Oxford-Achilles Working Group on CSR

Making Sense of Corporate Social Responsibility: A Study of the Implementation Process

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Overview

Focus on the CSR implementation process

- How large MNEs implement CSR

- Managers' sensemaking of this process

- How CSR perceptions©and practices are shaped and discrepancies between CSR perceptions and practices

- The role of the social context

→***Qualitative research: 7 case studies***

Numerous definitions…

The most well-known view on CSR...

"there is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it…engages in open and free competition without deception or fraud"

Milton Friedman (1962)

CSR: a controversial concept

- "economic isolationists"
  - Eg. Friedman (1970); Arrow (1997)

  VS

- "social interventionists"
  - eg. Bowen (1953); Jones (1980); Davis (1973) and (1976); Frederick (1978); Carroll (1979) and (1989); Boatright (2002)

  [Andrews 1973, p. 58]

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The study's approach to CSR

- *"the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract"*
- *"voluntarily adopted"*
- extends to stakeholders, beyond shareholders

[Jones (1980); Jones et al (2002)]

CSR enquiry
in the academic literature

(Basu & Palazzo 2008)

- The stakeholder driven

- The performance driven

- The motivation driven

Historical overview:
4 phases of development in the CSR literature

From theory to practice and vice versa

Phase 1: What does CSR mean?

- Attempts to conceptually define and clarify CSR

- Legitimize CSR as a separate field of study

- Lack of frameworks with applied value

[eg. Eells 1967; Davis and Blomstrom 1971; Davis 1973 and 1976; Carroll 1973; Preston and Post 1975]

Phase 2: How does (and can) an organization respond to social demands?

- CSR as a "process"

- Emphasis on the operationalization of CSR and CSR performance measurement

- CSR spin-offs

  - *…corporate social responsiveness, corporate social performance, public policy, public affairs, public responsibility, stakeholder management, corporate citizenship…*

  [eg. Ackerman 1973 and 1975; Blake 1976; Buchholz 1982; Jones 1980; Sonnenfeld 1981; Dalton and Cosier 1982; Freeman 1984; Wartick and Cochran 1985; Epstein 1987; Mahon and McGowan 1991; Wood 1991; L' Etang 1995]

Phase 3: What are the ethical implications of CSR?

- Ethics reoriented to the core of management decisions and policies
- Integrity vs Compliance/Obligation
- The social context of organizations (eg. organizational culture) seen as key in shaping the corporate "moral character"
- The role of the leadership

[Goodpaster and Matthews 1982; Sherwin 1983; Jackall 1983; Paine 1994; De George 1990 and 1993; Aguilar 1994; Swanson 1995; Minkes et al 1999; Collier and Esteban 2000]

Phase 4: Effective CSR practice: win-win situations for the company and its stakeholders

- CSR as a strategic decision and a means for legitimacy
- CSR bringing new business opportunities
- Focus on stakeholder issues
- Reputational aspects
- The role of the social context and sensemaking

[eg. Kanter 1999; Lantos 2001; Friedman & Miles 2002; Porter & Kramer 2002; Cramer et al 2004 and 2006]

The challenges for the CSR field (I)

A dichotomised field…
– Are Business and Ethics compatible?
– Are "corporate" and "social" compatible terms?

…In search of a unifying paradigm

Social responsibility of businessmen, corporate social responsibility, corporate responsibility, corporate social responsiveness, corporate social performance, corporate philanthropy, community relations, public affairs, stakeholder theory/management, public responsibility, corporate public (or social) policy, business ethics, corporate citizenship, environmental responsibility, triple-bottom-line, sustainable development, corporate accountability …& numerous other terms and concepts…

The challenges for the CSR field (II)

- CSR takes different meanings across different social contexts

  - Eg. different meanings across time or geographic location

- People tend to use and understand CSR within their respective frames of reference

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14

Evaluation of empirical CSR research

- Dearth of contextually-rich data
- The social context is:
  - static, oversimplified and relatively unexplored
  - the contextual elements and their interrelation are not effectively explored
- Underplayed role of organizational actors
- Quantitative vs Qualitative research
  - Many quantitative studies, but…
  - Lack of in-depth qualitative research

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CSR literature (particularly with regards to CSR implementation) is:
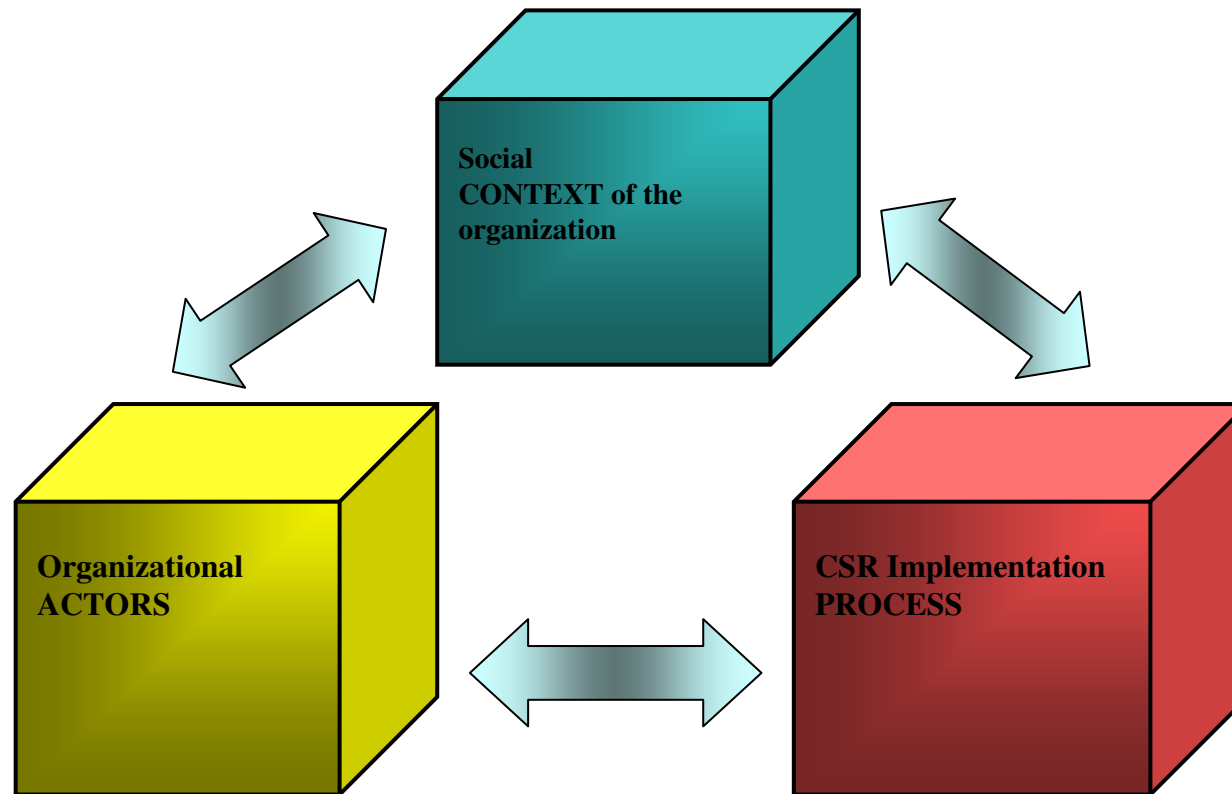
"ahistorical", "acontextual", "aprocessual"

[… Borrowing Pettigrew's (1985a, p. 15) comment on the quality of organization change literature]

As a result…

the CSR field has not effectively addressed practitioners' needs

This study explores the interrelation of:

Social
CONTEXT of the
organization

Organizational
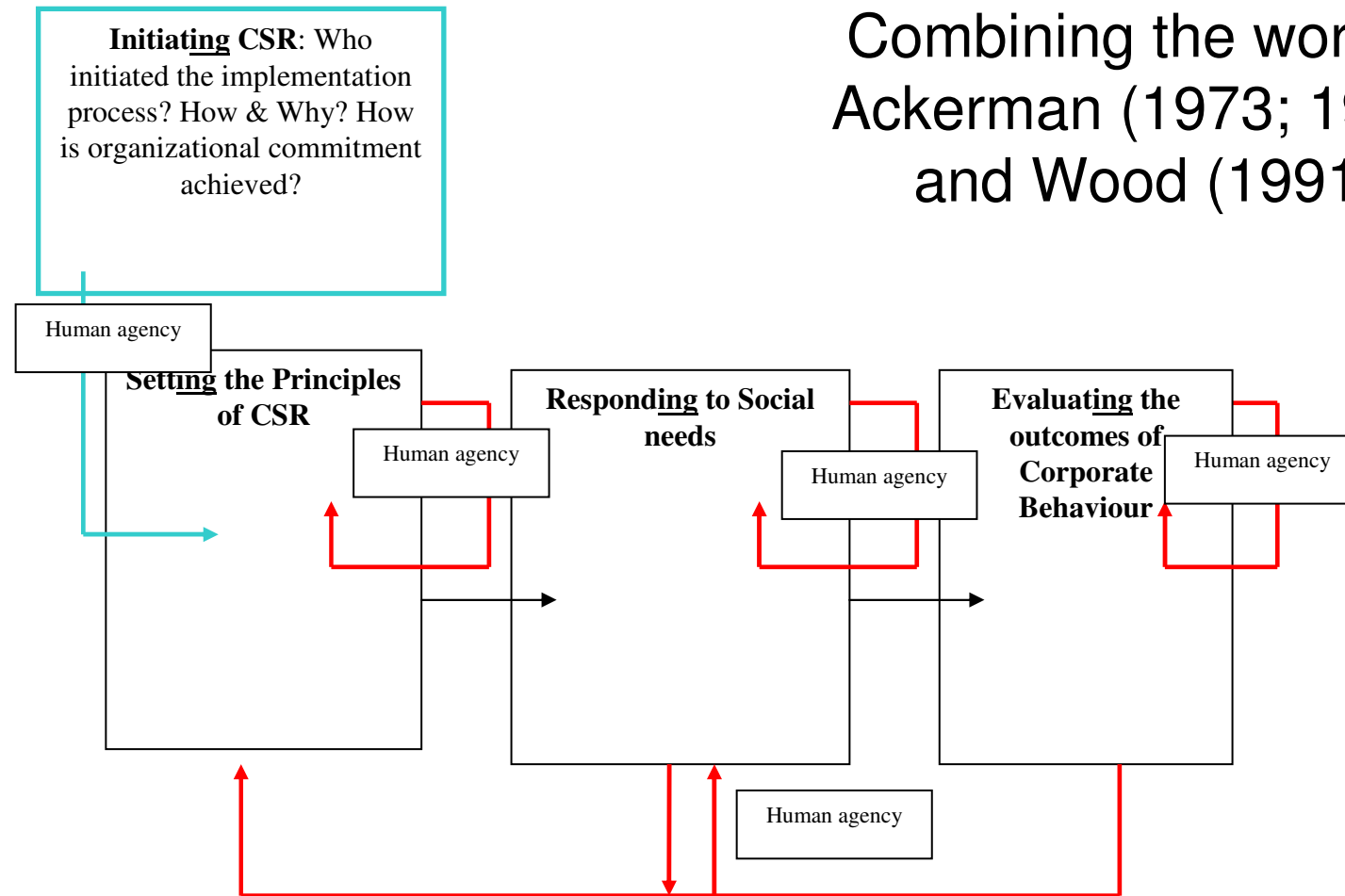ACTORS

CSR Implementation
PROCESS

The study's theoretical lens and research approach

- Structuration theory (Giddens 1991)
  - "a conceptual scheme that allows understanding both how actors are at the same time the creators of social systems yet created by them"
- The research approach of contextualism (Pettigrew 1985; 1987)
  - "draws on phenomena at <u>vertical</u> and <u>horizontal</u> levels of analysis and the interconnections between those levels through time" (Pettigrew 1985, p. 238)
  - 3 interdependent elements : the *context*, *process* and *content* of a social phenomenon
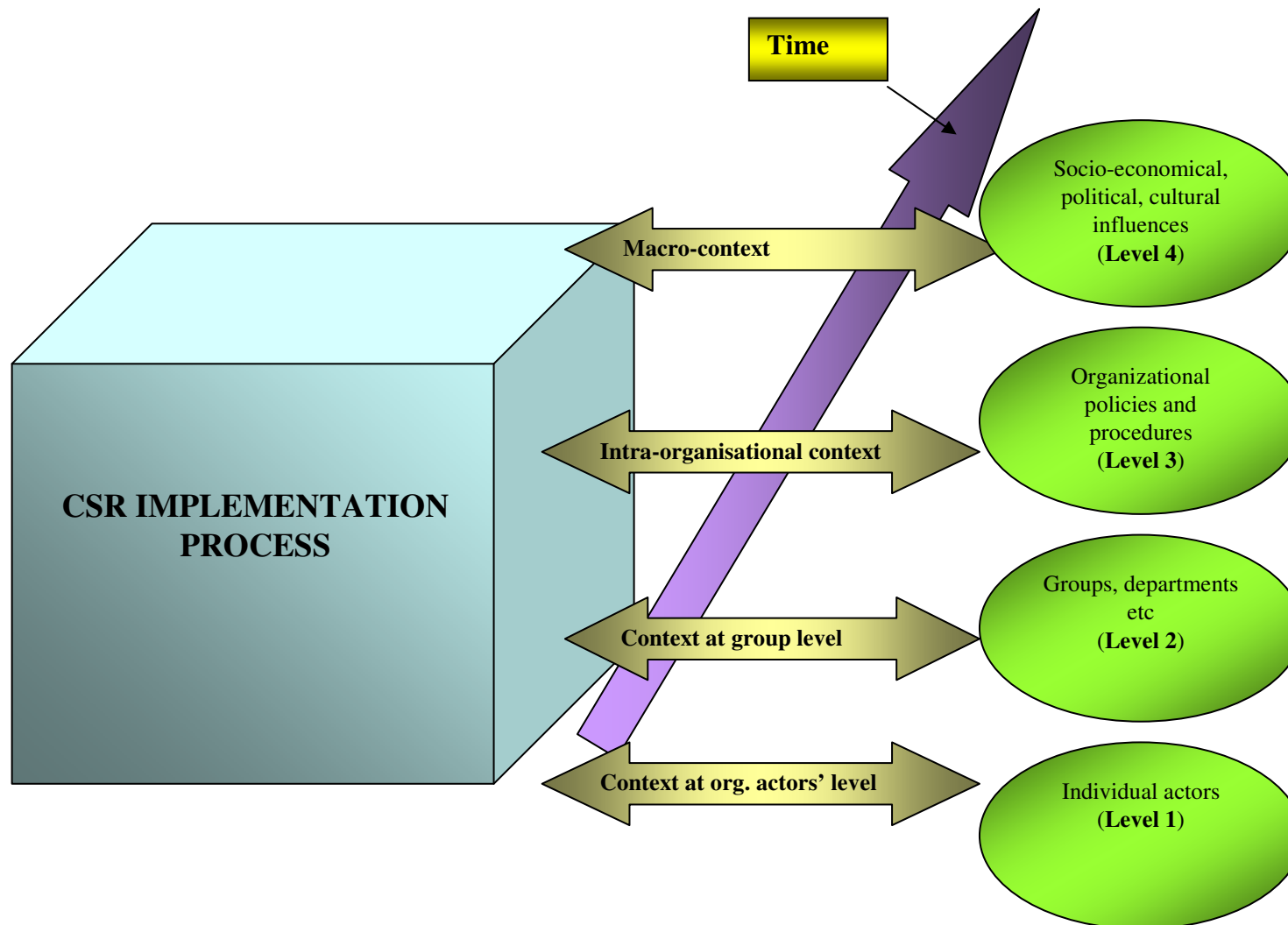
Research methodology

- Epistemological approach: *interpretivism* (Burrell and Morgan 1979)
  - "the social world is a pattern of symbolic relationships and meanings sustained through a process of human action and interaction" (Morgan and Smircich 1980, p. 494)
- Research method: Case study research (Yin 1994)
- The 7 case studies, 105 interviewees
  - 3 cases for the <u>scoping study</u>
  - 4 cases for the <u>main research</u>

Preliminary conceptual framework of the CSR implementation process

Initiating CSR: Who initiated the implementation process? How & Why? How is organizational commitment achieved?

Combining the work of Ackerman (1973; 1975) and Wood (1991)

Human agency

Setting the Principles of CSR

Human agency

Responding to Social needs

Human agency

Evaluating the outcomes of Corporate Behaviour

Human agency

Human agency

21

CSR implementation in context

The Scoping Study

3 cases (all international organizations)

1. NGO offering humanitarian help in developing countries (8 managers)

2. hybrid profit/non-profit publishing organization (8 managers)

3. for-profit private publishing company (8 managers)

→ Aimed at exploring the concept of CSR so as to refine the research questions

Scoping study findings (I): Managers' perceptions of CSR

The concept and understandings of CSR

- CSR is companies' responsibility to a wide community of stakeholders

- CSR is not a marketing tool

- Values may be compromised in order to be competitive, leading to socially irresponsible actions

- Managers' increased CSR awareness is due to:
  - growing public CSR concern, managers job content and nature of job, age and seniority in organizational hierarchy

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24

Scoping study findings (II): Managers' perceptions of CSR

The role of the social context and of organizational actors

- Leadership and organizational culture are seen as critical in reinforcing (or not) an organization's CSR
- Managers' frame of reference impacts on what they see as CSR
  - Eg. health and safety and HR issues (eg. layoffs) reported as the only CSR activities
- The nature of the organization (eg. for-profit or non-profit status) and the type of industry shape managers' perceptions of CSR values and their prioritization of organizational goals

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Implications of the scoping study

- The study of CSR perceptions requires exploring both the social context within which these perceptions are framed and how individuals make sense of this context

- Managers' CSR perceptions are the product of a meshing of influences:
  - personal values, position in the hierarchy, type of job etc to the broader social context within which their organization operates (e.g. type of industry, role of leadership, culture etc)

Refining the research questions

- **How** do organizational actors define and perceive CSR? To what extent do these perceptions differ from what happens in practice? If yes, **why** and **how**?

- **What** does the CSR implementation process involve? **How** is this linked with the organizations' social context and **how** do individuals use context to affect the CSR implementation process?

- **How** and by **what** factors is CSR implementation (and its success or failure) affected? Is there a gap between what the implementation agenda suggests and what actually happens in practice? If yes, **why**?

- Perceptions of CSR and its implementation across organizational levels: Do they vary? If yes, **why** and **how**?

The main research:
Exploring the CSR implementation process

The main research takes the scoping study observations forward by:

- Delving into the <u>contextual influences</u> of CSR implementation

- Setting at the centre of the study the role that <u>individual actors</u> (managers) play in this

- Examining how social context and individual action <u>interact</u> and shape (or are shaped) by the implementation process

The main research: Exploring the CSR implementation process

4 cases (all MNEs, among top 3 companies in their respective industries)

- **UTIL**: public-service utility (22 managers)
- **KAPNOS**: tobacco (18 managers)
- **GEOPAPER**: mining and paper and packaging (23 managers)
- **GEA**: mining (18 managers)

Case study overview: UTIL

- Headquartered in Europe
- Privatized in the late '80s, recent change of ownership
- CSR seen as a means of strengthening its business and entering into new markets
- CSR as a large-scale project in the developing world:
  - public-private partnership
  - the company draws profit from the participation

KEY ISSUES:

- UTIL offers services for a scarce and vital for life resource
- Heavy regulation
- Close monitoring by NGOs

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31

UTIL: indicative findings

- CSR triggered by a sense of responsibility and duty
- Key drivers of managers' CSR sensemaking:
  - nature of industry
  - personal experiences
- Conflict between business and CSR objectives
- Organizational politics and emotions impacting on CSR implementation
  - CSR vs the Environment department
  - old vs new employees
- Cultural clashes
- Operations people less willing to engage in CSR
- Lack of clarity in CSR understanding across the company (communication issues)

Case study overview: KAPNOS

- Headquartered in the UK
- Recently redesigned its strategy and corporate vision setting CSR as one of its 3 strategy "pillars"
- CSR seen as corporate behaviour, not a CSR project
- Very rigorous CSR reporting, gradually being adopted by the local businesses
- Stakeholder engagement sessions are a key part of its CSR implementation efforts

KEY ISSUES:
- Severe health risks associated with tobacco
- Heavy regulation
- Close monitoring by organisations protecting and promoting public health (eg. WHO) and by environmental NGOs.
- Stakeholder hostility

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KAPNOS: indicative findings

- CSR triggered by pursuit of transparency and accountability and responsiveness to stakeholder needs
- CSR engagement objectives:
  - reduce external environment's hostility
  - legitimize past and future corporate decisions and actions
- Key drivers of managers' CSR sensemaking:
  - nature of industry
  - participation in KAPNOS
- Stakeholder perceptions of the company have positively changed since its CSR engagement
- CSR became a "self-esteem" injection for KAPNOS employees
- Impressive consistency in interviewees' CSR language
  - indication of rigorous CSR communication

Case study overview: GEOPAPER

- Global leader in mining and natural resources and a leading player in paper and packaging
- Founded in South Africa - Its business is primarily in the developing world
- CSR treated as synonymous to Sustainable Development (SD) and good corporate citizenship
- Sophisticated tool for socio-economic assessment across its worldwide business operations <u>but</u> not a formalised CSR process

KEY ISSUES:

- Mining industry has been criticised for using up the resources from the environment at the expense of future generations
- Kyoto protocol
- Health & Safety issues
- Its long history and operations in the developing world affect the company's approach to CSR

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35

GEOPAPER: indicative findings

- CSR triggered by a sense of responsibility
- Key drivers of managers' CSR sensemaking:
  - participation in GEOPAPER
  - personal experiences
- Communities are the most important stakeholder for GEOPAPER
  - followed by employees and regulators
- Work pressures reported as the largest difficulty in the CSR implementation
- The company's operation and stakeholders' perceptions have positively changed

Case study overview: GEA

- Global leader in mining and natural resources
- Its business is primarily in the developed world
- CSR treated as synonymous to Sustainable Development (SD), good citizenship and community relations

KEY ISSUES :

- Mining industry has been criticised for using up the resources from the environment at the expense of future generations
- Kyoto protocol
- Health & Safety issues

GEA: indicative findings

- CSR triggered by a sense of responsibility and duty to society

- Key drivers of managers' CSR sensemaking:
  - nature of their job
  - participation in GEA
  - nature of the mining industry

- GEA managers are particularly conscious of:
  - the context-intensive nature of CSR implementation
  - the need to customize it to local needs

- CSR challenges are less acute for GEA

- Key challenge is to ensure a better coordination and communication of CSR / SD activities

Analysis across cases

Tracing the motives for CSR engagement

- Engagement in activities which, although not unrelated to the core business, do extend beyond mere profit-making
- Obtaining a "licence to operate"
- Shrewd choice of CSR actions and processes linked to the business core, offering financial, reputational or other value-added
- Strategic CSR (Lantos 2001)

40

"Profit is a good thing because it is that the basic sustainability of businesses,… profitable companies tend to be around and can promise things, can deliver them" (CEO - UTIL)

Reasons companies engage in CSR practices

- Enlightened self-interest
- Obtaining the licence to operate / Earn more business contracts
- Recognition / Reputational enhancement
- Gain business community's / stakeholders' respect
- Meeting stakeholder expectations
- Third party endorsement / Stakeholder engagement / Mitigate stakeholder hostility
- Business' long-term sustainability
- Enhancing employee morale and attracting staff of high (moral) quality
- More effective conduct of business (e.g. CSR scandals cost)
- Beyond philanthropy → Foster sustainable environment for local communities
- Impact on SD / Win-win results both for company and stakeholders
- Organizational learning and continuous improvement (e.g. auditing & sharing best practice across businesses)
- Differentiation from competitors

Corporate attitudes towards CSR

- **Obligation:** *CSR as something the company "has to do"*

- **Responsibility:** *CSR as something the company "feels responsible to do"*

- **Responsiveness***: CSR as something the company " is anticipated to do"*

- **Pro-activeness:** *CSR as something the company "wants to do"*

Contradictory interpretations of the same phenomenon by managers of the same organization

What does your company seek to achieve through CSR?

"…why we are doing it? <u>It is because of consciousness</u>, it is because of our wanting to see stable communities,…we recognise that by doing this we are making a contribution that perhaps will make the world a better place in which we can operate and we can be more effective." (internal audit head - GEOPAPER)

"…<u>from a legislative point of view</u> we need to get closure. When you finish your operation…when you officially close the mine and leave, you need to get,…a closure certificate from the government which says that you are clear to leave.…You see, if you do not do those things, it is going to be difficult to get closure and if you do not get closure certificates, it is going to cost you money, and at the end of the day it comes back to that social licence to operate. (SD senior divisional manager, coal division – GEOPAPER)

Customised "translations" of CSR

- For UTIL, GEOPAPER and GEA, CSR translates into access to more business

BUT

- for KAPNOS (in an interviewee's words) CSR may mean "*less business*", but more "*stakeholder respect*"

Janus' head:
The hard and the soft side of the benefits from CSR

- Hard side: money
  - e.g. CSR serving financial and strategic objectives

- Soft side: people
  - e.g. indirectly contributes to HR department's aims by helping in the recruitment of good-quality human capital

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Employees: an important but neglected parameter of CSR implementation

Who is the most important stakeholder?

- Across all cases "employees" reported as key stakeholders.

- BUT, within UTIL and KAPNOS the higher in the hierarchy a manager is, the more likely he/she is to omit mentioning "employees" as a key stakeholder group

The role of middle managers

Middle managers emerged on average more satisfied with their company's existing CSR efforts than managers of other ranks in the hierarchy. *Why?*

2 possible explanations

- They do most of the hands-on CSR work and are more aware of the quality and amount of work on this area, or

- They are the ones coping with the additional workload and it is for their own benefit that no further pressure is put in this area.

The CSR implementation process

CSR implementation initiation & who is in charge

- CSR initiation is the product of iterative influence between top and lower levels in the organizational hierarchy

- CSR initiation triggered from within
  - but also peer pressure (2 mining companies)

- Different interviewees of the same company provide different versions of how CSR was initiated
  - a specific year?
  or
  - has CSR always been part of the company's culture?

- Similar observation was made when asked who is driving the CSR implementation process:
  - The CEO?
  - The CSR department?

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12 elements which enable or constrain the CSR implementation

1. Attitude towards CSR
2. Stakeholder engagement
3. Setting the required governance, structures and processes across the business
4. The role of leadership
5. The type of performance measurement used (e.g. is CSR part of it?)
6. The nature of the company's business
7. Employee CSR education and communication
8. Corporate culture
9. Resourcing and finances available for CSR
10. External influences
11. CSR as a change agent
12. Ability for delivery of CSR implementation plans and projects

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Defining Success and Failure in CSR implementation

SUCCESS

- employee buy-in and morale
- meeting benchmarks
- enhanced reputation and company leverage
- improved stakeholder communication
- third party endorsement
- ability to learn and continuously improve the CSR implementation

FAILURE

- low trust by stakeholders
- word-action inconsistency by the company
- poor reputation
- low employee morale and CSR buy-in
- failure to meet CSR benchmarks/targets
- stakeholder communication problems.

Measurement of CSR implementation efforts Qualitative vs Quantitative or both?

- The higher in the hierarchy a manager is, the more likely it is that he/she will find both forms of measurement helpful

- Managers at lower levels in the hierarchy tend to prefer qualitative measurement

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53

Sensemaking of CSR implementation

Contextual influences on sensemaking of CSR implementation (I)

Organizational/Macro influences - not specific to individual organizational actors

- Organizational politics
- Organizational structures
- Company and industry history
- The company's financial and ownership status
- Industry, type of company and nature of business
- Participation in the particular company
- Culture: organizational and national
- Employee CSR education, CSR communication, language and rhetoric
- Top management CSR commitment

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Contextual influences on <u>sensemaking</u> of CSR implementation (II)

Influences specific to the individual organizational actors

- (Un)Willingness to engage in CSR
- Job function, department and type of job
- Non-profit previous work experience
- Job rank in managerial hierarchy
- Path dependencies in developing CSR understanding
- Evaluation of performance and personal contribution
- Emotions towards CSR

An example of the role of politics in CSR sensemaking

This is an example of the difference in views about the role of top leadership in a company's CSR implementation efforts:

According to the <u>CSR director</u> if the company had not had the current leaders then CSR implementation would have failed:

According to a manager of a rival department:

"The management. They don't take it [i.e. CSR] seriously enough…you get people at the top of the business who are being successful because they have made lots and lots of money and they got rid of people and you started talking about importance for the community and the environment, they are not interested. They can see it's a good thing to talk about but the way they got to the top of the tree means they ignored this because they are ruthless people."

Key influences on CSR implementation per contextual level

- **Macro**/**external level**: regulation and stakeholder expectations
- **Organizational level:** corporate structure, governance and processes and the position that CSR has in them
- **Group & individual level**
  - significant variations across the 4 cases
  - Inconsistent responses from managers of the same organization

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58

CSR Implementation Revisited: a Process or a Relationship?

From CSR(esponsibility)… to CSR(elationship)

- Process implies some sort of linearity
- In practice CSR is seen as "a tangle of relationships" between the company and its stakeholders
    - Individuals with various motives and interests and from different directions shape the CSR implementation
    - Stakeholder engagement becomes central
    - The role of employees and CSR communication

CSR is a mass of responsibilities and obligations, constraints and enablers, expectations and responses (internal to the organization and externally), top-bottom and bottom-up CSR buy-in

The research questions revisited

How do organizational actors define and perceive CSR? To what extent do these perceptions differ from what happens in practice? If yes, why and how?

- *CSR perceived as a "label" to a set of activities*
  - *each industry or company may choose to substitute the CSR label with another name* (e.g. SD, corporate citizenship etc)

- Managers may associate CSR with a sense of *obligation* or *responsibility* towards the company's stakeholders or a drive for *responsiveness* or *pro-activeness in CSR engagement*

- *BUT managers of the same organisation may provide different or even contradictory explanations as to why their company engages in CSR practices*

Therefore…

- Organizational actors' CSR sensemaking plays a central role in the CSR implementation

- Managerial perceptions of CSR do not always coincide with organizational reality

What does the CSR implementation process involve? How is this linked with the organizations' social context and how do individuals use context to affect the CSR implementation process?

- CSR implementation is not a linear process
- CSR initiation and implementation does not necessarily happen at a top-down mode
- Success depends on whether CSR is treated as integral to how the company operates
- Organizational politics and emotions mediate to the CSR implementation efforts
  - Managerial CSR sensemaking becoming the basis for social context enactment

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How and by what factors is CSR implementation (and its success or failure) affected? Is there a gap between what the implementation agenda suggests and what actually happens in practice? If yes, why?

- Enablers and Constraints, Successes and Failures

- Employees' buy-in to CSR
  - CSR communication & education can help in bridging the discrepancy between CSR implementation plans and practice
  - make explicit the link between one's job and the company's CSR implementation efforts

- Some groups are more likely to resist to CSR
  - Eg. operations / technical staff

Perceptions of CSR and its implementation across organizational levels: Do they vary? If yes, why and how?

- Managers subjected to similar contextual influences share certain similarities in their CSR perceptions

  - e.g. non-profit sector work experience, work in the same industry, the same job rank in the managerial hierarchy etc

- Identification of contextual influences shaping the way managers make sense of CSR

Q & A