



FACULTEIT ECONOMIE
EN BEDRIJFSKUNDE

HOVENIERSBERG 24
B-9000 GENT

Tel. : 32 - (0)9 - 264.34.61
Fax. : 32 - (0)9 - 264.35.92

WORKING PAPER

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY IN BUSINESS MODELS

Nikolay A. Dentchev ¹

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¹ Ghent University; Hoveniersberg 24; 9000 Ghent, Belgium; Tel: +32 9 264 7926; Fax: +32 9 264 7888; e-mail: nikolay.dentchev@ugent.be

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ABSTRACT

The literature on strategic integration of corporate social responsibility (CSR) in business models is still underdeveloped. We therefore borrow from the theory on strategic management to organize this contribution according to the process of strategic management. After a review of the few strategic CSR approaches, an explorative case-study methodology is adopted to study the management of a CSR proxy, viz. Health Safety and Environment (HSE), in a multinational company in the petrochemicals. This study provides insight into what actions a company takes at every stage of CSR management, into the strategic logic of these actions, and into the different challenges the company faces. Overall, we can argue that CSR management is a challenging task for practitioners and has a strategic relevance for their firms.

Key words: business models, corporate social responsibility, qualitative research, strategic management process.

INTRODUCTION

The theories on corporate social responsibility (CSR) consider companies as determinants of social prosperity. Organizations are expected to broaden their profit-driven perspectives and consider their impact on society and the natural environment (e.g. Carroll, 1999; Sharma 2002; Starik and Marcus, 2000; Starik and Rands, 1995; Windsor, 2001). The CSR literature reads as an argument based on moral considerations and defended by means of negative examples of corporate performance. It has been often argued that companies should contribute to social prosperity, because doing so is morally correct (e.g. Boatright, 1996). Another common argument is that the egocentric orientation of managers can lead to business scandals, such as ENRON, WorldCom and Parmalat and many others, that have increased the employment uncertainty of their host communities. Moreover, industrial accidents such as Bhopal, Chernobyl and Exxon Valdez, constitute a great danger for societies and the natural environment and are used as another reason to advocate the social responsibilities of business.

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However, such line of reasoning highlights the prescriptive nature of CSR literature and its failure to provide practical advice to business (Gioia, 1999; Wood, 2000). Although the necessity of a socially responsible business performance is obvious, the practical relevance remains a challenge for CSR theories. In other words, the question is no longer “whether,” but “how” organizations can combine the principles of social responsibility with profit generation (Epstein and Roy, 2001; Smith, 2003). In this context, we wish to explore in this paper how organizations integrate CSR in their business models. Such research focus is concerned with the complexity and dynamics with respect to the managerial dependence on various resources (Dentchev and Heene, 2005; Pfeffer and Salancik, 1978; Sanchez and Heene, 2004) when implementing CSR. This perspective contributes to our knowledge of how corporate social responsibility is strategically managed.

This contribution treats CSR strategy as a deliberate choice of activities that enable the organization to meet its objectives (Porter, 1996). Such a perspective is consistent with the conclusion of McWilliams and Siegel (2001, p. 125) that “CSR attributes are like any other attributes a firm offers. The firm chooses the level of the attribute that maximizes firm performance given the demand for the attribute and the cost of providing the attribute.”

This article is organized as follows. It starts with a literature review of the few strategic approaches to CSR organized according the “strategic management process.” Then there follows an overview of the method used to explore the integration of CSR strategy in the business model of a multinational company from the petrochemical industry. After explaining the methodological considerations of our study, we discuss our findings, which provide insight into the specific actions the company takes, their purpose, and the challenges the company faces. We conclude with expressing our opinion on these challenges.

LITERATURE REVIEW

CSR literature discusses the broadening of egocentric organizational orientations with ethical and philanthropic considerations. This literature emerged as a challenge of the profit-maximization rule for businessmen in neoclassical economics and of the public responsibility of governments (but not of companies) (Wartick and Cochran, 1985). Opposed to these two contentions, Carroll (1979) has argued in his landmark contribution that organizations have economic, legal, ethical and philanthropic responsibilities. Furthermore, proponents of CSR find that the public responsibility of governments can be complemented by the public affairs

of companies. The public affairs of business are justified by the secondary involvements of business, i.e. “consequential effects resulting from the performance [of essential economic tasks of the firm].” (Wartick and Cochran 1985, p. 761) Overall, CSR literature developed either because scholars deemed companies able to contribute to social prosperity or as a result of a business conduct that is dangerous for society and the natural environment.

Consequently, CSR literature appears predominantly as a prescription of moral considerations to businesses. It reflects the idealism of scholars who wish companies to do more for social prosperity (Wood, p. 2000). Though such a desire is admirable, it does not improve our knowledge on the management of CSR. As we shall see, this void in our knowledge can be approached from a strategic management perspective. However, there are, as far as we know, only a few strategic approaches to CSR. In the following two subsections, we first briefly discuss different stages in the strategic management process and then organize these CSR approaches according to these stages.

The strategic management process

The process of strategic management denotes the set intentional choices of organizations with respect to making certain commitments, taking particular decisions, and executing concrete actions. This refers only to the development of intended strategies, so no attention is paid to the development of emerging strategies (Mintzberg, 1978). This theoretical deficiency in the strategic management process strengthens our research on CSR. A contribution to the knowledge of how CSR is managed requires studying companies that have the intention and experiences in implementing CSR strategies. Another limitation of the strategic management process is that it represents a normative framework developed by scholars and is not necessarily a correct description of managerial practice (Mintzberg, Ahlstrand, and Lampel, 1998). However, we use this framework to organize the analysis of our data. It is not our intention to suggest that practitioners manage CSR in a particular sequence, but rather to explore the various actions in a CSR management process.

The strategic management process, well-represented by the work of Hitt, Ireland, and Hoskisson (2003), distinguishes six phases in the strategic management process. The first two phases focus on the analysis of the external and internal environments. Companies evaluate the changing conditions of the outside environment (Elenkov, 1997) and assess if adaptations of the corporate resources and capabilities (Barney, 1991, 2001; Dierickx and Cool, 1989;

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Wernerfelt, 1984) are necessary. Organizations thus attempt to create a 'strategic fit' between the changes in the outside environment and the reaction capacity of their resources and capabilities (Hoskisson et al., 1999). Having analyzed these changes and their reaction capacity, managers formulate a strategic intent and a strategic mission. This constitutes the third phase in the strategic management process. While strategic intent focuses internally on leveraging corporate resources and capabilities with distinctive characteristics, the strategic mission has an external focus on the unique position of the firm with respect to the markets it serves (Hitt et al., 2003, pp. 22-24). During the fourth phase of the strategic management process companies formulate their strategies, i.e. articulating the necessary commitments, decisions and actions to achieve the firm's objectives. Yet the formulation of a strategic course of action needs to get implemented, and this is often associated with practical complications. Therefore, the fifth phase consists of mechanisms that facilitate the translation of formulated strategies into action and controls whether those actions are correctly executed. The sixth and final phase is an evaluation of the achieved competitive advantage, as a result of the preceding five phases of strategic management. In this final phase, firms measure if they outperform their rivals. Such an evaluation provides a feedback on the effectiveness of the strategic course of action the company has developed. This feedback contains valuable information for necessary adjustments when repeating the process of strategic management. In effect, these six phases summarize the way (new) strategies are implemented, and thus prove relevant for studying the integration of a CSR strategy in business models.

Strategic approaches to CSR

The strategic approaches to CSR are still in their infancy. In general, CSR theories state that ignoring social rules can lead to the emergence of new laws (Carroll, 1991) or that as a result of delay in responding, social issues "may pile up and ultimately put the company in a position where it cannot function effectively in its traditional role as a producer of goods and services" (Ackerman, 1973, p. 95). Statements of this kind do not provide a comprehensive explanation but only scratch the surface with respect to the strategic relevance of CSR.

The strategic approaches to CSR pay closer attention to the different phases of the management process. To our knowledge, only few colleagues have approached theoretically CSR from a strategic perspective in the sense that they look at how responsibility principles can be integrated in business models: viz. Burke and Logsdon (1996), Epstein and Roy

(2001), de Colle and Gonella (2002) and Smith (2003) (cf. Table I). A discussion of their work follows, organized according to the six phases of the strategic management process.

INSERT TABLE I ABOUT HERE

External environment. The outside environment of organizations is reflected not only by the legal requirements but also by the stakeholders' expectations with respect to corporate contributions to society and the natural environment. In their CSR strategies, firms consult legislation and compare themselves to competitors (Epstein and Roy, 2001). Another possibility to capture changes in CSR expectations of the outside environment is to engage in dialogue with external stakeholders (Smith, 2003). In sum, organizations try to understand what the outside environment expects in terms of CSR.

Internal environment. Strategic CSR implementation requires an analysis of what employees think about current and future CSR activities. The dialogue with internal stakeholders (Smith, 2003) contributes to assessing employees' perceptions of corporate efforts to CSR. Moreover, such an involvement of internal stakeholders helps to assess the adequacy of the organizational resources and processes (de Colle and Gonella, 2002; Epstein and Roy, 2001) with respect to reaching a strategic fit with the expectations on CSR of the outside environment.

Strategic intent and strategic mission. After analyzing the external conditions and the organizational capacity on CSR, companies express their strategic intent and mission. Such a clarification indicates corporate commitment towards realizing its ambitions on corporate social responsibility. Hence, Burke and Logsdon (1996) assert that companies should follow the principle of centrality, i.e. the fit between this CSR commitment and the overall objectives of the firm. Consistent with this principle, Smith (2003) also thinks that the CSR strategy and the specifics of an organization or a situation should correspond closely.

Strategy formulation. According to Smith (2003), organizations should formulate a personalized CSR strategy that reflects "an understanding of whether (and why) greater attention to CSR is warranted by that particular organization." (p. 66). To this idea de Colle

and Gonella (2002) added that such a formulation of commitments, principles and rules with respect to CSR strategies should become an official document, i.e. code of ethics.

Strategy implementation. Once a firm formulates a CSR strategy, its implementation is put on the corporate agenda. Smith (2003) mentions that such a strategy requires a careful and correct implementation. Burke and Logsdon (1996) argue that it needs to follow the principles of proactivity and voluntarism. The former principle refers to the degree to which a CSR strategy anticipates emerging social trends and the latter denotes the lack of external obligation to compliance in the decision to adopt a CSR strategy. Besides, Burke and Logsdon (1996) argue, CSR visibility (the ability to observe and recognize) to both internal and external stakeholders is an important implementation characteristic, and as such confirmed in Husted and Allen (2004). However, given the conditions of their study, Husted and Allen (2004)¹ found (1) an insignificant relationship between proactivity and value creation and (2) significant but negative effect of voluntarism in CSR on value creation. Therefore, the relevance of the principles suggested in Burke and Logsdon (1996) should be further studied.

The implementation of CSR strategies requires concrete actions and should be checked on correctness of execution. In this context, de Colle and Gonella (2002) note that communication and training are paramount. In addition, Epstein and Roy (2001) enumerate seven other actions: environmental R&D, investments in clean technology, investments in social communities, child labour policy, prevention/safety program, ISO certification, and minority programs/affirmative action. As to the control of the correct execution of CSR strategies, de Colle and Gonella (2002) note the necessity of audits and evaluations of CSR activities. In fact, this implies the measurement of social performance by means of benchmarking (Smith, 2003) or concrete indications such as cases of bribery, water pollution, emissions, the ratio of working hours to wages, the percentage of women in senior positions, and the percentage of supplying companies owned by minority groups (Epstein and Roy, 2001). It appears that the implementation of CSR strategies required of concrete and varied actions and measurements.

Strategic competitiveness and above-average returns. Finally, the question rises whether a CSR strategy contributes to the competitiveness of firms. In case a CSR strategy is firm-specific or the company is able to gain benefits from initiatives concerned with social and environmental problems – Burke and Logsdon (1996) argue – organizations can expect five

strategic outcomes: customer loyalty, future purchases, new products, new markets, and productivity gains. In addition, Epstein and Roy (2001) advise us to analyze the reactions of stakeholders and evaluate the long-term financial performance indicated by ratios such as EVA, ROI and ROCE. The measurement of the CSR contribution to corporate competitiveness contains valuable information on the effectiveness of the CSR strategy. This information may result in an adaptation of the corporate course of action during the continuous repetition of the strategic management process. In this context, de Colle and Gonella (2002) argue, CSR strategies need to evolve with the changes in the outside environment and the continuous learning of the organization. This implies that the process of CSR implementation is continuous and therefore its revision or reforms might prove necessary in the time.

What is missing from the literature?

As Table I indicates, none of the four strategic approaches to CSR covers all stages of the strategic management process. Furthermore, these approaches are not based on empirical evidence. Therefore, the literature is lacking an explorative research on the integration of CSR in business models (e.g. Treviño and Weaver, 2003). Such research should not only describe the actions taken in the process of CSR integration, but should also elaborate on the purpose of those actions and the challenges faced in implementing them. These three points of concern in CSR implementation – i.e. actions, their purpose, and successive challenges – are the object of the next section.

METHOD

We have used an explorative case-study methodology to research the integration of CSR principles in business models. This type of methodology proves appropriate for two reasons. First, the relevant literature is more concerned with the contributions of companies to social prosperity, than with the requirements and difficulties of applying the principles of CSR in practice. Second, the few studies that treat CSR as a business strategy have no empirical basis and do not cover the entire process of strategic management. To fill this void in the literature, we have consulted the experiences of practitioners that operate at various levels in the process of CSR implementation.

Case description

Once the method was specified, we had to make concrete decisions on the case study design. The object of our study was the *health, safety and environment (HSE)* policy implementation at *various units of analysis* in *one petrochemical company*. Although this sentence fully describes the design of our study, the critical reader would require explanation on the decisions that guided our choice to explore (1) a proxy of CSR, viz. HSE (2) at different units (3) in one particular company.

We have opted for studying a CSR proxy due to theoretical problems. The social desirability response bias is a common problem for the CSR field (Randall and Fernandes, 1991) that can result either in low response rates, or in answers at odds with the opinion of the respondent. A solution for this problem is the application of an “indirect data collection method” (De Pelsmacker and Van Kenhove, 1996, p. 197). This means, on the one hand, that the method should opt for observation or secondary data analysis. On the other hand, data can be also collected indirectly when studying a proxy of topic sensitive for the respondent. Our logic for using a proxy is that interviewees would feel less offended by questions on an established corporate policy than on a socially sensitive topic such as corporate social responsibility. Yet, the proxy selection also required careful consideration, for it to fit the subject of our study. We have chosen the proxy on three criteria: (a) it covers social and environmental issues; (b) it is more than a response to legal regulations; and (c) it is central for the business model of a visible firm. According to the first criterion, we have chosen to study the implementation of a health, safety and environment policy. The other two criteria were vital in the selection of the company to be studied. We have consulted policy documents of the targeted company to ensure that these were fulfilled. Then, we searched for indications of the prominent integration of CSR principles in the organization selected, and found that:²

- the company is listed in indexes such as the Dow Jones Sustainable Performance Group; the FTSE4GOOD Indexes (Global Index; Europe Index; and UK Index); and the Fortune Reputation Index,
- the company is an endorser of the Global Sullivan Principles,
- the company is a member of CSR Europe,
- the company participated in the CAUX Round Table.

The decision to conduct a study at various levels of analysis was straightforward.

Respondents at different positions inside and outside a company are likely to have different

opinion on what the necessary actions and the difficulties of integrating CSR principles in business models are, as they would interpret this issue from the perspective of their individual interests (Dutton and Webster, 1988) and their experience (Daft and Weick, 1984). To this aim, we questioned diversified group of respondents. From March till June 2003, twenty-seven respondents that “have theoretical relevance” (Glaser and Strauss, 1967) were interviewed. Our research questions required face-to-face interviews with employees at different levels in the company, and we talked to 22 employees from the highest to the lowest levels in the organization. In addition, five external stakeholders were interviewed – a government official, an NGO representative, a contractor, a transportation firm representative, and a representative of the community council in the company (cf. Table II). Each interview lasted for about 70 minutes on average and was held in two languages – Dutch or English – at the respondents’ convenience.

INSERT TABLE II ABOUT HERE

Choosing only one company was the most difficult decision in the design of this study. Although our choice flies in the face of established scholars such as Eisenhardt (1989), we follow Glaser and Strauss' (1967, p. 30) contention that “the number of cases is [...] not so crucial. A single case can indicate a general conceptual category or property, a few more cases can confirm the indication.” This contention perfectly fits the purpose of our study, i.e. to explore and not to confirm. In addition to this, Yin (1994, p. 40) supports the choice of a single case “when an investigator has an opportunity to observe and analyze phenomenon previously inaccessible to scientific investigation.” It is irrelevant to speculate whether colleagues had access to such an investigation or not. However, fact is that (to our knowledge) similar investigations have not yet been published. Moreover, opting for a single case allows the researcher to place a phenomenon in its specific context (Dyer and Willkins, 1991), which would be impossible in multiple cases due to their varied contexts. All these considerations guided us to a study of one case, being aware of the limitations of this choice.

Quality measures

Once the study was designed, we have introduced measures that contribute to the quality of our research.

Reliability. Case study research is reliable if the data collection can be repeated with the same results (Yin 1994, 33). We have attempted a careful documentation of both the data collection procedures and the questions asked (cf. Table III).

INSERT TABLE III ABOUT HERE

In addition to this case study protocol, we have organized the interview notes and documents in a database (Yin, 1994). Taping interviews is another tactic considered a measure of reliability. However, its application in this case could have damaged the quality of the collected data due to the social desirability response bias problem. We have therefore preferred to take notes during interviews and have asked the respondents subsequently to review an e-mailed version of our interview notes, so that they were able to correct any mistakes where necessary. We have observed that this tactic enhanced the enthusiasm with which interviewees have collaborated, and also provided a physical confirmation of the occurrence of these interviews.

Validity. Explorative studies are confronted with two types of validity: constructive and external (Yin, 1994). Two tactics were used in our attempt to guarantee the *constructive validity* of this study, i.e. the correctness of the operational measures being used: (1) triangulation of data collection methods – interviews, observations, internal documents and external documents (cf. Table IV); (2) verification of the case study report by 3 interviewees, in which they judged the accuracy of the data collected (not its conclusions). In addition, we have attempted to interview a minimum of 18 respondents, following Sandberg (2000) and Heugens (2001) who reported variance saturation of the studied phenomenon at respectively 15 and 17 research participants.

INSERT TABLE IV ABOUT HERE

The *external validity* of this study is limited to the specific case of the organization studied. Future research is required to assess the generalizability of our findings.

RESULTS

The analysis of our data followed the advice of Yin (1994, p. 106) that “the best preparation for conducting case study analysis is to have a general analytic strategy [...] relying on theoretical propositions and [...] beginning with a descriptive approach to the case.” Hence, we have organized our findings according to the above-mentioned process of strategic management. The phases of this process have been renamed, so that they become relevant to our CSR topic: viz. (1) the perceptions of CSR in the external environment; (2) the perceptions of CSR in the internal environment; (3) strategic intent and mission on CSR; (4) CSR strategy formulation; (5) CSR strategy implementation; and (6) CSR contribution to strategic competitiveness (cf. Table V). In fact, we have adapted an existing conceptual model to study the integration of CSR. In explorative research of this kind, we can use analyzing tactics for generating meaning (Miles and Huberman, 1984). Willing to make sense of CSR strategic management, we have focused not only on actions integrating HSE in the management model of a company, but also on the purpose of each action and on the challenges faced when implementing.

INSERT TABLE V ABOUT HERE

The perceptions of CSR in the external environment

The studied company engages in a variety of organized consultations with external stakeholders. These external groups include the local communities, industry bodies, government officials at various levels (local, national and international), competitors, business partners, customers, NGOs, academics, and opinion makers. This consultation on existing or emerging HSE issues is organized in various ways: looking for their position on issues in existing documents, in official and/or unofficial meetings, and soliciting spontaneous comments from them. The purpose of doing so is to understand stakeholder expectations related to various HSE issues, and to decide on the appropriate responses.

A challenging question for the company seems to be whether they have collected the opinion of the right people. Moreover, talking to certain stakeholder groups, such as representatives of the local community, cannot possibly result in formal agreements. This challenge is well articulated in a comment of an interviewee (R13) on the organized consultation of members from

the local community and in a comment from a publicly available document by the chairmen of the body for that organized consultation:

R13: As to the [organized consultation of members from the local community], it remains the problem of representativeness. People sometimes come to us, willing to discuss on different topics, and they may comment that agreement reached between [the company] and the [body of organized consultation of members from the local community] is not representative/true for of all neighbors...

Chairman: We felt that we were made welcome as neighbours and that they [the managers] also wanted to achieve something. But we realized that they were also uncertain about the new venture, because even in this first meeting they wanted to make all sorts of formal working agreements. 'We use protocols a lot', they said. 'Well, we don't! Let's just talk', we said. And that's what happened.

This lack of formality implies uncertainty in the effectiveness of managerial decisions. Despite these challenges, the company asserts that talking to such a variety of stakeholders is of vital importance and greatly contributes its ability to make decisions for its HSE performance.

The perceptions of CSR in the internal environment

We found that the company studied organizes the consultation of its employees on its HSE performance in various ways: filling out questionnaires, developing (cross-country and cross-functional) networks and discussing accidents with employees at the operational level. The purpose of this is to facilitate learning from the experience of good and bad practices. Employees build expertise in their job and their repeated actions become routine. Both expertise and routine are a challenge, since they contributes to a resistance to learn about how to improve the overall HSE performance of the firm. Indicative for this are the following quotes:

R5: Yes, we indeed introduced safety improvements for employees and there was quite some resistance. They thought that those measures were not necessary. Besides, they perceived that wearing that equipment could have a negative image to customers. We have some work to do on the employee perception.

R21: ...what is said to employees is not immediately accepted. People are very critical, they are able to think, and they express their opinions.

We feel, this challenge should be carefully considered, as employees are those who bring any policy alive.

Strategic intent and mission on CSR

The centrality of HSE in the business model was an important criterion for choosing the company we have studied and as such is in line with existing CSR literature (cf. Burke and Logsdon, 1996; Smith, 2003). Although Husted and Allen (2004) find insignificant influence of CSR centrality on corporate competitiveness, this criterion is important to this study because its explorative purpose required a well-embedded HSE policy in the business model. Moreover, our data suggests that the centrality of HSE intentions is a strong rationale for improving the overall performance of the company. The strategic intention and mission with respect to HSE is articulated respectively in a definition of key business activities (KBAs) and the HSE policy of the firm. Their purpose is to express corporate commitment to leadership and continuous improvement. But when stakeholders expect such a commitment, they remain critical of overstatements and/or understatement of the company. Another challenge is the fact that current improvements in HSE often become future norms and thus stakeholders' expectations may become more and more demanding over time. Two answers to the following question illustrate these challenges:

Q: Did improvements in the HSE performance in all cases lead to a positive stakeholder reaction?

R3: Not necessarily:

- Some do not have knowledge of improvements
- Some can expect more or faster improvements
- Improvements might impact some stakeholders and not others

R4: They [external stakeholders] don't give a damn about the piece of paper telling the [HSE] policy. Yet they expect of the HSE performance more and more each day.

CSR strategy formulation

The company we have studied developed a rigorous action-plan that articulates the HSE commitments into specific actions. These concrete action-plans translate the global strategy of this multinational into concrete targets that constitute the expected performance of every local production unit. To this end, key performance indicators (KPIs) are identified. However, it seems to be difficult to expect uniform achievement of HSE targets in a multinational:

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R5: It is a difficult process. In developed countries accidents are visible. But in Eastern Europe or Africa there is less awareness of the possible hazards and people do not understand the risks.

Besides, a rigorous HSE policy, as the one studied, requires business partners to adopt the same HSE principles. As a result, some business partners decide that such changes in their performance are impossible, which forces the company to stop working with them, as one of the respondents asserts:

R9: Trying to achieve these [HSE objectives] alone is very difficult, others have to collaborate as well. We create an environment for such collaboration by asking our business partners, customers, and transportation firms to meet the same objectives on HSE. Nevertheless we have audits to monitor if they are following our HSE standards, and if not corrective actions will be taken.

Although this indicates a strong commitment to improve HSE performance, it clearly could cause difficulties for the overall performance of the firm.

CSR strategy implementation

The implementation of CSR strategies is characterized by the resources employed and the control of performance. In the case of this company, the former characteristic consists of external and internal communication on HSE performance, training and equipment that facilitates the improvement of HSE related actions. The purpose of these actions is to develop what is believed to be the right competences for employees in order to meet HSE targets. However, no explicit indication was found of the principles of proactivity and voluntarism (Burke and Logsdon, 1996), which suggests that those are dependent on the specific situation. A big challenge for companies is the frustration of their employees because of using equipment prescribed to enhance HSE performance. Such equipment can frustrate as it takes more time and effort for employees to complete a specific job, but also because employees realize that if they need to use special equipment, the work they do must be very dangerous. Respondents at the operational level note:

R17: Working safely is sometimes difficult and it takes more time.

R19: You are not eager to work with safety equipment! When I need to use materials to prevent accidents, means that I'll be working in a situation with a high risk-factor for me. And this is what I don't want!

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As to how adequate implementation actions are, or whether they are in line with the corporate strategy, HSE performance is controlled in this company by means of internal and external benchmarking of the KPIs, internal and external audits, and observations of unintended unsafe behavior. In addition, the company provides financial incentives to its employees in order to stimulate them to adopt the right attitudes and achieve HSE targets. The overall purpose of measurements, audits, and incentives is to enforce the right implementation of the HSE policy. A major concern for top-management is whether employees fully understand the policy and whether they will successfully adapt to the change in corporate culture. This concern is stated in a publicly available document:

DOC: We also realize that we are expecting a great deal from the 100,000 people we employ in more than 135 countries around the world. They are having to adjust to new ways of doing things and [...] they are sometimes unsure of what is expected of them or of the depth of [corporate] commitment to this different approach to business.

CSR contribution to strategic competitiveness

Burke and Logsdon (1996) proposed that CSR results in customer loyalty, future purchases, new products, new markets and productivity gains, while Epstein and Roy (2001) expect improvement in corporate performance in the long run, due to favorable stakeholder reactions. We find support for all the above contributions to the strategic competitiveness of this firm. Moreover, interviewees believe HSE improvements contribute to increased employee motivation, easier attraction of new employees, and better relationships with groups such as contractors, investors, shareholders, government officials and the local community. Overall the purpose of the HSE policy is to minimize risks, save costs, and enhance intangibles such as reputation, trust and social capital. To make sure that corporate activities are in line with this purpose, the company has adopted the so-called “risk assessment matrix”. This matrix evaluates the chance a certain risk may occur and its potential danger for health, safety and the natural environment. However, the difficulty to measure the exact effect of HSE improvement on the competitiveness of the firm is a major challenge. Evidence for this challenge we find in a publicly available document and in our interview notes:

DOC: Measuring the social aspects of a business is currently less developed and more difficult than measurement of more traditional financial aspects.

R6: HSE is a knowledge management, so databases, product tests, and that kind of stuff are important resources. And it's rather virtual than concrete.

DISCUSSION AND CONCLUDING REMARKS

Our results suggest that even committed and experienced companies face some challenges when integrating CSR principles in their business models. In our opinion, these challenges can be clustered into two groups: the (un)certainty of doing the right thing and the careful integration of CSR in business practice.

In the former group, we cluster the challenges (1) “Do we talk to the right people?”, (2) “A formal agreement is not always possible”, and (3) “Difficult to measure the relationship between CSR and corporate competitiveness.” (cf. Table V) We think that the first two challenges should not worry practitioners. Talking to a variety of people will help managers to enrich their managerial frames (Hamel and Prahalad, 1994). It will improve their knowledge of what is happening out there, of what opportunities and threats managers miss due to their cognitively biased frames (Hart and Sharma, 2004). Therefore our advice is to consult as many people as possible and not to worry that their claims remain informal. The informal opinion of stakeholders can be seen as “alarm bell”: what others think is the corporate responsibility to society and the natural environment (Dentchev and Heene, 2004). Knowing this, managers need to evaluate if these expectations are legitimate, and what are the best responsiveness tactics to legitimate expectations.

As to the third challenge in this group, it remains difficult to measure the CSR contribution to business competitiveness. Its theoretical explanation is still underdeveloped (Jawahar and McLaughlin, 2001) and the empirical results are contradictory (ranging from negative to positive relationships) (e.g. Margolis and Walsh, 2001). This will remain a fertile and difficult research topic. Our advice to practitioners is to develop clear expectations of what the contribution of CSR could be. In fact, managers should define very specifically the strategic importance of CSR either enhancing the intangible assets of their firm (e.g. reputation, social capital, trust) or minimizing production costs (e.g. through better risk management or improved production processes). There might be other contributions of CSR to the competitiveness of firms. The point is that managers with specific expectations to the strategic importance of CSR, we believe, know how corporate social responsibility is related to the business model of their company. This is important because of the need of careful implementation of CSR strategies.

The second cluster of challenges (including all the others cf. Table V) refers to the necessity of being careful when integrating CSR in business models. In other words, those who engage

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in CSR superficially, only because every other company does so, put their firms at a great risk. Much time is needed to engage employees and external stakeholders and thus to gradually develop a sound CSR strategy, especially if the company has not used such a strategy before. But most important is to know what a CSR strategy means and to be clear on why it is necessary. Otherwise managerial interest in CSR is likely to be seen as mere window dressing.

In addition to the careful implementation, one should note the variety of resources that CSR strategies require. Our study identified symbolic resources (e.g. commitment), intangible resources (e.g. communication and trainings), tangible resources (e.g. equipment), and incentives (e.g. financial benefits, audits). Besides, the success of a business CSR strategy seems to depend not only on the adequate understanding of the employees, but also on the willingness of business partners to adopt that sort of strategy. This implies that managers have to deal with a policy, which is complex and interdependent.

Overall, this study shows that the integration of CSR in business model can be approached strategically, however, it is a challenge for managers. Practitioners need to carefully consider the logic of CSR for their business and take their time to construct a sound implementation strategy. The complexity and resource interdependence in realizing CSR strategies require a well prepared planning.

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TABLES TO BE INSERTED

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Table I: Strategic approaches to CSR

The strategic management process	CSR strategies			
Hitt, Ireland, Hoskisson (2003, p.8)	Burke & Logsdon (1996)	Epstein & Roy (2001)	de Colle & Gonella (2002)*	Smith, N.C. (2003)
		Legal requirements Environmental/social benchmarking of competitors		Stakeholder engagement
		Life cycle assessment of (products, process, activities) Social audit	Self assessment Resources	Stakeholder engagement
	Centrality		Commitment from the top; Consistent standards and enforcement	Fit between CSR strategy and the organization or situation
			Code of ethics	Develop a personalized strategy
	Visibility Proactivity Voluntarism	Sustainability actions Sustainability performance	Training Communication Audit and evaluation	Implement (well) CSR programs Measure social performance
	Specificity Customer loyalty, Future purchases, New products, New markets, and Productivity gains	Stakeholder reaction Long term corporate performance	(revision and reform)**	

* The authors distinguish between internal and external approaches of social and ethical accountability. While the former constitutes a CSR strategy, the latter refers to the quality of CSR reporting and is thus not discussed here.

** Revision and reform refers to the closed loop of the process and not to competitiveness, therefore we put these in brackets.

Table II: Interviewees

Nr.	Units of analysis	Respondents
1	policy - group level	4
2	advisory - group level	3
3	execution - group level	3
4	policy - operational level	4
5	advisory - operational level	4
6	execution - operational level	4
7	external stakeholder	5

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Table III: Interview protocol

Policy objectives	1. What are the objectives of company A with the HSE policy?
	2. What are the targets of the HSE policy at company A?
	3. Have the HSE objectives been met, in your opinion?
Policy communication	4. How important is the communication of HSE objectives to employees?
Definition of the term “stakeholders”*	Stakeholders are all groups who affect or are affected by the actions of company A (Freeman, 1984). <ul style="list-style-type: none"> • Internal stakeholders are groups or individuals <u>employed</u> by company A. • External stakeholders are groups or individuals <u>not employed</u> company A.
	5. How important is the communication of HSE objectives to external stakeholders?
Stakeholder salience	6. How is the stakeholder dialogue regarding the HSE objectives organized?
	7. What do stakeholders expect of the HSE policy of company A?
	8. Have these stakeholder expectations been met?
	9. Which groups do you perceive as being a stakeholder of company A?
Costs devoted to HSE	10. What kinds of resources does company A devote to the HSE?
	11. Are the resources devoted adequate for the HSE objectives?
	12. How are HSE expenditure and overall profitability balanced in company A?
Benefits from HSE	13. What kinds of benefits are associated with the HSE objectives of company A?
	14. Did improvements in the HSE performance always lead to a positive stakeholder reaction?

* Because the word “stakeholder” might have been unfamiliar to some of the respondents, we gave them this definition exactly at that place in the interview.

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Table IV: The information gathered

Nr.	Information source	Information quantity
1	Interviews	176 A4 pages with Times New Roman Font, 12 point, 1.5 spaced
2	Observation notes	3 pages
3	Internal documents	
a.	Documents on the HSE policy and management system	12 documents, about 148 A4 pages
b.	Internal press releases and speeches	14 documents, about 65 A4 pages
c.	Access to the e-mail box of the HSE Policy & Issues Co-ordinator	1 hour
d.	Documents on the overall performance of the company	7 documents, 238 A4 pages
e.	Corporate website	Passim
4	External documents	
a.	Reports, newspaper- and journal articles	12 documents, 93 A4 pages
b.	Reports on the local environment	7 document, 220 A4 pages; and a CD-rom

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Table V: A strategic integration of CSR in business models

The strategic management process of CSR	HSE Management System	Purpose	Challenges
	Organized consultation of external stakeholders	Understand stakeholder expectations	Do we talk to the right people? A formal agreement is not always possible
	Organized consultation of employees	Learn from incidents and best practices	Contradiction of expertise or past practices?
	Policy and definition of KBAs	Commitment to leadership and continuous improvement	Creating higher expectations or shifting the norm? Making overstatements? Making understatements?
	Action-plan and KPIs	Translate commitment into concrete targets	Uniform action across different locations What about the strategy of business partners?
	Resources: internal and external communication; training; equipment	Development of required competencies	It is frustrating for employees, as it needs more time, effort and signals danger?
	Control: incentives; observation for unintended unsafe behavior; audits; external benchmarks; internal benchmarks	Enforce right implementation	Would employees understand correctly the policy and be able to successfully adapt to the changed corporate culture?
	Risk assessment matrix	Risk minimization; cost savings; enhancing intangibles (eg. reputation, trust, social capital)	Difficult to measure the relationship

NOTES

¹ Husted and Allen (2004) provide the first test of the Burke and Logsdon (1996) propositions. They administered a questionnaire to Spanish firms selected from the Dicodi Database on size, following the criteria of sales and number of employees. They report 110 responses from the 500 questionnaires distributed.

² These indications were collected on 18 December 2002.



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