any sort of responsibility for what happens deep in their supply chain. Young indeed argued that any company's actions partly depend on the actions of others. In other words, 'the scope of an agent's moral obligation extends to all those whom the agent assumes in conducting his or her activity' (Young, 2004, p. 371). This means that any company that sources raw materials or pre-products made under inhumane or environmentally damaging conditions by doing so benefits for instance from low prices that are enabled because of those very conditions. Thus, the beneficiary becomes indirectly connected to some form of injustice. If a company relies on low-priced finished products to gain an edge over its competitors, it implicitly depends on the exploitation of workers who are paid below minimum wages. Young argues that no company can deny this connection to processes of structural injustice and that there is at least a moral, if not a legal, obligation of responsibility.

From an ethical point of view, those who participate in the creation or perpetuation of these structures need to recognize that their actions contribute to this injustice and have to take responsibility for altering these structures in order to prevent or reduce injustices. Civil society and all kinds of stakeholder groups have picked up this basic understanding of why and how responsibilities in global supply chains can and should be attributed and shared – some more explicitly than others. What can be observed is that actions of corporations to be considered legitimate and hence socially acceptable are increasingly related to the idea of social connection. What emerged as a largely ethically grounded rationale has turned into a widespread social expectation that is shared by large parts of public audiences.

## 1.3 The Low- and High-hanging Fruits of CSR

If we take the social connection approach as a basis for justifying that certain responsibilities exist, then what will be the relevant CSR issues that have emerged on the corporate radar? They would certainly stretch the scope of CSR beyond issues such as philanthropy or building a kindergarten at the corporate headquarters. Indeed, the contemporary understanding of CSR suggests that attention has shifted from what could be called the 'low-hanging fruits' to what can better be described as 'high-hanging fruits' (see e.g. Wickert et al., 2016; Wickert & de Bakker, 2018).

Low-hanging fruits are certainly not unimportant and often also have significant social or environmental impacts. They include things such as pollution control, eco-efficiency and waste management, granting employee benefits such as free lunch or health benefits. Hence, they typically describe issues that reach comparably low up or down the supply chain. We can define low-hanging fruits as those issues where a connection to core business operations is directly visible because they are in a company's immediate sphere of influence. Often, they are even simply mandated by law, such as environmental or health and safety regulations. Because of this, low-hanging fruits generally allow for easily establishing a business case (i.e. enhanced profits through higher sales or reduced costs) in terms of straightforward and inexpensive behavioural and material changes. Tackling such issues then leads to a directly measurable effect with clear financial benefits for the company. Research suggests that many companies indeed begin their CSR journey by addressing low-hanging fruits (e.g. Baumann-Pauly et al., 2013).

Sharma and Henriques (2005: p. 158) studied the Canadian forestry industry and their findings reflect what can be found in many other industries as well: companies are well positioned in the 'early stages of sustainability performance such as pollution control and eco-efficiency'. However, more fundamental changes in business models that would involve the redefinition of business ecosystems and which would require substantial investments in organizational systems and processes are still 'in their infancy'.

Turning to the high-hanging fruits, as the example of the forestry industry suggests, becomes progressively more difficult and often requires large-scale changes and reconsideration of production processes, or for instance entirely new technologies and buyer-supplier relationships. For example, a telecommunications company such as Vodafone may place recycling bins in its shops to collect used smartphones. This may seem like a nice gesture, but it certainly remains a low-hanging fruit. Cost implications for Vodafone are relatively low, the measure is far away from a reconsideration of its business model, and responsibility is basically delegated away to consumers to actually return their used phones. However, the real CSR challenge would be to reduce the number of smartphones sold and then thrown away after only a year or so in the first place. This, however, is fundamentally against the business model of many telecommunications providers and how they are currently marketing their products. On top of that, making sure phones are not produced under inhumane conditions using so-called conflict minerals is an even more complex problem.

So what are these high-hanging fruits? Conflict minerals are a case in point that has been gaining more attention by the public as well as by companies and governments (Reinecke & Ansari, 2016). When thinking of Vodafone or one of its competitors, social and ecological problems connected to the mining of minerals very well underscore that a liability logic needs to be replaced by a social connection approach. To illustrate the idea of high-hanging fruits based on the social connection logic, let us take the example of smartphones and other electronic devices that nowadays nearly everyone uses. Where does the production of a smartphone actually begin? It begins with the extraction of raw minerals in mines, many of them located in some of the world's poorest regions such as Central Africa.

Conflict minerals are natural resources extracted in zones of armed conflict and sold to finance and perpetuate the conflict. One of the most prominent examples has been the eastern provinces of the Democratic Republic of the Congo, where various armies and rebel groups have profited from mining operations while contributing to violence and exploitation during wars in the region (Global Witness, 2017). Beyond Congo, mineral trading has funded some of the world's most brutal conflicts for decades and fuelled human rights abuses in areas such as Afghanistan, Colombia, Mexico and Zimbabwe. The four most commonly mined conflict minerals (known as 3TGs, from their initials) are cassiterite (for tin), wolframite (for tungsten), coltan (for tantalum), and gold ore. So-called blood diamonds are also often mentioned alongside the problems associated with conflict minerals, as they are typically mined under similarly horrifying conditions. These minerals and jewels enter global supply chains and are essential in the manufacture of a variety of devices, including consumer electronics such as mobile phones, laptops, and MP3 players as well as jewellery and batteries for electric cars. Because of the highly complex webs of supply chain relations and multiple intermediaries, it is very difficult for consumers to know whether their favourite products fund armed conflicts (Kim & Davis, 2016).

Next to being a source of funding for armed conflicts, the conditions under which the minerals are being mined are extremely problematic. Unsafe working conditions and work-related injuries and deaths, forced and child labour, corruption as well as other systemic human rights abuses are the norm (Global Witness, 2017; Kim & Davis, 2016; Reinecke & Ansari, 2016). Conflict minerals mining therefore represents a striking case of 'modern slavery' (Crane, 2013). While we may think that such things as slavery might be something from the dark side of history long overcome, forms of modern slavery continue to exist. Such forms of slavery occur if the following conditions are met: people are (1) forced to work through threat; (2) owned or are controlled by an 'employer', particularly through mental, physical or threatened abuse; (3) de-humanized and treated as a resource; (4) physically constrained or restricted in freedom of movement; (5) subject to economic exploitation