Corporate Responsibility – driven towards standardisation?

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Abstract

Corporate responsibility (CR) has gained a lot of attention during the last decade and many more companies are producing non-financial reports today than ten years ago. Although a widespread definition is not available CR means that businesses are pursuing their economic, social and environmental responsibilities on a voluntary basis and are integrating them into all business operations, while interacting with their stakeholders. This thesis sets out to explore CR and business managers' perceptions of the CR phenomenon and the drivers towards the standardisation of the social and environmental aspects of CR. What drivers can explain the increase in non-financial reporting and what advantages and disadvantages do standards for working with CR issues include?

A literature review was conducted aimed at collecting relevant information about CR and highlighting the key findings. The primary data collection was achieved through seven survey questionnaires with managers from different business sectors that participated in this study by answering an e-mail questionnaire.

CR standards will probably be of best use when they are developed to reflect each specific industry and business sector, as long as business engages its stakeholders in business decisions. CR has been driven towards standardisation because businesses are encouraged to be transparent and report on their business activities, driven by stakeholders such as NGOs, governments, and customers. The study concludes that businesses do have wider responsibilities than that of profit maximising, and that CR standards and closer relationships with the stakeholders who encourage them do have a number of advantages for business. However, a single, generic management standard for CR is probably neither necessary nor achievable.

Key words: Corporate Responsibility, Drivers, Standards, Corporate Social Responsibility, Standardisation, Stakeholders

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Abbreviations

AA	AccountAbility (Institute of Social and Ethical Accountability), www.accountability.org.uk
ACCA	Associate of the Chartered Association of Certified Accountants, www.acca.co.uk
ANSI	American National Standards Institute, www.ansi.org
BITC	Business in the Community, www.bitc.org.uk
BSI	British Standards Institution, www.bsi-global.com
BSR	Business for Social Responsibility, www.bsr.org
CC	Corporate Citizenship
CEN	Comité Européen de Normalisation, www.cenorm.be
CR	Corporate Responsibility
CSR	Corporate Social Responsibility
CSRwire	(The) Corporate Social Responsibility Newswire Service, www.csrwire.com
EMAS	Eco-Management and Audit Scheme, www.emas.org.uk
EMS	Environmental Management System
ETI	Ethical Trading Initiative, www.ethicaltrade.org
GNP	Gross national product
GRI	(The) Global Reporting Initiative, www.globalreporting.org
ICC	International Chamber of Commerce, www.iccwbo.org
ICTI	International Council of Toy Industries, www.toy-icti.org
ISO	International Organisation for Standardisation, www.iso.org
LBG	(The) London Benchmarking Group, www.lbg-online.net
MORI	Market & Opinion Research International, www.mori.com
NGO	Non-governmental organisation
PWBLF	(The) Prince of Wales Business Leaders Forum, www.pwblf.org.uk
SD	Sustainable Development
SIGMA	Sustainability – Integrated Guidelines for Management
UNGC	United Nations Global Compact, www.unglobalcompact.com
WRAP	(The) Waste and Resources Action Programme, www.wrap.org.uk
WBCSD	World Business Council on Sustainable Development, www.wbcsd.ch

Chapter 1
Introduction

Until the 1970s the prevailing view of corporate responsibility was predominantly about making profit for shareholders thus contributing to the economic system that provides wealth to society (see, for example, Collison 2003; Crook 2005; Friedman 1970; Warhurst 2004). Today a range of different stakeholders, who are influenced by or who influence companies, believe that companies exist for more reasons than maximising profits (Grayson & Hodges 2001; Tencati *et al*. 2004; Warhurst 2004), which changes the concept of corporate responsibility. Pressure has been increased on business by different stakeholder groups such as NGOs (non-governmental organisations), investors, governments, communities, and employees to be socially and environmentally responsible.

This thesis sets out to explore *Corporate Responsibility* (see definition p. 5) and how it can be effectively communicated within and outside the business environment and the drivers towards the standardisation of the social and environmental aspects of corporate responsibility. A variety of names has evolved to identify this phenomenon, such as Corporate Responsibility (CR), Corporate Social Responsibility (CSR), and Corporate Citizenship (CC). They are similar in many respects but also different in others. They all involve taking voluntary measures of non-financial reporting to highlight companies' social and environmental performance, thus often going beyond the requirements of regulation. CSR involves looking beyond the boundaries of business and working closely with stakeholders as shown in the following definition of CSR:

"CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. …stakeholders exist both within a firm and outside. …the wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders both within and outside the corporation" (Hopkins 2003 p. 10).

This definition involves unresolved arguments such as what standards of living means. It is therefore important to start with exploring other definitions and carry out a brief qualitative analysis between a few definitions. The prevailing definition from the analysis will form a general starting point for scope and content of this thesis.

The thesis will further explore the link between "sustainable development" and CR, what standards are and the role of standards in achieving responsible business behaviour. Furthermore, the main environmental standards, the different perceptions of CR stakeholders and the drivers for change in corporate behaviour will also be explored.

1.1 Rationale

Fewer than 100 companies produced non-financial reports worldwide in 1993 (ACCA 2004 p. 8). Businesses have and are reporting to different stakeholders on aspects beyond economic and financial issues, considering impacts on their environmental and social liabilities. Businesses are currently involved in CR activities to a greater extent than in the past. Over 1,500 companies produced non-financial reports in 2003 (ACCA 2004 p. 8). There seems to be a need for a standard on social (Zadek 1998) and environmental reporting for businesses which would clarify their responsibilities and make comparisons between businesses and their reports easier.

Businesses themselves are also beginning to recognise the need for improved disclosure and reporting on social and environmental performance (Hockerts & Moir 2004). However, where legislation or voluntary agreements such as standards are not available to guide companies, reports then lack uniformity and become difficult to measure and compare. Businesses perceptions of what corporate responsibility refers to differ (Hopkins 2003) and so do the procedures of reporting. There are around 300 types of codes of conduct, different frameworks, and standards relating to CR today (Ligteringen & Zadek 2005 p. 1).

Stakeholders also have different perceptions of CR which complicates the topic even further. A widespread and accepted standard on corporate responsibility would enable stakeholders to compare between businesses on their CR performance and perhaps establish a widespread definition of it. Furthermore, third party audits can deliver greater credibility and transparency (ACCA 2004; Bennett & James 1999; Zadek 1998). The content and nature of such a standard has to be considered and how it should be presented to be an efficient benchmark and management tool. In an article Knox and Kaplan (2004 p. 514) stated that companies want a standard on CR reporting but do not want a "one size fits all" approach of such a standard, making the business attitude towards reporting rather paradoxical.

1.2 Aim and research questions

This study aims to determine how CR and its environmental and social components might be standardised, and with what benefits and disadvantages.

The following research questions have been identified in order to pursue this aim, and in the light of the literature review in chapter 2:

- What responsibilities do companies have?
- Why are stakeholders important, and especially in the context of CR?
- What are the advantages and disadvantages of management standards as such?
- What drivers do the respondents perceive to explain the CR phenomenon?
- What are the advantages and disadvantages of CR standards?
- Is there a need for a generic definition of CR?
- Is there a need for a single management standard on CR?
- What are the needs among companies using standards to report on their social and environmental performance?

What responsibilities companies have, will answer what CR is, through the literature review and a survey with business managers. What advantages and disadvantages management standards and CR standards have relates directly to the aim and will be answered through the literature review and the survey. Addressing these research questions will establish what benefits businesses gain when working with CR and implementing CR standards. Furthermore this thesis can function as a general guidance document on CR or used for basic educational purposes.

1.3 Scope of the Research

The main scope of the thesis is the perceptions businesses have on corporate responsibility and the standardisation of their performance and reporting activities. It is the views of business managers that will be explored and not a case study of the companies they work for. Stakeholders' perceptions is also an important element in understanding the drivers and pressures businesses are faced with, however the view of various stakeholders are of secondary importance in this thesis and will not be explored as thoroughly as those of businesses.

1.4 Outline

Chapter 1 introduces the concept of corporate responsibility and the aims and objectives of the thesis. The second chapter identifies prior findings on the subject and aims to review these as well as different views on corporate responsibility and related areas within the relevant literature. Chapter 3 describes the methods used in conducting the thesis. The empirical research findings are presented in chapter 4 and will be discussed in chapter 5 together with the key findings from chapter 2. Chapter 6 draws conclusions from this discussion and assesses the extent to which the aims and objectives are met. The epilogue chapter will explain some of the limitations of the study and briefly draw attention to potential areas for further research.

1.5 Definitions of CR

Examples of definitions on corporate responsibility (see Box 1.1) both from the literature and governmental and non-governmental organisations are identified.

There is no one generally accepted definition of the concept of corporate responsibility, but the sample in Box 1.1 reveals similarities between different interpretations. The most apparent similarity in the definitions of corporate responsibility is the inclusion of stakeholders who are defined by Freeman as (1984 p. 49) "those groups who can affect or are affected by the achievement of an organisations purpose". Stakeholders include for example customers, employees, communities, investors, shareholders, NGOs, and the natural environment and stakeholders exist both within and outside the organisation.

CR is a voluntary commitment thus going beyond compliance of the law at a given point in time. It is about managing and integrating social, economic and environmental concerns in the daily business operations and to behave responsibly. CR is about measuring and improving performance on social, environmental and economic dimensions and reporting performance to stakeholders. To emphasise that CSR stands for more than the social dimension and that the environmental, economical and social elements are being treated equally within the interpretation of the concept which informs this study, the acronym CR (Corporate Responsibility) is used instead of CSR (Corporate Social Responsibility).

Throughout this thesis the following definition of CR, which was an outcome of the definition analysis, is used by the author. Although sometimes used interchangeably, CSR and CR means that business, small to medium sized and large corporations, are pursuing their economic, social and environmental responsibilities (on a voluntary basis) and are integrating them into all business operations, while interacting with their stakeholders. Interacting with *stakeholders* is the key matter in this definition, otherwise the notion of CR would perhaps be assumed to involve only *shareholders*.

Box 1.1 CSR and CR definitions

"CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. ...stakeholders exist both within a firm and outside. ...the wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders both within and outside the corporation" (Hopkins 2003 p. 10).

"...a concept whereby companies integrate social and environmental concerns in their daily business operations and in their interactions with their stakeholders on a voluntary basis." (EC 2001, p. 8.).

"the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life." (WBCSD 2000. p. 10).

"...achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment." (BSR 2005).

"initiatives by companies voluntarily integrating social and environmental concerns in their business operations and in their interaction with their shareholders." (IOE 2003 p. 2).

"the voluntary commitment by business to manage its activities in a responsible way." (ICC 2005).

"the integration of business operations and values whereby the interests of all stakeholders including customers, employees, investors, and the environment are reflected in the company's policies and actions." (CSRwire 2005).

"open and transparent business practices that are based upon ethical values and respect for employees, communities and the environment - [and] designed to deliver sustainable value to society at large, as well as to shareholders." (PWBLF 2005).

In order to analyse, discuss and arrive at a conclusion to the research questions above, the literature review is meant to explore the key literature that facilitates this research process. Therefore, the link between sustainable development and CR, the advantages of standards, the arguments for voluntary agreements, environmental management systems, and the advantages and disadvantages of CR are explored in the following chapter.

Chapter 2
Literature Review

This chapter highlights the key findings from the literature on Corporate Responsibility and related issues such as the concept of sustainable development and environmental standards. The first section about Sustainable Development lays the foundation of the broader context of which corporate responsibility is a part. The following section locates the research aim relating to the advantages and disadvantages of standards within the literature. Because most standards are voluntary, voluntary agreements is explored in the third section and its strengths and weaknesses are revealed there. Environmental management systems are handled in the fourth section and the concept of CR in the fifth section and its drivers, advantages and disadvantages. The last section summarises the literature review with its key findings. The Internet has been an important tool in finding information and data of the studied topic, as has published materials from peer reviewed sources.

2.1 Sustainable Development

Since The World Commission on Environment and Development the concept of sustainable development has been widely accepted and defined as satisfying present needs without compromising the ability of future generations to meet their own needs (Bruntland 1987), or simply as living off the interest of global resources and not from the capital. As the world's population increases every year the demand for consumer goods and satisfying basic needs such as providing water and food will gradually become harder to meet. Sustainable development (SD) is more than just protecting and preserving the environment; it recognises social and economic issues such as poverty, human rights and employment creation (Sillanpää 1999; UNCED 1992). There the role of the business lies alongside governments to work with the fundamental elements of sustainable development (see figure 2.1) for a sustainable future. It is a global policy that business can pursue on a voluntary basis and, according to Cowe & Porritt (2002), it is in companies' interest to behave responsibly voluntarily as to do so will bring shareholder value.

In theory, engaging business in the delivery of sustainable development will, due to the competitive nature of the private sector, ensure SD with minimum cost, and businesses have the creativity and innovative skills to tackle the challenges of SD (Calder & Culverwell 2005). Sustainable development has expanded to include social dimensions (Garriga & Melé 2004; Hollender & Fenichell 2004) and involves pursuing economic prosperity, environmental quality and social equity simultaneously (Grayson & Hodges 2001). To be sustainable a company cannot perform only against a single bottom line but against a triple bottom line (*ibid.*). The concept of "triple bottom line" coined by John Elkington (Norman & MacDonald 2003 p. 2) will be commented on further below. Sustainable development is the long-term commitment towards that economic growth, social cohesion and environmental protection that must go hand in hand (Tencati *et al* 2004). According to the WBCSD (2000), CSR is the third pillar of sustainable development, along with economic growth and ecological balance, whereas others (see for example ISO-AG 2004) view SD as simply working with social, economic and environmental issues.

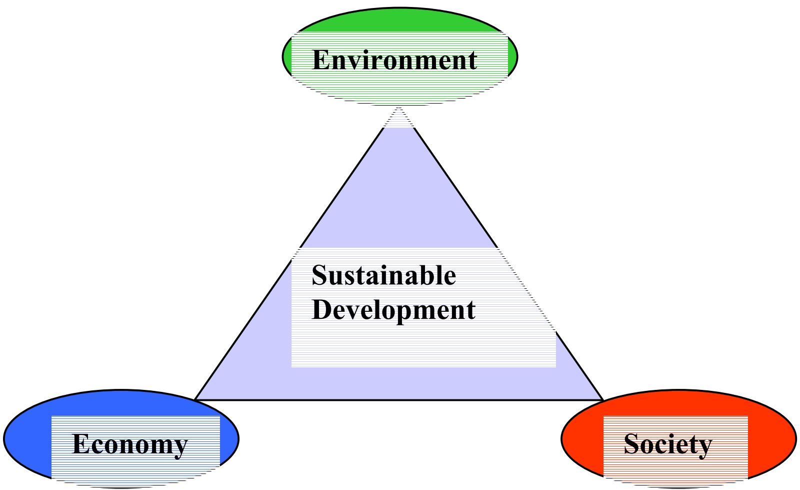

Figure 2.1 The Fundamental Elements of Sustainable Development for which economic prosperity, environmental quality and social equity are pursued simultaneously (Founex 1971).

The UN Global Compact, launched by Kofi Annan, Secretary General of the UN in 2000, is a voluntary international initiative with ten principles that addresses human rights, labour, the environment and corruption (UNGC 2005a). The principles are derived from the Declaration of Human Rights, the Rights of Works Declaration, the Convention against Corruption and the Rio Declaration on Environment and Development (UNGC 2005b), which are binding for states that have signed up to them but not to companies (Warhurst 2004). The two main objectives of the Global Compact are to make the ten principles part of business operations and strategy, and to ease the development of partnerships between companies and their stakeholders (Calder & Culverwell 2005). The Global Compact has today grown into an international network with more than 2,000 companies (UNGC 2005c). The number of UK companies, however, that have signed up for the Global Compact remains low (DTI 2004). Putting it in a larger context; over 64,000 transnational companies existed in 2002 (Calder & Culverwell 2005 p. 30), but only 2,000 companies have signed up to the Global Compact principles.

2.2 Standards

Standards influence even the smallest aspects of life today. There are standards for what size a piece of paper should be, the quality of vegetables, rules in sports, and legal contracts, to mention just a few. These rules are often voluntary and standards are not mandatory directives (see Table 2.1) (Brunsson & Jacobsson 2002).

Table 2.1 Norms, directives and standards

Norms	**Directives**	**Standards**
▪ Rarely found in written form ▪ Internalised rules followed without having to reflect on them ▪ No obvious source	▪ Explicit rules often in written form ▪ Mandatory rules often combined with sanctions ▪ Issued by persons or organisations with formal authority	▪ Explicit and in written form ▪ Voluntary i.e. standardisers[1] have no access to sanctions ▪ Issued by various organisations

(Derived from; Brunsson and Jacobsson 2002 ps. 12-13)

It is sometimes hard to distinguish between norms, directives and standards (see Table 2.1). For example, not to steal is a social norm and an infringement of a criminal law

[1] A standardiser is according to Brunsson and Jacobsson (2002) an individual or an organisation that issues standards e.g. a standardisation organisation.

which is a directive; or shaking hands when greeting is a norm and it may appear in books on etiquette which set out a standard (Brunsson & Jacobsson 2002). The three types of rule should be considered as simplifying the forthcoming review on management standards and thus this is only a generic introduction.

A standard can be defined as "a widely agreed set of procedures, practices and specifications" (EC 2001 p. 28). The advantage of standards is that organisations and people can follow them all over the world and thus create similarity and homogeneity achieving global order in the modern world (Brunsson & Jacobsson 2002). The American National Standards Institute (ANSI), the British Standards Institution (BSI), Comité Européen de Normalisation (CEN), and International Organisation for Standardisation (ISO) are all standardisation organisations and are often private sector organisations (*ibid.*). This means that they do not have access to legal sanctions against those who do not comply with their standards (*ibid.*). Three types of standards can be distinguished according to Brunsson and Jacobsson (2002); standards about being something, doing something, or having something (see Table 2.2 for further description).

Table 2.2 The three types of standards

Standards about ***being*** something	Standards about ***doing*** something	Standards about ***having*** something
▪ Standardised way of classifying things ▪ Measuring e.g. metric system or Celsius scale ▪ What things are e.g. the Linnaean system for classifying plants ▪ Statistical e.g. standards for measuring GNP, unemployment and pollution	▪ Individual behaviour in social contexts e.g. etiquette books ▪ Product design standards e.g. size of paper or loading pallets ▪ Administrative standards e.g. how leadership should be exercised, how organisational processes should be designed and controlled, and how accounting should be conducted	▪ Standards for States e.g. need to have democracy, a constitution or an educational system ▪ Standards for organisations e.g. strategic plans, a quality system

(Derived from; Brunsson and Jacobsson 2002 ps. 4-5)

In this study focus will be placed on the administrative standards about how organisational processes should be designed, for example, as described in Table 2.2 above. The standards about being or having something are not relevant to this thesis. The advantages and disadvantages of administrative, or generally speaking, management standards as such will be described to establish a framework in the impending discussion (see Table 2.3).

Table 2.3 Advantages and disadvantages of management standards

Advantages of management standards	Disadvantages of management standards
▪ Effective in transmitting information (Brunsson & Jacobsson 2002 p. 169) ▪ Coordinate activities (*ibid*. p. 169) ▪ Simplification function (*ibid*. p. 170) ▪ "Voluntary" (*ibid*.)	▪ Homogeneity may hinder innovation (Brunsson & Jacobsson 2002 p. 171) ▪ Expensive; especially for small organisations (*ibid*. p. 136)

(Derived from Brunsson & Jacobsson 2002)

Following a standard is in principle voluntary, that is, the standardisation organisation cannot force the standard upon others (Brunsson & Jacobsson 2002). However, when an organisation is highly dependent on a third party actor, whose relationship is vital for being in business, then the standard becomes almost coercive (*ibid*.). For example, Ford Motor Company has required all its suppliers to be certified to the ISO 14001 environmental management standard if it is to continue doing business with them (Wilson 2001 p. 32). It can also be fashionable or an expectation of public opinion in general, to follow a standard or to respond to pressure coming from internal actors such as employees (see Figure 2.2) (Brunsson & Jacobsson 2002). Standards can also be seen, however, as a partial abdication of responsibility; Brunsson and Jacobsson (2002) argue that by following others and not going one's own way may reduce responsibility to some extent.

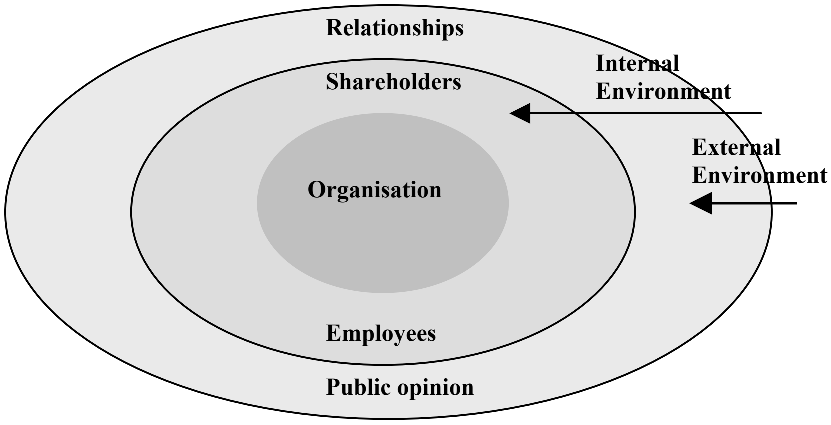

Figure 2.2 Internal and external drivers and incentives to follow "voluntary" standards from stakeholder groups (derived from Brunsson & Jacobsson 2002 ps. 134-135).

The inner circle, the internal environment, can put pressure on an organisation through, for example, its shareholders or employees to follow a standard. Relationships with external stakeholders, the outer circle, such as suppliers, customers or governments can also be a driver for organisations, or public expectations of what kind of standards should be followed.

There are different ways for a standard to be achieved and adopted (see Figure 2.3). Best practice achieved by an organisation can be benchmarked and adopted by others. Leadership standards will also put pressure for voluntary codes and management standards to be adopted and finally towards adopting them as mandatory legislation if it is found necessary by legislators (Zadek 1998).

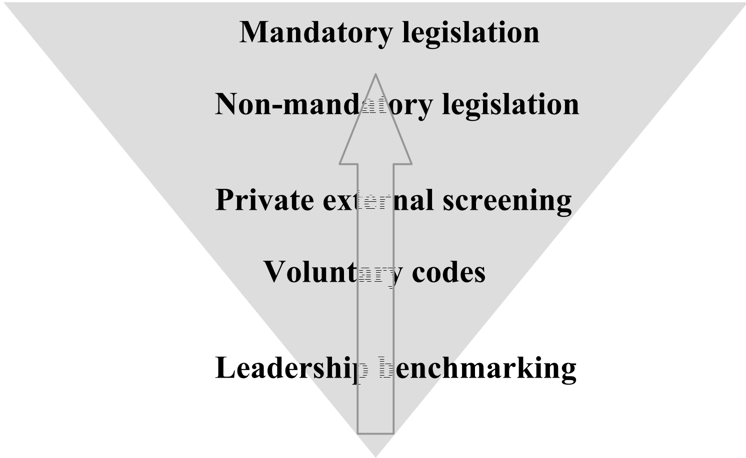

Figure 2.3 The standards spectrum; routes to standards (adapted and altered from, Zadek 1998).

Mandatory legislation and leadership standards are the two extremes of standard types (Zadek 1998). The arrow in the figure only illustrates that many more companies would be affected by a mandatory standard although all of these standards (see Figure 2.3) should preferably be seen as complementing each other rather than being exclusive (*ibid.*).

The subsequent section explains briefly what voluntary agreements are and what arguments for and against adopting voluntary agreements might be.

2.3 Voluntary Agreements

Linked to the previous section about standards are the voluntary agreements that are often described as standards in the context of management standards. Since every policy instrument has both strengths and weaknesses, (Gouldson & Murphy 1998) and voluntary agreements are no exception, it is generally assumed that a number of different instruments can collectively achieve better outcomes (*ibid.*). For example, economic incentives can achieve an increase in domestic waste recycling because the cost is borne by the households (Tietenberg 2003), in this case a voluntary approach would not achieve the same outcome. The arguments for and against voluntary agreements (see Table 2.4) should be viewed with caution because they are generic and can change from case to case.

Table 2.4 The Case for Voluntary Agreements

For **Voluntary Agreements**	*Against* **Voluntary Agreements**
▪ More efficient e.g. less public expenditure on environmental protection, no need for regulatory agency ▪ Efficiency gains e.g. allows for innovative solutions in a more flexible way ▪ Better to foster commitment among companies ▪ Can often be enacted faster than mandatory regulation	▪ Removes the driver for innovation i.e. the mandatory regulation ▪ Governments hand over responsibility to the private sector which generates concerns about its credibility and accountability ▪ Cost savings from reduced administration can be offset by an increase in administration costs followed by a rise in voluntary agreements

(Derived from Gouldson & Murphy 1998 ps. 58-59)

Jacobs (1991 p.134) defined voluntary action as "all those actions unforced by law and unpersuaded by financial incentives, which individuals, groups and firms take to protect the environment". However, Gouldson and Murphy (1998) argue that governments have an influence and can encourage the use of voluntary agreements through institutions or frameworks that can administer them and verify their quality. Governments can threaten to produce laws if voluntary action is not taken (*ibid*.), so voluntary does not always have to be voluntary. Voluntary action is often persuaded by economic incentives such as minimising costs of compliance and fines, or exposure to financial liabilities and it may be encouraged in governments' contracting criteria (*ibid*.), thus it does not always mean unpersuaded as defined above.

2.4 Environmental Management System Standards

Environmental Management Systems (EMSs) are frequently based on standards and provide a framework for integrating environmental responsibilities in business operations (BSI 2005a). There are according to Morrow & Rondinelli (2002) two EMSs that are more widespread among companies and other organisations than any others, namely the Eco-Management and Audit Scheme (EMAS) and ISO-14001. The emerging idea of developing an international EMS standard emerged around the time of the Earth Summit in Rio 1992; one driver was that international companies should have the same opportunities and responsibilities which would be ensured by an international standard (Hortensius & Barthel 1997). The ISO 14001 standard identifies processes for improving a business environmental performance (BSI 2005b). ISO 14001 will not improve environmental performance by itself, it just one tool among many and is a framework for implementing performance requirements and criteria (Bell 1997). Sheldon (1997 p. 15) comments that; "…any management tool is neutral, and only as good as the manager that uses it."

EMAS is a European Union Regulation EMS, compatible with ISO 14001; but requires the organisation to undertake an initial environmental review and have an environmental report independently checked by an environmental verifier (Regulation, EMAS 2001). Implementing EMSs such as ISO 14001 or EMAS hold both advantages and disadvantages (see Table 2.5) for the company.

Table 2.5 Advantages and disadvantages of EMSs (derived from various authors)

Advantages of EMSs	**Disadvantages of EMSs**
▪ Provide a framework to reduce uncertainty (Gouldson & Murphy 1998 p. 62) ▪ Improve public image and reputation by effective communication to stakeholders (*ibid*. p. 63) ▪ Improve the relationship between business and regulator (*ibid*. p. 63) ▪ Establish a learning network with organisations that share the same experiences (*ibid*. p. 63) ▪ Enhancement of environmental awareness within the organisation (BSI 2005c) ▪ Cost savings and reduction in resources usage (Starkey 1998 p. 84) ▪ Increased market opportunities (*ibid*. p. 87)	▪ Do not guarantee any level of environmental performance (Gouldson & Murphy 1998) ▪ Can be costly to develop and apply e.g. staff time spent on implementing and maintaining system, consultant fees, and payment of verifier (Starkey 1998 p. 84)

Common drivers for companies to implement EMSs include: ensuring that regulatory requirement are met, minimising waste and increasing efficiency, and enhancing relationships within the local community (BSI 2005c). Interests from business stakeholders have also been a common driver for business to implement and certify an EMS (Morrow & Rondinelli 2002), and to satisfy customer pressures in the supply chain (Clark 1999).

2.5 Corporate Responsibility

The concept Corporate Responsibility (CR) is not a new phenomenon (Carroll 1991; Moir 2001; Salzmann *et al* 2005; Wood 1991), but it has gained a lot of attention during the last decade (Crook 2005; Doane 2005; Garriga & Melé 2004). The literature on the subject comes from academia, governmental organisations, NGOs and businesses, and a search for "CSR" on the Internet results in millions of entries. This section is intended to explore the concept of CR and explain a few of the CR theories that can be found in the literature. A brief introduction to two of the different CR related standards available and the drivers that steer businesses towards CR implementation will be explored. Furthermore, the advantages and disadvantages of corporate responsibility that can be revealed from the literature review will be presented.

2.5.1 Concepts and Theories

The different terminologies and theories that have evolved, from the mid 20th century and until today, make the world of CR hard to grasp and navigate through. There are four main theories of CR and a brief description of them will be made. According to Garriga and Melé (2004) the four theories are instrumental, political, integrative, and ethical theories.

- Instrumental theories are concerned with the business economic aspect of its social responsibility and see CR as a strategic tool to achieve wealth creation. Maximising shareholder value (see, for example, Friedman 1970) and cause-related marketing (see, for example, Porter & Kramer 2002) are both approaches within this theory.

- Political theories focus on the company and its role in society and the political power it possesses (Garriga & Melé 2004). The concept of Corporate Citizenship is part of this theory and is commonly explained in terms of business belonging to the community (*ibid*.) and having obligations not only to governments but also to society (Moon *et al* 2003).

- The third group of theories, the integrative theories state, that business depends on society to exist and for its licence to operate (Garriga & Melé 2004). The orientation towards stakeholder management is part of this theory.

- Ethical theories focus on the ethical requirements that business and society share (Garriga & Melé 2004). The Global Compact, the concept of sustainable development and the triple bottom line are part of this theory.

The study will focus on three theories: the integrative theories, the instrumental theories and ethical theories. These theories are the most relevant in this thesis and can assist in understanding the drivers towards CR. Stakeholders have already been mentioned and are an important part of the driving forces as well as ethical theories, which focus in this context on sustainable development and the universal rights that the Global Compact stands for. To understand the different perceptions of corporate responsibility the notion of "maximising shareholder value" is also important to explore, and put in perspective with opposing views.

Interest in CR has been influenced by stakeholder theories (Henderson 2001), and Clarkson (1995 p. 105) divides stakeholders into primary and secondary stakeholder groups. The primary stakeholders are those that the company cannot survive without and are typically shareholders, investors, employees, customers, suppliers and governments and communities who regulate and provide infrastructure and markets. Secondary stakeholders are not essential for the company's survival and include the media and special interest groups. The rationale for CR is that companies are responsible not only to shareholders but to a broader group of stakeholders (ISO-AG 2004 p. 32). Engaging stakeholders can result in benefits for companies such as being providers of information and warning the companies about emerging threats to their business (Grayson & Hodges 2004 p. 208). Society has expectations for business since "business and society are interwoven rather than distinct entities" (Wood 1991 p. 695). Employees believe that CR is important and almost 40% of customers say that it is very important for companies to be socially and environmentally responsible when they are deciding to purchase (MORI 2004 p. 5, 1).

The company's total responsibilities are, according to Carroll (1991), economic, legal, ethical, and philanthropic responsibilities and can be depicted as a pyramid (see Figure 2.4). The original foundation of the pyramid is the notion of maximising profits on which the other responsibilities rely. Companies are expected to comply with the law and the legal and economic responsibilities coexist within this legal system. The companies are obligated to behave ethically and minimise harm to stakeholders which goes further than law. Business should according to Carroll contribute to a society which is desired by the community. Carroll does not explain exactly why economic performance is the basic building block which the other responsibilities rely on. But if we for simplicity assume this view to be true it overlooks another important aspect.

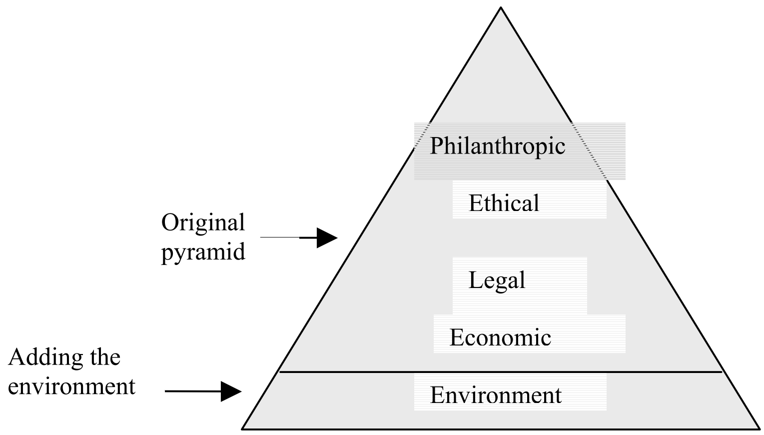

Figure 2.4 Carroll's Pyramid of Corporate Social Responsibility with "environment" as the new foundation (adapted and modified from Carroll 1991 p. 42).

The original CSR pyramid clearly overlooks one crucial aspect in the context of doing business. Namely, the natural environment which is a source of raw materials, a waste sink and which provides the different processes without which it would not be possible to sustain business operations, nor life itself. Adding environmental responsibilities as the new foundation of the pyramid, with the previous assumption in mind, illustrates that all the other responsibilities rely on the processes the natural environment offers. The concept of triple bottom line takes the economic, social and environmental areas together and for which, according to Elkington (1999 p. 22), not only the economic bottom line but a bottom line for all three areas can be measured. Businesses' responsibilities are extended and should help to deliver economic prosperity, environmental quality and social equity simultaneously (*ibid.*) and not excluding any of them.

Contrary to the ethical and integrative theories are the instrumental theories. Companies' overall aim is to pursue profits (Broberg 1996) and the only social responsibility of business is to use its resources to increase the business profits (Friedman 1970). The neo-classical economics view favours the shareholders, founded on the perception that the pursuit of self interest will gain financial benefits (Collison 2003). Pursuing CR and thus going beyond the requirements of regulation raises the cost of doing business and reduces profits (Henderson 2001). CR is about maximising profits within the boundaries of law, or as Milton Friedman (1970 p.1) wrote: "businesses should try to make as much money as possible while conforming to the basic rules of the society". Neo-classical economics separated business from society (Clarkson 1995 p. 103), a position with which Wood (1991) and Porter and Kramer (2002), for example, disagree with, believing that business and society are interwoven.

2.5.2 CR Related Standards

There are approximately 300 CR tools globally; that is, codes, standards and different frameworks (Ligteringen & Zadek 2005 p. 1). Many of them have been developed internally by businesses where others come from different standardisation organisations. Some of the more widespread standards are: Social Accountability 8000 (SA8000), the Global Reporting Initiative (GRI), AccountAbility 1000 (AA1000), the Global Sullivan Principles and the SIGMA Project (see, for example, Calder & Culverwell 2005; Tencati *et al* 2004). Two of them and one that is under development are briefly presented here (see Box 2.1).

Box 2.1 Short presentation of the AA1000, GRI, and the proposed ISO 26000 standards

- The AA1000 was launched in 1999 to improve accountability and performance by learning through stakeholder engagement (AA 2005a). The standard helps users to create an efficient stakeholder engagement process that generates the indicators, targets, and reporting systems needed to make sure its effectiveness in overall organisational performance and is also designed to complement the GRI (AA 2005a). There were 48 organisations using the standard in 2004 (AA 2005b).

- The Global Reporting Initiative (GRI) was initiated in 1997 and was developed in consultation with representatives from business, accountancy, investment, environmental, human rights, research and labour organisations (Calder & Culverwell 2005). The GRI guidelines are for voluntary use by organisations for reporting on the economic, environmental, and social dimensions of their activities, products, and services (GRI 2005a). There are 670 organisations using the guidelines and the majority of them are companies (GRI 2005b). Companies can choose how much they want to use from the guidelines, but only the companies that apply the whole framework can claim to be reporting in accordance with the GRI (Knudsen 2005). Only 60 organisations are currently reporting in accordance with the GRI (GRI 2005b). The GRI is working with the Global Compact which encourages its members to use the GRI guidelines (Calder & Culverwell 2005). Some of the critics of the GRI express that it is too complex for many companies (*ibid.*) and that there is no control of the listed firms' reports and performance (Knudsen 2005).

- The proposed social responsibility standard ISO 26000 is scheduled to be finished in 2008 (ISO 2005a). The ISO Working Group is represented by industry, government, labour organisations, consumers, and nongovernmental organisations to ensure that the standard will benefit from those with a serious interest in social responsibility (*ibid*). The standard will provide guidelines for social responsibility and "…not a specification document intended for third party certification". (ISO 2005b).

2.5.3 Drivers

Different stakeholder groups are the most significant drivers of CR for businesses (Warhurst 2004). Companies understand that they have to respond to stakeholder concerns how companies have performed against social and environmental criteria and being more open in reporting such criteria (Zadek 1998). These stakeholder groups demand what they consider to be responsible corporate practices (Garriga & Melé 2004). Within these groups are the NGOs which are a major driver for companies to perform in an environmentally and socially responsible manner (Henderson 2001; Knox & Maklan 2004), and Greenfield (2004) goes even further saying that companies are being blackmailed by NGOs to behave responsibly. NGOs are often part of the secondary stakeholder groups as defined above, but they can cause significant damage to a corporation (Clarkson 1995). NGOs are using web site chat rooms, news channels and popular press to expose corporate behaviour (Grayson & Hodges 2001) and the NGOs are increasingly growing in strength and influence (Henderson 2001; Hollender & Fenichell 2004). Governments, and especially in the UK, have encouraged CR behaviour among businesses (Moon 2004). These external drivers include also: supply chain pressures, investors demands, consumer demands, and public demands (EMSF 2004). Drivers can come from within the company for example through a value shift and not always necessarily from outside stakeholders (Zadek 1998).

Internal drivers are identified by businesses themselves. They can for example include attracting and retaining qualified staff and the preservation of natural resources (EMSF 2004 p. 3:5). Doane (2005) links four internal drivers to businesses' increasing adoption of CR initiatives. These are: managing risk and reputation, protecting human capital assets, responding to consumer demands, and avoiding regulation (*ibid*. p. 217). Brand reputation is built around intangibles such as trust, reliability, and quality; and protecting brands has become a significant driver for businesses to pursue CR initiatives (Calder & Culverwell 2005; Hollender & Fenichell 2004).

2.5.4 Advantages and Disadvantages of CR

Different benefits for companies pursuing CR initiatives have been found in different studies. Whereas some have found, for example, a correlation between CR performance and increased profits others have not. This section draws some of the strengths and weaknesses of following CR initiatives together. First the advantages and disadvantages of CR for businesses found in the literature will be displayed in Table 2.6 and then the advantages and disadvantages of CR standards will be displayed in Table 2.7. However, differences in size, type of business and market orientation vary between companies just as the advantages and disadvantages do.

Table 2.6 Advantages and disadvantages of CR for businesses (derived from various authors)

Advantages of CR for businesses	**Disadvantages of CR for businesses**
▪ Improved financial performance (BSR 2005; Cove & Porritt 2002 p. 17; EC 2001 p. 9; FFF 2002 p. 25; SIGMA in COPOLCO 2002 p. 15) ▪ Reduced operating costs (BSR 2005; SIGMA in COPOLCO 2002 p. 15) ▪ Enhanced brand image and reputation (BSR 2005; Hopkins 2003 p. 52; SIGMA in COPOLCO 2002 p. 15; Tencati *et al* 2004 p. 184) ▪ Increased sales and customer loyalty (BSR 2005; Hopkins 2003 p. 52) ▪ Increased productivity and quality (BSR 2005; Hopkins 2003 p. 52) ▪ Increased ability to attract and retain employees (BITC 2000 p. 5; BSR 2005; Hopkins 2003 p. 52; SIGMA in COPOLCO 2002 p. 15; Swift & Zadek 2002 p. 13) ▪ Reduced regulatory oversight (BSR 2005) ▪ Access to capital (BSR 2005; Tencati *et al* 2004 p. 184) ▪ Increased shareholder value (Cowe & Porritt 2002 p. 17; Hopkins 2003 p. 52)	▪ Increased costs e.g. training, CR reporting and stakeholder focus group sessions (Hopkins 2003 p. 53) ▪ Implementing difficulties such as: lack of time, and human resources (Tencati *et al* 2004 p. 181)

Many studies have shown a correlation between the socially and environmentally responsible company and positive financial performance (see, for example, FFF 2002; Margolis & Walsh 2001). Operating costs can be reduced through a more effective resource use and workforce programmes to reduce absenteeism which is a financial burden to the company. A company with a good reputation and considered to be environmentally and socially responsible will also gain trust among its customers and thus attain their loyalty. Alliances with NGOs can prove to be very valuable as they can alert and act as an early warning system (Hollender & Fenichell 2004). Improved working conditions for employees increases productivity and quality. Companies have an increased ability to retain and attract employees when they are perceived to be socially and environmentally responsibly. However, implementing CR initiatives can be expensive. Different resources such as time, people, and money needs to be allocated and training needs, reporting activities, and an increased stakeholder dialogue will likewise be costly.

CR standards can help to drive performance for business (Ligteringen & Zadek 2005) and negotiations with stakeholder groups give legitimacy to the company. Among the other advantages of CR standards (see Table 2.7) is the benchmark function it provides, showing other companies how best practice may be achieved. CR standards help communicate their performance and commitments internally and externally and they provide for continuous improvement and learning.

Table 2.7 Advantages and disadvantages of CR standards for businesses (derived from various authors)

Advantages of CR standards	Disadvantages of CR standards
▪ Legitimacy (COPOLCO 2002 p. 66; Ligteringen & Zadek 2005 p. 2) ▪ Benchmarks (Ligteringen & Zadek 2005 p. 2) ▪ Functional tool (Ligteringen & Zadek 2005 p. 2) ▪ Basis for learning and engagement (Ligteringen & Zadek 2005 p. 2) ▪ Clear communication (Ligteringen & Zadek 2005 p. 2) ▪ Identifying relevant issues (Ligteringen & Zadek 2005 p. 2) ▪ Competitive advantage (COPOLCO 2002 p. 66)	▪ Standards fatigue (Future 2005; Ligteringen & Zadek 2005 p. 2) ▪ Questionnaire fatigue (Calder & Culverwell 2005 p. 57; Grayson & Hodges 2004 p. 258; Hockerts & Moir 2004 p. 93; Knox & Maklan 2004 p. 514)

The main disadvantage seems to be the “standards fatigue” expressed by businesses. Which CR tools, codes of conducts, and standards should be used among the 300 available and how are in particular the standards implemented, linked and reported on? The “questionnaire fatigue” refers to the problematic issue when different stakeholders demand information on the companies’ social and environmental performance which is difficult to provide because the information stakeholders want has to be gathered differently depending on each stakeholder’s needs (Knox & Maklan 2004).

2.6 Summary

In order to satisfy the needs of the present generation without compromising the ability of future generations to meet their needs, governments, society, and companies have to work towards what is called sustainable development. Sustainable development includes economic, social and environmental performance which companies are encouraged to work towards at a global level with through, for example, the UN Global Compact.

Different types of CR standards could perhaps be effective in achieving sustainable development goals because standards can coordinate activities, transmit information, and can be used by organisations all over the world. The pressure and drivers for businesses to adopt standards comes from both the internal and the external business environment and best practice by leadership companies is often benchmarked by other companies.

Voluntary agreements can be more efficient and can be enacted faster than mandatory regulation, which may thus deliver, improved environmental quality earlier by companies. Governments can still influence companies to adopt voluntary agreements by different incentives.

EMSs are typically standards that provide a framework for companies to integrate environmental responsibilities into business operations. EMSs often improve reputation, public image, relationship between business and regulator, and establish networks with other organisations. However, EMSs do not guarantee any level of environmental performance and do not take the social element of SD into account.

The concept of corporate responsibility is not a new phenomenon and different theories and terminologies have evolved. Companies depend on different stakeholders for their survival and companies are responsible for a broader group of stakeholders than just their shareholders. All companies have economic, social and environmental responsibilities and should not exclude any of them. The neo-classical economics model suggests that the company's only responsibility is to maximise its profits; however business and society are interwoven and external and internal drivers, such as NGOs and public demands, put pressure on companies to behave in a socially and environmentally responsible manner. There are different perceptions of what corporate responsibility means. Figure 2.5 illustrates the two extremes of this perspectives: when CR only means profit maximisation and when CR is only about maximising social and environmental benign outcomes. The influence of these perceptions seems to have moved over time, from the profit maximisation extreme towards the other, represented by the right-hand side of the figure. However, this shifting balance of influence can also change, as represented by the diagonal line.

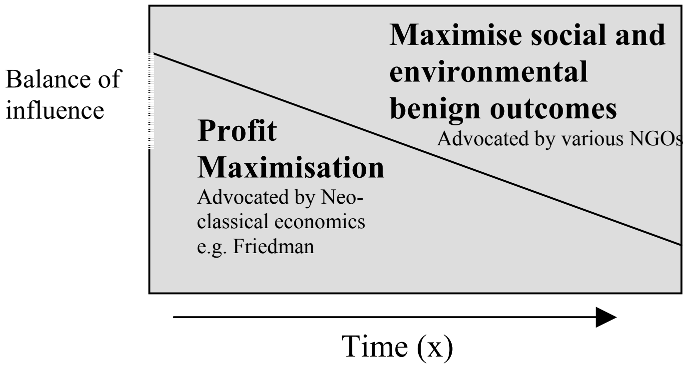

Figure 2.5 The evolutionary process of Corporate Responsibility perceptions. The two extreme ends; CR as profit maximisation (left) or CR as maximising social and environmental benign outcomes (right) (Author's production, based on the sources in 2.5.1 and 2.5.3).

Working with CR initiatives can hold advantages for companies. The advantages can be improved financial performance, reduced operating costs, enhanced brand image, increased sales and increased ability to retain and attract employees. But CR initiatives come with a cost and there can be difficulties in implementing them.

CR standards can drive business performance, give legitimacy and provide a basis for learning and engagement. CR standards can, as with EMSs, provide effective and clear communication with stakeholders. The problematic issue concerns the amount of different CR-standards available. Which standards should be used and how will they satisfy the companies' stakeholders?

2.6.1 A Conceptual Framework

Figure 2.6 illustrates the conceptual framework applied in the study. The bottom boxes add relevant information from the literature review and are intended to support the findings from the primary data collection. The drivers to explain the CR phenomenon which in turn is assumed to have increased the existence and use of CR standards, the needs of businesses in terms of CR standards, and the advantages and disadvantages are included in the framework to connect the research questions in this illustration and pull them together in one figure.

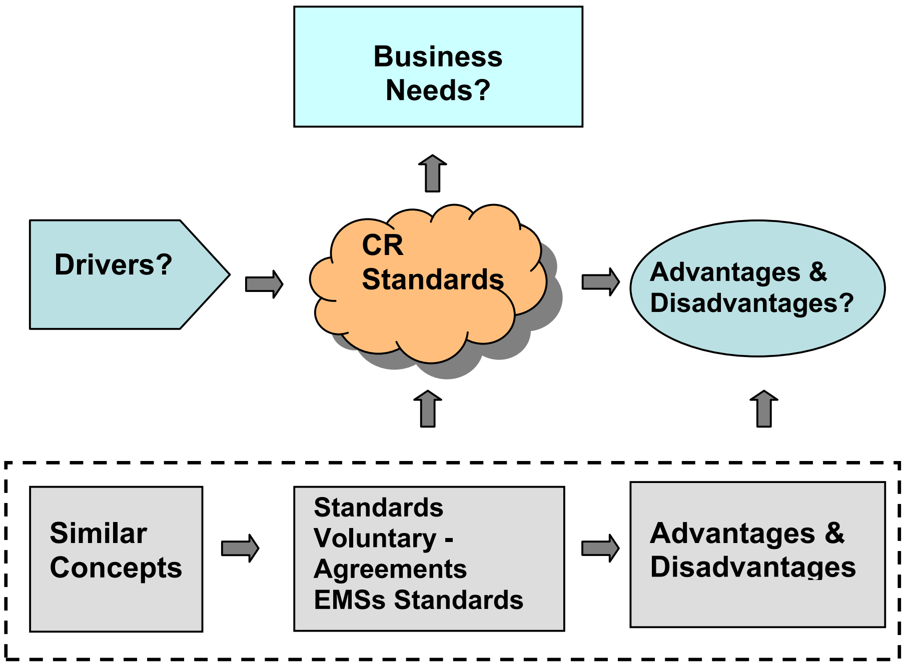

Figure 2.6 A Conceptual Framework including in the bottom boxes the findings from the literature review which adds information to the primary data collection which explores: the drivers behind the CR phenomenon, the advantages and disadvantages of CR standards, and the needs of companies using these standards.

The next chapter will explain the methods used for collecting information and data in the research process.

Chapter 3
Methodology

A methodology is about making choices, of which some are evident and some are more difficult and hard to identify. Research is not always a logical, linear process, which is often characterised by coincidences and surprises (Kvale 1997). This chapter will set out the methods used in the research process and will explain why and how they have been chosen.

3.1 Information Accumulation

The findings from the literature review have widened the understanding and the knowledge base of CR for the purpose of this thesis. Where the literature review has failed to answer the more specific research questions in pursuit of the aims of the thesis additional information is needed in order to do so and also to strengthen and test the findings from the literature review. The following research questions fall under this category:

- What responsibilities do companies have?
- Why are stakeholders important, and especially in the context of CR?
- What drivers do the respondents perceive to explain the CR phenomenon?
- What are the advantages and disadvantages of CR standards?
- Is there a need for a generic definition of CR?
- Is there a need for a single management standard on CR?
- What are the needs among companies using standards to report on their social and environmental performance?

The secondary data in the literature review has been collected from a range of sources including official material about CR and standardisation from the UK and the European Union, for example government policies and guidelines. Information such as best practice and guidance notes on CR from NGOs and businesses working with these issues in the UK has been collected on the basis of the relevance of these sources.

Furthermore, scientific articles and literature on the subject, where available, have provided an additional understanding of the topic.

3.2 Primary Data Collection

Quantitative research involves measuring different types of data (Lundahl & Skärvad 1999 p. 147). This thesis explores the different perceptions of CR and the advantages and disadvantages that CR standards have. Because individual perceptions on a subject are difficult to quantify and measure a qualitative research method is used here instead. The primary data was collected through a survey during the month of July, 2005.

Qualitative research studies focus on the understanding of people's perceptions of themselves and their environment (Lundahl & Skärvad 1999 p. 101). To understand the context of the world people live in it is important to interpret their behaviour, actions and choices (*ibid.*). Qualitative research is suitable in order to study processes and course of events, that is how the study object evolves and changes through time (*ibid.*).

A survey with managers and a NGO currently working in the area have provided further information and understanding of the CR issues studied in this thesis. The seven respondents are represented by people working closely or directly with CR issues and who are more likely to have thought through its advantages and limitations than managers and others working in more general areas of work. Other stakeholders' positions are identified from the literature, where available. The respondents are:

- An NGO representative;
- a manager from the car manufacturing industry;
- a manager from the renewable energy industry;
- a manager from the construction and building materials industry;
- a manager from the mining industry;
- a manager from the home furnishing industry; and
- a manager from a certification body.

The respondents were selected subjectively on the notion that these businesses and the NGO, often cited and exemplified in the literature, are suitable to participate in a survey for this study because they work with CR issues on a daily basis. Given this subjective assumption it was more likely that these respondents could provide information that would lead to answers to the research questions above.

The companies were chosen from a CorporateRegister list (CR, 2005) of companies producing non-financial reports. Additional respondents were found at Business in the Community's Corporate Responsibility Index 2004 (BITC, 2005). From these lists, the companies were selected when an e-mail address to a manager who is working with CR issues was found through a search on their company home pages. Some of the respondent's contact details addresses were also made available through one of this project's supervisors.

3.3 Survey

For reasons explained below (see, page 51) the respondents were contacted be e-mail to answer a questionnaire (see Appendix A). To avoid receiving a confined set of responses a larger set of companies was contacted assuming that the response rate would be low and especially during July. Ultimately six companies of the 50 contacted companies replied, all between the 7th and the 21st of July 2005. A second e-mail questionnaire was posted the 27th of July to the six respondents with a few follow up questions. However, only four of the respondents answered the second questionnaire (see Appendix B). A seventh respondent was added the 8th of August with questions from both questionnaires.

Although only seven respondents participated in this study, their views and perceptions on CR are interesting, valuable, and important. Because they belong to organisations in relevant sectors, and five of them represents businesses that may have a great impact on the economic, social, and environmental elements of sustainable development (see Figure 2.1), both positive and negative. Their expert opinions will be valuable in the aim to answer the research questions.

The findings from the primary data collection are categorised under different headings, and patterns and similarities in the answers from the questionnaires are presented in the next chapter. These findings are then summarised and presented in a figure which aims at relating the primary findings with the key findings from the literature review in a more comprehensive picture. This figure will then be used as a starting point in the discussion chapter.

3.3.1 Data Analysis

The empirical findings were analysed using the questionnaire transcripts to find patterns and similarities between the findings from the literature review as well as between the different respondents. The data was coded with theme words that are used as headings in the discussion chapter, for example, *Perceptions about CR*, *Engaging Stakeholders*, and *CR Standards* (see p. 43).

Chapter 4
Research Findings

This chapter will highlight the findings from the questionnaire (see Appendix A). The findings are categorised under the different headings below and are summarised in a figure. All citations and references in this section represent personal communications taken from the survey responses.

4.1 Defining CR

The respondents were given the definition of CR taken from the initial comparison between different definitions (see page 5). The respondents were asked or to agree or add their preferred definition of CR. Five of the respondents agreed with this definition. Two respondents did not agree with this definitions and one of them preferred the following definition instead; "CSR is about how companies manage the business processes to produce an overall positive impact on society" (Baker 2005).

Nixon (2005) would prefer a definition that does not make reference to whether it is voluntary or not since countries have different legal systems and CR should not make a judgement on whether it should be voluntary or not. CR is about the values of an organisation and it is vital for CR to be integrated into the business values and strategy (Nixon 2005).

There are, as shown earlier in Box 1.1, a wide selection of different interpretations and definitions of CR. The respondents believed that although a generic definition would have its benefits, such as avoiding misunderstandings (Bergmark 2005), it is not possible to find or agree on one definition.

"A consistent message would eliminate confusion about what CR is and its benefits. Clearer identification of the benefits would achieve greater interest from the business community" (Allen 2005).

"From a business perspective a single definition would add business certainty as to what they are committing, or not committing to" (Nixon 2005).

The geographical location and type of industry have an impact on what a definition on CR would be (Taylor 2005). There is not a "one size fits all" and businesses "…need to evaluate what makes sense for them within their specific business model, and with the different stakeholders they have" (Baker 2005). Hall (2005) believes that; "It is much more important for individual companies to define their approach to sustainable practice with a view to their business and best practice for their sector". Also the "differences in cultures and issues promote the use of different words" (Nixon 2005).

4.2 Responsibilities and drivers

What type of responsibilities that companies have vary and is explained by Nixon (2005) that "different industries have totally different impacts on society and the environment" which "…in turn determines what are the risks and opportunities to the organisations, society and environment".

A summary of what is perceived by the respondents as the two most important responsibilities that a company has are shown in Table 4.1 below.

Table 4.1 The respondents answers to what they perceive to be the two most important responsibilities that a company has

Respondent	Responsibilities	Comments
Allen (NQA)	▪ Achieve profitability ▪ Strong stakeholder relationships	▪ "without it the business will not survive no matter how ethically, socially or environmentally responsible its operations are" ▪ Good relations with stakeholders to enable the business to operate efficiently.
Baker (BITC)	▪ "Do the right thing by their customers" ▪ "Do the right thing by their employees"	A simple starting point that will lead naturally to a way of doing business where many of the other things will follow.
Bergmark (IKEA)	▪ Co-workers ▪ Society	▪ They are "the company" ▪ "…caring about social & environmental issues and behaving in an ethical way as businesses have a huge responsibility for people and the planet"
Hall (Rio Tinto)	▪ Shareholders ▪ Be ethical	▪ "Grow shareholder value" ▪ "Operate ethically and contribute to sustainable development"
Lawrence (Lafarge Cement)	▪ Being honest ▪ Awareness of environmental, health and safety impacts	▪ "Without honesty trust will not be earned" ▪ Companies "…have a duty to try to protect and improve the environment and health of their workforce and neighbours"
Nixon (Hydro Tasmania)		Cannot be answered generally.
Taylor (Ford)	▪ Shareholders ▪ Customers	▪ Acting in the shareholders interest in the short and long run. ▪ A responsibility to provide products and services that meet the customers' expectations and needs.

The growth of the CR phenomenon over the last decade is explained by a number of different drivers by the respondents. One particular driver is the Internet. Information about business practices can be distributed across the world more quickly (Baker 2005) and the improved communication technology has allowed greater power to NGOs (Nixon 2005). Access to information about businesses has meant greater community awareness (Hall 2005).

Stakeholders such as governments, NGOs, customers, and employees have greater expectations regarding business behaviour (Baker 2005). Awareness of environmental issues are increasing and is aided by greater attention by investors and customers (Lawrence 2005). Allen (2005) states that; “consumers are more selective about their product choice and supplier” and “retailers/suppliers respond by setting sourcing policies that incorporate CR and ethical trade” because of the increased media attention of working conditions in developing countries. “Companies want to stay out of the papers for doing “bad” things as this directly impacts on business” (Nixon 2005). Business have acknowledge “…the need to operate in a sustainable and ethical manner” (Hall 2005).

The following views further explained the drivers towards the CR phenomenon:

Environmental issues such as the climate change have “increased the understanding of our impact on the planet through valid scientific findings” (Nixon 2005).

The focus from media and NGOs on ethical behaviour and the Global Compact have driven the CR phenomenon during the last decade (Bergmark 2005).

Baker (2005) states that; “business-led initiatives… have demonstrated good business case arguments for taking action”.

“Supply chains, manufacturers and support services come under pressure to comply with sourcing policies and media attention” (Allen 2005).

4.3 Stakeholders

Stakeholders are included in decisions about businesses operations for a number of reasons. “Businesses need to consult, discuss, and be aware of the needs and views of stakeholders – including getting feedback on proposals and problems as appropriate” (Baker 2005). Taylor (2005) points out that; “stakeholders often have both different perspective and an expert view on specific issues”, which are helpful when making decisions.

Hall (2005) believes that; "stakeholders should be consulted by businesses just as an electorate should be consulted by government". Although business can affect people and the environment "…it must ensure that those affected by it are informed about the business and have an opportunity for consultation".

"So many stakeholders have an interest in the way the company carries out its business. This is not just investors, but customers, suppliers, neighbours, government, regulators etc, as well of course as the main stakeholders, employees" (Lawrence 2005). Bergmark (2005) believes that a company "have to take full responsibility" for its business.

"A range of opinions from different stakeholders will help give a balanced perspective on particular topics to assist in developing appropriate policies. Including different groups will also demonstrate to them the importance of their views – that process itself will help to instil stakeholder confidence that the business is CR focussed" (Allen 2005).

Which particular stakeholder groups that are of most importance to the respondents businesses can not be answered explicitly since it depends on what issue it concerns (Nixon 2005). The stakeholder groups that most respondents generally thought of as important are: local and national governments, employees, communities, neighbours, NGOs, trade unions, regulators, shareholders, customers, consumers, opinion leaders, specialists, clients, and media. All of these stakeholders influence their businesses. The stakeholder group that the respondents perceived to have the most influence on the respondents' businesses is shown in table 4.2.

Table 4.2 The most influential stakeholder group categorised by respondent

Respondent	Stakeholder	Comments
Allen (NQA)	▪ Clients	"Clients have the greatest influence due to increased competition in our business sector"
Baker (BITC)	N/A	NGO
Bergmark (IKEA)	▪ Customers	"…as we are a retailer we need to listen carefully to those who buy our products"
Hall (Rio Tinto)	▪ Communities	"…ultimately the communities where our mines operate are our most important stakeholders because our social license to operate derives from them"
Lawrence (Lafarge Cement)	▪ Neighbours	"Increasingly the neighbours have a major role, since consultation has increased a great deal"
Nixon (Hydro, Tasmania)	▪ Government	"The Government has the greatest influence as they are our shareholder"
Taylor (Ford)	▪ Customers	"…can't survive without customer loyalty"

4.4 CR Standards

All of the respondents could identify one or a number of existing CR standards. These are listed in box 4.1.

Box 4.1 Existing CR Standards identified by the respondents

- **AA 1000** (Social and ethical accounting standard (Tencati *et al* 2004))
- **EMAS** (Environmental management systems standard)
- **ETI Base code** (Contains nine clauses which reflect the most relevant international standards with respect to labour practices (ETI 2005))
- **GRI** (Guidelines for reporting on economic, environmental, and social dimensions of businesses activities, products, and services (GRI 2005a))
- **ICTI** (Code of Business Practices for ethical toy manufacturing (ICTI 2005))
- **ISO 14001** (Environmental management systems standard)
- **ISO 26000** (Proposed standard for Social Responsibility (ISO 2005a))
- **LBG** (A basic model and a matrix to report on corporations involvement in the community (Tencati *et al* 2004))
- **SA 8000** (International standard on ethical sourcing (Tencati *et al* 2004))
- **SIGMA** (Guidelines for managing social, environmental, and economic impacts of businesses activities (SIGMA 2005))

The drivers that explain the CR phenomenon have overall "…directly led to the development of *CR standards*" Allen (2005). "The standards assist business to demonstrate ethical performance, credibility, and transparency to their stakeholders" (*ibid)*. "The expectation on business to take responsibility in CR issues" has driven the standardisation of CR standards (Bergmark 2005).

The respondents were asked, "should these types of CR standards as identified by the respondents in box 4.1 be voluntary or mandatory for businesses?" Their views included the following positions:

"Legislation will play a leading influence in bringing improvements in performance, but voluntary measures enable a company to go further" (Lawrence 2005).

"CR standards should be used by businesses where they are helpful for an individual business.", because "legislation is about establishing minimum standards – CSR is really about best practice" (Baker 2005). "CR standards that are mandatory are no longer CR standards, as they are a legal issue" (Taylor 2005). "CR, to me, by its very definition goes beyond the law" (*ibid*).

Nixon (2005) believes that CR standards should be voluntary because a mandatory standard "…would have to be so general to suit all industry and organisation types that it may be too focused on process than driving outcomes". Hall agrees with Nixon: "Mandated approaches are rarely effective and almost always reflect the lowest common denominator". Business will generally resist increasing regulations as "compliance is already a huge issue to manage" (Nixon 2005). "If you don't feel it supports your business in the best possible way you must have the freedom to develop your own tools" (Bergmark 2005).

The problem of control is pointed out by Allen (2005). "The absence of a single internationally recognised standard makes it impossible to mandate compliance, unless a range of standards for different industry sectors is benchmarked and recognised by the appropriate forum".

4.5 Advantages and Disadvantages

The major advantages and disadvantages of CR standards are summarised in table 4.3 both in general and for the respondents' own organisations.

Table 4.3 Advantages and disadvantages of CR standards identified by the respondents, divided into two categories

	Advantages	Disadvantages
General	▪ Clear and unambiguous ▪ Demonstrate commitment to CR ▪ EMS standards enable better control of processes ▪ Enable comparison with others ▪ Helpful in new and emerging economies without a legal framework ▪ Improve performance ▪ Efficiency ▪ Meet customer requirements ▪ Provide frameworks for implementation and improvement ▪ Provide process guidance on how to manage aspects of CR ▪ Sets the minimum standard ▪ Stakeholders have the same expectations	▪ Adds to the multitudes of standards that already exist ▪ Can reduce innovation ▪ Continually changing jargon ▪ Cost of implementation ▪ Different recognition of standards by different stakeholders ▪ Focus on processes not on outcomes ▪ Inconsistencies between standards ▪ Lack of understanding what CR is ▪ Not industry specific ▪ Not prioritised ▪ Too many standards ▪ Reliance on 3rd party audits only
Related to each organisation	▪ Less resources spent on determining frameworks (Nixon 2005) ▪ Common standards can be easier to "sell" within an organisation (*ibid*) ▪ Can learn from others that have implemented the standard (*ibid*) ▪ "Show us to be a responsible organisation" (Lawrence 2005) ▪ Improve stakeholder relations (*ibid*) ▪ Opportunity to provide CR related services (Allen 2005) ▪ Opportunity to demonstrate CR focus (*ibid*)	▪ Cost/benefit of implementation (Allen 2005) ▪ Need to be more/better social performance measures (Lawrence 2005) ▪ Tend to be too general, sector specific standards can be better (Nixon 2005) ▪ There is no complete standard as we see it. That is why we since five years have our own standard (Bergmark 2005)

Hall (2005) states that; "…businesses need to develop approaches to sustainable practice that are relevant to their activity and stakeholders. Standards are necessarily generic and linear, and can tend to skew performance in favour of meeting guidelines, rather than making real contributions to better outcomes".

"Ultimately, corporate responsibility is as much about how the company establishes values, and resolves dilemmas. No standard will make a great deal of difference to this" (Baker 2005).

4.5.1 One single CR standard

Five of the respondents were asked, "if there is a need for a single CR standard and what potential benefits it would have?" (see Appendix B). Their views included the following positions in terms of advantages and disadvantages.

The advantage of a single widespread accepted standard on CR would be the "…comparability across businesses and industries", and "the disadvantage is the potential to dump CSR down to box ticking" (Hall 2005).

A single CR standard would "avoid confusion, increase awareness, and avoid duplication between quality, health and safety, and environmental management systems" (Lawrence 2005).

"If there was a complete standard with a practical approach it would save a lot for us and our suppliers as we could share requirements and auditing with other buyers" (Bergmark 2005). "A common practical standard would save a lot of time and money in all parts of the supply chain" however the main importance "…is on the performance in reality and less on nice papers and administration".

Allen (2005) states that the advantages and disadvantages are:

- Global recognition
- Reduce audit fatigue - where some suppliers receive multiple assessments against different standards required by different customers
- Consistency of interpretation, implementation, assessment/verification, reporting

- Scoping the application of the standard will be very difficult (the very reason for multiple standards)

- Too narrow scope will not meet all stakeholder requirements and result in multiple standards to fulfil specific needs
- Too wide scope will become too generic without enough substance to be credible to stakeholders - in addition it might duplicate other standards (e.g. environmental) and make it difficult and costly to implement (because so many areas of the business will need to be managed and evaluated)
- Smaller businesses will find it difficult to resource the implementation and ongoing maintenance of a very broad standard

Companies are different because “how can you compare an automobile company with a bank or with a drug company?” (Taylor 2005). “Then how do you compare one bank which is regional, to a national to a global one. The issues are totally different”. Taylor further believes that a one size fits all standard would just hamper development. “Look at financials, we still doesn’t have a common standard for financial reporting”.

Allen (2005) does not believe that a single CR standard is needed but “there is a need for a benchmarking (or formal equivalence recognition) among some existing standards to make it possible for organisations to implement a standard that is then acceptable to a range of stakeholders, particularly in the retail supply chain.”. Allen gives an example why; “For example, a supplier in China supplying multiple retailers may find that they must comply with SA8000 for Tesco contract, ETI basecode for Asda contract and that M&S (Marks and Spencer) has its own bespoke standard - that is 3 standards and 3 audits on 1 supplier. A single or benchmarked standard would equal 1 standard and 1 audit”.

4.5.2 Guidance

The needs companies have relating to CR standards are generally: examples of best practice and guidance (Lawrence 2005). “The differences between companies needs are vast. The general answer would be that companies need a lot of guidance (Hall 2005).

Allen (2005) states that businesses need “consultancy to assist organisations to interpret the requirements and implement the standard effectively” and training “…to enable organisations to manage their systems on an ongoing basis without the need for continued external assistance". Guidance may be needed "…to assist with interpretation of specific terms, clauses and requirement". Second party auditing and third party certification is needed to objectively verify compliance and "…to provide assurance that the standard is met on a continual basis".

4.6 Summary

A summary of the research findings are incorporated in figure 2.6, presented in chapter 2, but modified to work with the research findings (here Figure 4.1).

The main drivers to explain the CR phenomenon has overall directly led to the development of CR standards (see Figure 4.1). The CR standards have in turn increased the CR related guidance, training, and consultancy needs among businesses which are identified in the upper box of the figure. The outcomes of CR standards are the advantages and disadvantages they include, identified and summarised in the right-hand circles.

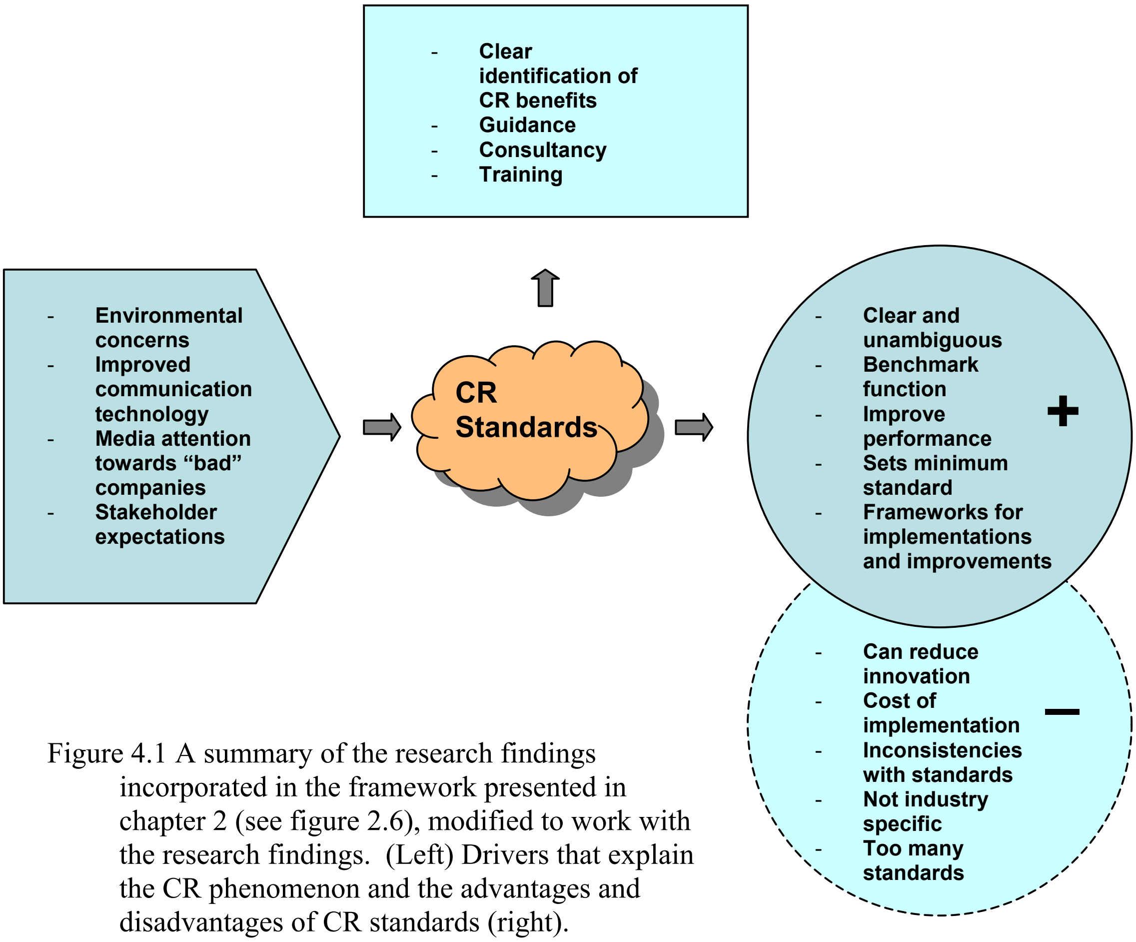

Figure 4.1 A summary of the research findings incorporated in the framework presented in chapter 2 (see figure 2.6), modified to work with the research findings. (Left) Drivers that explain the CR phenomenon and the advantages and disadvantages of CR standards (right). Businesses needs (upper box).

The primary data collection has been categorised, summarised and displayed in a figure. These findings together with the findings from the literature review in chapter 2 will be discussed in the following chapter.

Chapter 5
Discussion

This chapter will discuss the findings from the literature review and the research chapter.

5.1 Perceptions about CR

Corporate responsibility is not a new phenomenon and different theories have evolved to explain what CR is. The literature suggests that CR has been merely about profit maximisation to create as much value for the companies' shareholders as possible, which is part of the instrumental theories. Figure 2.5 illustrates that the perceptions of what CR is have moved over time, towards the integrative and ethical theories, because business depends on society to exist and there are more important values and responsibilities to strive for such as the ten principles of the Global Compact and the three elements of sustainable development. The total responsibilities of companies are illustrated in figure 2.4 where the environment as a major responsibility has been added.

The respondents believed that companies' responsibilities are very different depending on what type of industry they operate in, but being honest and ethical seems to be central themes in being responsible (see Table 4.1). Acting in the shareholders' interest is still an important responsibility, but environmental and social responsibilities, as well as having good relations with a broader group of stakeholders are also important according to the respondents. Table 4.1 supports that CR is not only about profit maximisation. However, achieving profitability is still essential to survive, but not at the expense of the natural environment. The drivers that explain the growth of the CR phenomenon strengthen this argument.

Different stakeholders have driven the CR agenda. NGOs have put pressure on companies to behave in an environmentally and socially responsible manner, and governments have also encouraged this behaviour among companies. These external drivers as well as internal drivers have changed business behaviour as managing new emerging risks and threats often involves social and environmental concerns. The improved communication technology has meant greater community awareness and stakeholders have higher expectations on business behaviour that goes beyond the notion of profit maximisation.

There is no generally accepted definition of CR but there are similarities between the definitions that exist (see Box 1.1). Five of the respondents agreed on that CR is about pursuing economic, environmental, and social responsibilities on a voluntary basis and that these are integrated into all business operations while interacting with their stakeholders. However, countries have different legal systems and a definition of CR should not make, according to Nixon (pers. comm., 2005), a judgement on whether it should be voluntary or not. The benefits with a generic definition would eliminate confusion about what CR is and would clarify businesses responsibilities. Businesses have to evaluate what in the context of CR makes sense for them depending on their business arena and the various stakeholders (pers. comm., Baker 2005). Hence a generic definition would have its benefits but it seems that it would not be possible.

5.2 Engaging Stakeholders

The literature suggests that businesses are responsible to a broader group of stakeholders than its shareholders and the respondents agree with this. There is a range of stakeholders that are important, both internal and external stakeholders, but who or which of them to engage depends from business to business (see Table 4.2). Identifying and engaging stakeholders are important to a business. They can provide information and warn about emerging threats, and need to be consulted and engaged in discussions because stakeholders often have different perspectives and an expert view on specific issues, which are helpful in decision making. This process will improve the trust and relationships between businesses and their stakeholders.

5.3 CR Standards

The issue of CR standards is framed in Figure 5.1 below. It illustrates the major findings in the literature review as well as the empirical findings. The respondents' different views on what responsibilities companies have, what the drivers are, and who the most influential stakeholder group is shows the differences in how the respondents view issues relating to CR. It is hard or perhaps impractical to make any strong generic interpretations although patterns in opinions about CR could be drawn.

The CR phenomenon is explained by different drivers that according to Allen (pers. comm., 2005) have led directly to the development of CR standards. However, two of the respondents did not agree that their views on drivers would be the same for both the CR phenomenon and CR standards. The respondents identified a number of CR standards (see Box 4.1). Figure 5.1 is based on their perceptions of what a CR standard is. EMSs are standards that integrate environmental responsibilities in business operations, and AA 1000 and SA 8000 are ethical and social standards. Even if there are similarities between these standards they would rather be considered to be closely related to CR standards because they do not take account for all three elements of CR. CR standards would thus be standards for managing and reporting on economic, social, and environmental impacts, such as the GRI and SIGMA. The different definitions, interpretations, and names of CR have apparently also led to confusion what a CR standard is.

Standards are widespread in society and among the three types of standards identified in the literature review we find management standards that focus on how organisational processes should be designed and controlled. They are effective in transmitting information through and between organisations, and can coordinate activities (see Table 2.3). A standard can, in theory, also be followed by organisations all over the world, which can create similarity and homogeneity between organisations although languages and cultures change. Homogeneity may however hinder innovation and standards can be expensive to adopt, especially for small organisations.

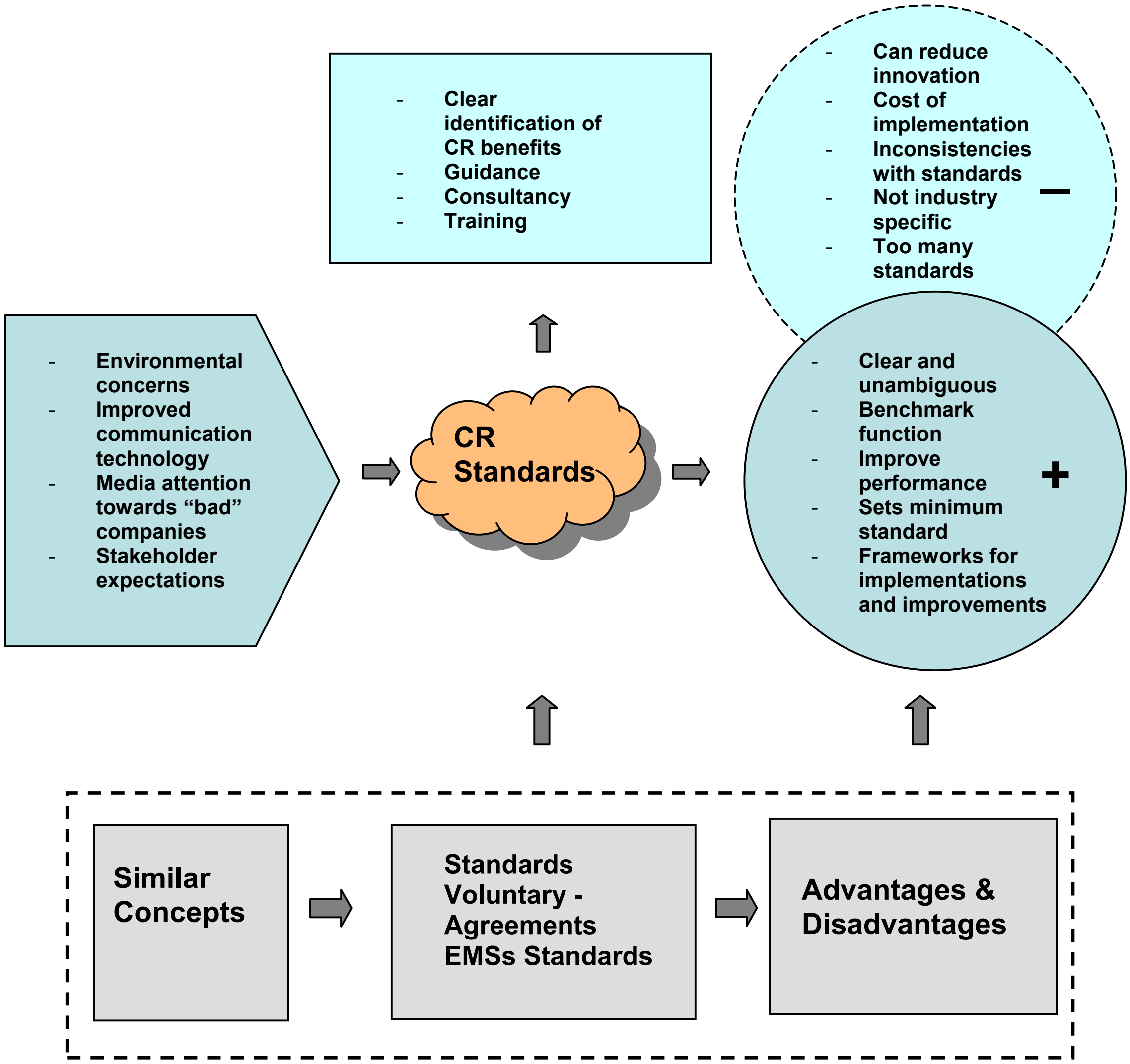

Figure 5.1 A modification of the conceptual framework (see Figure 2.6 and 4.1) including in the bottom boxes the findings from the literature review which adds information to the research findings which explores: the drivers behind the CR phenomenon, the advantages and disadvantages of CR standards, and the needs of companies using these standards.

The literature suggests that there are a number of advantages that a business engaging in CR would generally acquire (see Table 2.6.), such as enhanced reputation, increased customer loyalty, and increased ability to attract and retain employees. The advantages and disadvantages of CR standards show similar findings both in the literature and from the empirical chapter (see Table 2.7 and 4.3). CR standards work as benchmarks and enable comparison with other businesses, they are a functional tool that is clear and provide a framework for implementation and improvement, and will identify relevant issues and demonstrate commitment to CR. They would also improve stakeholder relations and identify their needs. Among the disadvantages are the costs of implementation, that there are too many standards, and inconsistencies between them. A single management standard on CR would have its benefits (see 4.4.1) but it would be too general because the issues are different from business to business and from industry to industry, and a one size fits all standard would just reduce innovation and development. Sector specific standards can be better because such standards would take more specific issues in consideration and be more relevant.

Businesses generally need guidance and examples of best practice on issues concerning CR standards that will assist with interpretation of requirements and specific terms. CR consultants can also assist in implementing CR standards effectively and training would enable businesses to manage their CR standards on their own. It seems to be a need for the benefits of CR to be clearly identified.

The respondents strongly expressed that CR standards should be voluntary because mandated approaches are rarely effective and would only establish minimum standards. Legislation will have an influence in improving businesses performance but businesses would go further pursuing voluntary standards. Standards are voluntary by definition and CR is generally also defined as a voluntary approach. However, the literature suggests that voluntary approaches remove the drive for innovation that mandatory regulation have. There will most likely become the norm for CR reporting businesses to put pressure on their supply chains to comply with these voluntary standards to get contracts and stay in business as have happened with EMS standards.

Chapter 6
Conclusions

This chapter will highlight the conclusions and if the aims have been met and to what extent the research questions have been answered in a matrix (see Matrix 6.1).

This study have aimed at identifying the drivers behind the CR phenomenon and the drivers towards CR standards, including drivers from businesses and their stakeholders, in order to establish what advantages and disadvantages that may arise from such standardisation for businesses. The subject of CR has proven to be difficult because of all the similar concepts, theories and different perceptions that exist. The aims have been met and the research questions categorises the findings from the discussion chapter which are commented on and conclusion are made (see Matrix 6.1).

Matrix 6.1 The research questions are commented on and conclusions are made

Research question	Comment	Conclusion
What responsibilities do companies have?	▪ It depends on what type of industry they operate in ▪ To be honest and ethical ▪ To its' stakeholders	▪ Wider responsibilities than maximising profits
Why are stakeholders important, and especially in the context of CR?	▪ Warning mechanism ▪ Provide expert knowledge	▪ Close relationships provide valuable business advantages
What are the advantages and disadvantages of management standards as such?	▪ Transmitting information and coordinate activities ▪ May hinder innovation and can be expensive to adopt	▪ Could act as a reference point for CR standards and as a guide to strengths and weaknesses of management standards generally
What drivers do the respondents perceive to explain the CR phenomenon?	▪ The communication technology ▪ Stakeholder demands ▪ Environmental issues	▪ Business behaviour is changing
What are the advantages and disadvantages of CR standards?	▪ Benchmarks ▪ Framework for implementation and improvement ▪ Improve stakeholder relations ▪ Costly ▪ Too many standards	▪ The general advantages and disadvantages are established and provides basic guidance for businesses
Is there a need for a generic definition of CR?	▪ Would eliminate confusion about CR	▪ Not really needed
Is there a need for a single management standard on CR?	▪ Would reduce audit fatigue and achieve consistency of reporting and interpretation	▪ No, and probably not achievable
What are the needs among companies using standards to report on their social and environmental performance?	▪ Guidance and training	▪ No strong conclusion.

CR standards will probably be of best use when they are developed and take concern of the specific industry and business sector. As long as business engage their stakeholders in business decisions these stakeholders will be involved in what this specific CR standard should look like and how it should function. The benefits of CR standards have to be further studied for companies to understand its importance. Examples of best practice in different business sectors have to be evaluated to reveal these benefits. Specific guidance documents for small, to medium sized, to large businesses within their particular business sector could be developed to support businesses in adopting CR standards that would be of most use for them in order to limit its costs, avoid confusion, but still gain the advantages of CR standards. The identified advantages and disadvantages of CR standards provide basic guidance for businesses who should consider these and try to capitalise on the benefits and where possible avoid the shortcomings. Business behaviour is changing and CR is about more than maximising profits. CR has been driven towards standardisation because businesses are encouraged to be transparent and report on their business activities, which are driven by stakeholders such as NGOs, governments, and customers.

Chapter 7
Epilogue

This chapter will briefly explain some of the limitations of the study and draw attention to potential areas for further research.

Initially it was intended to interview the respondents face to face or by telephone. With two months into the project and only two months left it felt more realistic that time would prohibit any face to face interviews. The fact that most people go on holiday during the summer and especially in July made telephone interviews harder to organise as well. The contingency plan was to e-mail the respondents a questionnaire with a limited range of questions (see Appendix A). This approach has its limitations such as: handling possible misunderstandings with the questions, receiving short answers, not always being able to follow up on answers, and not hearing any spontaneous feedback. This approach was not the ideal research scenario but did not need the same time of transcribing the interviews or having to concentrate on the practicalities of recording and questioning the interviewees. The initial low interest from companies to respond to the questionnaire made it difficult to select or exclude any particular business sectors.

A follow up study would benefit from planning to do interviews earlier and allowing more time to contact potential respondents by telephone. Then face to face or telephone interviews would be scheduled and conducted.

Further research on specific needs that businesses have relating to CR standards would be useful to fully understand their needs in each business sector.

Mandatory regulations in the area of CR would be interesting to further research and how businesses conform to these and how business reporting activities are influenced and affected by CR related mandatory approaches.

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APPENDICIS

APPENDIX A – E-MAIL QUESTIONNAIRE

Survey questions:

A wide definition of Corporate Responsibility is; ”CR means that business, small to medium sized and large corporations, are pursuing their economic, social and environmental responsibilities (on a voluntary basis) and are integrating them into all business operations, while interacting with their stakeholders”.

1. Do you agree with this definition, or prefer another?
1.1. What do you believe are the two most important responsibilities that companies have, and why?
1.2. If a single definition of CR were possible, how would that improve communicating CR among businesses and its stakeholders?

2. Can you summarise the impact on your business of the CR phenomenon in recent years?

3. What are the reasons for a socially responsibly business to include a wider range of stakeholders in decisions about its business operations?
3.1 Which particular stakeholder groups are the most important to your business?
3.2 Which particular stakeholder group has the most influence to your business? Please explain the reasons for your answer.

4. What particular drivers or pressures do you think explain the growth of the CR phenomenon over the last decade?

5. In what role have you in your organisation experienced working with CR related standards?
5.1. Are you aware of any existing Corporate Responsibility standards?
5.2. What do you perceive to be the major advantages/disadvantages of CR standards?

	Advantages	**Disadvantages**
Generally		
For your own organisation		

5.3. Should CR standards be voluntary or mandatory for businesses? Please explain the reasons for your answers.

Please add any final comments or thoughts:

APPENDIX B - ADDITIONAL QUESTIONNAIRE

Survey questions:

1. Are the drivers/pressures that you thought would explain the CR phenomenon the same as for drivers/pressures towards developing CR standards (e.g. GRI, AA1000)? (If No, please explain why.)

2. What advantages and disadvantages do you believe a single CR standard would have?

3. Do you believe that there is a need for a single CR standard? (Please explain why.)

4. What kind of needs do companies have, relating to CR standards generally?

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