

Chapter 2

Literature Review of Corporate Social Responsibility

2.1 Introduction

The early roots of corporate social responsibility can be traced back to 1917, when Henry Ford announced that the aim of Ford Motor company is that “To do as much as possible for everybody concerned, to make money and use it, give employment, and send out the car where the people can use it . . . and incidentally to make money” (Lee 2008, p. 54). Eighty years later, Henry Ford’s great-grandson, William Clay Ford Jr emphasised that Ford company valued all stakeholders’ interests as well as the social welfare of employees and shareholders, as he said that “we want to find ingenious new ways to delight consumers, provide superior returns to shareholders and make the world a better place for us” (Meredith 1999, p. 157).

From a business practice perspective, Ford was one of those companies, who initiated social responsibility activities. From a research perspective, many scholars believe that Bowen’s **Social Responsibilities of the Businessman** (1953) is the first work to discuss the relationship between corporations and society (Carroll 1979; Wartick and Cochran 1985). In this book Bowen (1953) argues that firms need to be cognisant of business ethics to achieve long-term superior performance. CSR initiatives are very important in the context of business ethics (Maignan and Ferrell 2004). During the last 57 years, several findings have caught the attention of CSR practitioners and scholars. These include studies which suggested that CSR activities provide an “insurance-like” protection when negative events happen (Godfrey et al. 2009); that CSR activities not only influence sales growth, but also influence the employment and investment domains (Sen et al. 2006); and that firms with higher CSR ratings may have a sustainable competitive advantage rooted in human capital as they attract more and better employees than firms with lower CSR ratings (Carmeli 2005; Hunt et al. 1989; Turban and Greening 1997). Consequently, in order to pursue sustainable development, and, achieve a good reputation in a fiercely competitive market, more and more companies are publishing their CSR disclosures and CSR reports.

2.1.1 Previous Conceptualisation in the CSR Area

Since the 1950s, CSR and its related terms, such as corporate social responsiveness, corporate social responses, corporate social performance, corporate citizenship, and corporate philanthropy have been conceptualised and mainly originated from the management area (e.g., Carroll 1979; Matten and Crane 2005; Wood 1991). Based on previous business and management knowledge, different CSR scholars explore the CSR theme and related notions derived from various perspectives, such as social obligation, marketing, stakeholder-relation, integrated strategy, and leadership themes. This section reviews the main CSR conceptual views driven by those related management themes.

2.1.1.1 Social Obligation Driven

The first definition of CSR is suggested by Bowen (1953), as the social obligation “to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (p. 6). The social obligation view of CSR is the foundation of future research in the CSR area. Following Bowen’s (1953) book, Carroll (1979) identifies the CSR pyramid, which includes four stages of CSR development: economic, legal, ethical, and philanthropic obligations. Further, Carroll (1979) argues that “these four categories are not mutually exclusive, nor are they intended to portray a continuum with economic concerns on one end and social concerns on the other” (p. 499). In particular, economic responsibility represents that companies are supposed to provide goods and services that the society needs and sell them at a profit. Legal responsibility means that companies should obey societal laws and regulations. Ethical responsibility can be described as societal expectations of business over and above legal requirement. Philanthropic responsibility indicates “these roles are purely voluntary, and the decision to assume them is guided only by a business’s desire to engage in social roles not mandated, not required by law, and not even generally expected of businesses in an ethical sense” (Carroll 1979, p. 500). Overall, this CSR pyramid embodies the four levels of social responsibilities that society expects companies to do.

2.1.1.2 Marketing Driven

Marketing scholars started to consider CSR issues from 1960s and they only emphasised on the social obligations related to marketing functions, without thinking of other aspects of CSR activities. The CSR-related studies in the marketing area focus on the marketing dimensions, such as cause-related marketing (Barone et al. 2000; Varadarajan and Menon 1988), social sponsorship (Simmons and Becker-Olsen 2006), environmental marketing (e.g., Crouch 2006; Handelman and Arnold

1999; Menon and Menon 1997; Zeithaml and Zeithaml 1984), communicating with consumers concerning CSR issues (Caruana and Crane 2008), customers response to organisational CSR behaviour (e.g., Brown and Dacin 1997; Ellen et al. 2006; Handelman and Arnold 1999; Sen and Bhattacharya 2001), and corporate reputation (e.g., Berens et al. 2005; Brown and Dacin 1997; Lichtenstein et al. 2004; Wagner et al. 2009).

Cause-related marketing is defined as “a form of horizontal tie-in between corporate philanthropy and sales promotion, as synonymous with corporate sponsorship of charitable causes, and as the initiation and funding of deserving causes” (Varadarajan and Menon 1988, p. 59). Meanwhile, other scholars examine how to utilise CSR activities to create customer satisfaction, increase market value (Luo and Bhattacharya 2006), and build up corporate brand dominance (Berens et al. 2005).

These research studies discussed above establish the relationship between CSR and marketing management, which broadens our knowledge in both CSR and marketing areas. However, the thinking of CSR from the marketing aspect only emphasises the relations with one of the stakeholders, namely consumers. Managers gradually notice that there are more social responsibility initiatives (e.g., employee satisfaction and environment management) and broader stakeholder groups need to be considered.

2.1.1.3 Stakeholder-Relation Driven

Stakeholder theory is another foundation of CSR theme development. According to Maignan and Ferrell (2004), there are two main motivations of organisational CSR activities concerning stakeholder-relations: the first one is the instrumental approach. As companies rely on stakeholders for their continuous support or providing resources (Barney 1991), managers have to consider the claims and needs from stakeholders. The other one is from the moral perspective, as Donaldson and Preston (1995) argue that “all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and [...] there is no *prima facie* priority of one set of interests or benefits over another” (p. 68).

Scholars examine CSR issues from the stakeholder relation perspective, focusing on communications with stakeholders (Basu and Palazzo 2008), the influence of stakeholder relations on corporate sustainability (Choi and Wang 2009), CSR awareness among stakeholders and its relationship with corporate financial performance, corporate investment, and employee loyalty (Sen et al. 2006). Furthermore, Mitchell et al. (1997) bridge stakeholder theory and the CSR theme to suggest a new concept, stakeholder salience, which facilitates the analysis of stakeholder relations in the CSR area.

2.1.1.4 Integrated Strategy Driven

Based on the discussion of marketing and stakeholder-relation management in the CSR area, more and more scholars value the examination of CSR issues from the integrated strategy aspect (e.g., Baron 1995). For instance, Maignan and Ferrell (2004) point that “organisations act in a socially responsible manner when they align their behaviours with the norms and demands embraced by their main stakeholders” (p. 6) and they illustrate a framework to analyse the antecedents and outcomes of organisational CSR behaviour from major stakeholder perspective. Aguilera et al. (2007) produce a figure to explain during the social change process, the role of stakeholders, stakeholder-company relations, and how stakeholders influence organisational strategy through the mechanisms. McWilliams and Siegel (2011) observe that CSR which is embedded in an integrated strategy may be labelled “strategic CSR”. From the resource-based theory approach, they discuss those conditions under which strategic CSR contributes to the organisational sustainable competitive advantage. Some scholars examine the integrated corporate activities in political context and argue that practitioners “need to pay more attention to the ethical aspects of their subject, as failure to do so will weaken the community conceptually and thereby undermine its credibility and legitimacy” (Lawton 2011, p. 8).

2.1.1.5 Leadership Driven

On the basis of current leadership styles (e.g., transformational, charismatic, authentic, ethical, participative, servant, shared, and spiritual leadership), some scholars attempt to incorporate CSR into leadership theory (Bass and Steidlmeier 1999; Waldman and Galvin 2008). Maak and Pless’s (2006) study is one of the first endeavours in this area. They name the leadership approach based on the ideals of CSR as “responsible leadership” and define it as “the art and ability involved in building, cultivating and sustaining trustful relationships to different stakeholders [...] to achieve a meaningful, commonly shared business vision” (p. 334). There are some arguments about the definition of the so-called “responsible leadership”. For example, there is a fierce debate between Waldman and Siegel (2008), where they argue whether the responsible leaders are economic driven or morally driven, whether the responsible behaviours will benefit the organisational financial performance or not. Moreover, Waldman et al. (2006) examine the relationship between CEO leadership style with organisational CSR values and find that the CEOs’ vision of CSR may impact their subordinate managers’ view of CSR in their decision-making process.

Overall, the exploration of CSR starts with some scholars and practitioners who notice that the aims of companies are not only to make profit, but also to consider social obligations and benefits to society. Following that, this section briefly reviews the CSR conceptualisation process from the perspectives of marketing, stakeholder-relations, integrated strategy, and leadership. Especially, the evolution of the CSR

theme has promoted leadership theory development and has produced a new concept, responsible leadership. The investigation of this CSR-related leadership is at the very early stage and there are many gaps to be filled, such as the structure and measurement of this leadership style.

Notwithstanding its long-term development, CSR theory has remained controversial and ambiguous and has not yet fully matured. In particular, continuing disagreements have made CSR somewhat controversial. For instance, some scholars believe that corporate social performance (CSP) is the outcome of CSR activities (Aupperle et al. 1985) while others argue that CSP includes CSR principles (Wood 1991). Another debate surrounds the relationship between CSP and corporate financial performance (CFP), as some studies suggest that it is positive (Aupperle et al. 1985; Lev et al. 2010; Waddock and Graves 1997) while others, viewing the results of different samples and causal patterns, suggest it is neutral (Aupperle et al. 1985; McWilliams and Siegel 2000). CSR theory is still not clearly defined as there is no universal agreement to distinguish it from other terms which it closely resembles, such as corporate citizenship and corporate philanthropy. Compared to the earlier research studies of CSR, CSR theory has made great progress in the twenty-first century (see “significant developments and pivotal articles” of Sect. 2.3.1), but there is no typology or milestones to mark its history and research agenda. Another ambiguity is embedded in the CSP-CFP link. It is still unclear whether good CSP leads to revenue growth or if firms with higher CFP have the capabilities to conduct more CSR activities, or if it is a “virtuous circle” (Lev et al. 2010). As a result, it is timely to commence a systematic review in the CSR area to clarify these ambiguous and controversial issues.

Until now, there have been few efforts to understand and summarise CSR theory. Although existing reviews have their strengths, their weaknesses have become increasingly apparent as the theory develops. Firstly, Wood (1991, 2010) provides an explicit construct of CSP and formulates a CSP theory with more detailed CSP measurements. The thesis advances here, however, contends that CSP is the outcome of CSR activities and that Wood’s (1991, 2010) work only explains parts of CSR theory. Secondly, Lee (2008, p. 56) elaborates on the evolutionary path of CSR theory and suggests “trends in CSR research” as well as some pivotal publications, but his review is more a historical description rather than a scientific analysis. Thirdly, Garriga and Melé (2004) attempt to map the CSR territory, and categorise this theory from the perspectives of instrumental, political, integrative, and ethical theories. It can be argued that their typology is based solely on the authors’ perception. Fourthly, although Lockett et al.’s (2006) work appears comprehensive, the following defects can be identified: it focuses on CSR studies between 1992 and 2002, which only examines the adolescent development stage (see Sect. 2.3.1); it includes tables of journal articles discussing CSR, but does not analyse the statistics behind those tables. Although CSR is a very important topic, the existing CSR reviews are dated or incomplete.

This literature review has three main purposes: firstly, to fill a gap in the review of the CSR literature; secondly, to identify the milestones in CSR development and further understand the evolution of CSR theory; thirdly, to encourage the

development of CSR studies and practices at organisational level. As the adoption of a CSR orientation may help organisations to achieve sustainable competitive advantage, it is imperative that it is correctly defined and understood. In addition, the CSR literature review proceeds in four sections. It discusses the methodology the author adopted together with an explanation of why content analysis was utilised to analyse the CSR literature; it presents the author's research findings and comments on previous work, as well as attempts to outline the development of CSR theory in management and organisation literature.

2.2 Methodology Used for the CSR Literature Review

2.2.1 *Content Analysis*

The author conducted a content analysis, which is a scientific and systematic method for observing and analysing information (Budd et al. 1967). Why has the author chosen this as a method of analysis? Although content analysis is primarily a qualitative method of analysis, it has some advantages which allow a quantitative element to be included using techniques such as frequency analysis. Thus, content analysis can be considered superior to those purely qualitative methodologies, such as literary interpretation, which are mainly based on authors' perception (Cascio and Aguinis 2008). It is particularly suited to the formulation of a literature review in the CSR area for several reasons. To begin with, content analysis is a replicable methodology (Cascio and Aguinis 2008). This helps to summarise the intrinsic value of information, without the disadvantage of bias. Second, it assesses the effects of corporate context (Kolbe and Burnett 1991), as CSR strategy and the consequences of CSR activities have significantly different motivations (e.g. due to different institutional, industrial, and organisational environmental effects). Third, content analysis is highly flexible (Cascio and Aguinis 2008), which makes it more efficient as CSR involves various fields (e.g. marketing, human resource management, and stakeholder management) and these are not easy to categorise unless one uses content analysis.

In addition, utilising content analysis, this CSR review overcomes weaknesses evident in previous CSR literature reviews in the following way. Firstly, the author selected several key words concerning CSR in order to provide a comprehensive literature review of CSR. Secondly, based on the empirical work of content analysis, the author examined the underlying trend of the literature on CSR development, something which has not been done in previous studies.

2.2.2 The Process of Journal and Article Selection

Following Laplume et al.'s (2008) paper selection approach, the author used Harzing's (2011) journal quality list to select journal papers based on impact factors and only analysed those papers from leading academic journals. These included the following eight management journals: academy of management journal, academy of management review, strategic management journal, administrative science quarterly, organisation science, organisation studies, journal of management, and journal of management studies, in addition to two marketing journals: journal of marketing and journal of the academy of marketing science. The author also analysed the following three managerial practice journals: Harvard business review, Sloan management review, California management review, and four specialised journals: business & society, business ethics quarterly, and journal of business ethics. The principal reason for the selection is that primary CSR articles are published in the management area, and a number of CSR articles have a close connection to marketing strategy and, accordingly, such papers are likely to be found in marketing journals. Additionally, those specialty journals were selected as some significant papers concerning CSR were published in them (see Appendix A), and some seminal attempts to examine CSR issues are published there.

In the paper selection process, the author reviewed definitions of the key term "corporate social responsibility" and terms which resemble CSR, such as "corporate social performance", "corporate citizenship", and "corporate philanthropy". The author selected articles with those key words in their titles, abstracts, or subject matter. A further explanation of keywords selected is offered in the section "Definition of CSR and CSR-related Concepts". The author mainly utilised the EBSCO host search engine to select articles. The author also searched CSR articles with the same keywords in the social sciences citation index (SSCI) database to ensure that high citation articles in the CSR area were selected. To be thorough, the author additionally referred to the bibliographies of numerous reviews in the CSR area, such as the review of previous studies regarding the linkage between CSP and CFP (Orlitzky et al. 2003) and the review of CSP measurements (Wood 2010). The author did not select articles in the forms of dialogues, responses, and book reviews, as those types of articles are not always based on logical reasoning or rigorous empirical work. The final CSR sampling database (see Appendix A) consists of 762 articles, including 110 articles from leading academic journals, 68 articles from leading managerial journals, and 584 articles from specialised journals.

2.2.3 Coding Process and Agreement Check

The content analysis is an important method to explore the main themes in the CSR area. Following Laplume et al. (2008), as well as Cascio and Aguinis's (2008) ways of classification, the author categorised the papers in the database based on themes.

The author found that most of the papers can be categorised under five headings which are named: corporate context, strategic management, corporate reputation, CSP predictors, and CFP predictors. In order to provide a systematic foundation for coding and categorising each article, the author developed a taxonomy that includes five broad categories (i.e. the 5 headings) and 16 subcategories (see Appendix B). Following Cascio and Aguinis's (2008) approach to improve the reliability of content analysis taxonomy, the author attempted to map sets of categories onto each other, regardless of their previous categorisation, in order to challenge the existing categories. As this study is the first to produce a categorical content analysis in the CSR area, the author cannot claim that there is no other possible taxonomy or this classification is based on a comprehensive and systematic codebook. However, the author is satisfied with this content analysis of 762 selected articles, especially the 110 selected articles from leading academic journals, which makes the taxonomy sufficiently complete.

To ensure plausibility and reliability, the author performed additional checking on the coding process. The author asked two scholars, who are knowledgeable in the CSR field and do not know the existing categories that the author created, to code and categorise the data again. The author then compared this categorisation with that of these two scholars and conducted several rounds of meetings and discussions. Although the classifications between different scholars are quite similar, the author modified some categories after several meetings. Each of these meetings resulted in a refinement of the taxonomy to improve interpretive validity and inter-rater reliability for future coding. During this process, when an article was attached to more than one category, the author chose the category with the perceived best fit. This may result in the potential under-representation of some areas, although there is no evidence to demonstrate this potential under-representation is systematic across articles (Cascio and Aguinis 2008).

2.3 Results and Discussion

2.3.1 Background, Significant Development, and Definitional Period

Following Bowen's (1953) first suggestion about CSR, a number of subsequent researchers helped to develop the CSR concept. However, until recently there has been no universally accepted definition of this concept (McGee et al. 1998) (see below Sect. 2.3.1 "definitions of CSR and CSR-related concepts"). Thus, CSR theory stands out as an interesting field of studies and it encompasses a large number of implicitly competing ideas, such as CSP (Barnett 2007; Wood 1991), corporate citizenship (Matten and Crane 2005), and corporate philanthropy (Godfrey 2005; Post and Waddock 1995). As all these terms describe CSR theory from different perspectives, this article not only focuses on CSR, but also discusses related concepts and their relationships with CSR.

2.3.1.1 The Development and Time Blocks for CSR

Based on the selected CSR articles database (see Appendix A), the author identified trends in CSR articles. Figure 2.1 demonstrates that the number of articles within the CSR field has been increasing, especially during the 2000s, with a significant upward trend.

Given the increasing numbers of publications in the CSR arena, this chapter targets articles selected from leading academic journals which undoubtedly represent the trend seen in CSR studies. An additional reason is that these articles utilise rigorous methodologies and logical reasoning. Moreover, the author analysed some articles from leading managerial practice journals as a complement to the leading academic journals, as those leading managerial practice journals provide some evidence and opinions from a practical perspective. As can be seen in Fig. 2.1, the number of CSR articles published in the aforementioned journals has increased rapidly since the 1970s, while the number of publications seems to reach a peak every 10 years. Since there are no articles that can be defined as milestones of CSR theory development, the author aggregated the articles based on 10-year time blocks, resulting in the following time periods: (a) pre-1980s (1949–1979), (b) 1980s (1980–1989), (c) 1990s (1990–1999), and (d) 2000s (2000–2010). Since the first time period is the initial stage, it comprises a number of works that offer rudimentary explanations of the concept of CSR. The author included the articles before 1970 in the 1970–1979 categories. The techniques of using 10-year time blocks and commencing with the first year of each decade may appear arbitrary but allows demonstration of the underlying trends.

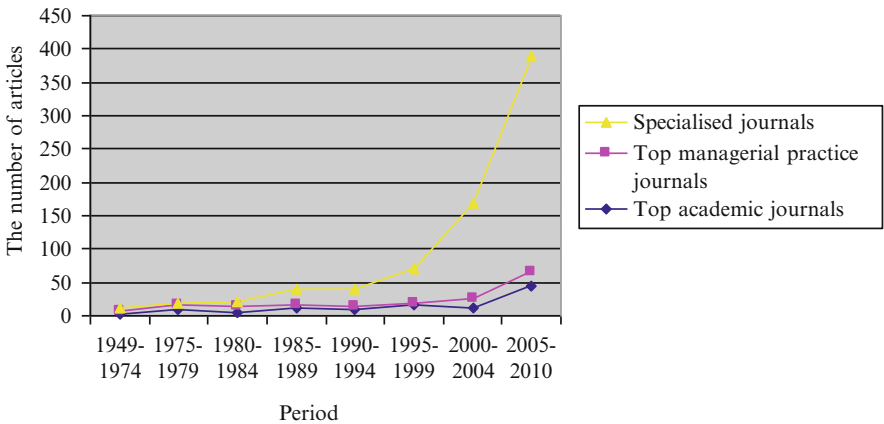


Fig. 2.1 Articles by journal and by year

2.3.1.2 Significant Developments and Pivotal Articles

Roughly based on the 10-year time blocks, the author assembled the CSR articles published during 1949–2010 in four stages, and named these stages as the incubation (1949–1979), exploration (1980–1989), adolescent development (1990–1999), and relative maturity (2000–2010) stage. Several pivotal articles (see Table 2.1) were identified in the SSCI according to their citation record. Crucial articles in the 1990s and the 2000s time periods are cited on average of ten times per year and articles in the 1980s are on average cited five times per year. For the articles from the 1970s and earlier, this study found several articles that also have relatively high citation rates.

The sets of pivotal articles for each time period represent milestones in CSR theory development. During the first time period, the incubation stage, the early discussion about the CSR field can be found in some managerial practice journals and book chapters. The early studies are primarily designed to increase awareness of social and ethical principles among business people (Carroll 1979). During this theoretical building process, there are several explorations in the CSR area: one CSR structure is put forward by Carroll (1979), another discusses the relationship between CSR activities and stock market performance (Alexander and Buchholz 1978), and a third suggests a method of CSR measurement (Abbott and Monsen 1979). Although at that stage, there are insufficient empirical and theoretical studies to support a comprehensive CSR theory, the CSR research studies during that period provide a foundation for future understanding of CSR theory.

This thesis names the second period (1980–1989) exploration, because it is a continuous stage of CSR incubation. In this stage, researchers attempt to verify or support those concepts discussed in the first period: initially, suggesting a yardstick to monitor understandings of CSR (Tuzzolino and Armandi 1981); second, through reviewing previous studies to verify and develop the structure of CSR and CSP (Boal and Peery 1985; Wartick and Cochran 1985); finally, utilising Fortune magazine's corporate reputation ratings to examine the relationship between CSP and CFP (McGuire et al. 1988). During this period, CSR scholars attempt to improve the CSR

Table 2.1 Significant development of CSR themes and its pivotal articles

Stage	Period	Pivotal articles
Incubation	1949–1979	Abbott and Monsen (1979) and Alexander and Buchholz (1978)
Exploration	1980–1989	Aupperle et al. (1985), McGuire et al. (1988), and Wartick and Cochran (1985)
Adolescent development	1990–1999	Agle et al. (1999), Brown and Dacin (1997), Clarkson (1995), Klassen and Whybark (1999), Russo and Fouts (1997), Waddock and Graves (1997), and Wood (1991)
Relative maturity	2000–2009	Campbell (2007), Hillman and Keim (2001), Matten and Crane (2005), Matten and Moon (2008), McWilliams and Siegel (2000, 2001), Orlitzky et al. (2003), and Scherer and Palazzo (2007)

concept's structure at the theoretical level and also the reliability and validity of CSR measurements at the empirical level. During this stage, the CSR topic receive a great deal of attention and there are 27 articles published in leading academic journals. The 27 articles enlarge and consolidate the theoretical and empirical foundations of CSR studies, utilising combinations of other mature theories, such as stakeholder theory, marketing theory and the resource-based view.

The fourth period (2000–present) is termed the relative maturity stage. Compared with previous periods, CSR articles are relatively mature during the twenty-first century. Some researchers emphasise that the analysis of firms' CSR issues should be conducted in a societal environment (Campbell 2007; Matten and Moon 2008; Scherer and Palazzo 2007). Meanwhile, other researchers continue to show interest in the outcomes of CSR (Hillman and Keim 2001; McWilliams and Siegel 2000). In particular, Orlitzky et al. (2003) utilise a meta-analysis to examine 52 previous studies about the CSP-CFP link and conclude that CSP is more highly correlated with accounting-based measurements than marketing-based instruments (see Sect. 2.3.2 “CSP and CFP”) in predicting CFP indicators. In the contemporary period, although there is still no universally accepted CSR theoretical concept, the present study at least represents an approach to the question of how to develop CSR theory. In this section, the author has discussed the trends in CSR development, noting four sets of pivotal articles which are considered landmarks in the evolution of CSR and using the introduction of each pivotal article to describe the CSR development for each period. The identification of the four stages facilitates scholars in understanding the development process of CSR theme and highlights the important issues and arguments in the previous research studies of CSR. Therefore, the present study strengthens the understanding of the CSR theory evolution.

2.3.1.3 Definitions of the CSR and CSR-Related Concepts

With respect to the definition of CSR and its related concepts, the author categorised articles that addressed the notion or construction of CSR and its related terms into the “concepts and reviews” section. This contains 18 articles, which represents approximately 18 % of the total articles from leading academic journals. Based on those papers, Table 2.2 illustrates the main articles that discuss CSR theory and its related terms.

Although there is no comprehensive explanation of CSR, the author has summarised this concept using the following aspects: (see Table 2.2): (a) integrative perspective, namely, those definitions generate by a spectrum of views ranging from stakeholder concerns to social issues. For example, some scholars believe that CSR involves corporate activities as they relate to its perceived societal or stakeholder obligations (Brown and Dacin 1997; Luo and Bhattacharya 2006; Sen and Bhattacharya 2001); (b) economic perspective, namely, those researchers who believe the aim of CSR activities is profit-maximisation, which emphasises the benefits to shareholders and internal stakeholders. For instance, Friedman (1970) believes that the purpose of CSR is to make as much money as possible for a firm's

Table 2.2 Summary of CSR and related concept definitions

CSR
<i>Integrative:</i> Brown and Dacin (1997), Carroll (1979), Davis (1973), Luo and Bhattacharya (2006), Sen and Bhattacharya (2001), and Varadarajan and Menon (1988)
<i>Economic:</i> Backman (1975), Campbell (2007), and Friedman (1970)
<i>Voluntary:</i> Barnett (2007), Jones (1980), Mackey et al. (2007), and McWilliams and Siegel (2000)
<i>Public:</i> Buchholz (1977), Sethi (1979), Smith (2003), Steiner and Richman (1971), and Zenisek (1979)
CSP
<i>Outcomes:</i> Barnett (2007) and Schuler and Cording (2006)
<i>Multi-dimensional structure:</i> Aupperle (1991), Aupperle et al. (1985), Clarkson (1995), Donaldson and Preston (1995), Freeman (1984), Gephart Jr (1991), Miles (1987), Turban and Greening (1997), Wolfe and Aupperle (1991), and Wood (1991)
Corporate citizenship
<i>Integrative:</i> World Economic Forum (2003)
<i>Political:</i> Matten and Crane (2005) and Organ (1988)
<i>Economic:</i> Organ (1988)
<i>Voluntary:</i> Van Dyne et al. (1994)
Corporate philanthropy
Financial Accounting Standards Board (1993)

shareholders; (c) voluntary perspective, namely, researchers who believe that firms should take some philanthropic actions in accordance with local laws to improve social welfare; and (d) public perspective, these scholars argue that a CSR strategy should be designed to fit the social system.

CSR-Related Concepts

Though some earlier studies imply that CSR is an intrinsic part of CSP (Wood 1991), the view in this study is consistent with most CSR scholars, who contend that CSR is a broader concept. CSP is only used to provide a description of CSR actions (Barnett 2007; Schuler and Cording 2006). The concept of CSP is perceived to be a multi-dimensional structure (see Table 2.2): from the perspective of outcomes, researchers believe that CSP is a result of CSR activities. From the viewpoint of a multi-dimensional structure, CSP is defined as having corporate responsibilities to different types of stakeholders (Wood 1991). Thus, CSP might represent a snapshot of a firm's CSR activities and reflect the dimensions of its CSR strategy.

Regarding corporate citizenship, the term has been introduced into CSR reports in recent years, as more and more firms promote their positions as citizens in a global business community (Matten and Crane 2005). With the framework of CSR, the concept of corporate citizenship is both based on CSR and is likely to be derivative of CSR. There are four perspectives of corporate citizenship: integrative, political,

economic, and voluntary (see Table 2.2). Matten and Crane (2005) have indicated that corporate citizenship involves a broader view that goes beyond the current discussion about CSR.

With respect to corporate philanthropy, the financial accounting standards board (FASB) (1993, p. 2) defines philanthropy as “an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner”. Thus, the apparent discrepancy between CSR and corporate philanthropy is that philanthropy only represents a voluntary dimension of CSR. CSR differs in that it not only involves a voluntary dimension but also includes Carroll’s (1979) other three CSR dimensions (i.e., economic, legal, and ethical dimensions) (Godfrey 2005).

In short, developments of CSP, corporate citizenship and corporate philanthropy are underpinned by principles found in CSR theory. This relationship can be summarised as follows: (a) CSP is an inevitable consequence of CSR; (b) corporate citizenship is a related term of CSR in the global community; and (c) corporate philanthropy is the top level of CSR.

2.3.2 Major Themes in CSR

As can be seen in Fig. 2.2, the results of the analysis (the “Frequency counts of articles based on themes for leading academic journals” in Appendix C) illustrate 60 years of CSR studies, involving five broad themes. With respect to the method of categorisation in this chapter, the author categorised the CSR articles based on their topical areas, regardless of their publication time. As the distribution for each over time shown in Fig. 2.2, it is obvious that based on the number of published articles, the top five themes can be ranked as follows: concepts and reviews (see “Definition of CSR and CSR-related Concepts” of Sect. 2.3.1); corporate context; strategic management; corporate reputation; and CSP-CFP relationship. These five themes are further explained in the following sections.

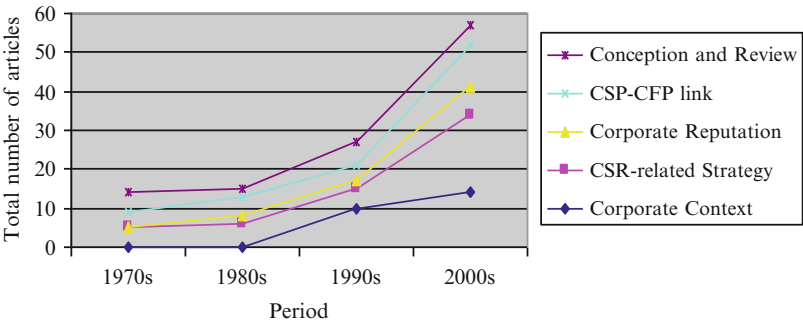


Fig. 2.2 Dominant themes by period

2.3.2.1 Corporate Context

Noda and Bower (1996) noted that corporate context is a reinforcement or modification of corporate strategic initiatives. Using this as a starting point for a proper classification of corporate context themes in CSR articles, this study examined each article in the database and categorised them using the key word “corporate context”. Then, related articles were found which focused on one of the three levels and they were termed as follows: individual, organisation, and society (see Table 2.3).

Individual Perspective

Previous studies briefly discuss the effects of personal characteristics of top managers on corporate CSR activities or CSP. For instance, Deckop et al. (2006) find that the more a corporation used a long-term focus in CEO payment, the higher the firm’s CSP is ranked. Swanson (1999) believes that CSP should be organised according to values and suggests an ideal type of CSR responsiveness framework with value attunement. Furthermore, Agle et al. (1999) state that there are significantly positive relationships between stakeholder attributions, CEO values and a firm’s

Table 2.3 Main themes of CSR

Corporate context (study 23): Theoretical study: 6; Empirical study: 17	
Individual level	Values: Swanson (1999) (T) CEO’s compensations: Deckop et al. (2006) (E)
Organisational level	Ownership: David et al. (2007) (E), Johnson and Greening (1999) (E), Graves and Waddock (1994) (E), and Neubaum and Zahra (2006) (E)
Societal level	Countries: Maignan and Ralston (2002) (E) and Matten and Moon (2008) (E)
	Industrial: Bhambri and Sonnenfeld (1988) (E) and Marcus and Anderson (2006) (E)
	Institutional: Campbell (2007) (T), Gardberg and Fombrun (2006) (T), Husted and Allen (2006) (E), and Brammer and Millington (2004) (E)
CSR-related strategy (study 36): Theoretical study: 14; Empirical study: 22	
Risk management: Godfrey et al. (2009) (E) and Luo and Bhattacharya (2009) (E)	
Environment: Menon and Menon (1997) (T) and McGee et al. (1998) (T)	
Marketing: Handelman and Arnold (1999) (E), Lev et al. (2010) (E), Ellen et al. (2006) (E), Simmons and Becker-Olsen (2006) (E), and Caruana and Crane (2008) (T)	
Stakeholder relation: Choi and Wang (2009) (E), Kacperczyk (2009) (E), Sen et al. (2006) (E), Brammer and Pavelin (2006) (E), Basu and Palazzo (2008) (T), and Barnett (2007) (T)	
Corporate reputation (study 11): Theoretical study: 1; Empirical study: 10	
Employees’ attractiveness: Carmeli (2005) (E), Hunt et al. (1989) (E), and Turban and Greening (1997) (E)	
Consumers’ attractiveness: Brown and Dacin (1997) (E), Sen and Bhattacharya (2001) (E), Lichtenstein et al. (2004) (E), Berens et al. (2005) (E), and Vlachos et al. (2009) (E)	

CSP. In sum, a leader's personal values shape managerial perceptions through his or her interpretation of external information, and is reflected in a firm's strategy, and thus in overall corporate performance (Hambrick and Mason 1984). Furthermore, from the perspective of the individual in CSR, these scholars contribute the multi-level theory in the development of CSR theory (Klein et al. 1999).

Organisational Perspective

This level involves institutional investors and owners, which includes pension funds, mutual funds, investment bankers, insurance companies, and investment firms (Chaganti and Damanpour 1991). The starting point in this area is Graves and Waddock's (1994) work, where they find that the larger the number of institutions that hold a company's shares the more positive is the impact on the firm's CSP. Johnson and Greening (1999) analyse the effects of different types of institutional investors on CSP and advance the idea that pension fund equity as well as outside director representation are positively correlated with the people and product quality dimensions of CSP. Further, they argue that top management equity also has a positive impact on the product quality dimension, but has no correlation with the people dimension of CSP. Furthermore, Neubaum and Zahra (2006) state that long-term institutional ownership has a positive impact on CSP and financial returns from CSR activities would be seen 3 years later. David et al. (2007) articulate a perspective that shareholder proposal activism has a negative impact on CSP and that managers are more likely to focus on the proposals put forward by those stakeholders which are perceived to be relatively more important to the company. Institutional investors and owners not only have interests in the corporate financial returns, but also pay attention to strategies, activities, relationships with other stakeholders and the corporate sustainable development. As a result, they have a great deal of influence on corporate CSR strategy and CSP (Holderness and Sheehan 1988; Pound 1992).

Societal Perspective

Social issues can lead to external pressures unless firms are aware of them and incorporate this into their CSR strategy. There are a number of CSR researchers who have written articles about the societal perspective. Their studies can be categorised along the three dimensions of: distinct countries, industries, and institutions. Maignan and Ralston (2002) state that firms in different countries display different levels of CSR engagement. Furthermore, Matten and Moon (2008) provide an exploration of why CSR activities differ among countries and how firms should adapt to the local environment. From an industrial perspective, Bhambri and Sonnenfeld (1988) compare the insurance and forestry industries and suggest that the differences in their institutional environments contribute to various components of the public issues structure in a company's CSR strategy, and thus influences their CSP. Another

example is in the retail food industry. Marcus and Anderson (2006), for instance, note that a firm's corporate image and use of green technology promotes its reputation for social responsibility.

Regarding the institutional perspective, based on 10 years field work, Arya and Zhang (2009) reveal that institutional reforms increasingly bring about awareness of CSR theory and support for CSR activities, while such reforms also promote changes in corporate social actions. In another empirical study, based on institutional theory, some scholars attempt to elaborate on the determinations (e.g. firm size, managerial discretion, and institutional pressures) (Greening and Gray 1994; Husted and Allen 2006), mediators (Campbell 2007), and strategic investment of CSR (Gardberg and Fombrun 2006).

In summary, societal issues are important components that should be taken into account by strategic decision makers. Furthermore, external social pressures and top management commitments have significant influences on corporate ethics programs (Weaver et al. 1999). To provide an explanation for the motivation of an increasing level of corporate engagement in CSR activities, Aguilera et al. (2007) suggest that corporate social behaviour is driven by instrumental, relational, and moral motives. Furthermore, partly based on organisational justice literature, Aguilera et al. (2007) provide an "actors mechanisms to influence social change" framework to explain the different CSR judgments and how employees reciprocate socially responsible or irresponsible behaviour.

2.3.2.2 CSR-Related Strategy

The resource-based view (RBV) is a meaningful perspective for CSR strategy researchers and helps researchers to transfer actionable prescriptions to practitioners (Priem and Butler 2001). There is a large number of CSR studies primarily based on RBV (McWilliams and Siegel 2001; McWilliams et al. 2006; Russo and Fouts 1997). RBV is used to account for the intangible assets which are created by CSR strategy, such as good corporate image (Gardberg and Fombrun 2006), corporate reputation (Hall 1992), and customer satisfaction (Luo and Bhattacharya 2006). Based on the analysis of CSR articles, this study noted four perspectives of CSR-related strategy: risk management, environment management, marketing management, and stakeholder relations management (see Table 2.3).

Risk Management

Using secondary data, Luo and Bhattacharya (2009) note that CSP can improve shareholders' value by lowering undesirable firm-idiosyncratic risk and suggest that CSP is a type of investment, similar to advertising and R&D. In the same year, Godfrey et al. (2009) find that CSR investment aim at the secondary stakeholder and society will protect firms from potential risk (e.g., negative judgment and sanctions). In addition, CSR activities concerning corporate trading partner show that these CSR initiatives have no benefit for firm performance (Godfrey et al. 2009).

Environment Management

Recently there has been an increasing awareness of environmental regulations and “green management” (McGee et al. 1998; Starkey and Crane 2003). Menon and Menon (1997) put forward a strategic framework to evaluate the importance of the congruence of environmental concerns, social performance goals and marketing strategy. Furthermore, Russo and Fouts (1997) provide statistical evidence from 243 firms to demonstrate that environmental performance is positively correlated with CFP.

Marketing Management

The starting point for CSR in the marketing field is at the very beginning of the 1970s, when researchers argue that CSR is a way of survival (Gelb and Brien 1971). Several years later, the concept of business ethics promotes the combination of social responsibility and marketing strategy (Murray and Montanari 1986; Robin and Reidenbach 1987), leading to the emergence of cause-related marketing (Varadarajan and Menon 1988). Afterwards, studies in this area emphasise two aspects: corporate context and consumer orientation. Insofar as corporate context is concerned, CSR scholars suggest that there is a minimum threshold acceptance of CSR involvement in society, below which the firm’s profit-maximising actions will be hindered (Handelman and Arnold 1999). Consumers may be a significantly important component in the corporate context, since consumers’ satisfaction mediates the association of CSR actions with market value (Luo and Bhattacharya 2006). Later findings show that consumers’ responses to a firm’s CSR activities is positive when they find those actions are strategic or value driven (Ellen et al. 2006). Consequently, CSR researchers have interests in questions about how a firm communicates with consumers, how it disseminates product information, and the manner in which it builds corporate brand dominance through CSR efforts (Berens et al. 2005; Biehal and Sheinin 2007; Brown and Dacin 1997; Simmons and Becker-Olsen 2006).

Stakeholder Relations Management

Stakeholder management is invariably associated with a CSR programme and corporate performance (Harrison and Freeman 1999). In addition, the stakeholder environment determines the extent of a corporate CSR initiative (Doh and Guay 2006). Researchers also place emphasis on communications with stakeholders (Basu and Palazzo 2008), and some scholars indicate that CSR awareness among stakeholders has positive effects on a firm’s sales income as well as an influence on the investment and employment domains (Sen et al. 2006). In particular, Choi and Wang (2009) offer significant evidence that high levels of stakeholder awareness facilitates corporate ability to both sustain a superior financial performance and recover from substandard financial performance more quickly. Furthermore, Kacperczyk’s (2009)

long-term, large-scale empirical study shows that exogenous increases in takeover protection measures cause firms to pay more attention to their community and the natural environment.

CSR involvement is a crucial element of business strategy and CSR activities can benefit corporate competitive advantage and sustainable development (Werther and Chandler 2006). CSR integration as a part of corporate strategy currently consists of the risk, environment, marketing, and stakeholder relations management areas. The extent of a firm's CSR efforts is dependent on firm size, level of diversification, R&D, advertising, consumer conditions, labour market, and industrial requirements (McWilliams and Siegel 2001).

2.3.2.3 Corporate Reputation

Roberts and Dowling (2002) argue that an important aspect of CSR-related strategy is to sustain or improve corporate reputation, because a growing body of research studies argues that a good corporate reputation has the potential to create value. An excellent corporate reputation is a type of intangible asset, something which cannot be replicated easily by other corporations (Roberts and Dowling 2002). Previous empirical studies demonstrate that a good corporate reputation has a positive impact on CFP (this link will be discussed further in the CSP-CFP relationship section). In the following sections, the author focused on a corporation's reputation and its attractiveness to employees and consumers (see Table 2.3).

With regards to a company's attractiveness to employees, corporate reputation, and perceived external prestige are positively correlated with employees' commitment to their firms (Carmeli 2005; Hunt et al. 1989; Turban and Greening 1997). Furthermore, Hunt et al. (1989) state that organisational commitment has a positive impact on other valuable outcomes, like employee satisfaction, employee performance, corporate loyalty, and adaptability.

Regarding a firm's attractiveness to consumers, whether CSR activities improve consumers' response or not, a firm's characteristics and consumers' characteristics mediate the relationship between CSR actions and consumers' response (Sen and Bhattacharya 2001). Further, evidence suggests that the impact of negative CSR actions may be very damaging to a company image (Vlachos et al. 2009). In addition, corporate association, which is consumers' overall perception of a company (Brown and Dacin 1997), has been shown to play a role in consumers' attitudes towards corporate products (Berens et al. 2005). Additionally, there is a trend seen in the communication of a corporation's CSR values to their consumers that positive consumer attitudes contributes to sales of a firm's products (Lichtenstein et al. 2004; Wagner et al. 2009).

Based on the discussion in this section, the following conclusion can be drawn. Corporate reputation is an intangible asset of firms because it promotes corporate performance and marketing returns through value creation. The author's study contends that corporate reputation deserves more attention in future studies because it offers a unique competitive advantage for firms.

2.3.2.4 CSP and CFP

The author noted earlier that ranking corporate reputation is an effective approach to measure CSR outcomes. Similarly, some systematic measurements of CSP discussed in this section indicate the results of CSR actions. There is an ongoing debate about the linkage between CSP and CFP as theoretical and empirical studies support a number of positions that are often contradictory (Aupperle et al. 1985; Barnett and Salomon 2006; Cochran and Wood 1984; Godfrey 2005; Hillman and Keim 2001; McWilliams and Siegel 2000; Russo and Fouts 1997; Waddock and Graves 1997). To summarise the conclusions reached by previous studies and reveal the underlying link between CSP and CFP, Orlitzky et al. (2003) conduct a meta-analysis of 52 studies and conclude that CSP has a positive relationship with CFP across all industries and within all corporate contexts (Margolis and Walsh 2003). Regarding measurements, Orlitzky et al. (2003) argue that the correlation between CSP and CFP is more obvious if accounting-based firm performance data is utilised, rather than marketing-based firm performance data. Further, Orlitzky et al. state (2003) that corporate reputation is more likely to correlate with CFP than other measures of CSP. However, Barnett and Salomon (2006) caution that Orlitzky et al.'s (2003) statement is only based on a compilation of existing evidence, and thus cannot yield persuasive conclusions, since those previous works are flawed in various ways. Furthermore, Peloza (2009) summarises previous studies concerning CSP and CFP relationship and explores the mediation process between CSP and CFP, which has been overlooked by other scholars. In Peloza's (2009) review, he examines 159 studies in the CSP-CFP link area and proposes a figure of "stages of financial impact from corporate social performance" to illustrate the manner in which CSP influences CFP. In their field study, Barnett and Salomon (2006) develop the concept of social screening, which is used by social responsible investing managers to measure the level of company's CSP. Based on their analysis using social screening, they indicate that at the early stage, financial returns declined initially, but there is a rebound when the firm improves its level of social screening (Barnett and Salomon 2006). Subsequently, Brammer and Millington (2008) conduct an investigation into the CSP-CFP link and conclude that it is curvilinear, that firms with unusually high or low CSP may have a higher CFP, but firms with unusually low CSP only promise short-term financial returns, while firms with unusually high CSP promote more long-term financial returns. Recent studies of the U.S. corporations show that charitable contributions stimulate revenue growth, especially after controlling for sales growth (Lev et al. 2010). Overall, despite all the attention paid to the link between CSP and CFP, the nature of this linkage is still not universally accepted and remains contested.

Another fierce debate is about the causal link between CSP and CFP: Orlitzky et al. (2003) state that CSP and CFP are more likely to be mutually influenced by each other, because firms with good CFP can afford more CSR activities, which lead to higher CSP. Meanwhile, good CSP helps companies achieve better financial returns. Although Orlitzky et al.'s (2003) data show that "a virtuous cycle with quick cycle times or concurrent bidirectionality" (p. 417) occurs, Barnett and

Salomon (2006) argue that this compilation of data does not represent a definitive conclusion. Lev et al.'s (2009) empirical data demonstrate that the growth of CFP has a significant association with future charitable contributions. Though a causal relationship is proposed by Lev et al. (2010), there are no empirical measurements that strongly support this causality, which means this is still a contested topic for future research.

Methodologies of CSP and CFP are vital instruments in evaluating the CSP-CFP link. Based on CSP construction, CSP measurements can be classified in the following way (Orlitzky et al. 2003): (a) CSP reputation indexes, such as the Fortune magazine ratings and the Moskowitz list (Cochran and Wood 1984), (b) social judgments, which is a CSR management assessment of observable outcomes such as the one used by the Council on Economic Priorities (CEP) (Fogler and Nutt 1975) and Kinder, Lydenberg, Domini (KLD) (Barnett and Salomon 2006; Graves and Waddock 1994; McWilliams and Siegel 2000; Turban and Greening 1997; Waddock and Graves 1997), (c) leaders' CSR principles and values, such as Aupperle's forced-choice survey (Aupperle et al. 1985), as well as some other scholars' individual academic surveys (Hansen and Wernerfelt 1989; Reimann 1975), and (d) CSP disclosures, like the social involvement disclosure scale (Abbott and Monsen 1979). Using the summary by Orlitzky et al. (2003), these CFP measurements can be classified as market-based measures (e.g., share price appreciation) (Alexander and Buchholz 1978; Cochran and Wood 1984), accounting-based measures (i.e., return on assets, return on equity, and earnings per share) (Abbott and Monsen 1979; Aupperle et al. 1985; Barnett and Salomon 2006; Fogler and Nutt 1975; Graves and Waddock 1994; Hansen and Wernerfelt 1989; McWilliams and Siegel 2000; Russo and Fouts 1997; Turban and Greening 1997; Waddock and Graves 1997), and managers' perceptions of CFP (e.g., managers' perception their firms' financial position) (Reimann 1975). The author compared these measurements of CSP (see Fig. 2.3) and CFP (see Fig. 2.4) used in the database of articles and found that the measurement of social judgments applies to a majority of them (55 % of the total articles which discussed the relationship between CSP and CFP). The other types of perception measurement used in this article are leaders' CSR principles and values (22 %), CSP reputation indices (17 %), and CSP disclosures (6 %). Within the CFP measures dimension, accounting-based measures are the most prevalent (75 %), while market-based measures (20 %) and managerial perceptions measures (5 %) are the other most frequently used CFP measures.

There is a growing body of research interest in the linkage between CSP and CFP which emphasises the different effective factors. For instance, building a CSP-CFP model which examines consumers' purchase behaviour (Schuler and Cording 2006), investor preferences (Mackey et al. 2007), and corporate responsiveness to employees (De la Cruz Deniz-Deniz and Saa-Perez 2003). There are a large number of studies concerning the CSP-CFP link (20 % of the total number), and that research reflects the fact that the pursuit of a high CFP is a vital motivation for firms' CSR participation.

Fig. 2.3 Corporate social performance measures

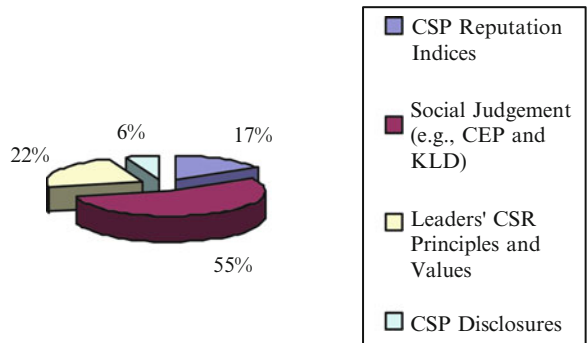
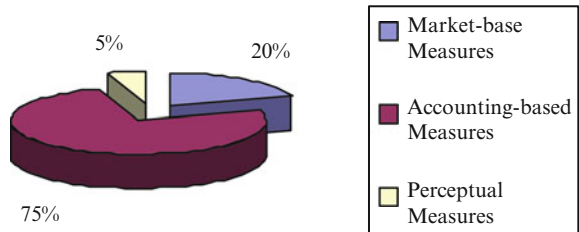


Fig. 2.4 Corporate financial performance measures



2.3.2.5 Questions for Future Study

In this final section, the author summarises some of the representative questions for future conceptual, empirical and methodological research study. Generally speaking, future studies should continue to explore the underlying motivations for CSR participation (Ruf et al. 1998) and explain how to communicate with stakeholders in order to achieve a better corporate image (Maignan and Ferrell 2004). Previous research studies put forward questions as follows: in a corporate context, to what extent does that context influence a firm’s CSR involvement (Matten and Moon 2008) and how should firms adapt to social changes (Aguilera et al. 2007). Second, with respect to the CSR-related strategy dimension, the discourse about current CSR concerns can help to develop the “CSR-based leadership” concept (Basu and Palazzo 2008) and should consider what a good CSR strategy is (Handelman and Arnold 1999) as well as how this can enhance a firm’s sustainable competitive advantage (Lev et al. 2010). Also in relation to corporate reputation, how can firms influence consumers’ response (Berens et al. 2005) and manage their attractiveness to employees? Finally, the association between CSP and CFP needs to be further validated and the causal link between the two fundamental elements should continue as an important discussion topic.

2.4 Summary

To sum up, this chapter utilises 762 selected CSR articles from published studies to evaluate the trends in CSR theory development. In particular it analyses 110 articles from leading academic journals to further investigate the variables, constructs, and relationships within CSR theory. Based on these selected papers, the author attempts to denote the milestones in CSR theory development by singling out pivotal articles based on their average citations per year. Furthermore, the author describes the CSR evolution by analysing the major themes (e.g. concepts and reviews and the CSP-CFP link). Finally, the author suggested that it is crucial to examine CSR-related strategy at the individual level of the executive, and that there is a lack of research in this area. Hence, the current study attempts to fill this void. The next chapter thoroughly discusses the CSR-related SDM process at the individual level and proposes the development of a range of hypotheses.

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