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Corporate Responsibility: Reflections on Context and Consequences

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Minna Halme¹
Helsinki School of Economics
P.O. box 1210
00101 Helsinki, Finland
e-mail: minna.halme@hse.fi
tel. +358 40 353 8251
fax. +358 9 4313 8777

Peter Dobers
School of Sustainable Development of Society and Technology
Mälardalen University
Box 883, 721 23 Västerås, Sweden
peter.dobers@mdh.se

Nigel Roome
TiasNimbas Business School, Tilburg Campus,
Warandelaan 2, 5037AB, Tilburg, The Netherlands
nroome@ulb.ac.be

Abstract

This special issue and the editorial article focus on the issues of context and consequences of corporate responsibility (CR), to which CR research has not given the attention these issues would warrant. Although norms, practices and outcomes of CR depend on socio-political, cultural, national and other contextual factors, the phenomenon has primarily been studied with theories and concepts originating from the USA. We will show that this has led to a lack of attention to many local aspects and varieties of CR, particularly those of the emerging economies and developing countries. The latter part of the article discusses the outcomes and consequences of CR, including those that are unintended.. We point out that many positive expectations and trust is placed on CR as an ideology and as an instrument for contributing to the resolution of many global and environmental ills although little is known about the social consequences and impacts of CR on society. In connection to both discussions, we review the related papers in this special issue. The editorial ends with propositions for future research.

¹ Corresponding author

Introduction

“Is it really a must to bribe your auditors in order to pass the audits? The response: “You must first raise the standards of your falsified documents. Otherwise, auditors might not dare to take money from you.” This website quote illustrates a shadow industry for counter-auditing that has sprung up in China in recent years. Western companies’ interest towards the responsibility of their supply chain has triggered an increase in monitoring Chinese supplier factories, which, in turn, opens a good possibility for shadow consultants to offer quick fixes before a factory is audited. For money they provide different solutions, and even pose a fake management team, to convince auditors that the codes of conduct are met. “It’s like a nuclear arms race. The auditors do one thing, so the factory does another” says an auditing professional. (Power, 2008)

The purpose of this example is not to point a finger at Chinese factories supplying to global chains. Rather it serves to illustrate the two central motivations behind this special issue: the significance of context in which corporate responsibility (CR) activities take place, and, the need to emphasize not only the CR policies, programmes and actions of companies, but also to better understand and monitor the consequences of these policies for companies and others in society. The understandings and definitions of corporate responsibility will be elaborated later in the article, but for the sake of orientation it is best to mention that we consider CR as activities implemented by a company to contribute to a better society including its environmental conditions. In addition, we endorse the idea that companies have responsibilities, which require them in certain situations to go beyond their immediate financial interests and the mandatory obligations set by the legislation or other “rules of the game” (COM 2001; Carroll 1979; Windsor 2006).

Commitments to corporate responsibility can now be viewed as a global trend underlined by a growing number of international standards, such as ISO, GRI and the UN Global Compact, or, by the global span of company rating agencies such as the SAM-Dow Jones Sustainability Index.² On the one side international standards seek to apply a universal logic to CR as a way to establish consistency in the application of the concept and its practice. This provides for a standardised codification of the concept and the elements of practice that offers companies, their managers, and other interested actors clear benchmarks against which to consider a company’s individual practice. Yet working against the trend toward global standardisation is the fact that CR takes place against a backdrop of different geographic, cultural, political and industrial and economic settings and environmental conditions that at least partially influence the norms, thinking, and practice of CR. This calls for increased contextual awareness in the CR discussion (Roome 2004; Dobers 2009b; Joutsenvirta and Vaara 2009), as well as better understanding of the consequences of corporate responsibility (Halme and Laurila 2008). Indeed context and context are also partially interrelated as we will see later here and in some other articles of this special issue.

The context-dependency of CR has a number of dimensions. However, before exploring these further it is noted that context-dependency of CR should not come as a surprise. It merely mirrors

² The acronyms represent the following: International Standardization Organization (ISO), Global Reporting Initiative (GRI) and United Nations Global Compact, a policy initiative for businesses to commit to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. SAM (Sustainable Asset Management) is an independent asset management company headquartered in Zurich It advises private and institutional clients on sustainability investing.

discussions in other more traditional areas of business such as the notion of 'good governance'. In the field of governance the notion that there is one ideal model of corporate governance has long been replaced by recognition that what constitutes 'good governance' is determined by the institutional, legal and cultural setting within which business is practised (Denis and McConnell 2003). Good governance is therefore determined by the interplay between contextual factors and systems of governance internal to the company. This plays out in many ways from differences between unitary and dual board structures by which companies are governed, through to the fundamentally different orientation of the role of business operating in the American tradition of liberal market capitalism, with its strong focus on shareholders, as compared with the European social market system, with its implicit contract to divide responsibilities between business and governments. Added to these differences are the emerging forms of Indian or Chinese capitalism, with their blend of high entrepreneurship mixed with state involvement (Roome 2004b). Also other Asian countries are pressed to integrate conceptions of CR within their own historical and cultural traditions (Welford 2009).

The context-dependency aspects of CR are particularly important when CR is seen in relation to sustainable development. Indeed one interpretation of CR is that it represents the contribution of business to the goal of sustainable development. This relationship between corporate responsibility and sustainable development makes sense because development in general, and sustainable development as a particular form of development, are determined not by the activities of business alone, but by the many decisions in an economy and society about ways of living and the patterns of production and consumption that support those choices about life-style. Already over 20 years ago the Brundtland Report (WCED 1987) first noted that there is no single (universal) blueprint for sustainable development. The Brundtland Commission claimed that what is sustainable depends on local conditions and circumstances.

At one level the very conception of CR seems to differ according to the underlying assumptions about economic, political and social systems (Chapple and Moon 2005). Nevertheless, despite increasing empirical evidence pointing to the effects of national, cultural, industrial and social contexts on different sorts of responsibility from companies (Midttun et al. 2006; Simpson and Kohers 2002), much of the research on CR continues to frame corporate responsibility as a monolithic entity, as pointed out by Salomon (2006) and Halme and Laurila (2008). Yet for instance in countries where there are gaps in social provision and governance, companies tend to come under heightened requirements and expectations to fill those gaps (cf. Baughn et al. 2007).

Moreover, there is a tendency for academics to draw on ideas and concepts that were developed in one setting, or during one period of history, and to apply them unquestioningly to the current period or to new situations. For example, literature on corporate responsibility written in the USA when CR was synonymous for corporate philanthropy or with ethics codes developed in response to antitrust practices are not that applicable to understand CR in an era of calls for sustainable development, or, where the internationalisation of business has provoked confrontation with different labour and employment conditions and expectations across the globe.

One of our aims in creating this special issue was to address the aspects of context-dependency. However, the earlier discussion has also pointed to our second aim. If CR is strongly influenced by context then the consequences or impacts of CR on the company and its context become singularly important. While there has been abundant interest in the business case for CR and the impact of CR on the financial performance of the firm, (Barnett and Salomon 2006; Orlitzky et al. 2003; Schaltegger and Figge 2000; Salzmann et al. 2005; McWilliams and Siegel 2000, Halme and Niskanen 2001) other outcomes remain largely unexplored (McWilliams, Siegel and Wright 2006; Aguilera et al. 2007; Halme and Laurila 2008). Further progress in the area of CR outcomes requires that research is extended to cover the social and environmental fields beyond companies, since the overall effects of corporate responsibility actions on society remain at best

fuzzy and blurred (Blowfield and Frynas 2005). For the same reasons the amount of scholarly attention dedicated to financial outcomes of corporate responsibility is disproportionate, especially given that the rationale for CR is to bring about social and environmental gains while improving business performance (Margolis and Walsh 2003; McWilliams et al. 2006).

With this background, the intent of this special issue is to further the CR research agenda by bringing together voices from a number of cultural and national contexts, and to use this as a way to gain better insight and understanding of CR as a multifaceted context-dependent phenomenon. The decision to take this focus for a special issue on corporate responsibility in the *Scandinavian Journal of Management* took place during the Nordic Academy of Management Winter Conference on corporate responsibility in 2006 in Umeå, Sweden. In that venue it became evident that delegates were troubled by the fact that much of the CR literature and frameworks were embedded in US-based values and US models of business and society. While these were appropriate to develop and understand practice in the USA they appeared to offer less that was tractable in understanding the phenomenon of CR in other societies, economies and cultures. Rather CR was seen as a phenomenon tied closely to the fundamental role and position of business in society, its institutions, history and conditions. That said US norms and values do not necessarily travel well in a diverse world despite the pressures to internationalize business and to adopt standardized practices.

However, it is only when there is a better understanding of the influence of context on CR that it is possible to understand better the issues of divergence or convergence of ways that CR is understood and practices. Secondly, as context is intertwined with history, no account of CR could be complete without a strong reflection on historical developments and the dynamics in the relationship between business and society as mediated by, among other factors politics and government (Roome 2004). For example, it would seem that the roots of CR found in the work of some 19th century industrial capitalists are similar in the USA as in Europe whether it was Rowntree or Lever Brothers in the UK and Ernest Solvay in Belgium, or, the Rockefeller, Ford or Carnegie families in the USA. These early capitalist entrepreneurs sought to make their money in ways that were more responsible than many of their peers and once that money was made they sought to return some to society, often through philanthropy. The point of departure between the continents came around 1920 when in Europe the practices of many of these benign capitalists were absorbed into the standards of the emerging welfare state whereas in the USA the idea remained that companies in the liberal economic conditions of American society were free to create wealth and then equally free to put as much into the hands of foundations so it could be given to good causes. In Europe after 1920 the practice of corporate responsibility was muted by the extent of social provision by the welfare state. Corporate responsibility was only to emerge in the UK with the advent of Thatcherite policies aimed to restructure the UK economy in the early 1980s with its demand that business would need to play a new role in the provision and governance of society as the state's role was reduced. In the wider European setting CR re-emerged in the turn of the millennium due to the globalizing business operations (Panapanan et al. 2003) – particularly expanded production in developing and emerging economies – and following concerns for environmental, social and labour practices in fundamentally different contexts such as India and China.

This background provides the frame for this special issue of *Scandinavian Journal of Management*. The journal has always acknowledged that the contextual setting of management has a potential influence on both theory and practice. The Call of Papers for this special issue resulted in nearly 40 submissions.

CR in different contexts

Corporate responsibility is a complex phenomenon. It is no wonder that conceptions of CR vastly differ and definitions are abundant. It is relatively widely agreed in the CR literature that corporate responsibility is a concept assuming that companies have responsibilities, which require them in certain situations to engage in activities beyond immediate financial interests of the firm and the mandatory obligations set by the legislation (Carroll 1979; Windsor 2006; McWilliams et al. 2006). Beyond this general definition, interpretations proliferate. But even this textbook definition which can also be found in most scholarly articles on CR is not as self-evident as one would gather. Namely, most of CR research and writing originate from North America, Europe, or Australia (Jamali and Mirshak 2007) –with concepts mainly created in the US context. Consequently, the definition was developed with those continents and their institutional environments at the back of the writers mind. It is not obvious that this general definition, as we will examine later in this article, is be suitable for all national contexts, for instance many emerging and developing countries. Consequently, it is perhaps best to think of the CR concept reflecting the idea that business is responsible for some of the wider societal good while more specific definitions diverge according to national contexts (Wanderley et al. 2008).

CR may encompass a wide range of programs and policies, reflecting variations in companies and those companies' relationships with their societies. CR includes a multitude of aspects from protection of human rights, to safety in the workplace to eco-efficiency innovations to community development (Baughn et al. 2007).

Not only do interpretations proliferate. CR has synonyms and sister concepts such as the widely used concept of corporate social responsibility that has given names to several recent handbooks (e.g. Crane and Matten 2007a-c or Crane et al. 2008), corporate sustainability, 'business in society' or corporate citizenship, which are abundant (Matten and Crane 2005). Here we use the term corporate responsibility to stress the equal importance of the social, environmental and economic responsibilities of corporations.

As argued above, contextual factors and institutional environments influence corporate responsibility norms and practices. In recent years some attempts have been made to study some of these differences (Baughn et al. 2007, Chapple and Moon 2005, Midttun et al. 2006, Roome, 2004). In this issue the first article by Maria Gjolberg (2009) studies CR practices and CR performance of companies from 20 countries including a number of Western European countries, Canada, USA and Japan. Gjolberg develops two indexes: one measuring CR practices and one measuring CR performance. The CR Practices Index includes a broad range of practices such as sustainability reporting, memberships in CR organizations and networks, certification practices, as well as rankings of CR performance along the triple bottom line. The CR Performance Index, on the other hand, includes only those CR instruments or items that set performance requirements. In Gjolberg's words, CR practices index includes process-oriented 'soft' requirements whereas the performance index is about "hard" performance-oriented requirements.

Based on the comparison along the indexes, Gjolberg concludes that the country of origin matters to companies' CR practices. For instance, Spanish and French companies are strong in the 'soft' process-oriented index whereas Nordic and Swiss companies are strong in 'hard' performance index. Gjolberg finds that leading CR companies come primarily from two company clusters. The first cluster of CR leaders comprises countries with comparatively strong globalized economies and a high proportion of transnational corporations: the UK, Switzerland and the Netherlands. Gjolberg proposes the explanation that in these countries the watchdog-NGOs target companies and can easily affect corporate reputation and brand value in negative ways. In such circumstances, there is a strong business case for CR. The second cluster is formed by companies originating from the Nordic countries which have several political-economic features in common. They have strong consensual-corporatist traditions, extensive social and environmental

policies and political cultures underlined by egalitarian and participatory values. They are communitarian countries.

Interestingly, the United States scores low in both 'soft' and 'hard' indexes. While this finding does not directly contradict the starting point of Matten and Moon (2008) about 'implicit' and 'explicit' CR, it still puts the 'explicit' CR of US companies in a different light. Matten and Moon argue that US companies make more explicit their commitment to CR in comparison to their European counterparts. In the reporting schemes, standards and the like which form the basis of Gjolberg's indexes, European companies appear more active. Gjolberg's findings raise new questions about CR in the two continents that are not answered.

One suggestion is that there is a far more complex relationship between national context and the meaning and practice of CR than these authors acknowledge. For example, the recent statements on the credit crisis have emphasised the idea of the USA as a 'market democracy', where companies can come and go, and disputes are a matter of legal arbitration rather than government intervention. The combination of a market democracy upheld by law emphasises the interests and rights of shareholders. It further suggests that corporate social responsibility might be associated with 'socialism' and has little to do with work of business. Consequently, business does not need to measure corporate responsibility because it has little to do with 'real' business performance. Indeed, if it were measured it might make visible the real environmental and social impacts of a company and open the company to legal action. Instead, American companies contribute to CR through philanthropy, for example, in socially and politically safe arenas such as offering opportunities to disadvantaged or minority groups to enter the market democracy or to sponsor good causes in arts and culture. These activities can be publicised and made explicit because they are morally justifiable in terms of opening opportunities and promoting freedoms and liberties.

On the other side European companies working in a 'social or mixed market' take for granted their need to continuously negotiate their position with other social actors. This is done not through legal arbitration but through institutions as rules, informal codes of conduct and values. In this system CR is not associated with the stigma of 'socialism' but is seen as taking into account social and environmental concerns as a normal part of management. That calls for measurement and monitoring, with no great threat of legal sanction. European CR practice is more environmentally focussed, more implicit and yet better measured. So Gjolberg and Matten and Moon seem to be looking at the managerial and organisational symptoms of far deeper social and political conditioning, with its profound impacts on CR and the role of business in societies. This is an important area for further research with practical implications for the development of international managers who must operate within this diversity.

While Gjolberg's article addresses companies coming from countries with economic and political conditions that are found favourable for developed CR (Baughn et al. 2007), this issue includes three articles which explore CR in countries in which CR is much less studied (Jamali and Mirshak 2007) and which have less favourable conditions for companies' CR agendas. Namely, there is both theoretical (Matten and Moon 2008) and empirical evidence (Baughn et al. 2007) suggesting that functioning markets, not the least financial markets (Cerin and Dobers 2008), governmental and legal institutions and civil society are basic prerequisites for CR. For instance, the study of Baughn et al. (2007) that compared CR in 104 countries, found positive relationships between CR and economic development, economic freedom, political freedom and non-corrupt government.

In the second article of this issue Steurer and Konrad (2009) compare the CR reporting of leading Central Eastern European companies' with that of their Western European counterparts. Previous studies indicate that the level of CR activity in Central Eastern Europe is below that of Western

Europe (Baughn et al. 2007). Steurer and Konrad find that legal compliance particularly in environmental area is a major CR issue for Eastern European companies since they are lagging behind the EU standards. The survey by Steurer and Konrad that complements their CR report analysis indicates that transparency is a major issue in CEE companies. This is mainly because corporate fraud and corruption are widespread problems in Eastern European companies. However, the authors observe that in general the gaps between the CR reporting and attitudes of Western as opposed to leading Eastern European companies' are not as strong as described in the literature on average companies. This is in line with Baskin's (2006) finding indicating that there is not a vast difference in CR reporting between leading companies in high-income OECD countries and their emerging market peers.

CR is located in wider systems of responsibility in which business, governmental, legal and social actors operate according to some measure of mutual responsiveness. CR theories, concepts and ideas primarily originate from market economy countries with relatively strong institutional environments in which regulation is efficient and fairly enforced. In countries with weak institutional environments underlined by arbitrary enforcement of law, bureaucratic inconsistency, insecurity of property rights and corruption, corporate responsibility may get a very different twist. This is demonstrated in the third article of the issue by Kuznetsov, Kuznetsova and Warren (2009) who investigate corporate responsibility in the rarely studied context of Russia.

It turns out that in the Russian context an important part of CR is the act of paying taxes, or paying full wages on time, creating employment and abiding by the law. The 129 executives of medium-size and large Russian companies responding to Kuznetsov et al. (2009) would not agree to the popular understanding of CR as "activities that go beyond legislation and regulation". This indicates that in weak institutional environments, where non-compliance, tax evasion, and fraud are a norm rather than an exception, abiding by the rules and regulations may well be manifestations of a responsible corporation. In such environments the contribution of companies is called for in areas such as enhancing capacity in detecting tax fraud, antitrust and the unveiling of corruption cases (Jamali and Mirshak 2007). Furthermore, contrary to the Western European and US experience that CR improves the public image of the firm and provides an opportunity to avoid government intervention, the Russian respondents of the survey of Kuznetsov et al. (2009) place little value on this concern. In the opinion of the surveyed Russian managers, financial results have the greatest impact on the public image of the firm. This may not be as surprising as it sounds to many who are used to thinking corporate responsibility from the developed countries' perspective. Jamali and Mirshak (2007) have noted that in developing countries a range of economic and legal factors deserve attention in the pursuit of CR. These include a company's contribution to national productivity or levels of employment. While Russia is generally viewed as a transition economy, in structural terms it bears some resemblance to developing countries, where a number of factors prevent the development of CR. For example, civil society is not well organized, the government does not strongly promote CR, companies do not face constant pressure and press is unable to act as a watchdog (Jamali and Mirshak 2007).

If we believe that the findings of Kuznetsov et al. at least partially reflect the conceptions of CR in weak institutional environments, the interpretation of CR as activities with which firms voluntarily go beyond the regulation, will be challenged. The modification of the definition or criterion means that in contexts where legislation and regulation are inefficient and not enforced, where civil society and market institutions are weak and where there is a discrepancy between the written

and actual “rules of the game”, abiding by regulation should actually be considered as the enactment of corporate responsibility.

One of the main arenas, where the CR³ in developed countries meets the Asian, African and Latin American realities is management of the supply chains that reach across the globe, and particularly the “world factories”, China and India. The fourth article in this issue brings a fresh voice to the debate about supply chain responsibility management. Stigzelius and Mark-Herbert (2009) tell a story of corporate responsibility from the perspective of Indian garment industry suppliers who are being “CR-managed” by multinational clothing corporations. While most of the empirical studies of CR management in supply chains are from the perspective of the principal companies in Europe or the US (e.g. Lim & Phillips 2008; Tencati et al.; 2008; Amaeshi et al.; 2008; Kortelainen 2008), Stigzelius and Mark-Herbert also paint the picture from the Indian suppliers’ perspective. They interviewed nearly 100 managers and workers of seven garment factories in Bangalore and Tirupur that supply to global brands such as H&M, Lindex, GAP, DKNY and others. The interviews are from factories that can be considered front-runners in responsibility: they are SA8000 certified or in the process of becoming so.

It turns out that the suppliers are facing an increasing weight of requirements in addition to short lead times and demands for highly competitive prices, which often contradict the responsibility requirements such as workplace safety, restricted overtime or living level wages. Adhering to labour standards of SA8000 without additional support is a daunting task for suppliers. The study of Stigzelius and Mark-Herbert indicates that despite the access and learning benefits that result from implementing SA8000, suppliers also need higher prices or long-term contracts to provide economic motivation for the implementation of responsible workplace practices that exceed the local norms. The article raises at least two issues for further research. One is a theoretical question about the cultural fit of systems and standards that originate from the Western management and monitoring background to cultural conditions, which are characterized by different ways of thinking and managing business relationships. For instance, while Americans tend to codify social relations with rules, Asian firms may rely on cultural mechanisms such as philosophy and guiding principles (Baughn et al. 2007). Another question that arises is more pragmatic: how will multinationals get their buying policies in line with their CR codes and demands?

Outcomes and consequences of CR

While most of the research on CR focuses on company policies, programme and activities, there is little research about the outcomes and consequences of corporate responsibility, particularly as regards the *societal* impacts, outcomes and consequences (Aguilera 2007; McWilliams et al. 2006). Except for a few examples (Frynas 2005; Kourula and Halme 2008; Halme and Laurila 2008) it is financial performance outcomes that have been studied. It seems hard to describe or measure non-financial outcomes and consequences, for instance what effects socially responsible investments may have on sustainable development (Cerin and Dobers 2008). The single-eyed interest in the financial performance for firms might be warranted if CR was only a corporate sector trend. Yet it is not: many constituencies such as the World Bank OECD, IMF, the EU and the United Nations put trust in and encourage it (Baughn et al. 2007). This indicates that

3 This is not to say that there is one conception about CR in developed, but rather some general characteristics which broadly speaking make it possible to use this expression when contrasting to less developed countries.

it is at least implicitly assumed and expected that CR activities are beneficial for societal stakeholders and the environment.

There are certainly many intended consequences of the CR trend. To mention a few, codes of conduct and principles, management systems for environmental and social responsibility, and eco-efficient products and services have come about. There is public discussion about responsibilities of business enterprises and an ideology that companies are responsible to other constituencies than shareholders only is winning the ground. Yet there are also unintended consequences. At the micro-level corporations often choose single-cause efforts rather than seeing CR as leading to societal development. So too there can be a purposeful and narrow choice of CR targets, short-terminism of CR and lack of skills among company managers involved in work with vulnerable communities. Particular unintended consequences in the development country context include the potential of CR activities to create a dependency circle instead of self-help enhancement (Frynas 2005; Jenkins 2005; Blowfield and Frynas 2005). Secondly, the focus on CR policies, programmes and management systems may distract the managerial attention from more fundamental problematic mechanisms. An example is found in the purchasing policies of corporations striving for ever lowering prices and faster delivery times, which in turn creates problems in working conditions, such as unreasonable overtime and salary, which does not compensate the overtime, as exemplified by Tencati et al. (2008) and Stigzelius and Mark-Herbert (2009) in this issue.

Above we identify single unintended consequences. At a broader level an unintended consequence may be that CR activities divert attention from broader political, economic and social solutions. To elaborate this further, we might explore the impact of a CR ideology in different socio-political contexts. Let us assume three different types of socio-political context: A welfare state, a neo-liberalist market economy and developing economy with weak institutional environment and governance structures (we may assume poverty and at least some corruption, too). The greatest need of responsible corporate action is probably in the last case. In those circumstances CR can, at least in a short-term, assist those who do not have the economic means to take care of their basic needs. But what about the longer-term perspective? Is there a potential threat of a long-term consequence that when corporations set out to cover for the lack of services offered by the state, they unintentionally participate in maintenance of the status quo? We must be prepared to ask whether corporations have a long-term interest in the development of those in these societies. While at present corporations may be the only engine for development in weak societies, it should not be taken for granted that CR offers the most meaningful solution for societal development in the long-term.

Let us next scrutinize CR in neo-liberalist market economy. The potential unforeseen consequence may be that corporate power is extended at the cost of democratic institutions. This is true particularly for the provision of contested services such as health insurance, day care, education and scientific research. In the third context, a welfare state, a trend toward more CR trend may be used indirectly to justify diminishing equal opportunity (rights) of citizens to services such as education, health care and basic social security. This occurs when these public goods, which have traditionally been provided through the tax mechanism by the state, are increasingly provided by through the voluntary contribution of the private sector.

At an ideological level we seldom mention that responsibility is power. At first glance corporate responsibility appears like a motherhood and apple pie-concept. It holds the inherent promise that companies voluntarily take on to themselves societal tasks, which are beyond legislative or mandatory requirements, and which may involve no apparent economic gains for the shareholders. Look more deeply and we may notice that by asking companies to take voluntary responsibilities beyond their business, we actually legitimize their increased power to decide and shape societal matters.

The above naturally leads us to the following question: what kind of CR do we assume leads to these types of unintended consequences? CR can be practiced in many ways and these ways may have different consequences. Thus we should begin to ask what kind of CR and which CR mechanisms, and types of action, are ibeneficial for society and which are less so (Halme 2009) and, furthermore what are the likely unintended consequences of different types of CR policies and activities? Porter and Kramer (2006) and Halme and Laurila (2008) for instance argue that philanthropy type CR is less beneficial than strategically oriented CR types such as CR Integration or CR Innovation⁴ – paradoxically also for society, although it has been traditionally considered that philanthropy is the “best” CR from the recipient stakeholders’ perspective. While this view enjoys wide support in the European context (Matten and Moon 2008; Halme and Laurila 2008, Frynas 2006), opinions differ about the role of philanthropic CR in the context of developing countries. While Frynas (2006) finds that in emerging markets philanthropic activities of companies’fill in when government falls short’, Jamali and Mirshak (2007) argue that philanthropy is intertwined with lack of appreciation of other domains of CR and their critical importance in the developing or emerging country context. According to Jamali and Mirshak companies do not recognize issues such as workplace safety, corruption, tax fraud as CR questions that need to be addressed. Frynas (2006, p. 18) claims that CR governance instruments such as GRI, FTSE4Good and the like which on one hand comprise aspects mentioned by Jamali and Mirshak, “run the risk of weakening long-established and intrinsic social obligations which could perhaps provide a more lasting impact on corporate behaviour than externally imposed codes of practice”.

The absence of studies on societal impact and consequences of CR was quite evident in terms of the submissions for this special issue despite the fact this aspect was explicitly mentioned in the Call for Papers. This special issue includes one article and a research note that relate to the consequences of CR. In the fifth article of the special issue Leena Lankoski investigates the cost and revenue impacts of corporate responsibility. While the relationship between CR and financial performance has been rather extensively studied (Orlitzky et al. 2003; Margolis and Walsh 2003), the studies tend to suffer of the monolithic treatment of CR in their research designs (Salomon 2006). Lankoski introduces two new aspects to this genre of studies: comparison across the three sustainability dimensions and the CR payoffs along product chain stages. Thus she takes first steps into the direction we recommend for studies on the influence of CR on the firm’s economic performance research to develop. Her study begins to disaggregate the CR monolith. Indeed, the study points to certain differences between sustainability dimensions and product chain stages as regards components of revenues and costs.

A research note by Mikael Holmqvist on corporate responsibility (CR) in this issue, further illustrates the outcomes and consequences of corporate responsibility. He maintains that most CR scholars do not challenge or critically examine CR as a concept. Like many other concepts in society, CR is normative, often driven by consultants and managers sensitive to fashions in management thinking (Windell 2006, 2009). Thus, models are provided that seldom critically examine the outcomes of CR and only a few publications take on CR from a critical standpoint (Banerjee 2007, Windell 2006). Holmqvist calls for more observational studies and illustrates unintended consequences of CR by studying a popular CR-activity - work-site health promotion.

⁴ CR Integration refers to the type of corporate responsibility with which firms seeks to combine responsibility aspects with their *core business* operations CR Innovation on the other hand emphasizes on developing new business models for solving social and environmental problems (Halme and Laurila 2009).

Such activities not only focus on the physical and bio-medical conditions of employees, but have increasingly taken on an integrated life domain perspective targeting the behaviour of employees including their family situation, fitness, eating, drinking, smoking and sleeping habits (Holmqvist and Maravelias 2006, Dobers 2006). Work-site health promotion is thereby thought to contribute to the financial performance of firms and their societal legitimacy.

Suggestions for future research

Corporate responsibility is a global phenomenon that is acted upon in local contexts (Roome 2009). This spread from of the concept from developed economies calls for a more robust universal and comprehensive definition of CR. One that is able to incorporate (socio-political and institutional) contextual differences. What determines the responsibility of a company in Europe or US or Russia or India can be very different. As long as we keep talking about CR using notions informed by predominantly Anglo-Saxon societal systems, much of the potential of the CR movement will be lost. We need concepts and theories that are more embedded in the societal context, particularly those that have been neglected in the CR literature such as in the Asian or African contexts (Welford 2009; Phillips 2006; Dobers 2009a). Moreover, it seems wholly consistent with the core notion of CR as a bond between business and society that the nature of this bond is contextually and consequentially constructed.

As the magnitude of global environmental and social ills – such as climate change and poverty – has amplified during recent years, corporate responsibility is increasingly looked upon for solutions. Business managers as well as many other constituencies outside of the business community, such as politicians and global aid institutions, put trust in corporations as agents that will provide solutions to social and environmental problems. So positive are the expectations, that little attention has given to the scrutiny of the outcomes that result in practice from CR. And little attention has been given beyond the effect of single companies on single beneficiaries.

If, however, we take seriously the recommendation that management scholars should not lose their grip on broader societal issues (Ghoshal 2005; Rocha and Ghoshal 2006; Ferraro, Pfeffer, and Sutton 2005), we must improve our understanding of the societal outcomes of CR. In the same vein, Aguilera et al. (2007) and Halme and Laurila (2008) urge that future research should give attention to different types of CR, as well as their differential effects on social outcomes. Hence, rather than repeating the question of whether CR improves financial performance, we ought to refine the question and ask “what type of CR is associated with what types of financial and societal outcomes and under what particular circumstances?”

It is paradoxical that prime areas that require extensive CR appear to be in developing or emerging countries which are characterized by conditions of weak institutions and governance, and social gaps beyond the provision of government or NGOs. While these conditions provide a rationale for CR, it seems that CR is dysfunctional in conditions of weak institutions and governance (Matten and Moon 2008, Baughn et al. 2007; Jamali and Mirshak 2007; Kuznetsov et al. 2009). Developing countries seem to be caught in a vicious cycle, where private sector CR is needed, yet effectively impeded by less than favourable contextual conditions (Jamali and Mirshak 2007).

While there is evidence of successful corporate responsibility projects in developing and emerging contexts (Baskin 2006), the observation still raises an interesting question about the capacity of corporate responsibility to solve some pressing problems in the neediest parts of the globe. There is an urgency to develop structures and institutions that contribute to social justice, environmental protection and poverty eradication. Not many would argue that these goals can be achieved by corporate activity alone. That calls for concerted effort by the private sector, public sector and NGOs (Jamali and Mirshak 2007). What is more debatable is the type of CR input

companies need to contribute. While these issues set out above are primarily the task of governments, the international research and political communities should pay attention and evaluate the CR initiatives and efforts of companies more on the basis of their ability to contribute to structural and institutional development than to lead it.

A number of important implications arise from this special issue for scholars in their role as educators as well as for management practice. The overarching argument in the special issue is that context matters to CR, whether that context involves environmental conditions, or, social, economic and institutional arrangements. If context is important to managerial choices about CR, how do we support the development of managers so they are more aware of context and its effects on the orientation of CR and company practices? What are the best pedagogic techniques to help future managers build knowledge in this area and who are the educators with the experience to support that? While it is tempting to offer future managers opportunities to advance their skills in emerging economies that approach requires great care if the interests of host communities are well served in the process.

There are implications for managerial choice and organisational practice. If the significance of context is great, then there will be a move away from standardized CR practices toward corporate frameworks which provide room for local branches or operations to follow a path in line with the framework on the one hand and local conditions on the other. This has implications for centralisation and decentralisation, for concentrated or dispersed leadership and for knowledge and management information systems which have to deal with such diversity. On the other side standardisation implies policies and actions for CR that will not always fit context.

Part of the challenge here are the well-intentioned international consultancy agencies and rating firms in whose interests it is to standardize companies so that they can offer globally-valid comparisons. As long as this "global CR machine" keeps going the same way, corporations need a great deal of courage to tailor their CR to best fit with local conditions rather than to follow global standards.

We would like to end with the notion that while the CR trend may offer major benefits for society, the realization of these potential benefits calls for increased contextual awareness and understanding that CR is not a management issue only, but rather a phenomenon that is embedded in, and interacting with, the structures and institutions intended to build good societies and good governance.

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