

# Chapter 2

## Strategic Value of Corporate Citizenship

Laurence Eberhard Harribey

**Abstract** The fact that an increasing number of companies continues to integrate corporate social responsibility into the very heart of their strategy means that we have to question the strategic value of corporate strategy. This is the subject of this second chapter looking first at the definition of a corporate citizenship and then determining to what extent a commitment to corporate citizenship is a strategic move. From the analysis of the evolution of the different concepts as corporate social responsibility, then sustainable development and global corporate social responsibility, the first part of the chapter argues that corporate citizenship is both the result of societal change and an undeniable constraint. Then, in a second part of the chapter through concrete corporate examples draws the four areas of commitment to founding the basis of the strategic value of corporate citizenship.

### 2.1 Introduction

During this first decade of the twenty-first century, more and more companies have clearly set out their firm strategic position with regard to social responsibility. It is now becoming commonplace to produce Sustainable Development reports and many companies have frameworks of reference for corporate social responsibility. In 2007, CorporateRegister.com listed 4,147 companies worldwide that had published a report, of which 1,750 had followed the Global Reporting Initiative (GRI) principles. The UN announced 4,600 companies and other contributors participating in the Global Compact. The World Business Council for Sustainable Development (WBCSD) includes about 200 companies, mainly in Europe, North America, Mexico, Japan, Korea, and CSR Europe includes 70 major European companies, all concerned with different aspects of CSR and Socially Responsible

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L.E. Harribey (✉)  
Bordeaux School of Management, 33405 Talence, France

Investing.<sup>1</sup> As the second decade of the twenty-first century dawns, a company is almost taking a risk if it is not part of what has now become the mainstream by incorporating a framework of sustainable development and corporate social responsibility. Between Friedman's assertion (1962) that, "The social responsibility of business is to increase its profits" and that of the *World Business Council on Sustainable Development* (WCSB, 2001) which in contrast states that "companies cannot remain on one side, they are an integral part of our societies and cannot continue to produce wealth if the society surrounding it is collapsing", there is at the very least a fairly wide discrepancy. Nevertheless, a company continues to be assessed mainly in terms of its economic performance and many authors have struggled to reconcile the link between this performance and the implementation of a social responsibility policy (Wood and Jones, 1995). This being the case, the fact that today many companies have integrated corporate social responsibility into the very heart of their strategy means that we have to question the strategic value of corporate citizenship. This is the subject that we will tackle in this chapter, looking first at the definition of a corporate citizen and then determining to what extent a commitment to corporate citizenship is a strategic move. In particular, we will show that the corporate challenge differs according to the company's competitive environment, its sector of activity and its size. We will then try to show which types of strategic positioning are available to companies and to what extent there is a resulting value creation.

## 2.2 From Corporate Social Responsibility to Corporate Citizen

### 2.2.1 Corporate Citizenship, Result of a Societal Change

While it is beyond the scope of this chapter to present a complete analysis of the literature relating to the concepts of corporate social responsibility and corporate citizenship, it is nevertheless necessary to define them. Jose and Sison, comparing the emergence of these concepts in the Anglo-American and the Continental European context of the firm, insist on two different cultural and philosophical approaches (Jose and Sison, 2009). They explain that the tendency within the Anglo-American tradition of Corporate Social Responsibility (Bowen, 1953; Eells and Walton, 1961; McGuire, 1963) was first to reduce rights and duties to the strict minimum set by law. More recent contributions now tend to appeal to a corporate commitment to transcend the legal sphere (Sehti, 1975), to improve the welfare of society (Davis and Blomstrom, 1975). In contrast, according to the Continental European perspective of business, companies are institutions like any other, and are thus embedded in society. Analysis of the European Commission texts from the first Green Paper (European Commission, 2001, 2002) to the Communication in 2006 (European Commission, 2006) suggests that the emergence of the concept of Corporate Social

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<sup>1</sup>These details taken from the Good Planet.info website, Wednesday 10 June 2009.

Responsibility in the European Union is centred on the need to increase a sense of solidarity and cohesion (Eberhard-Harribey, 2006). CSR becomes a business contribution to sustainable development (European Commission, 2006). Hence it follows that the firm as socio-political actor like any other organization is accountable not only to its stakeholders but to the wider society, as underlined by Crane and Matten (2004) with the concept of Corporate accountability.

The significance of Corporate Citizenship and the degree of citizenship that can be applied to a corporate entity is therefore dependent on these two approaches. In the first, a corporation, like a citizen, would be expected to be protected in their right to exist, while in the second, a corporation becomes a corporate citizen who has to take its stakeholders into consideration and who can be challenged by its stakeholders regarding choices that are made. Whichever approach we consider, the company is indeed a stakeholder in society, by virtue of the role that it plays. This role has evolved both because companies have developed and also due to societal changes (Dubouloy and Eberhard-Harribey, 2008).<sup>2</sup> Since the first industrial era, companies have responded to the challenges of society by pushing responsibility into the political sphere: it was the responsibility of companies to create value, and that of States to regulate the market and ensure that it operated smoothly. Whether we consider globalisation to be the inexorable integration of markets, nation states and technologies (Friedman) heralding a global age (Albrow, 1996) or whether instead we see it as an ideology which tends towards ultra-liberalism (McMichael, 2004; Hirst and Thompson, 1999), globalisation has made this traditional sharing of responsibility obsolete. Now that companies have become transnational actors, they move in the global arena in the same way that they use their domestic space. International bodies, NGOs and networks of actors inevitably set themselves up as participants in changing the balance of power with their attempts at regulation. States struggle to coordinate all aspects of international regulation, allowing private self-interest to have the upper hand with nothing in return for the general interest. Now that the traditional types of regulations (local and national government) have run out of steam and there are so many malfunctions, this has started to threaten the very system itself (Eberhard-Harribey and Dubouloy, 2008). Globalisation presupposes global responsibility, which includes all actors, including companies. In fact, this global responsibility goes beyond the four types of societal responsibility described by Carroll (1979)<sup>3</sup> who sees the company a global citizen actor in society. It is to

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<sup>2</sup>In the next paragraph we look at some of the points raised in a presentation given at the RIODD (International Network of Organisations for Sustainable Development) Congress in 2006 in Paris and which were published in part in the journal "Finance et Bien Commun" n°30, I-2008.

<sup>3</sup>We should remember that Carroll distinguishes four types of societal responsibility: economic responsibility, which corresponds to the traditional function of the company, in other words its ability to produce under profitable conditions goods and services which correspond to the needs of society. Legal responsibility, which means respecting legislation and norms in force; ethical responsibility, which society expects the company to assume and which responds to ethical values. Lastly, discretionary responsibility, left to the discretion of each individual and which comes under the heading of philanthropy.

a certain extent in agreement with the view developed by Crane et al. (2008), who define a corporate citizen as one that contributes to the life of the civil society in which it evolves and explore three dimensions: the company as citizen, as citizenship administrator and as a citizenship arena for stakeholders. This definition is in line with the thinking of Aristotle, for whom a citizen is a person who puts a lot of themselves into the community of the city and who participates in the life of the city (Aristotle, 1990).

### **2.3 Sustainable Development and Corporate Global Responsibility: An Undeniable Constraint**

Thus when we consider the demands of sustainable development, along with those of corporate social responsibility, and incorporate them into corporate strategy, we see that this is in no way just a fashionable craze, for four main reasons:

*First reason: urgency of the environmental stakes.* At the end of 2006, the publication of the Stern Review (Stern, 2007) alerted the entire world to the danger of a serious economic recession if nothing were done with regard to the environment across the entire planet. The report was commissioned by the British government, and in combining studies by economists with the work of environmental scientists it marked an important step in the appropriation of the global warming debate by the economic world. The link between climate crises and economic crises was of course not a new issue and studies have shown how in the past the response of economies to environmental change has been dynamic rather than merely defensive (Bassino and Van der Eng, 2010). However, the Stern Review did highlight the urgency of the threat, and as a result, the link between economic activity and climate was perceived differently. Multinational and corporate institutions are now regarded as playing a specific role due to their global influence through their activities and their responsibilities towards their stakeholders (Kolk and Van Tulber, 2010). Moreover, environmental matters do not relate only to the environment but also and especially to the deep rift that has been revealed between the developed and the developing countries. The urgency of sustainable development relates to the inequalities in development between countries in the North and those in the South as well as inequalities within countries, and these are issues with which companies, multinationals in particular, are very closely tied up (Matthew and Hammill, 2009).

*Second reason: economic and social challenges link companies, States and the civil society together.* In the absence of supranational regulatory systems, the demands of sustainable development require new relationships to be created between individuals, groups and organisations that can influence or may be affected by a company's strategy (Lauriol, 2004). While the essential responsibility of companies has for a long time been limited to the creation of economic value through maximising profit, the stakeholder theory forces us to look beyond this concept. Company directors can no longer be content to declare "We are making money and we sub-contract to the State to regulate social injustices. To deal with all the outcasts that our world produces" (Nash, 1990). The company, while being answerable to its

“shareholders”, also has a wider “accountability” –from *shareholders* to *stakeholders* – because economic aspects cannot be isolated from the rest (Freeman, 1984). Thus the company is no longer accountable only to its shareholders but also to its stakeholders, first of all the contractual stakeholders (employees, clients, suppliers), then the non-contractual stakeholders (local communities and communities in the broader sense, which are affected directly or indirectly by its activity). Once again, as Laura Nash emphasised, we must develop ethical behaviour based on the creation of value, not on profit. (Nash, 1990) Moreover, this responsibility becomes a-temporal as it implies obligations to future generations who although they do not yet have obligations do have rights. This is the principle of responsibility put forward by Hans Jonas (1990) which is both a-temporal and a-spatial.

*Third reason: the gradual change in the political and legal framework shapes the corporate environment and also that of other actors.* The increase in legal and convention-based constraints can be seen at all levels: national, European and to a lesser extent international. At European level, two examples illustrate this increased intensity: in the area of waste, European legislation has evolved considerably since the middle of the 1970s (1975 Directive on waste, amended in 2006 and complemented by a dozen sectoral directives adopted in the 1990s). The result is that today almost 60% of waste from major companies is recovered, creating a wealth-creating economic sector in itself. The second example is the REACH European programme (integrated system for registration, evaluation, authorisation and restriction of chemicals, 2007) which aims to achieve product traceability in the chemical industry and which places responsibility on manufacturers in case of injury. It is no longer the responsibility of the victim of a substance to prove the link between the injury and a given substance; it is up to the producer to prove that his product is not harmful. These new European regulations in fact oblige the chemical industry to carry out a complete overhaul of their product strategy and their approach to risk. As well as the purely legal constraints, the improvements in standards and the many international agreements in place are all factors that are gradually ensuring that company stakeholders must inevitably take these matters into account in their strategy.

*Fourth reason: increasing pressure from the civil society.* Opinion drawn from surveys, pressure from NGOs and growth of the eco-citizenship and eco-consumption phenomena are gradually transforming market data. Successive surveys by Corporate Responsibility Monitor (2001–2007) in about twenty different countries show public opinion moving steadily towards being in favour of companies being accountable for their social responsibility. In particular, these surveys stress two interesting points:

Significant numbers of investors take a company's social performance into consideration when making investment decisions. In the USA, where 61% of people own shares, more than a quarter said they had bought or sold shares on the basis of a company's social performance. A similar picture emerged in Canada, Japan, Britain and Italy.<sup>4</sup>

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<sup>4</sup>2001 survey undertaken by *Environics International*, and involving interviews with around 1,000 people in each of 20 countries including the USA, Canada, Mexico, Britain, France, Germany, Japan, India, Russia and Nigeria.

In wealthy countries, social responsibility makes a greater contribution to corporate reputation than brand image. In 20 developed countries surveyed, CSR-related factors collectively accounted for 49% of a company's image, compared with 35% for brand image and just 10% for financial management.

A number of studies have also shown that consumer preferences are increasingly turning towards products and services offered by companies that are socially responsible, transparent and honest (Willmott, 2001; Mitchell, 2001). This pressure from consumers and also from civil society has certainly enhanced the rush to implement standardisation and quality labels (e.g. ISO standards and EMAS – European environmental management system) which have gradually created international competitive advantages.

Sustainable development and Corporate Global Responsibility are therefore much more than a fashionable craze and do indeed make up the groundswell of opinion, thus becoming a strategic issue for companies. CGR, which defines sustainable development policy within a company, is moving gradually from a merely symbolic status with a low level of integration (Capron and Quairel-Lanoizel , 2004), the status that predominated until the middle of the previous decade, into a format that is becoming a more and more integral part of a company's management strategy. When faced with the major changes that are taking place in society, sustainable development does indeed appear to provide companies with a potential for opportunity, with strategic forward planning a necessity.

## 2.4 Four Areas of Commitment: The Basis of the Strategic Value of Corporate Citizenship

Four notions outlined in the diagram below form the basis on which CSR is seen as a strategic issue that must inevitably be integrated into corporate global management (Fig. 2.1).



**Fig. 2.1** Corporate citizenship: a challenge for enterprises

## 2.5 Competitiveness

*Corporate eco-citizenship: cost economy or supplementary costs.* At first glance, the constraints that have emerged in the form of social and environmental legislation and regulations may appear to represent an obstacle to corporate competitiveness because of the cost involved in meeting the required standards. This has led to debate as to whether, rather than significantly changing their attitude to corporate strategy, companies were concerned to make a commitment to social and environmental responsibility policies and to make this commitment known merely as a strategy to sidestep regulations that were too restrictive and a desire to enhance their reputation; this has been described by some authors as institutional isomorphism (Di Maggio and Powell, 1983).

Although there may be some justification in this suggestion, it is nevertheless also clear that a CSR strategy can provide companies with some tangible benefits. If we interpret CSR in terms that keep as close as possible to the definition of sustainable development in the Brundtland report (1986) – “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” – then it can be interpreted as the search for eco-efficiency. Eco-efficiency is at the same time a contribution to sustainable development and also a source of cost reduction for the company and hence in some way of value creation. However, this concept is not entirely self evident (Erhenfeld, 2005). The key notion is to produce more while consuming less by organising production processes around a three-fold strategy: “reduction in the consumption of resources, reduction in the impact on the environment and improvement in the quality and value of the product”. However, this approach is also controversial and many companies point out that for them supplementary costs are involved. The debate in France in 2009 on the carbon tax, for example has led to some of the most polluting industrial sectors obtaining tax exemptions (e.g. transport, chemical industries, nuclear industry) on the pretext that they felt that they were being doubly penalised because of the major very costly measures they have already put in place in their efforts to reduce greenhouse gases. More generally, eco-efficiency can present a risk of inefficiency (Korhonen and Seager, 2008). Indeed, in an eco-efficient strategy, there may be criteria that must be taken into consideration which are temporally dependent and evolve over time (Robert et al., 2002), and others that are culturally and socially dependent (Pongracz, 2002).

### 2.5.1 When Constraints Create Market Opportunities

Constraints can also create market opportunities. The diagram below (Fig. 2.2) attempts to summarise how the constraints created by environmental legislation and regulations, like the enhanced requirements for quality labels, audits or evaluation and notation processes, can create market opportunities. For the European Union, these new activities represent almost two million jobs and have seen growth of around 5% per year.



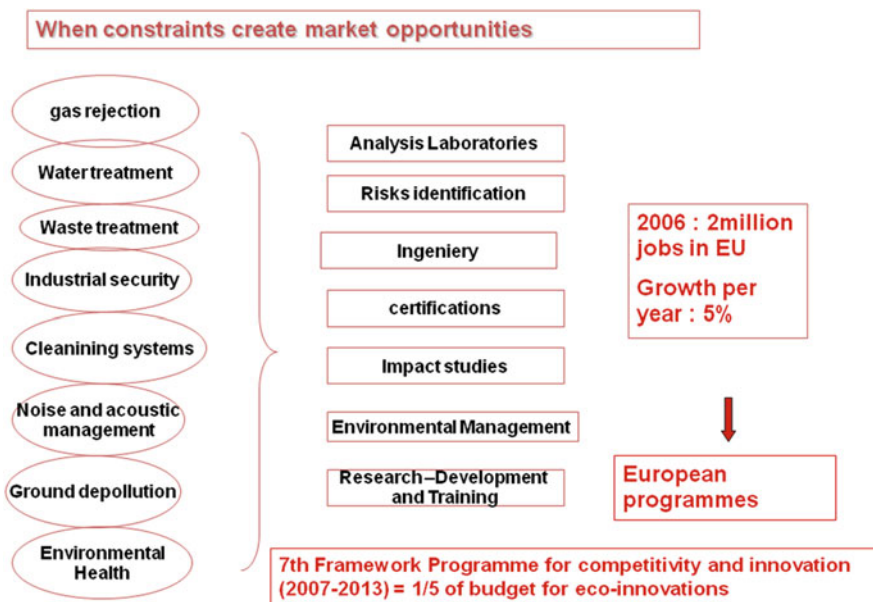


Fig. 2.2 Corporate citizenship: a competitive advantage, creating value

Porter (1985), then Porter and Kramer (2006) have shown that CSR, based as it is on company strategy, is motivated by the search for competitive advantage. If CSR presupposes that the impact of corporate activity on society is taken into consideration, then we need to identify those areas in the value chain where the company and society come into contact. On the one hand we see the impacts of the company on society, which may be positive or negative (inside-out links) and on the other hand, the impacts of society on the company (outside – in links). As companies do not have a responsibility to solve all society's problems, a CSR strategy that can create value for the company will involve favouring particular actions not because of their value to society, but in accordance with the impact of this action on their own value chain. Thus we understand better, for example, that a company like Lafarge (cement works) should pay particular attention in its CSR policy to the question of occupational accidents, which represent a considerable risk for the company. In parallel, Lafarge also concentrate on environmental issues insofar as their activity does have a major impact on the environment. On the other hand, actors in the automobile sector have put other strategies in place in terms of CSR, once again because the issues were different. The automobile sector is faced with the dual mounting pressure of, on the one hand, environmental standards that are more and more exacting and on the other, stricter road safety regulations, especially in European countries. CSR-related policies in this sector have been dictated by innovation in terms of less



consumption and better security, and at the same time by researching new materials. Indeed, this approach is definitely more environmentalist than in other sectors. Due to innovation, the strategies of actors in the automobile industry have also created value for the manufacturers. The most traditional example here is that of Toyota and the success of the Prius, a pioneering hybrid car which gave Toyota a competitive advantage over their partners.

Similarly, it is understandable that a bank should become interested in the development of micro-credit by supporting NGOs specialised in this field or by creating specific foundations. In this way they are responding to a strong social demand, while at the same time they have control over the risk represented by a clientele whose financial base may not be solid. A number of studies have shown to what extent some partnerships between major companies and NGOs were in fact strategic partnerships. ORSE (2005), for example, shows such a strategic link in a study carried out on behalf of the French Ministry of Youth, Sports and Associations in 2005, when Carrefour embarked on a firm partnership over several years with FIDH (International Federation for Human Rights), after the company had been particularly singled out over its international locations. The development of such cases illustrates the growing preoccupation in the world of business with human rights issues in their Corporate Social Policies. “This is despite the absence of a clear link between involvement in support for human rights and specific organisational gains” (Ankani and Theobald, 2005, p. 203).

Similarly, Lafarge, a cement company which is particularly concerned with environmental issues in those parts of the world where they have their quarries, has developed a longstanding partnership with WWF on these specific issues. Different types of corporate citizenship tend to develop, according to the economic sectors and the types of pressure the company is experiencing. Thus, Timonen and Luoma-aho try to specify three main types of corporate citizenship: cultural citizenship, environmental citizenship and technological citizenship (Timonen and Luoma-aho, 2010). These examples suggest that when corporate social responsibility is integrated into a strategy that is responding to environmental pressures, we have moved into the area of “*Corporate Social Responsiveness*” (Carroll, 1991). This is the ability of companies to respond to social pressures; an ability that Crane and Matten classify into four possible types of responses: reaction, defence, accommodation and pro-action (Crane and Matten, 2004).

### 2.5.2 *When CSR Becomes a Niche Strategy*

Some companies have gone further than merely seizing market opportunities; they have chosen a niche strategy by their very specific CSR positioning. This may be due to a company’s basic principles. The example of Patagonia is very explicit on this point. This company was created in the United States in the 1960s and its positioning from the outset was based on an approach that respected the environment. They

originally produced climbing pitons, and from the 1970s on the company developed the concept of “clean climbing”. After a crisis in 1991, they refocused their activities, and adopted a business model that was very much concentrated on values linked with the environment and a lifestyle that favoured values such as family spirit, strong social policies within the company (in-house child care, vegetarian cafeteria, flexi-time, job-sharing), support for environmental associations. This example confirms the theory that socially responsible companies tend to attract better talent by sending out a strong signal to potential employees (Turban and Greenings, 2000).

Still in the textile industry, but in another type of action, Lafuma, part of the OXBOW group, firmly took the sustainable development strategy and social responsibility route, once again anchored initially in concern for the environment. Lafuma’s slogan can be summed up in four words “offer more with less”. Advocating neither political militancy nor opportunism, The company’s aim is to manufacture products that respect the environment by promoting eco-design as innovation and differentiation. As they use fewer materials, less energy and produce less waste with products that are more polyvalent, longer-lasting, more reliable and more comfortable, their strategy was to improve productivity while working towards social well-being.

A third example of a company that has focused on CSR and which is often talked about is Bodyshop. What Bodyshop offered was a great many social and ecological commitments (refusal to support animal testing, ingredients guaranteed to be from fair-trade companies, refilling and recycling packaging, using 100% renewable energy, etc.). This is an example of what Fombrun and Shanley (1990) call vertical product differentiation, by which a company can both meet a particular segment demand and enhance their reputation.

## 2.6 CSR: From Image Risk to Global Risk Management

### 2.6.1 *From Image Risk to Global Risk*

Image risk, legal risk, financial risk, risk of social disputes, these are all risks that the company must be able to appreciate in order to anticipate crises. Many companies have established risk management systems, often originating with the implementation of quality, health and safety and environmental standards such ISO9000,<sup>5</sup> OHSAS18000 and ISO14000 (Dawn and Price, 2006). By implementing a CSR policy, which means analysing the impacts of a company’s activity in relation to all

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<sup>5</sup>ISO 14000 directly addresses an organization’s impact and responsibilities towards the local, regional and global environment while addressing legislative compliance and business opportunities. ISO 9000-2000 is mainly concerned with the assurance of quality products and services. H and S Management Standards and HR procedures provide the structured framework to control exposure to occupational hazards and ensure continued safety, health and well-being (from Dawn and Price).

of its stakeholders, a company may be able to assess any threats hanging over its external and internal environment. If we take the example of the risk to reputation, the textile sector offers examples to illustrate particularly how CSR policies can both result from an attack on corporate image and also be the means of understanding risks to reputation that may occur in future. The case of Nike has become something of a classic (Bernstein, 2004). After being very heavily criticised and destabilised by the anti-sweatshop campaigns, the scandal of the child workers in the 1990s, then the Nike-Kasky affair in 2003,<sup>6</sup> Nike made a commitment to finance independent audits at their suppliers' premises and also to put in place education programmes and support for the Fair Labor association, where a panel of actors assess the working conditions and practices in their contract factories. In 2005, Nike chose to produce a list of their production workshops giving locations so that an independent evaluation of working conditions could be carried out. As we see, this image risk is a telling indicator of global risk. In fact, in order to reduce this risk, the company has to be considered in terms of its relations with the supply chain. It takes just a single link in this chain to be questionable for the company to become the perfect target.

### 2.6.2 *From Global Risk to the Strategic Value of Integrated Communication*

As a continuation of the risk to reputation, a CSR policy can form the basis of a company's communication policy on two levels: first of all by using the traditional form of communication intended to forge a company message that corresponds to the aspirations of the customers. No company that commits to a strategic CSR positioning can succeed without this communication "effort". A systematic analysis of communication produced by major companies shows how significant a communication that hammers home the company's environmental and social commitment can be. The second level of communication is already more differentiating: it consists of communicating first of all about the recognised impact of the company's activity on its social environment and then on corrective action. Using this approach, the aim is to show that the company is aware of the risk that its activity creates and is assuming responsibility by preventive action to limit this risk, or compensatory action to "pay for" its impact. As an example, we look in detail at the case of a French SME, PIERRE and SOL, dealer and supplier of quality cladding for the building trade.<sup>7</sup> On the company website, the visitor's attention is drawn to the company's responsible policy in terms of environmental issues: *Manufacturing a product, transporting it, using it, destroying or recycling it at the end of its life... The life cycle of a product generates impacts on the environment.* The page then points out all the

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<sup>6</sup>Nike was prosecuted for misleading advertising for a campaign on public relations campaigns about working conditions in their sub-contractors' factories.

<sup>7</sup><http://www.pierreetsol.com>

actions in place to “manage” this impact. *Our logistics programme enables us to improve transport efficiency in all our activities and reduce energy consumption per kilo of product transported. It is also our aim to reduce the environmental impacts of our supply chain network by replacing heavy goods trucks with sea or rail freight as soon as this proves possible.* Then at the end of this policy statement is a proposal to compensate for CO<sub>2</sub> emissions by favouring projects supported by approved organisations.

## **2.7 From Staff Mobilisation to the Emergence of Another Corporate Governance Creating Value Beyond Profit**

### **2.7.1 Corporate Citizenship: A Federating Philosophy to Create Value**

Mobilising the staff of a company in a corporate citizenship project based around shared values, strategic projects and a broader opening to the exterior can help reduce social risk and create a progressive dynamic force. From a model tested on a sample of 347 employees in North America, Glavas and Piderit set up three possible effects of corporate citizenship on employees (Glavas and Piderit, 2009): high quality connections, employee commitment and creative involvement.

The success of any corporate social responsibility initiative depends on the degree to which employees come together to create an association. Company values are therefore the result of interiorisation, by organising the values of the main stakeholders (Thomsen, 2004). A symbiosis creates internal value and this in turn tends to make the company more attractive (Turban and Greening, 1997, Willard, 2005). Pfeffer and Veige (1999) thus argue that employees are a company’s most valuable asset. If a company is to successfully implement corporate citizenship then it must modify its management systems. A CSR initiative involves changes in the way that work, behaviour and habits are organised and such a project requires a combined perception of CSR and its consequences. For the staff to appropriate the CSR strategy in this way they need first to understand the issues involved at company level then to be mobilised around programmed actions with fixed deadlines and evaluation indicators. Such action programmes should cover not only involving employees in new practices (waste management, energy saving, etc.) but also recruitment or integration policies (developing employability, insertion, managing handicap, diversity, senior/junior interaction), not forgetting participation in local life (common patronage actions, NGO partnership, insertion into the local economic and social life). This echoes what Kochan and Osterman (1994) describe as a vision of partnership performance and distribution of profit for the benefit of the organisation’s different stakeholders. This supposes practices that are likely to favour social dialogue and which will encourage HR management to move towards innovation so that intangible capital becomes a source of value creation, as Amabile et al (1996)

showed by demonstrating that creativity is influenced by work group supports, challenging work, organisational encouragement, freedom and sufficient resources. For this to be a federative philosophy there has to be coherence between the company's external actions and its internal practices. Mere financial logic and management by cost cannot be the guiding force. As emphasised by Pfeffer (1994, 1997), the impact of social practices is a key factor for the company and the effectiveness of these practices relies to a great extent on the degree to which they are coherent with and complement corporate strategy.

### 2.7.1.1 Towards Pluralist Governance for Global Performance

Thus we see that CSR gradually modifies the balance of power between the company's partners. Investors, rating agencies, shareholders, governments, NGOs have a great need for transparency. Corporate governance standards are becoming more and more rigorous and the need to take environmental, social and societal impacts into account is being more and more keenly felt. An approach via the stakeholder route may facilitate ethical governance by promoting a new form of relational contract in which managers and employees share more realistic visions of the others' expectations (Simmons, 2004). When a company commits to corporate citizenship it must necessarily be more transparent vis-à-vis its social contract with its stakeholders. Governments have to some extent forced companies into this with, for example in France, the 2001 NRE Law (Nouvelles Régulations Economiques) which obliged joint stock companies to produce a sustainable development report, and this was followed by the 2003 Financial Security law. In the United States the Sarbanes-Oxley (SOX) act requires all public companies to present accounts to the United States Public Company Accounting Oversight Board (PCOAB) that have been personally certified by the director, who is thus responsible under criminal law for his company's accounts.

However, the very notion of pluralist governance goes further than this. As the creation of value is not limited only to the creation of financial value for investors, maximising the company's value cannot be to the detriment of the other stakeholders, who are at the heart of value creation. Creating value for all stakeholders means striving towards a system of governance where management anticipates risks and listens to stakeholders. Thus we clearly see the emergence of participative governance, not only internally, by bringing together the internal stakeholders, but also to a certain extent externally by joining with external stakeholders. This puts the manager at the centre of a contractual network composed of internal and external stakeholders (Driscoll and Starick, 2004).

Economic efficiency, social well-being and preservation of the environment, the stakeholder theory puts corporate citizenship into a pluralist form of governance where performance is no longer determined by the shareholders alone. Today, the notion of governance encompasses much more than just financial indicators and is now looking towards global performance, defined as a combination of economic, social and environmental performances (Reynaud, 2003; Capron and Quairel, 2005; Baret, 2006).

## 2.8 Conclusion: From the Fragmented Approach of CSR to the Integrated Approach of Corporate Citizenship

If we look again at what has been said throughout this chapter, we are reminded that more and more companies have included Corporate Social Responsibility as a strategic factor and have developed a position that is more and more citizenship-based. We have demonstrated that not only has the concept of Corporate Social responsibility emerged in different philosophical and business approaches all over the world today, it is already also part of the debate surrounding the role of companies in terms of their insertion in society and their relationship with their stakeholders. This role has evolved within changing socio-ecological and socio-political contexts. Indeed, we have noted that sustainable development, corporate social responsibility and citizenship are very closely linked. Corporate citizenship has become a core element of business strategy to meet economic as well as social and political demands but it serves another purpose and that is to enhance the role of companies in the decision-making process. So this begs the question of the strategic value of corporate citizenship. Here we have demonstrated three key points. First of all, corporate citizenship clearly offers a market advantage in differentiation and cost reduction, even if this is sometimes controversial. The fact remains that a corporate citizenship policy, when it is verified by the facts, ensures a better perceived value for the brand, thus enhancing company image. Anticipating constraints and preventing risks is a second key point, enabling the company to develop pro-active rather than defensive strategies. However, what we have shown in particular is that corporate citizenship is based more on a company's ability to meet the needs of the environment than on bringing about a transformation of the company's essential nature. It is because the environment has changed that the role of the company too seems to be evolving. As Simon Zadeck stresses, "The role of business in society is one of the most important and contentious public policy issues of our age. Public cynicism about corporate power, fuelled by NGO campaigns, has reached levels that not only leave companies vulnerable, but also threaten the consensus for globalization itself."

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