Corporate Social Responsibility and Social Responsiveness in a Global Business Environment A Comparative Theoretical Approach

Asist. Univ. Drd. Irina Iamandi
REI- ASE

The development of organizational theories in the last fifty years also emphasized an increased interest in corporate social responsibilities (CSR). The society's expectations regarding the social obligations of a company are continuously changing, mainly influenced by different approaches in economic theory, socio-economic, political and cultural events affecting the business environment and a corresponding transformation of the social mentality that puts a pressure on the national or multinational companies. In response to these factors, business organizations around the world adapt their social responsiveness and the way they relate to different social responsibilities.

The paper presents a theoretical approach of the way corporate responsibilities and business responses to social pressure evolved during the last decades, considering the factors above mentioned. The innovative aspect is represented by a relationship between the evolution of corporate social responsiveness, as it appears in the specialized literature of the last forty years, and the perceived business response to social issues, taking into account CSR history.

First part of the paper reviews the definition, content and main approaches of CSR, relating them with the economic, and respectively, socio-economic model of business organizations. At this point are also analyzed the reasons that drive companies to involve in social initiatives and the corresponding CSR forms.

Directly connected with the first part, the second one briefly presents the history of CSR and the 1990s' shift in strategy from a deontological perspective to a more pragmatic one, effectively announcing the beginning of CSR as a profitable business practice. This aspect is emphasized, in a more specific way, in the third part of the paper, where advantages but also potential negative effects of a CSR policy are detailed.

Based on three complementary studies – from late 1970s, early 1990s, and mid 2000s –the fourth part synthesizes the evaluation of corporate response to social issues in the period above mentioned.

Finally, the last part focuses on present and future challenges regarding CSR: the association between corporate social responsibility and multinational companies, as well as the unintended results of corporate philanthropy. There are also indicated the aspects that should further be considered in order for CSR to become an effective business strategy.

Key-words: corporate social responsibility (CSR), social responsiveness, stakeholders, corporate philanthropy, multinational companies (MNC)
JEL classification: M14

Introduction

Corporate social responsibility is intimately related with the globalization of the business environment.

More than once, CSR was seen as a panacea to global problems. One of the main obligations of multinational corporations was to deliberately assume social roles, especially because companies are now less constrained by society's basic order than they have been in the past. Since a supranational governmental body is not available in order to monitor their activity across national borders and different laws and standards could be found in different countries, the issue of the morality of multinational corporations was vividly debated.

But what a (multinational) company should do in order to comply with its social role and, more important, why it should do it are issues that deserve special attention and moral reasoning that outperforms the economical considerations.

I. General Considerations Regarding Corporate Social Responsibility

Defined by the European Multistakeholder Forum on CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (2004, p. 3), corporate social responsibility has become nowadays one of the main challenges for companies around the world. The main idea behind the concept of CSR is "The Triple Bottom Line" – "Profit, People, Planet": companies harmonize their efforts in order to be economically viable, socially responsible and environmentally sound.

The literature review on the topic presents CSR concept in a more exclusive or inclusive way, depending on the author's approach.

For example, Falck & Heblich (2007, p. 247) consider that "CSR is regarded as voluntary corporate commitment to exceed the explicit and implicit obligations imposed on a company by society's expectations of conventional corporate behaviour".

In Kotler & Lee's book (2005, p. 3), "corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources". The same authors consider that "corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfil commitments to corporate social responsibility".

In a model proposed by Carroll (1979, 1991), the definition of the corporate social performance should comprise three articulated and interrelated aspects (1979, p. 499): a basic definition of the total social responsibilities of a company, an enumeration of the issues for which a social responsibility exists, and a specification of the philosophy of corporate response to social pressures ("social responsiveness"). Considering the first aspect mentioned, an exhaustive definition of corporate social responsibility should emphasize the whole range of social obligations a business has to society: *economic*, *legal*, *ethical* and *philanthropic* (*discretionary*) responsibilities. These four types of social responsibilities form the corporate social responsibility, and they should be analyzed together; only a simultaneous fulfilment of the firm's economic, legal, ethical, and philanthropic responsibilities means a total corporate social responsibility.

Strictly or literally comparing Kotler & Lee's definition of CSR with the one of Carroll's, the first one is more exclusive, emphasizing especially the fourth type of responsibilities – the philanthropic / discretionary ones – from Carroll's model, which could lead to a contradiction between the two approaches. But, at a second look, reaffirming the main economic reason of a business organization and considering its existence in an environment governed by law, the first two dimensions of Carroll's model (economic and legal ones) are implicit in Kotler & Lee's definition. In this way, "the discretionary business practices" could be associated with "ethical" and "philanthropic" responsibilities, because none of them are imposed by an external force, but are freely chosen at a corporate internal level.

Content of Corporate Social Responsibility:

A modern approach of corporate responsibilities, emphasized in EMSF's definition presented above, considers that companies are equally responsible to shareholders and all other parties that are affected by or that could influence the results of a business organization ("stakeholders").

According to Carroll (1979, 1991), the corporate social responsibility is more than complying with economic and legal obligations; it also includes ethical and philanthropic responsibilities for the long-term benefit of the society at large.

a. *The Economic Responsibilities* ("Be profitable") are the first and foremost social responsibilities of a business organization, the foundation upon which all other rest. Any business institution has the responsibility to produce goods and services the society wants and to sell them at an (acceptable) profit.

The economic components of CSR are: to perform in a manner consistent with maximizing earnings per share; to be committed to being as profitable as possible; to maintain a strong competitive position; to maintain a high level of operating efficiency; to be consistently profitable in order to achieve a successful position on the market.

b. *The Legal Responsibilities* ("Obey the law") are strictly co-related with the economic ones and they reflect the society's expectations regarding businesses to fulfil their economic mission within the framework of legal requirements.

The most important legal components of CSR are: to perform in a manner consistent with expectations of government and law; to comply with various state and local regulations; to be a law-abiding corporate citizen; to be defined as one that fulfils its legal obligations in order to be successful; to provide goods and services that at least meet minimal legal requirements.

c. *The Ethical Responsibilities* ("Be ethical") of a company embrace those activities and practices that are expected or prohibited by societal members even though they are not codified into law. A business organization has the obligation to avoid harm and to do what is right, just, and fair.

A company has to take into account also the ethical components of its activity: to perform in a manner consistent with expectations of societal mores and ethical norms; to recognize and respect new or evolving ethical / moral norms adopted by society; to prevent ethical norms from being compromised in order to achieve corporate goals; to do what is expected morally or ethically in order to become good corporate citizenship; to recognize that corporate integrity and ethical behaviour go beyond mere compliance with laws and regulations.

d. *The Discretionary / Philanthropic Responsibilities* ("Be a good corporate citizen") are those about which society has no clear-cut message for business – they are left to individual judgement and choice, but business is expected to contribute financial and human resources to the community and to improve the quality of life. The roles the business has to assume are purely voluntary, and the decision to assume them is guided only by a business's desire to engage in social roles not mandated by economic reasons, not required by law, and not even generally expected by business in an ethical sense.

The philanthropic components of CSR are: to perform in a manner consistent with the philanthropic and charitable expectations of society; to assist the fine and performing arts; to engage managers and employees in voluntary and charitable activities within their local communities; to provide assistance to private and public educational institutions; to assist voluntarily those projects that enhance a community's quality of life (Carroll, 1991, p. 40 – 42).

Main Approaches of Corporate Social Responsibility:

In a paper about concepts and definitions of CSR and corporate sustainability, Marrewijk (2003, p. 96 – 97) presents an academic literature sequence review of three corporate responsibilities approaches, each one including and transcending the next one.

a. *Shareholder approach*: This view could be considered the classical or "narrow" perspective on CSR, synthesized by Friedman in "the social responsibility of business is to increase its profits" and create long-term value for the owners of the business, "without deception or fraud". This approach considers that the shareholder, in pursuit of profit maximization, is the focal point of the company, meanwhile socially responsible activities and initiatives do not belong to the domain of business organizations, but are a major task of governments (Milton Friedman, *The Social Responsibility of Business Is to Increase its Profits*, 1970).

b. *Stakeholder approach*: The second perspective on corporate responsibilities indicates that business organizations are not only accountable to their shareholders, but they should also consider the contrasting interests of all other stakeholders that can affect or are affected by the achievement of business objectives (R. E. Freeman, *Strategic Management: A Stakeholder Approach*, 1984).

c. *Societal approach*: The last approach is actually the "broader" view on CSR, companies are considered responsible to society as a whole, because they are an integral part of it. The main idea behind this view is that business organizations operate by public consent (licence to operate) in order to serve constructively the needs of the society. This societal approach, a new perspective on corporate social responsibility, appears to be a strategic response to changing circumstances and new corporate challenges that had not previously occurred; it requires organizations to fundamentally rethink their position and act in accordance with the complex societal context of which they are a part.

The first approach, also known as *narrow CSR*, corresponds with the firm's *economic model*, the one that puts an emphasis on profits and individual interests and considers that the only reason for a business organization's existence is to produce goods and services as efficiently as possible. The business system is perceived like a closed one and the analysis of corporate responsibilities is made at a micro-economic level. This is a liberal / right-wing approach and usually appears as a free-market system argument.

The other two approaches (stakeholder and societal ones), *broad CSR*, seem to reflect better the requirements of a global business environment. They correspond with the firm's *socio-economic model*, the one that considers companies should assume more responsibilities than a mere profit maximization for their shareholders and puts an emphasis on the relationship economic reasons – social issues. This view rests on the argument that businesses are to efficiently promote social welfare due to the fact that they exist as a response to a social need and have a privileged financial position in the society. The socio-economic model's adherents perceive the business system like an opened one, inter-related with and dependent of the social one; the analysis of corporate responsibilities is made at a macro-economic level. The corresponding approach is a socio-democratic / left-wing one, but not a radical one (the business system still has its own morality).

The experience of nowadays companies reflects both models and business endeavours are situated somewhere in between, mainly depending on the context and the country of action. Corporate social responsibility generally implies more self-control than external coercion and should be understood as equilibrium between corporate economic and social performances.

Reasons for Corporate Social Responsibility:

CSR could be also analyzed from a point of view that emphasizes the reasons that guide a company's social initiatives.

a. *Pragmatic* or *rational reason* (Companies *want* to do it): The self-interest motive is undoubtedly the first and foremost impetus of a corporate social behaviour: business organizations assume increased responsibilities and take an active part in social projects in order to gain in terms of image and enhance profits on the long term. CSR actions usually induce companies a competitive advantage and reflect a win-win situation: for the society but for the company as well.

b. *Deontological reason* (Companies *feel obliged* to do it): It is assumed that businesses have a moral duty regarding the society and the community environment in which they operate; this obligation goes beyond mere profit maximization. Companies exist in order to satisfy a certain range of social needs; this is the reason why they should act in a correct and responsible way.

c. *Social pressure – based reason* (Companies *are made* to do it): Companies also assume corporate responsibilities because they have to comply with the ever increasing social requirements. Society as a whole rejects companies that do not prove a responsible behaviour and has certain expectations regarding the corporate involvement in social issues.

An empirical analysis of the global business environment demonstrates that companies assume social initiatives for a *mixed reason*; although usually the motive they emphasize as a driver for their actions is the deontological one, rational and social pressure-based reasons make companies to continuously reconsider their corporate social responsibility policy.

Forms of Corporate Social Responsibility:

Kotler and Lee (2005, p. 22 – 24) have identified six major initiatives under which most CSR related activities fall, generating also a positive impact on the company:

a. *Cause Promotions*: A corporation provides funds, in-kind contributions, or other corporate resources to increase awareness and concern about a social cause or to support fundraising, participation, or volunteer recruitment for a cause.

b. *Cause-Related Marketing*: A corporation commits to making a contribution or donating a percentage of revenues to a specific cause based on product sales; most commonly, this offer is for an announced period of time, for a specific product, and for a specified charity.

c. *Corporate Social Marketing*: A corporation supports the early development and/or implementation of a behaviour change campaign intended to improve public health, safety, the environment, or community well-being.

d. *Corporate Philanthropy*: A corporation makes a direct contribution to a charity or cause, most often in the form of cash grants, donations, and/or in-kind services. This initiative is perhaps the most traditional of all corporate social initiatives and for many decades was approached in a responsive, even ad-hoc manner, but more corporations are now experiencing pressures, both internally and externally, to move towards a more strategic approach, choosing a focus and tying philanthropic activities to the company's business goals and objectives.

e. *Community Volunteering*: A corporation supports and encourages employees, retail partners, and/or franchise members to volunteer their time to support local community organizations and causes.

f. *Socially Responsible Business Practices*: A corporation adopts and even conducts discretionary business practices and investments that support social causes to improve community well-being and protect the environment.

II. CSR History and the Shift from Obligation to Profitable Strategy

Many researchers on the topic, including Carroll (1979, p. 497), consider that the modern era of social responsibility was marked by Howard R. Bowen's 1953 publication of *Social Responsibilities of the Businessman*, actually the first definitive book on the subject.

A turning point in the history of CSR was represented by Milton Friedman's position that corporate social responsibility is "fundamentally subversive", affecting the mechanism of the free market; he argued that the only responsibility of business is to make as much profit as possible for their stockholders (1962). At the same time, a few years later, as Carroll (1991, p. 43) emphasized, Friedman posited in *The Social Responsibil-*

ity of Business Is to Increase its Profits (1970) that management is "to make as much money as possible while conforming to the basic rules of the society, both those embodied in the law and those embodied in ethical customs", which meant that the famous economist accepted the economical, legal, and ethical responsibilities of business organizations, rejecting or not considering only the philanthropic ones.

Beginning with the seventh decade of the last century, authors began to acknowledge a broader view of the firm's social responsibilities, with an emphasis first on economic and legal aspects, and then on ethical and discretionary levels.

Later on, in 1990s, a shift in the way companies related to social commitments appeared; Kotler & Lee (2005, p. 7 – 9) identified this shift from the traditional approach – fulfilling an obligation ("doing good to look good") to a new strategic approach – supporting corporate objectives as well ("doing well and doing good"), or other way put it, the shift from deontological to pragmatic reasons.

This switch from obligation to strategy was marked, as Craig Smith noted in *The New Corporate Philanthropy* (1994), by a series of events that influenced the business environment in the second half of the past century: the removal of legal restrictions and unwritten codes that had restricted corporate contributions and involvement in social issues (1950s), especially on the American continent; the pressure put on companies around the world to demonstrate their social responsibility (1960s); the necessity to change the philanthropy's philosophy of 1970s and 1980s, that became even more impending after the Exxon Valdez oil spill in 1989, because the companies' support of social issues least associated with their line of business was of little or no use for them in time of corporate crisis; the emergence and visibility of corporate models that transformed their involvement in social issues into a profitable strategy (1990s). More than that, other three authors – David Hess, Nikolai Rogovsky, and Thomas W. Dunfee (in *The Next Wave of Corporate Community Involvement: Corporate Social Initiatives*, 2002) – identified as another force driving this shift the new "moral marketplace factor" that increased importance of perceived corporate morality in choices made by consumers, investors, and employees.

As Craig Smith synthesized the new corporate philanthropy, this could be seen as a corporate long-term commitment to specific social issues and initiatives that are related to core products and core markets, companies providing more than cash contributions and sourcing funds from business units as well as philanthropic budgets; at the same time, companies form strategic alliances with external partners and commit themselves to social issues in a way that also advances their business goals (Kotler, 2005, p. 7).

III. Corporate Social Responsibility as a Profitable Business Strategy

The experience of the last decades shows that the main reason for companies to involve in social initiatives is a whole range of bottom-line benefits that could be associated with a responsible practice. In other words, basically the profit-motive or the enlightened self-interest is the one that determines companies engage in CSR activities.

Falck & Heblich (2007, p. 247) consider that CSR is not altruistic do-gooding, but rather a way for both companies and societies to prosper, especially true when the socially responsible initiative is conceived of as a long-range plan of action. This win-win situation was called "strategic philanthropy" in order to reflect the efficiency of CSR as a management strategy and a crucial factor in the company's success. As a profit-maximizing strategy, a "reputational capital" bridging the gap between stockholders' interests and social needs, the corporate responsibility of companies becomes a legitimatized one even from Friedman's point of view.

Moreover, empirical studies (e.g. Orlitzky, Schmidt & Rynes, 2003, p. 403 – 441) show a positive correlation between the social and financial performance of a company, meanwhile the social involvement usually generates advantages that exceed the induced costs.

In a more specific way, Kotler & Lee (2005, p. 10 – 11) emphasized the most important advantages for a responsible company: increased sales and market share; strengthened brand positioning; enhanced corporate image; increased ability to attract, motivate and retain employees; decreased operating cost; increased appeal to investors and financial analysts.

However, an important aspect should be also emphasized for clearly consolidating the idea that CSR is not a general panacea that only brings profits to a company, but rather a strategy for achieving corporate objectives and it should be carefully implemented. In a study concerning corporate social performance as a business strategy, Dentchev (2004, p. 397 – 412) proved that the CSR strategy may harm the competitive advantage of the firm if not carefully conducted. His results revealed positive but also negative consequences of a corporate policy based on CSR: on the positive side, corporate social responsibilities may lead to improved stakeholder relationship, enhance corporate reputation, and strengthen the business model of the firm; on the negative side, the freely assumed corporate responsibilities can lead to reputation damage, misunderstandings and wrong perceptions, mainly based on a lack of knowledge, lack of credibility and lack of information. The conclusion of Dentchev's study was that the theory on information asymmetry should also be used in explaining the strategic importance of corporate social responsibility (p. 409).

IV. **Social Responsiveness Evolution of Multinational Corporations**

Considering the degree of corporate social action (no action – re-action – pro-action) and the way companies relate themselves to different social responsibilities, a whole range of business responses could be emphasized. This social responsiveness of companies has evolved during the time, in accordance with the pressure the society put on business and the business – society relationship.

In contrast with corporate social responsibility, corporate social responsiveness is concerned only with the managerial processes of responding in the social sphere: planning and social forecasting, organizing for social response, controlling social activities, social decision making, and corporate social policy (Carroll, 1979, p. 502).

Three main approaches of corporate social responsiveness corresponding with three different periods of time (late 1970s, early 1990s and 2000s) will be presented in order to emphasize the evolution and evaluation of business response to social responsibility and social issues.

A. First approach (Carroll, 1979, p. 501 – 502), based on papers written in the 1970s (Terry McAdam, *How to Put Corporate Responsibility into Practice*, 1973, and Ian Wilson, *What One Company Is Doing about Today's Demands on Business*, 1975), asserts that there are four possible business responses to social pressure, categorized by Carroll as *the philosophy of corporate social responsiveness*:

a. *Reaction* ("Fight all the way"): This type of business response mainly reflects pragmatic, economic priorities, meanwhile the social responsibilities are completely ignored. A company that adheres to this strategy usually denies the social complaints against its illegal or immoral actions.

b. *Defense* ("Do only what is required"): The business organization that adopts this response strategy only complies with the minimum legal requirements in order to protect the company and satisfy the social expectations. When it is criticized for the damages incurred at the societal level, a business organization in this stage generally tries to demonstrate its innocence and annihilate the charges against it.

c. *Accommodation* ("Be progressive"): This type of response is found in business organizations that accept their social responsibilities and try to comply with economic, legal and ethical requirements. At this level, the organizational behaviour is in line with social norms, values and relevant perspectives, but the external pressures are generally the main driver behind these responsible actions.

d. *Proaction* ("Lead the industry"): The most comprehensive type of business response to social pressures, it complies with all social performance criteria, including the discretionary one. A proactive company is the one that always leads the social initiatives, prevents the social negative impact of its activities, and anticipates social problems and solutions.

Considering Carroll's conceptual model of corporate performance, a parallel could be established between the nature of corporate social responsibilities and different types of social responsiveness: economic responsibilities – reaction, legal responsibilities – defense, ethical responsibilities – accommodation and, finally, discretionary responsibilities – proaction.

B. Another view, more than ten years later, summarized by Schneider & Barsoux (1997, p. 255 – 257) and based on a paper by R. E. Reidenbach & D. P. Robin (*A Conceptual Model of Corporate Moral Development*, 1991), presents five *stages of corporate moral development*, which could be associated with five types of business responses to social pressures:

a. *Amoral organization* ("Win at all costs") is driven by greed and short-term orientation; its approach to ethics is "it's ethical as long as we won't get caught" and ethical violations, when caught, are considered to be a cost of doing business. A company in this stage of moral development has no meaningful code of ethics or other documentation.

b. *Legalistic organization* ("Obey the law") is driven by concern for economic performance and it uses damage control through public relations when social problems occur. An organization in a legalistic stage has a reactive approach to ethics that could be synthesized in "if it's legal, it's OK" and it avoids writing codes of ethics, as this can create legal problems later on; however, if a code of ethics exists, this is an internal document.

c. *Responsive organization* ("Ethics pays") is characterized by a growing concern for balance between profits and ethics, taking also into account corporate stakeholders other than owners. In this stage of corporate moral development, the management of a company understands the value of not acting solely on a legal basis, although its approach to ethics is a pretty cynical one, based on the profits that ethics may incur. Codes of ethics are more externally oriented and reflect a concern for other publics.

d. *Emerging ethical organization* ("Do the right thing") demonstrates an active concern for ethical outcomes, providing support and measures of ethical behaviour, although it lacks organization and long-term planning. In this stage, shared ethical values provide corporate guidance in some situations and corporate culture is less reactive and more proactive to social problems when they occur. Codes of ethics become action documents.

e. *Ethical organization* ("Integrate ethics with economics") thoroughly integrates questions of ethical behaviour with developing strategy and mission, thereby addressing the fundamental issue of organizational integrity. This type of company has a totally ethical profile, with carefully selected core values, meanwhile the corporate culture is planned and managed to be ethical. The corporate codes focus on the ethical profile and core values.

C. Finally, the last approach of corporate response that I will present here pertains to Marrewijk & Werre (2003, p. 107 - 114) and is based on studies made on value systems during the last five decades. This view emphasizes the existence of multiple forms / levels of corporate social responsibility (at least six ideal types), each linked to specific societal circumstances and related value systems, which match the development stages, awareness and ambition levels of six different types of organizations.

The authors above mentioned consider that each organization should choose its own specific ambition and approach regarding *corporate sustainability* (the term they use, at least for this specific paper, as a synonym for *corporate social responsibility*), matching the organization's aims and intentions and aligned with the organization's strategy, as an appropriate response to the circumstances in which it operates. This is the reason why I decided to present these *different manifestations of CSR* as potential corporate responses:

a. *Pre-CSR* – *Red* ("Energy and power"): At this level, there is basically no ambition for CSR; however, steps labelled as CSR might be initiated when there is a pressure from the outside. The internal driver behind the manifestation of such a CSR form is the awareness that it could increase personal power; at the same time, the criteria for the decision making is based specifically on the impact of the decision on personal power. As an external driver for CSR, an outside force is needed. In this stage, the main role for the government is to implement traditional public tasks. The organization – stakeholders – society relationship is based on distrust – the organization might act in a very unsocial and unsustainable way when not properly controlled. Close monitoring and constant re-inforcement will be required.

b. *Compliance-driven CSR – Blue* ("Order"): CSR at the second level consists of providing welfare to society, within the limits of regulations from the rightful authorities. In addition, organizations might respond to charity and stewardship considerations. The internal motivation for CSR is that it is perceived as a moral duty and obligation, or correct behaviour. In this development stage decisions should be taken by the correct authority, according to the proper procedures and in line with the basic purpose of the business activity. Instructions from higher authorities represent external drivers behind CSR and the government should enforce effective and visible legislation, with a clear division of tasks and responsibilities. Organization, stakeholders and society are independent one from each other and apart from legal compliance the organization has no other obligation, because social welfare is the responsibility of the state.

c. *Profit-driven CSR – Orange* ("Success"): At this third level, CSR consists of the integration of social, ethical and ecological aspects into business operations and decision – making, provided it contributes to personal success and financial bottom line. The clear and only motivation for CSR is the awareness of the business case: CSR is promoted if profitable, for example because of an improved reputation in various markets. The financial criterion (highest expected profit, return on investment or shareholder value) is the most important when taking a decision. As external drivers for CSR, a proof that it improves profitability or a pressure from various markets is necessary. The government should create and maintain a level playing field, offering financial stimuli for companies to engage in CSR. Considering the relationship organization – stakeholders – society, shareholders normally come first; taking account of interests of other stakeholders is often expensive and preferably avoided.

d. *Caring CSR – Green* ("Community"): CSR consists of balancing economic, social and ecological concerns, which are all three important in themselves. CSR initiatives go beyond legal compliance and beyond profit considerations. The internal motivation for CSR is that human potential, social responsibility and care for the planet are as such important. For taking a decision, a consensus is needed or at least the consent of all relevant stakeholders, meanwhile the decision criteria are: People, Planet, and maybe Profit. The requests from employees and other stakeholders for social and environmental care usually represent external drivers for CSR in this stage. The preferred role for the government is to support international governance structures and national policies on poverty, environments, equity, ethical codes, as well as to stimulate the formation of participative CSR discussion groups. The relationship organization – stakeholders – society is characterized by a continuous dialogue.

e. *Synergistic CSR – Yellow* ("Synergy"): This manifestation of CSR consists of a search for well-balanced, functional solutions creating value in the economic, social and ecological realms of corporate performance, in a synergistic, win-together approach with all relevant stakeholders. The motivation for CSR is that sustainability is important in itself, especially because it is recognized as being the inevitable direction progress takes. When taking a decision at this stage, this will be a balanced and functional long-term one, taking into account all available expertise and considerations. Information from any source regarding the consequences of organizational actions – unexpected negative externalities or unused improvement opportunities – are the external drivers behind CSR. The government is thought to have a coordination role: it has to stimulate a network of experts in order to further develop and implement expertise regarding CSR in the most effective way, to coordinate overlapping responsibilities, to consolidate "the triple – bottom line" in different projects and to promote rules supporting socially responsible investments and transparency. As a guiding relationship between organization, stakeholders and society, taking interests of all relevant stakeholders into account is integrated into core business.

f. *Holistic CSR – Turquoise* ("Holistic life system"): In the last stage, CSR is fully integrated and embedded in every aspect of the organization, aimed at contributing to the quality and continuation of life of every being and entity, now and in the future. The internal motivation for CSR here is that sustainability is the only alternative since all beings and phenomena are mutually interdependent. This is why each person or organization has a universal responsibility towards all other beings. At this last level, decisions are taken in line with and in favour of holistic interests for survival of life on the planet. Co-creation in performing societal issues is the preferred role for the government.

The two authors conclude that each level includes and transcends the previous ones. In this way, any business organization has the option to choose an ambition level based on its awareness of its circumstances and its existing value systems, which will result in corresponding business practices and institutional development demonstrating different performance levels of corporate sustainability (2003, p. 112).

Analysing the six forms above mentioned, all types of reasons for corporate social involvement could be emphasized: social pressure – based, deontological, pragmatic or rational, utilitarian, and mixed motives drive the different manifestations of CSR. However, the authors consider that today's business organizations generally do not exceed the "green" level of corporate social responsibility.

A theoretical comparison and evaluation of the way corporate social response was described in the specific literature during the last 40 years shows a diversification but also a refinement of the businesses' social responsiveness, with an emphasis on the ever increasing social pressure. Considering the three approaches of the corporate social response presented in this chapter as well as the history of CSR, I think that a relationship could be established between the theoretical evolution of the concept of corporate social responsiveness and the actual or perceived business response to social issues. I represented this relationship in the figure below: *The evaluation of corporate response to social pressures in the last forty years*. This representation does not necessarily have a scientific value but rather synthesizes a personal vision regarding the information in this article.

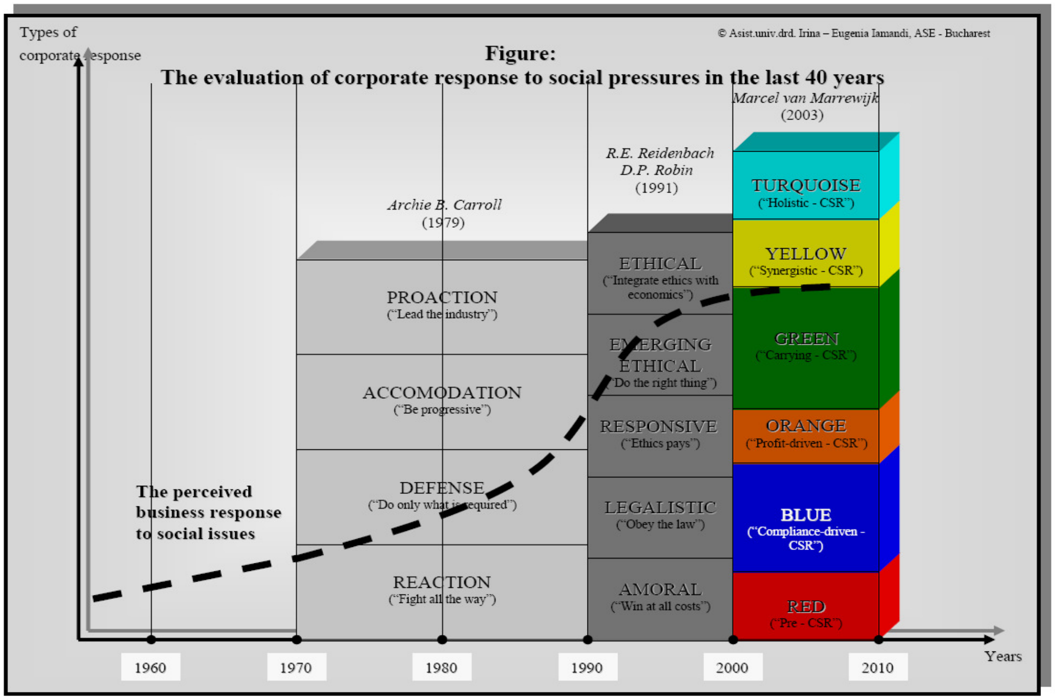

Figure: The evaluation of corporate response to social pressures in the last 40 years

V. **Present and Future Challenges**

The most important two issues that currently appear in the debates regarding corporate social responsibility as a business strategy envisage the responsibilities of multinational companies and the potential negative effects that could appear when the power of CSR to tackle social issues is overvalued.

A. *The association between CSR and MNC*

The idea of corporate social responsibility is still mainly associated with multinational companies that face a plurality of different economic, political, social and institutional conditions. These MNC could take advantage of less regulated business environments and thus assume little or no other responsibility than profit maximization, or could try to implement even in 'weak governance zones' the high standards from their countries of origin. First method is cheaper on the short term but does not guarantee good results over a long period of time, meanwhile the second approach is indeed a more expensive one but leads to a general improvement in the local business environment that advantages precisely business organizations.

Cost savings in the short run need to be balanced against the potential risk to the company's goodwill in the long run; it would be in their own self interest if companies, particularly those multinational in nature, would consider filling this regulatory gap, rather than exploiting it (Falck & Heblich, 2007, p. 248). At the same time, in order to successfully overcome collective problems and offer solutions to societal needs, collective or structural corporate commitment has to take the place of individual commitment; otherwise, the responsible company that is trying to implement by itself a good practice in a part of the world will gain nothing but a competitive disadvantage that will weak its position in the long run or will determine it to leave the market.

B. *Unintended results of corporate philanthropy*

A different facet of the complex issue of corporate social responsibility is broadly presented and analyzed by Sasse & Trahan (2007, p. 29 – 38). They argue that while corporate philanthropy is often well-meaning in providing short-term funding for a variety of social causes, the increasing practice of and expectation created by corporate responsibility for social problems has inherent contradictions and tradeoffs and can lead to unintended results, compromising the distinct roles business and government play in a market-driven, democratic systems.

Ones of the main arguments brought against CSR are the completely unethical and pathological search for profits based on societal problems and the fact that companies are simply not suited for social roles.

Sasse & Trahan (2007, p. 35 – 37) identified three types of negative consequences to which corporate social responsibility may lead:

a. *Using corporate resources inefficiently*: Although the financial power of business organizations could be efficiently used in order to tackle social issues, the main hindrance companies confront with is the lack of experience and sound methodology in estimating the value of the social goods / services they are providing or the confronting social needs of the stakeholders. Moreover, businesses lose by acting more like inefficient governmental bodies and civil society is damaged by the loss of effective voting controls in determining public policy; consequently, both businesses and civil institutions can suffer unexpectedly when corporations try to allocate resources outside their area of competence.

b. *Charity at the mercy of the market*: Corporations competing vigorously in open markets will always be unreliable (or, at least, scattered) in continuously providing general social outputs. Sasse & Trahan consider that a paradox could be identified here: the more corporations involve themselves in social causes, the more those causes become vulnerable to future decreases of funding.

c. *Tradeoffs when private and public roles are blurred*: Two aspects were considered during the last years. The first one relates with the CSR spending that could easily be perceived as arbitrary, because companies lack instruments for analysing the social tradeoffs involved in addressing questions of broad social objectives; rather, such difficult social problems are appropriately addressed in a political venue through the democratic process. The second aspect refers to the fairness of companies' obtaining different competitive advantages from governmental bodies due to corporate involvement in social problems; this could lead, some argue, to the distortion of the free-market system.

Considering the above mentioned negative effects, corporate social responsibility should not replace public policy and should keep its voluntary character, while governments have to remain the main regulatory bodies, even in a globalized business environment.

Conclusions

The debates on corporate social responsibility show that there is no unique approach when considering the appropriateness of assuming extended social responsibilities by companies. The vast majority of research on the topic emphasizes a positive correlation between corporate social and financial performance, as long as businesses do not forget the main purpose of their activity, which is profit maximization, and governments keep their roles in dealing with social issues.

The evolution of corporate social responsiveness during the years demonstrates that companies are increasingly trying to adapt their business strategies to social pressures, for deontological or pragmatic reasons.

Bibliography

- Carroll, Archie B., *A Three-Dimensional Conceptual Model of Corporate Performance*, The Academy of Management Review, Vol. 4, No. 4, pg. 497 – 505, Academy of Management, New York, USA, 1979
- Carroll, Archie B., *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*, Business Horizons, Vol. 34, Issue 4, pg. 39 – 48, Elsevier Science Inc., USA, 1991
- Dentchev, Nikolay, *Corporate Social Performance as a Business Strategy*, Journal of Business Ethics, Vol. 55, No. 4, pg. 397 – 412, Springer Netherlands, Kluwer Academic Publishers, Dordrecht, Netherlands, 2004
- Falck, Oliver, Heblich Stephan, *Corporate Social Responsibility: Doing Well by Doing Good*, Business Horizons, Vol. 50, Issue 3, pg. 247 – 254, Elsevier Science Inc., USA, 2007
- Freeman, Edward R., Liedtka, Jeanne, *Corporate Social Responsibility: A Critical Approach*, Business Horizons, Vol. 34, Issue 4, pg. 92 – 98, Elsevier Science Inc., USA, 1991
- Ionescu, Gheorghe, Cazan, Emil, Negrușa, Adina Letiția, *Management organizațional*, Editura Tribuna Economică, Bucureşti, 2001
- Kotler, Philip, Lee, Nancy, *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause, Best practices from Hewlett-Packard, Ben & Jerry's, and other leading companies*, John Wiley & Sons, Inc., New Jersey, USA, 2005
- Marrewijk van, Marcel, Werre, Marco, *Multiple Levels of Corporate Sustainability*, Journal of Business Ethics, Vol. 44, No. 2 – 3, pg. 107 – 119, Springer Netherlands, Kluwer Academic Publishers, Dordrecht, Netherlands, 2003
- Marrewijk van, Marcel, *Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion*, Journal of Business Ethics, Vol. 44, No. 2 – 3, pg. 95 – 105, Springer Netherlands, Kluwer Academic Publishers, Dordrecht, Netherlands, 2003

- Orlitzky, Marc, Schmidt, Frank L., Rynes, Sara L., *Corporate Social and Financial Performance: A Meta-Analysis*, Organization Studies, Vol. 24, No. 3, pg. 403 – 441, Sage Publications Ltd., London, UK, 2003
- Popa, Ioan, Filip, Radu, *Management internațional*, Editura Economică, Bucureşti, 1999
- Salzmann, Oliver, Ionescu – Sommers, Aileen, Steger, Ulrich, *The Business Case for Corporate Sustainability: Literature Review and Research Options*, European Management Journal, Vol. 23, Issue 1, pg. 27 – 36, Pergamon – Elsevier Science Ltd., Oxford, UK, 2005
- Sasse, Craig M., Trahan, Ryan T., *Rethinking the New Corporate Philanthropy*, Business Horizons, Vol. 50, Issue 1, pg. 29 – 38, Elsevier Science Inc., USA, 2007
- Schneider, Susan C., Barsoux, Jean-Louis, *Managing Across Cultures*, Financial Times, Prentice Hall, London, 1997
- Steurer, Reinhard, Langer, Markus E., Konrad, Astrid, Martinuzzi, Andre, *Corporations, Stakeholders and Sustainable Development I: A Theoretical Exploration of Business – Society Relations*, Journal of Business Ethics, Vol. 61, No. 3, pg. 263 – 281, Springer Netherlands, Dordrecht, Netherlands, 2005

- European Multistakeholder Forum on Corporate Social Responsibility, *Final results and recommendations*, 29.06.2004, www.ec.europa.eu/enterprise/csr/documents/29062004/ EMSF_final.report/pdf

Irina – Eugenia IAMANDI, Teaching Assistant, Ph.D. Candidate, Department of International Business and Economics, Academy of Economic Studies, Bucharest. *Papers*: ***Corporate Social Responsibility – Strategic Approach for Improving International Business Performances. Achievements and Further Actions in a European Perspective*** (The International Conference "The Future of Europe: Challenges and Opportunities", 17 – 18 November 2006, Bucharest, ISBN 978-973-594-931-0); ***Dealing With Corruption in South-Eastern Europe*** (The International Conference ECO-TREND 2006, "Economics and Globalization", 24 – 25 November 2006, Targu Jiu, ISBN (10) 973-742-321-0; (13) 978-973-742-321-1). *Research Area*: International Business Ethics and Corporate Social Responsibility