Corporate social responsibility: Implications for performance excellence

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Corporate social responsibility has been an element of the Malcolm Baldrige Criteria for Performance Excellence since its inception in 1988. The Baldrige Criteria provide a framework for the design and improvement of high-performing organisations; as such, it implies that corporate social responsibility is an important factor for achieving performance excellence. Corporate social responsibility has garnered much attention from researchers over the past several decades, with most questions focusing on whether a company that is socially responsible is more likely to be financially successful. This paper examines the underlying corporate social responsibility value proposition within the Baldrige Criteria in comparison with current academic thought. We frame corporate social responsibility in terms of the underlying theories of firm management, review current academic thought and research, and draw conclusions on the relevance of corporate social responsibility for performance excellence in the Baldrige criteria. We conclude that even without direct, measurable empirical evidence, there is support in the literature that engaging in corporate social responsibility has a significant impact on performance.

Keywords: Baldrige Criteria; business results; corporate social responsibility; performance excellence

Introduction

Over the years, corporate social responsibility (CSR) and its effect on an organisation’s success has been the subject of much academic debate and criticism. Proponents of CSR argue that corporations benefit in many ways by operating with a longer term view of their organisation and role in society than they do by focusing on just their own short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses, which is to make money. Others argue that CSR is nothing more than a feel-good programme, which attempts to serve as a watchdog over large and powerful corporations.

McWilliams, Siegel, and Wright (2006) credit Theodore Levitt with sparking the current CSR debate in the academic literature. Farmer (1964) framed CSR in terms of a religious spectrum, arguing that some business philosophies necessitated CSR while others precluded its use. A few years later, Hopkinson (1968) discussed CSR in terms of the political and cultural changes that took place in the 1960s. By the early 1970s, a healthy debate had started about the proper role of CSR in business, if any (Breitweiser, 1971; Drotning, 1972; Blumberg, Goldston, & Gibson, 1973; Dierkes & Coppock, 1973; Kelso & Hetter, 1973). In the mid-1970s, early criteria for measuring CSR were
developed (Sethi, 1975; Abbott & Monsen, 1979), and by the end of the decade large-scale conceptualisations and models of CSR were formed (Carroll, 1979; Zenisek, 1979; Tuzzolino & Armandi, 1981).

Despite the progress on the theoretical front, CSR continued to be a hotly debated topic (Sohn, 1982; Walton, 1982; Mintzberg, 1983; Chrisman & Carroll, 1984). Comparisons between the financial performance of corporations and their levels of CSR were conducted (Cochran & Wood, 1984; Weissman, 1984; Aupperle, Carroll, & Hatfield, 1985), with mixed results. Subsequently, CSR became part of corporate strategy (Murray & Montanari, 1985; Varadarajan & Menon, 1988), as well as a part of other aspects of business such as the legislative environment (Hemphill, 1997), and financial policy (Powell & Weaver, 1995; Burke & Logsdon, 1996; Pava & Krausz, 1996; McWilliams & Siegel, 1997).

The gap between corporations’ stated CSR practices and public perceptions has become quite noticeable. Porter and Kramer (2006) highlighted several incidents throughout the mid-1990s showing that the public valued CSR whether the academic literature had decisively proven its utility or not. For example, Nike faced an extensive consumer boycott after the New York Times and other media outlets reported abusive labour practices at some of its Indonesian suppliers in the early 1990s. Shell Oil’s decision to sink the Brent Spar, an obsolete oil rig in the North Sea, led to Greenpeace protests in 1995 and to international headlines. Pharmaceutical companies discovered that they were expected to respond to the AIDS pandemic in Africa even though it was far removed from their primary product lines and markets. Fastfood and packaged food companies are now being held responsible for obesity and poor nutrition. This has led to CSR most often taking the form of public relations or a media campaign. Of the 250 largest multinational corporations, 64% published CSR reports in 2005, either within their annual report or in separate sustainability reports. Such publications rarely offer a coherent framework for CSR activities, let alone a strategic one. Instead, they list uncoordinated initiatives to demonstrate a company’s social sensitivity. (Porter & Kramer, 2006) Other authors (Badaracco, 1996; Brown & Dacin, 1997; Clark, 2000) also have explored the relationship between the public (consumers) and corporations as it relates to CSR.

Currently, CSR as an academic field is a wide-ranging, multi-faceted research area. The quantity of research produced has increased enormously over the last decade, and touches nearly every facet of business theory. The field has been helped by the news media, as scandals such as those at Enron and WorldCom have thrust debates concerning corporate governance and corporate social performance (CSP) to the forefront of the minds of shareholders, managers, and public policy makers.

**Evolution of CSR in the Baldrige Criteria for performance excellence**

CSR has been prominent in the Baldrige Criteria for Performance Excellence since its inception as a significant component of a leadership model that, closely followed, will lead to quality and high performance. In the initial 1988 Criteria, public responsibility was focused narrowly on mechanisms used for external communication of information concerning corporate support of quality assurance or improvement activities outside the company. Over the next several years, this item was expanded to include how the company extended its quality leadership to the external community and integrated its responsibilities to the public for health, safety, environmental protection, and ethical business practice into its quality policies and activities. This included how the company promoted quality awareness and sharing with external groups; how the company
encouraged employee leadership and involvement in quality activities of external organisations; how the company defined and set quality improvement goals, indicators used to monitor quality, and progress reviews.

When the Baldrige National Quality Programme first articulated its Core Values and Concepts in the 1992 criteria, one of the initial 10 core values was Public Responsibility:

A company’s customer requirements and quality system objectives should address areas of corporate citizenship and responsibility. These include business ethics, public health and safety, environment, and sharing of quality-related information in the company’s business and geographic communities. Health, safety, and environmental considerations need to take into account the life cycle of products and services and include factors such as waste generation. Quality planning in such cases should address adverse contingencies that may arise throughout the life cycle of production, distribution, and use of products. Plans should include problem avoidance and company response if avoidance fails, including how to maintain public trust and confidence. Inclusion of public responsibility areas within a quality system means not only meeting all local, state, and federal legal and regulatory requirements, but also treating these and related requirements as areas for continuous improvement.

In addition, companies should support—within reasonable limits of their resources—national, industry, trade, and community activities to share nonproprietary quality-related information.

In 1993, the core value introduced the notion of treating local, state, and federal legal and regulatory requirements as areas for continuous improvement ‘beyond mere compliance’. It also expanded on the notion of corporate citizenship, stating: ‘Corporate citizenship refers to leadership and support—within reasonable limits of a company’s resources—of publicly important purposes, including the above-mentioned areas of corporate responsibility. Such purposes might include education, resource conservation, community services, improving industry and business practices, and sharing of nonproprietary quality-related information’.

This was further expanded upon in 1994 and 1995 with the additional statements ‘Leadership as a corporate citizen entails influencing other organizations, private and public, to partner for these purposes. For example, individual companies could lead efforts to help define the obligations of their industry to its communities’.

In 2000, a significant revision was made to this core value:

An organization’s leadership needs to stress its responsibilities to the public and needs to practice good citizenship. These responsibilities refer to basic expectations of your organization—business ethics and protection of public health, safety and the environment. Health, safety, and the environment include your organization’s operations as well as the life cycles of your products and services. Also organizations need to emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of your products. Plans should seek to prevent problems, to provide a forthright response if problems occur, and to make available information and support needed to maintain public awareness, safety, and confidence.

For many organizations, the product design stage is critical from the point of view of public responsibility. Design decisions impact your production process and the content of municipal and industrial wastes. Effective design strategies should anticipate growing environmental demands and related factors.

Organizations should not only meet all local, state, and federal laws and regulatory requirements, they should treat these and related requirements as opportunities for continuous improvement “beyond mere compliance”. This requires the use of appropriate measures in managing performance.

Practicing good citizenship refers to leadership and support—within the limits of your organization’s resources—of publicly important purposes. Such purposes might include improving education, health care in the community, environmental excellence, resource conservation,
community service, industry and business practices, and sharing non-proprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes. For example, your organization could lead efforts to help define the obligations of your industry to its communities.

In 2003, the core value was re-named ‘Social Responsibility’ although the content remained essentially unchanged. A new addition was the comment: ‘Managing social responsibility requires the use of appropriate measures and leadership responsibility for those measures’. Also, a stronger focus on ethics was introduced: ‘Organizations should stress ethical behavior in all stakeholder transactions and interactions. Highly ethical conduct should be a requirement of and should be monitored by the organization’s governance body’. The core value has remained the same through the current 2008 criteria.

The core values reflected the criteria requirements, which also evolved to include public concerns and impacts of products, services, and operations; organizational and employee involvement corporate citizenship; corporate governance; and ethical behaviour. The current (2008) Criteria requirements for CSR, which are part of the Leadership category, are shown in Table 1.

Although this item has broadened to include a variety of issues including governance and ethics, we will restrict our focus to CSR. Specifically, we seek to assess the validity of the fundamental propositions in the criteria requirements for this subject.

**Underlying CSR propositions in the criteria**

In the overall requirement question, the Baldrige asks: ‘How do you address your social responsibilities?’ and ‘Describe how your organization addresses its responsibilities to the public… and practices good citizenship’. These questions propose that the company has a social responsibility to public society to be a good citizen. Also, because the Baldrige Award is given for quality management and performance excellence in business, the inclusion of these questions suggests that by meeting CSR obligations a company will be practicing quality management and reaching for performance excellence. So, the Baldrige Criteria indirectly state that CSR leads to improved organisational performance.

In section 1.2b (1) the questions: How do you address any adverse impacts on society of your products, services, and operations? How do you anticipate public concerns with current and future products, services, and operations? How do you prepare for these concerns in a proactive manner, including using resource-sustaining processes, as appropriate? suggest that it is in a company’s best interest to be proactive and strategic about its CSR initiatives. By extension this means that strategic action on CSR initiatives is an important characteristic of high performing companies.

In section 1.2c, the questions: How does your organisation actively support and strengthen your key communities? How do you identify key communities and determine areas of emphasis for organisational involvement and support? What are your key communities? How do your senior leaders, in concert with your workforce, contribute to improving these communities? propose that a company has a key community that is in its best interest to identify, support, and strengthen.

Taking all three themes of the criteria requirements in conjunction means that the Baldrige clearly believes that practicing CSR strategically towards a targeted community leads to improved performance. It is our goal to review current academic thought and research on CSR to validate the Baldrige emphasis on its practice.
To assess the validity of these underlying propositions we will explain CSR initiatives in terms of three common theories of firm management, review thought on how CSR can be aligned with corporate strategy, and look to how a firm’s environmental policy can meet the needs of its key communities.

a. Organisational governance
   (1) How does your organisation review and achieve the following key aspects of your governance system:
   - accountability for management’s actions;
   - fiscal accountability;
   - transparency in operations and selection of and disclosure policies for governance board members, as appropriate;
   - independence in internal and external audits;
   - protection of stakeholder and stockholder interests, as appropriate.
   (2) How do you evaluate the performance of your senior leaders, including the chief executive?

b. Legal and ethical behaviour
   (1) How do you address any adverse impacts on society of your products, services, and operations? How do you anticipate public concerns with current and future products, services, and operations? How do you prepare for these concerns in a proactive manner, including using resource-sustaining processes, as appropriate? What are your key compliance processes, measures, and goals for achieving and surpassing regulatory and legal requirements, as appropriate? What are your key processes, measures, and goals for addressing risks associated with your products, services, and operations?
   (2) How does your organisation promote and ensure ethical behaviour in all your interactions?

(c. Support of key communities
How does your organisation actively support and strengthen your key communities? How do you identify key communities and determine areas of emphasis for organisational involvement and support? What are your key communities? How do your senior leaders, in concert with your workforce, contribute to improving these communities?

Academic support for CSR
To assess the validity of these underlying propositions we will explain CSR initiatives in terms of three common theories of firm management, review thought on how CSR can be aligned with corporate strategy, and look to how a firm’s environmental policy can meet the needs of its key communities.

Agency theory
According to Ross, agency theory proposes that during a transaction, one transactor (the principal) designates another person (the agent) to act on his or her behalf. This requires the principal to trust the agent under imperfect information and uncertain outcomes (Ross, 1973, p. 134). Friedman (1970) draws on agency theory in his criticism of CSR, explaining that managers, as agents for the owners of the firm, have a responsibility to maximise the...
corporation’s profits; to spend money doing anything else is an abuse of the relationship. However, Carroll (1979) points out that the economic and societal interests of the firm are often intertwined; for example, product safety is of concern both at the economic and societal levels. Therefore, practicing CSR may be in the best economic interests of the firm.

Stakeholder theory

Cherit (1964) identified the New Deal as the impetus for the development of stakeholder theory. While previously only the effects of corporate actions on actual shareholders were considered, Freeman and Reed developed the theory that there are other groups whose needs should be considered as well, adding employees, customers, and society at large, among others, to the list of a firm’s constituents: ‘There are other groups to whom the corporation is responsible in addition to stockholders: those groups who have a stake in the actions of the corporation’ (Freeman & Reed, 1983, p. 89). Donaldson and Preston (1995) justify the stakeholder theory of the firm from descriptive, instrumental, and normative viewpoints. Clearly, since society at large and subgroups of society (employees, customers) are considered to be stakeholders of the firm, CSR is justified.

The resource-based view of the firm

Barney and Zajac (1994) countered the popular assumptions that resources are equally distributed to all firms and developed the theory that not only is resource distribution unequal throughout an industry, but firms can capitalise on their strengths and use them as a competitive advantage. McWilliams and Siegel (Makadok et al., 2001) point out that for profit-maximising firms, CSR can be utilised for purposes of creating strategic advantages. McWilliams, Siegel, and Wright (2006) expand on this further as CSR efforts are ‘valuable, rare, inimitable, and non-substitutable’ just like any other scare recourse under Resource Based View of the Firm (RBV) (4).

CSR and corporate strategy

In their 2006 article, Porter and Kramer argue that CSR has become a priority for business leaders in every country as governments, activists, and the media have focused on holding companies accountable for the social consequences of their business actions. The problem as they see it is that most CSR efforts are not productive because they pit business interests against societal interests rather than looking for points of interdependence. External pressures on firms tend to make them think of corporate social responsibility in generic ways, instead of in the way most appropriate to their individual strategies. Four common reasons that companies participate in CSR activities are: moral obligation (duty to be good citizens and ‘do the right thing’), sustainability (continued ability to operate requires environmental and community stewardship), license to operate (stakeholder approval to conduct business in a community is required), and reputation (CSR initiatives can improve an organisation’s reputation, leading to improved business conditions). All four of these concepts focus on the tensions between business and societal issues, and so fall more into public relations and less into using CSR to improve organizational performance (Porter & Kramer, 2006).

If corporations were to analyse their opportunities for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR
can be much more than a cost, a constraint, or a charitable deed – it can be a potent source of innovation and competitive advantage. To meet this goal, Porter and Kramer propose a new way to look at the relationship between business and society that does not treat corporate growth and social welfare as a zero-sum game. This framework allows an individual company to identify the social consequences of their actions and discover opportunities to benefit society and themselves by strengthening the competitive context in which they operate (Porter & Kramer, 2006).

Husted and de Jesus Salazar (2006) argue that greater overall social output will be achieved by strategically choosing CSR projects than just following altruistic purposes. Their research focused on the idea that that most firms meet their CSR objectives because of three primary reasons: altruism, coerced egoism, or strategic reasons. By using microeconomic tools, the authors examined the social output level that should be produced in each of the three cases. They found that it is wiser for the firm to act strategically than to be coerced into making investments, and that by making investments strategically they could do more than simply following altruistic motivations.

Aguilera, Rupp, Williams, and Ganapathi (2007) used a multilevel theoretical model to understand why business organisations are increasingly engaging in CSR initiatives and so have the potential to exert positive social change. By integrating various theories of organisational justice and corporate governance, their framework examines the interrelationship of instrumental, relational, and moral motivations at the individual, organisational, national, and transnational level. While they do not draw a clear conclusion from this study, the complexity of the pressures on companies to participate in CSR initiatives is highlighted. It can be inferred from this study that CSR is best done with a clear understanding of all of the drivers of the initiative. By understanding all motivators and taking them into consideration, a company will be acting strategically.

**CSR and the environment**

As previously discussed, stakeholder theory supports the idea that there are people outside the organisation (key communities) that have expectations for the firm, and that it is in the best interest of the organisation to meet these expectations. One of the most common examples of meeting the expectations of key communities is when organisations take steps to make their product and operations environmentally friendly. Often the motivation to be more environmentally friendly has to do with building the firm’s reputation with these very stakeholders, which is believed to lead to increased financial performance.

The relationship between reputation and shareholder value was studied by Gilley, Worrell, Davidson, and El-Jelly (2000) when they investigated the influence of environmental initiatives on firms’ anticipated economic performance using an event study methodology. While they believed that shareholders would react positively to announced environmental initiatives, they found no overall effect of announced environmental initiatives on stock returns. Shareholder value is only one measure of success though, and as such does not preclude increased reputation from improving firm financial performance in other ways, such as increased sales revenue.

Bansal and Roth (2000) conducted a qualitative study of the motivations and contextual factors that induce corporate ecological responsiveness. Using data collected from 53 firms in the United Kingdom and Japan, they found three motivations for companies to ‘go green’: competitiveness (the potential for ecological responsiveness to improve long-term profitability), legitimation (the desire of a firm to improve the appropriateness of its actions within an established set of regulations, norms, values, or beliefs), and ecological
responsibility (the concern that a firm has for its social obligations and values). These motivations were influenced by three contextual conditions: field cohesion (the intensity and density of formal and informal network ties between constituents in an organisational field), issue salience (the extent to which a specific ecological issue has meaning for organisational constituents), and individual concern (the degree to which organisational members value the environment and the degree of discretion they possess to act on their environmental values). The authors found that a mixture of these motivations and contextual conditions caused variation in how ecologically responsive a company tries to be but supports the notion that meeting a key community’s expectation is good for business for many different reasons.

Further proof that external stakeholders (key communities) impact how and why a company becomes environmentally friendly was provided by Christmann (2004). In his study he analysed the determinants of global standardisation of multinational companies (MNCs) environmental policies. Using survey data from the chemical industry he was able to show that MNCs standardise different environmental policy dimensions in response to pressures from different external stakeholders. Yet external pressure was not the only driver as MNCs’ internal characteristics also affected how and if they standardise environmental policy. Findings demonstrated that the nature of stakeholder demands affects firms’ responses to stakeholder pressures. And since environmental policy standardisation reduces MNCs ability to exploit cross-country differences in environmental regulations, these findings also have important implications for the self-regulation of MNCs environmental conduct. The question raised is whether this standardisation limits a company’s ability to maximise profit from a given situation. On one hand, it could be inferred that if a company is not able to fully maximise profit because of a CSR policy, then that policy has a negative effect on the company’s financial performance. On the other, the effect of not meeting or exceeding external stakeholder’s expectations might prove to be more costly than possible inefficiencies arising from CSR initiatives.

In the next section we explore results from studies on CSR’s effect on corporate performance and review issues that limit academia’s ability to definitively prove CSR’s impact on firm performance.

**CSR relationship to improved performance: A lack of consensus**

Much of the debate over the importance of CSR initiatives in improving organisational performance has revolved around the fact that researchers have found CSR to have positive, negative, and neutral impacts on financial performance. McWilliams and Siegel (2000) attribute this inconsistency to flawed empirical analysis. The authors argue that many studies estimate the effect of CSR by regressing firm performance on CSR among several other control variables. They feel that this model might be mis-specified because it does not control for investment in research and development (R&D), which has been shown to be an important determinant of firm performance. The conclusion of this study was that if the model is properly specified, then CSR has a neutral impact on financial performance. McWilliams and Siegel (2001) reaffirmed this finding in a separate study.

Mackey, Mackey, and Barney (2007) developed a theoretical model in which the supply of and demand for socially responsible investment opportunities were analysed to determine which activities would improve, reduce, or have no impact on a firm’s market value. The model shows that firms might fund socially responsible activities that do not maximise the present value of their firm’s future cash flows yet it can still maximise
the market value of the firm. A positive correlation between firm choices about investing in CSR activities and firm value was shown, suggesting that CSR can improve an organisation’s performance. This proposition is supported by Deckop, Merriman, and Gupta (2006) whose empirical research also indicated that CSP was positively related to corporate financial performance.

In their 1999 article, Harrison and Freeman examined the relationship between stakeholder management and the perception that a firm is socially responsible, and the performance implications of both stakeholder management and social responsibility. A key finding in this review was the concept that there is a theoretical problem in determining whether a CSR programme improves corporate performance because ‘economic effects’ are also social, and ‘social effects’ are also economic. This article highlights a common theme that the true effect of CSR effects can often not be determined because the benefits are long-term and subtle. A company that invests in a CSR initiative today might not receive a benefit from the programme directly, but rather through more subtle consumer loyalty derived from the idea that they are buying from a company that is socially conscious.

The lack of consensus on the impact of CSR on firm performance can be attributed to many different causes such as a lack of a clear and precise definition of CSR, a lack of a clear CSR metric, and the impact of contextual factors.

**Difficulty defining CSR**

While CSR has garnered much attention from academic researchers over the past several decades, definitions of CSR are numerous and not often congruent. In an analysis of 37 definitions of CSR, Dahlsrud (2008) found five dimensions of CSR that were common across the definitions that were studied. The stakeholder and societal dimensions were the most important, closely followed by the economic dimension. The degree to which CSR was voluntary was ranked fourth, and the environmental dimension was least important. Dahlsrud observed:

> It is interesting to observe that none of the definitions actually defines the corporate social responsibility of business, as so famously discussed by Milton Friedman, but rather discuss CSR as a phenomenon.... The definitions show that CSR is nothing new at a conceptual level; business has always had social, environmental and economic impacts, been concerned with stakeholders, be they the government, customers or owners, and dealt with regulations. This has been managed through established patterns developed over many years. However, at an operational level, the story is different.... CSR management tools are needed, in addition to the previously established patterns, to develop and implement a successful business strategy. (p. 6)

Without a clear definition of what comprises CSR, it is difficult for researchers to clearly segment particular actions to determine the individual initiatives impact on firm performance. This limits the ability to develop CSR management tools to accurately capture an initiative’s effect.

**Measuring CSR or corporate social performance**

Corporate Social Performance (CSP) can be defined as ‘a business organization’s configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm’s societal relationships’ (Ruf, Muralidhar, and Paul, 1998, p. 120). How to measure a company’s CSP has been a topic of much debate. Having a valid measure is important for researchers
investigating the relationship between different organisational measures and CSP and for stakeholders employing social performance information in their decision making models. Past measurements have been based on various information sources such as government pollution indices, financial reports, reputational surveys, and CSR orientation studies. While all of these have virtues, none accurately measure the outcomes of CSR initiatives.

In their 1998 article, Ruf et al. propose an aggregate measure of CSP which incorporates both an independent assessment of actual performance and the individual value judgments of the stakeholder. The authors used the following steps to reach this measurement:

1. Identify or select the dimensions of corporate social responsibility.
2. Evaluate the relative importance of these dimensions.
3. Evaluate the corporations’ performance on each of these dimensions.
4. Synthesise the results of the relative importance and performance evaluation scores.

Their methodology for the development of this systematic measure uses the Analytic Hierarchy Process (AHP), a multi-criteria decision making tool that allows for the conversion of a multidimensional scale to a one-dimensional scale, enabling analysis and comparison of firms within and across industries. The authors did a preliminary investigation of their framework to see if the technique was able to capture all the important elements necessary for measurement. The initial results were positive.

Basu and Palazzo (2008) offer an organisational ‘sensemaking’ model that highlights how managers think, discuss, and act with respect to their key stakeholders and the world at large. By using the model it should be possible to recognise patterns of interrelationships among different internal dimensions of a company and how those dimensions affect how effective certain CSR initiatives will be in practice. If CSR initiatives can be measured for effectiveness as the two articles above suggest, then it should be possible to determine which efforts will be most effective in helping a firm improve its financial performance.

Contextual nature of CSR

As with most corporate efforts, contextual factors play an important role in why and how CSR initiatives are undertaken, and how effective those initiatives are in improving organisational performance. This is supported by a recent article by Campbell (2007) in which the author explores the role that economic health of an organisation plays in the company’s CSR commitment level. In addition, he examines several institutional conditions that affect how and why corporations pursue CSR initiatives, including public and private regulation, the presence of non-governmental and other independent organisations that monitor corporate behaviour, institutionalised norms regarding appropriate corporate behaviour, associative behaviour among corporations themselves, and organised dialogues among corporations and their stakeholders.

The variances in these institutional conditions are especially evident across countries. Doh and Guay (2006) used neo-institutional and stakeholder theory to show how the regulatory environment of Europe and the United States affected expectations about a corporation’s responsibility to society. The authors identify government policy, corporate strategy, and non-governmental organisation activism towards specific issues to be the key drivers of why and how organisations practiceCSR. Matten and Moon (2008) examined how implicit and explicit forms of CSR have historically been common in certain countries, but seems to be shifting over time to explicit forms throughout the world. Implicit CSR, focused within the firm, has historically been more common in Europe.
and Asia as companies offer lifelong employment, benefits, social services, and healthcare as elements of their wider business systems. This grew out of the large number of family and public owned corporations. On the other hand, the US, with its more entrepreneurial business culture, has historically offered fewer long-term benefits for employees, which has made explicit CSR, directed outside the firm, more common. A shift to explicit CSR has been witnessed across much of the world as multinational organisations become more prevalent and business structures more consistent.

Companies evolve over time and their unique history creates organisational personalities. Barnett (2007) argues that how a company’s CSR initiative is received by the general public and its effectiveness depends on the history of that particular company and the role its product plays in everyday life. In this way, ‘the business case for corporate social responsibility must account for the path-dependent nature of firm-stakeholder relations’ (p. 794). For a company like McDonald’s, which has long been known for unhealthy food, CSR initiatives to curb adult obesity might not be received favourably by the public. Most feel that McDonald’s initiative is a forced concession, and thus it limits the likelihood that it will benefit organisational performance. Therefore, the expected payoff of a given CSR activity cannot be accurately predicted across organisations, because of contextual factors developed through each organisation’s unique history.

Corporate strategies also affect how effective CSR initiatives are in a given organisation. Deckop et al. (2006) argue that CEO pay is often not properly structured to provide incentive to the CEO to improve firm CSP. In using a sample of 313 firms, the authors found that a short-term CEO pay focus was negatively related to CSP, whereas a long-term focus was positively related to CSP. Using data collected in 1995 and 2000 from Fortune 500 firms, Neubaum and Zahra (2006) found institutional owners’ investment horizons, as well as the frequency and coordination of institutional owners’ activism changes how a company approaches CSR. Long-term institutional ownership was shown to be positively associated with CSP, and the frequency and coordination of activism also positively affected CSP.

McWilliams and Siegel (2001) suggested that there was an ideal level of CSR investment for each organisation which depends on its size, level of diversification, research and development, advertising, government sales, consumer income, labour market conditions, and stage in the industry life cycle. The authors argue that this ideal level can be found by managers through cost-benefit analysis.

Conclusion
In assessing the validity of the underlying propositions of the CSR criteria imbedded in the Baldrige requirements, we have found mixed evidence of its connection to improved performance. In looking at theoretical perspectives we find that Agency theory, Stakeholder theory, and RBV all can offer valid arguments as to the benefit of CSR initiatives. For Agency theory to support CSR it must be assumed that economic and societal interests are so intertwined that it is an economic necessity to meet societal expectations. The argument for Stakeholder theory’s support of CSR is much clearer as it expands management’s accountability past owners and to everyone affected by the company’s practices and products which infers a responsibility to the public. On the other hand, RBV support of CSR, as a practice, develops from the belief that it can lead to unique characteristics that offer a competitive advantage.

What seems clear from the academic literature is that there is evidence that CSR initiatives should be approached proactively and strategically. These arguments stem
from the notion that CSR, whether it has a positive financial impact or not, is a ‘necessary evil’. Since society as a whole, consumers, and key communities have expectations of the firm, it is in the best interest of the firm to act as expected. If they do not meet expectations, then the public might punish the company by purchasing fewer of their products or services. Most of the literature suggests that by being strategic in its use of CSR, a company will be able to gain an advantage at least at a public relations level. To fully capture this advantage, the company must be, or at least appear to be, engaging in CSR for the right reasons and approach decisions about CSR initiatives strategically as it would other core business decisions.

The lack of empirical evidence linking CSR to improved performance stems from the difficulty in measuring the specific outcomes in relation to the specific investment. There is no universally accepted measurement tool or metric that can quantify the effects of these investments. Contextual factors such as a company’s financial health, the regulatory environment, the external culture, institutional conditions, and the given company’s unique history and strategy all heavily influence how a company approaches CSR initiatives. There may be an appropriate level of CSR for a given company, but that will depend on that company’s size, level of diversification, research and development, advertising, government sales, consumer income, labour market conditions, and stage in the industry life cycle (McWilliams & Siegel, 2001).

While from an academic perspective, the jury is still out as to the benefits of CSR, the history of CSR in the academic literature shows that society and corporations have been ahead of the academic research. As the field evolves toward a consensus that CSR is more good than bad, even without direct, measurable, reliable empirical evidence, there is support in the academic literature for the implications of the Baldrige Criteria for Performance Excellence that engaging in CSR will improve the quality of a firm and its success.

References


