Practice Influencing Theory: A Review of The Definition, Practice, & Arguments For CSR

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This paper takes a closer look Corporate Social Responsibility (CSR), focusing on how firms are practicing it as well as the theoretical arguments for it. It begins by exploring the diversity that exists in the understanding of CSR — ranging from the view that it should be limited to the voluntary activities of firms to those views that embrace social activity. The aim here is to clarify the concept of CSR and to better appreciate the CSR activities of firms. Subsequently, the paper proposes eight major arguments for CSR, which include four traditional arguments and four newer ones. Judging from what firms are undertaking as CSR, the paper concludes that many corporations have taken a rather brought view of CSR and that is why the arguments for CSR must go beyond the traditional arguments. It would, therefore, only be CSR activities of firms are actually influencing the development or evolution of CSR theory.

Corporate Social Responsibility (CSR) is increasingly becoming popular, not just within academic circles but even more importantly within corporate boardrooms. The CSR fever has also caught many consumers, some of whom are insisting that companies that serve them must be good corporate citizens. As the discussions about CSR continue, it is sometimes difficult to identify whether it is the academic debate about CSR that is influencing and defining the practice of CSR within corporations, or it is the CSR activities of corporations that are influencing the academic debate. This paper looks into this question by reviewing the prevailing definitions of CSR, the CSR activities of corporations, and finally the arguments for CSR.

The paper begins by exploring the diversity that exists in the understanding of CSR — ranging from the view that it should be limited to the voluntary activities of firms to those views that embrace social activity. The aim here is to clarify the concept of CSR and to better appreciate the CSR activities of firms. Subsequently, the paper proposes eight major arguments for CSR, which include four traditional arguments and four newer ones. Judging from what firms are undertaking as CSR, the paper concludes that the CSR activities of firms are actually influencing the development or evolution of CSR theory.

DEFINING CORPORATE SOCIAL RESPONSIBILITY

CSR is relatively new concept with active discussions and research having taken place for only about half a century. In spite of this, there is a vast and growing body of literature on the subject (Crane, McWilliams, Matten, Moon, & Siegel, 2008; McNichol, 2001; Carroll, 1979). Unfortunately, instead of this literature clarifying the concept of CSR, it has added to its complexity (Morsing & Beckmann, 2006; Lantos, 2001). Both theorists and practitioners continue to debate what CSR actually is, or better put the “boundaries” of CSR (Lantos, 2001).

With such a vibrant discussion taking place, it is vital to examine what CSR is all about. Matten and Moon (2008) argue that defining CSR is not easy for three reasons:

1. “CSR is an essentially contested concept, being appraisive (or considered as valued), internally complex, and having relatively open rules of application” (Matten & Moon, p. 405).

2. CSR is seen as an “umbrella term.” The concept overlaps with some concepts, and is also synonymous with other conceptions of the relationship between business and society (Matten & Moon, p. 405).

3. CSR has clearly been a “dynamic phenomenon” (Matten & Moon, p. 405). This particular point of view is also supported by Morsing and Beckmann (2006) as well as Carroll (1999).

The above difficulties notwithstanding, researchers agree that CSR encompasses the relationship between business and society. The “society” within which a business operates determines the number of stakeholders to which the organization has a responsibility. However, there have been disagreements as to whether or not businesses have a responsibility to their society, or better put, what the nature of a business’ societal relationships or responsibilities should look like (Matten & Moon, 2008; Morsing & Beckmann, 2006). This debate goes back to the early development of CSR as an academic topic.

One of the earliest theorists was Donham who wrote in 1929 that businesses were yet to recognize the magnitude of their activities on future civilizations (Cochius, 2001). This did not generate much debate until Bowen (1953) came out with his book, Social Responsibility of the Businessman. Bowen’s work sparked a vibrant debate on the role of business in society, a debate that is only getting more interesting, in spite of the fact that advocates of CSR are clearly in the majority (Garriga & Mele, 2004). Since the publication of Bowen’s book, the term “social responsibility” has evolved to “corporate social responsibility,” and others prefer “strategic corporate social responsibility” (Lantos, 2001; Asongu, 2007).
Beginning with the last quarter of the 20th century, CSR has been serving “as a core construct, but yields to or is transformed into alternative thematic frameworks” (Carroll, 1999, p. 268). This evolution in the understanding of CSR, as is the case with other theoretical concepts, is often necessary and highly desirable. This is especially true in the business context, where there are rapid changes. As societal values and norms evolve, “theoretical works must continually question the empirical evidence of the past and how relevant it is in this day and age” (Moisling & Beckmann, 2006, p. 17).

As a “dynamic phenomenon” (Matten & Moon, p. 405), CSR is characterized by a rich diversity of views as to the role of business in society. These views have been summarized by Lantos (2001) in the following table:

### Table 1: Spectrum of Viewpoints on the Role of Business in Society

<table>
<thead>
<tr>
<th>Author</th>
<th>Position on Business’ Role in Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albert Carr</td>
<td>Pure Profit-Making View – Economic CSR: Business has lower standards of ethics than society and has no social responsibility other than obedience to the law.</td>
</tr>
<tr>
<td>Milton Friedman</td>
<td>Constrained Profit-Making View – Economic CSR: Business should maximize shareholder wealth, obey the law, and be ethical.</td>
</tr>
<tr>
<td>R. Edward Freeman</td>
<td>Socially Aware View – Ethical CSR: Business should be sensitive to the potential harms of its actions on various stakeholder groups.</td>
</tr>
<tr>
<td>Archie Carroll</td>
<td>Community Service View/Corporate Social Performance Perspective – Altruistic CSR: Business must use its vast resources to do social good.</td>
</tr>
</tbody>
</table>

Source: Lantos (2001, p. 11).

The above table highlights the possibility of categorizing the various views on the role of business in society into four broad schools of thought. These comprise of the “pure profit-making view,” the “constrained profit-making view,” the “socially aware view,” and the “community service view/corporate social performance perspective” (Lantos, 2001, p. 11).

As the chief exponent of what Lantos (2001) calls the “pure profit-making view” or “economic CSR,” (p. 11), Carr (2006) argues that businesses are not human and should not be subjected to the same ethical standards as would a person. Based on this premise, Carr states that businesses have no social responsibility other than obedience to the law. It is probably because of this type of argument that laws are increasingly being enacted not only in the U.S., but also in Europe and elsewhere to compel companies to be more socially accountable for their actions (Eckert, 2008).

Friedman (1962) also expounds the economic view of CSR, but his is a more “constrained profit-making view,” argues that corporations should maximize shareholder wealth, obey the law, and be ethical (Lantos, 2001, p. 11).

The “socially aware view” or “ethical CSR” as Lantos (2001, p. 11) will call it, is championed by Freeman (1984). According to the socially aware view of CSR, corporations should be sensitive to the potential harms of its actions on various stakeholder groups. The social responsibility of the corporation in this sense will be to avoid any possible harm, be it direct or indirect, that it could cause to its stakeholders, particularly its customers, employees, and the environment.

As rendered by Lantos, this appears to be more of a passive approach to CSR, which many other supporters of the ethical argument for CSR will judge to be insufficient. Many advocates of moral CSR and even corporate executives are taking a more proactive approach by actually doing things that increases customer value, improve upon the conditions of employees, and improve upon the environment. As Lawrence, Weber, and Post (2005) will argue, this is strategic CSR, which should give the company a competitive advantage.

The “community service view” or “corporate social performance perspective” is again described by Lantos (2001) as “altruistic CSR” (p. 11). According to this view, corporations ought to use their vast resources to do social good. Lantos equates altruistic CSR with corporate philanthropy or charity, and argues that it should be discouraged because it doesn’t rise to the level of “strategic CSR” (p. 11). His conclusion that CSR activities carried for purely altruistic reasons should not qualify as CSR in a strategic sense, has been rejected by many CEOs who continue to practice corporate philanthropy.

In spite of the multiplicity of views regarding CSR, the notion that companies must look beyond immediate profits to their role in society is gaining traction. Many large corporations have embraced the concept of CSR and according to Cochius (2006) these corporations link CSR to ethical values, transparency, employee relations, compliance with legal requirements, and overall respect for the communities in which they operate. As McComb (2002) rightly observes, the concept now goes beyond the occasional community service action. Therefore, CSR is a corporate philosophy that drives strategic decision-making, partner selection, hiring practices and, ultimately, brand development. This definition fails to specifically mention the need to protect the environment, which many other authors will agree is an important component of CSR.
In recognition of the importance of corporate protection of the environment, The Institute of Directors, a UK-based trade group, presents a broader definition of CSR, which is based on the fact that corporations ought to go beyond their legal obligations to manage the impact they have on the environment and society. The Institute states that CSR should include how organizations interact with their employees, suppliers, customers, and the communities in which they operate, as well as the extent they attempt to protect the environment (Lea, 2002).

Furthermore, the University of Miami (2007) explains that CSR is a means of analyzing the inter-dependent relationships that exist between businesses and economic systems, and the communities within which they are based. CSR is also a means of discussing the extent of any obligations a business has to its immediate society; a way of proposing policy ideas on how those obligations can be met; as well as a tool by which the benefits to a business for meeting those obligations can be identified. What makes this definition better than other definitions is that it acknowledges the fact that corporations should contribute to society. It also accepts the fact that making a profit as a result of some investment in CSR is not only permissible, but also an expected outcome.

There are a number of related terms or vocabulary often associated with CSR. It should not be surprising to have various authors refer to CSR differently: corporate or business responsibility, corporate or business citizenship, good corporate citizenship, community relations, and social responsibility. Other closely related concepts that are also contained in the broad CSR perspective include: social and environmental auditing, stakeholder theory, business ethics, environmental sustainability, sustainable development, sustainability, strategic philanthropy (cause-related marketing), corporate governance, or strategic corporate social responsibility. From the available literature, it is fair to conclude that consistent definitions, labels and vocabulary have yet to be solidly established in the field of CSR.

From the foregoing discussions it is clear that CSR is the acknowledgement by companies that they should be accountable not only for their financial performance, but for the impact of their activities on society and/or the environment. It is also clear that discussions surrounding the concept are still at an evolutionary stage, although the principles of CSR have long been part of business strategy. In spite of the lack of conclusive unanimity about CSR, it might be safe to conclude for the purposes of this paper, that CSR requires that organizations, especially corporations, consider the interests of society by taking responsibility for the impact of their activities on their stakeholders and the environment. This should not be limited to a firm’s legal obligations, but rather it should include the voluntary social activities of the firm.

CSR ACTIVITIES

CSR activities, especially the nonobligatory ones, are many and diverse. Just as the concept of CSR itself, activities associated with CSR have not been unanimously agreed upon. Beyond the divide between the activities obligated by law and the nonobligatory or voluntary responsibilities of firms, there is a growing list of activities that should be considered as CSR. The list of CSR activities can be grouped into donation of money, products, employee time, and services; conducting business in an ethical and sustainable manner; establishing charitable units separate from the corporation’s main activities; satisfying the social concerns of its stakeholders; and cooperating with nongovernmental organizations (NGOs) to achieve certain social goals.

Donation of Money, Products, Employee Time, and Services

In the various writings of Carroll (1979, 1991, 1999, 2001, 2004), he has consistently argued that businesses must use their vast resources to do social good. This view is supported by many including Porter and Kramer (2006). For many of these authors who posit a community service view, they generally support the idea that firms should donate their money, products, services, and employee time to their community. Many corporations agree judging from the fact that many do exactly this. Although Lantos (2001) states that such altruistic donations from corporations do not constitute strategic CSR, very few companies seem to be bordered by that argument.

Jones (2005) points out that less than two weeks after Hurricane Katrina ravished the Gulf Coast on August 29, 2005, corporate donations to support relief efforts reached $547 million. Furthermore, 145 companies had each pledged $1 million or more in cash and products (U.S. Chamber of Commerce, as cited by Jones, 2005, p. 1). In all, 396 companies had donated a total of $409 million in cash and products, with the largest contributions coming from multinationals – Wal-Mart, Office Depot, and General Electric. In addition, U.S. companies collected another $138 million in contributions from customers, bringing the total to $547 million and it is estimated that final corporate donations exceeded $1 billion (Hurricane Katrina, 2008). In other recent major disasters, corporate donations reached $565 million raised for tsunami relief, and $750 million for victims of the 9/11 terrorist attacks (Jones, 2005, p. 1). In addition to these cash donations, The Business Roundtable said its member companies had contributed over $56 million in products during the first two weeks following Hurricane Katrina (Jones, 2005, p. 1).

In the months and years that followed Hurricane Katrina, many corporations also donated their employees’ time and offered various free services to the victims of the disaster (Hurricane Katrina, 2008). Corporations do not only make these donations during times of disaster; many are
known to make various charitable donations to academic institutions, community projects, health projects, sporting events, individuals, and many other social causes.

**Conducting Business in an Ethical and Sustainable Manner**

Many corporations claim that they conduct business not only ethically, but also in a sustainable manner. Virtually every corporation has been quick to tout their efforts towards sustainability. For instance, Starbucks states that it uses an integrated approach to sustainable farming that includes paying farmers premium prices for sustainably grown coffee, employing C.A.F.E (Coffee and Farmer Equity) practices, a set of sustainable buying guidelines, providing access to affordable credit, investing in social development, and purchasing conservation and certified coffees (Starbucks, 2005, p. 1).

The Body Shop is another excellent example of an MNC that has successfully positioned itself as an ethical and sustainable company. It claims that its beauty and cosmetics products are naturally inspired and ethically produced. All of its products are supposed to be “animal cruelty free,” and many with “fairly traded natural ingredients” (Body Shop, 2008, p. 1). The Body Shop also touts its commitment to human rights, especially women rights, which includes “the right to feel fabulous” (p. 1). Still on ethics, it states that its products are “honestly marketed, and priced so that everyone can afford them” (p. 1). Basically, its business runs on five values – protection of the planet, supporting community trade, against animal testing, defending human rights, and activating self esteem.

**Establishing Charitable Units Separate from the MNC’s Main Activities**

Lantos (2001) observes that many companies are creating separate units, distinct from their corporate activities, dedicated to charitable activities. Although he has argued that such corporate charity or philanthropy should not be classified as CSR in a strategic sense, many corporations have simply ignored such counsel by funding activities that do not bring immediate returns to their bottom-line. According to the Foundation Center (2008), the top 10 U.S.-based corporate foundations by total giving in 2006 were as follows:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Foundation (State Headquartered)</th>
<th>Total Giving in US$</th>
<th>As of Fiscal Year End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aventis Pharmaceuticals Health Care Foundation (NJ)</td>
<td>$221,676,217</td>
<td>12/31/06</td>
</tr>
<tr>
<td>2</td>
<td>The Bank of America Charitable Foundation, Inc. (NC)</td>
<td>$144,833,778</td>
<td>12/31/06</td>
</tr>
<tr>
<td>3</td>
<td>Wal-Mart Foundation (AR)</td>
<td>$128,043,643</td>
<td>01/31/07</td>
</tr>
<tr>
<td>4</td>
<td>GE Foundation (CT)</td>
<td>$88,252,767</td>
<td>12/31/06</td>
</tr>
<tr>
<td>5</td>
<td>The JPMorgan Chase Foundation (NY)</td>
<td>$79,895,591</td>
<td>12/31/06</td>
</tr>
<tr>
<td>6</td>
<td>Citi Foundation (NY)</td>
<td>$73,881,690</td>
<td>12/31/06</td>
</tr>
<tr>
<td>7</td>
<td>The Wachovia Foundation, Inc. (NC)</td>
<td>$64,418,266</td>
<td>12/31/06</td>
</tr>
<tr>
<td>8</td>
<td>The Wells Fargo Foundation (CA)</td>
<td>$64,359,430</td>
<td>12/31/06</td>
</tr>
<tr>
<td>9</td>
<td>ExxonMobil Foundation (TX)</td>
<td>$62,495,330</td>
<td>12/31/06</td>
</tr>
<tr>
<td>10</td>
<td>Verizon Foundation (NJ)</td>
<td>$59,847,733</td>
<td>12/31/06</td>
</tr>
</tbody>
</table>

Source: Foundation Center (2008)

Although The Ronald McDonald House and The Body Shop Foundation did not feature on the above list, their activities clearly illustrate some of the best practices of corporate foundations. The Ronald McDonald House, a charitable arm of the McDonald’s Corporation, is a conscious effort by the latter to create goodwill in its locale. Named after the food chain’s most famous mascot, Ronald McDonald, is an independent charitable foundation that provides free lodging to parents and relatives of children confined in nearby hospitals across the globe (Lantos, 2001). The Body Shop Foundation, launched in 1990, gives financial support to pioneering, frontline organizations that otherwise have little hope of conventional funding. The Foundation’s focus is to assist those working to achieve progress in the areas of human and civil rights, as well as environmental and animal protection (Body Shop, 2005).
Satisfying the Social Concerns of Stakeholders

Most large corporations do make a conscious effort to satisfy the demands of their shareholders. One reason for this is that these corporations have the financial means to satisfy some of the concerns of their stakeholders (Cochius, 2006). Another contributing factor is that large corporations, especially MNCs, are an easy target for social activists and NGOs who want to emphasize a point or correct some wrong behavior. An excellent example is the Coca-Cola Company that has been targeted for its activities in Africa, Asia, and Latin America (Stop Killer Coke Newsletter, 2007). Either as a business strategy or simply because of stakeholders’ pressure, corporations are increasingly becoming socially responsible by improving working conditions, being more environmentally friendly, donating to various causes etc.

In Europe, some corporations have started coming together to share their expertise and diversity thereby creating a platform upon which CSR activities are undertaken. For instance, corporations are sharing their CSR best practices between each other (CSR Europe, 2008). Furthermore, some companies are now working with partner organizations (especially NGOs) and relevant stakeholders to seek innovative solutions to socio-economic challenges through joint operational projects.

Thanks to the increasing interaction between corporations and their stakeholders, many socially responsible corporations are now working on themes and issues such as innovation and entrepreneurship, skills and competence building, equal opportunities and diversity, health and safety, environmental protection, stakeholder engagement, leadership and governance, communications and reporting, and business partnerships (CSR Europe, 2008).

Cooperating With Non-Governmental Organizations

Other CSR activities include affiliations with non-profit organizations and advocacy groups. For example, one can highlight the CSR activities of Hallmark in India. Hallmark states that as a socially responsible company, they have a duty to contribute to the overall development of society. Specifically, they lend support to Siva Sakthi Homes, which is an orphanage and refuge center for mentally challenged children and adults. These homes offer training to mentally challenged persons so that they develop the basic proficiency in communication, self care, home living, social skills, community use, self direction, health and safety, functional academics, leisure time activities, physiotherapy, speech therapy, music therapy, horticultural therapy, etc. Hallmark has also built shelters to house the socially underprivileged members of the society – these include physically and mentally handicapped personnel. In addition, Hallmark manages a Gowshala, which is a dedicated care centre for old and most often, abandoned cows. The unit presently takes care of over a 100 stray cattle (Hallmark Infrastructure, 2007).

After examining the nonobligatory CSR activities of corporations, it is important to consider some of the arguments that have been advanced in support of corporate engagement in CSR activities. The first four arguments can be categorized as the traditional arguments, while the last four are the newer arguments.

ARGUMENTS FOR CSR

Proponents of CSR have advanced many arguments for its justification. Porter and Kramer (2006) identified four traditional arguments for CSR – moral obligation, sustainability, license-to-operate, and reputation. However, they argue that these four arguments have become obsolete, and that the traditional arguments ought to be replaced by one fundamental argument – the shared value argument. Others have suggested that there are other legitimate arguments for CSR including the stakeholder theory (Cochius, 2006) as well as the innovation (Lawrence, Weber, & Post, 2005) and marketing (Lantos, 2001) arguments.

Moral Obligation Argument

Those who support the moral obligation argument, which is also called the ethical argument, suggest that companies have a duty to be good corporate citizens and to do the right thing. The ethical argument requires that firms fulfill their ethical duties (Carroll, 1979). Corporations should see themselves as being socially responsible to any individual or groups that are likely to be directly affected (physically, mentally, economically, spiritually, emotionally, or otherwise) by the activities of the corporation. It is possible that even where two parties in a transaction are not harmed, other parties (stakeholders) might suffer some harm; so, companies must look into every moral ramification of their activities. Lantos (2001) argues that even though all harm cannot be avoided, morally conscious companies must try to minimize harm.

Furthermore, ethical edicts need to be respected, even when it is not to the firm’s immediate financial advantage. In this sense, actions should be taken because they are right, and not necessarily because they are profitable (Chewning, Eby, & Roels, 1990; Goodpaster, 1996; Miller & Ahrens, 1993). In addition to the fact that it is always good to do the right thing, unethical behavior could threaten the welfare of the company and that of others in society (Boartright, 2000). This argument is in direct opposition to the view that the social responsibility of firms is only to increase its profits (Friedman, 1962). Arguing against such a one-sided view of business, Carroll (1979) states that the social responsibility of business includes economic, legal, ethical, and discretionary expectations by society.

Lantos (2001) holds that ethical CSR, which includes avoiding societal harms, is obligatory, but says it is wrong for a publicly-held company to do good at the possible
expense of its stakeholders (altruistic CSR). He concludes that companies should limit their CSR activities (or philanthropy) to good works that are also good for the business – strategic CSR. Kotler and Lee (2005), like other supporters of the moral argument would take a slightly different position, arguing basically that doing good is also good for business.

As a developing area of business studies, CSR is continually being defined and re-defined by scholars and various interest groups. One of these groups, the World Business Council for Sustainable Development has posited a definition of CSR, which has been broadly accepted by CSR practitioners and advocates. It states that CSR is "The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (Sustainable Development Unit, 2007, p. 1). Unlike the view that corporation should concentrate on profits alone (Friedman, 1962), this definition emphasizes the corporate ethical responsibility. Thus conceived CSR defines any program or activity engaged by a corporation that does not directly bring profit and at the same time create tangible and/or intangible benefits for both the recipients and the corporation itself.

**Sustainability Argument**

The sustainability argument emphasizes environmental and community stewardship (Porter & Kramer, 2006) and its exponents have included various NGOs. Sustainability is defined as balancing the fulfillment of human needs with the protection of the natural environment so that these needs can be met not only in the present, but in the indefinite future (Sustainable Development, 2008). The Brundtland Commission coined what has become the most often-quoted definition of sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations, 2007).

While the common perception of sustainability focuses on the environmental aspect alone, the field of sustainable development can be conceptually broken into four constituent parts – environmental sustainability, economic sustainability, social sustainability and political sustainability. Generally, sustainable development policies encompass three general policy areas – economic, environmental and social. In support of this tri-dimensional approach to sustainable development policies, the 2005 World Summit Outcome Document, refers to the "interdependent and mutually reinforcing pillars" of sustainable development as economic development, social development, and environmental protection (Sustainable Development, 2008, p. 1). A fourth dimension (cultural diversity) was introduced in 2001 by UNESCO in a document called The Universal Declaration on Cultural Diversity, which stated that "cultural diversity is as necessary for humankind as biodiversity is for nature," and "one of the roots of development understood not simply in terms of economic growth, but also as a means to achieve a more satisfactory intellectual, emotional, moral and spiritual existence" (Sustainable Development, 2008, p. 1).

Sustainable development and green development should not be used interchangeably because green development prioritizes environmental sustainability over economic, social, political, and cultural sustainability. It is also worthwhile stating that there are situations where green development might not be practically applicable, while other aspects of sustainable development can still improve overall sustainability. Sustainable development is applicable to a broad category of activities (United Nations, 2007).

As evident in the diagram below, the scheme of sustainable development involves three main components – the environment, economics, and society.

**Figure 1: Scheme of Sustainable Development: At the Confluence of Three Preoccupations**

![Diagram](Source: Sustainable Development (2008))
True sustainability occurs at the confluence of these three preoccupations (Sustainable Development, 2008). An argument for sustainability that is based on environmental considerations alone, and void of economic and social considerations would likely not be viable, equitable, and bearable. The same argument applies for purely economic or social considerations. Also, arguments that are based on environmental and social considerations, but ignore economics, will likely be bearable, but are unlikely to be viable and equitable. Social and economic considerations that do not take care of the environment will like be equitable, but would tend not to be viable and bearable. The point here is that environmental, social, and economic considerations are vital in any scheme of sustainable development.

Large corporations have become an easy target by individuals and organizations calling for greater sustainability. Porter and Kramer (2006) point to the fact that activists are targeting the most visible and successful companies in order to draw attention to specific issues. A good example is Nestle, the world’s largest purveyor of bottled water, which has become a target in the debate about access to fresh water. Other companies including Coca Cola (Schwartz, 2007) and Pepsi Cola have also been the targets of activists in the sustainable movement. But all the talk about ecological preservation and defense will not yield any practical outcomes if it is detached from the health and well being of humans and the planet. Sustainable development, therefore, is imperative to the protection of the planet and the planet’s possessions (Eckert, 2008).

License-to-Operate Argument

The license-to-operate argument is sometimes called the legal argument, but Porter and Kramer (2006) would be reluctant to equate the two. These authors believe that the notion of license-to-operate stems from the fact that every organization needs tacit or explicit permission from governments, communities, and other stakeholders. Eckert (2008) views this argument from a more legal perspective, distinguishing between hard and soft laws that companies face in the global marketplace. Hard or binding laws are laws that a company has to obey in order to function in a given environment or society, while soft laws are mainly regulations that firms could ignore and still be functional. The latter are mostly international treaties that do not have an enforcing mechanism, or voluntary commitments on the part of corporations.

In the late 1960s and early 1970s, growing concerns in the United States about social and ecological issues led to the passing of various laws to deal with the issues. These hard laws addressed issues related to pollution and hazardous waste, workplace safety, and consumer protection (Tschopp, 2005). In addition, there were rules calling for mandatory reporting. In Europe there is also a strong demand for hard laws to regulate the environment and enforce corporate responsibility. The European Union (EU) has mandatory reporting and although these rules exist, each EU member state has developed its own rules and regulations further aimed at strengthening or ensuring corporate responsibility (Eckert, 2008).

An example of a soft law is the Equator Principles – a benchmark for the financial industry to manage social and environmental issues in project financing. Such a process should include clarification of CSR beyond the project fence line in the mitigation of potential problems at regional levels. Utzinger et al. (2005) have proposed the establishment and running of a longitudinal demographic surveillance system to facilitate the monitoring and evaluation of impacts on health, social wellbeing, and equity in the broadest possible manner.

Reputation Argument

Many advocates of CSR think the reputation (or brand image) argument is a very strong one. Porter and Kramer (2006) pointed out that the argument is “used by many companies to justify CSR initiatives on the grounds that they will improve a company’s image, strengthen its brand, enliven morale, and even raise the value of its stock” (p. 3). There are other proponents on CSR who are not at ease with companies doing good just for the sake of reputation. Lantos (2001) calls such behavior altruistic CSR, and argues that while ethical CSR, which includes avoiding societal harms is obligatory, it is wrong for a publicly-held company to do good at the possible expense of its stakeholders (altruistic CSR). He concludes that companies should limit their CSR activities (or philanthropy) to good works that are also good for the business – strategic CSR.

It is unnecessary to be splitting hair over altruism and philanthropy; instead every CSR activity should be strategic in nature. CSR activities should be designed to improve the company’s bottom line – even if it is in the future. A seemingly altruistic act like spending money on community projects and donating to certain programs such as music and the arts can be a rewarding venture. This is because customers tend to view such sponsors very positively. No wonder some companies encourage their employees to volunteer in community work thereby creating goodwill in the community. While some may dismiss this as mere philanthropy or altruistic CSR (Lantos, 2001), it is reasonable to see this as legitimate CSR because it can enhance the reputation of the company and strengthen its brand.

There is no need to separate charity from the list of CSR activities. However, charity, philanthropy, and altruism should not be considered a type of CSR or an argument for CSR in its own right. Depending on the motive for the act of charity, it could be seen as a morally responsible thing to do (ethical argument) or as a means of improving the brand identity of the sponsoring company (brand image argument).
There are many studies to show that CSR can be a sort of "reputation insurance" (Pelozz, 2005, p. 1). It has been shown that American consumers, as well as consumers elsewhere, would prefer buying products from a socially responsible company than one that is irresponsible – price and quality being equal (Pelozz, 2005). It is, therefore, not surprising that many companies seek to be seen as socially responsible, even if for public relations purposes only. This has led to a ratings game, where various organizations are measuring and publicizing social performance. The criteria used for these rankings vary widely. For example, the Dow Jones Sustainability Index includes aspects of economic performance in its evaluation, and it weighs customer service more heavily than actual acts of good corporate citizenship. On the other hand, the European-based FTSE4Good Index contains no measure of economic performance or customer service. Even where the same criteria are used, it is not uncommon to notice that the items are still weighted differently in the final scoring (Porter & Kramer, 2006). This has led to the conclusion that CSR ratings are not a good tool for predicting or measuring corporate social performance (Chatterji et al., 2007).

Despite the fact that Chatterji and Levine (2006) among others have pointed to the irresponsibility in measuring corporate responsibility, the ratings game continues and relies on the ability to measure CSR. For instance, as of early 2008 Coca Cola had been dropped from the Broad Market Social Index (BMSI) list of socially responsible companies prepared by KLD Research & Analytics, an independent investment research firm that is considered a world leader in defining corporate responsibility standards. KLD based its decision on a number of issues including labor and human rights in Columbia and environmental issues in India. This has led to the divestiture of 1.25 million shares of Coca-Cola stock by TIAA-CREF (Teachers Insurance and Annuity Association - College Retirement Equities Fund)'s $9 billion CREF Social Choice Account, one of the nation's largest socially screened fund for individual investors (Stop Killer Coke Newsletter, 2007).

Shared Value Argument

The shared value argument was introduced by Porter and Kramer (2006) as an attempt to replace the four aforementioned traditional arguments for CSR. DiRomualdo (2007) states that the premise of the shared value argument is based on the fact that business and society need each other. Many companies are doing much to improve the social and environmental consequences of their activities, yet these efforts have not been nearly as productive as they could be. Porter and Kramer (2006) identify two reasons for this problem:

1. There appears to be a conflict between business and society, when clearly the two are interdependent.

2. Many companies are pressured to view CSR in generic ways instead of in a way most appropriate to each company's strategy.

Based on the above reasons, Porter and Kramer (2006) argue that the prevailing approaches to CSR are so fragmented and disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society. Business and society should see their relationship as that of cooperation, not antagonism – that of shared value. Based on this conclusion, Porter and Kramer (2006) suggest that if corporations were to analyze their prospects 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, constraint, or charitable deed; rather CSR could be a source of opportunity, innovation, and competitive advantage.

In defense of the need for CSR, Porter and Kramer (2006) asserts that a healthy society ultimately creates expanding demand for business, as more human needs are met and aspirations grow. Companies that pursue profit only as Friedman (1962) would counsel, at the expense of the society in which they operate, will find their successes to be illusory and ultimately temporary. As such, the mutual dependence of business and society implies that both business decisions and social policies must follow the principle of shared value – that is, the choices made must benefit both sides. "If either a business or a society pursues policies that benefit its interests at the expense of the other, it will find itself on a dangerous path" (DiRomualdo, 2007, p. 1).

The shared value argument is formulated with the assumption that for CSR to really work, "it must be viewed from a strategic standpoint and rooted in a broader understanding of the inter-relationship between a corporation and society, while at the same time anchoring it in the strategies and activities of specific companies" (DiRomualdo, 2007, p. 1). To support this view, Porter and Kramer (2006) present an analytical framework for identifying the points of intersection between business and societal interests. They identify two main categories – the inside-out linkages and outside-in linkages. The inside-out linkages involve how companies affect the societies in which they operate through their operations in the normal course of business. Meanwhile, the outside-in linkages involve the ways in which external social conditions influence corporations.

As corporations pursue their daily activities, they are likely to encounter numerous opportunities for socially responsible actions. The challenge for corporations is to choose which social issues to address. Porter and Kramer (2006) advocate that they select the issues that intersect with their own particular business. "The essential test that should guide CSR is not whether a cause is worthy but whether it presents an opportunity to create shared value – that is, a meaningful benefit to society that is also valuable to the

Although Porter and Kramer (2006) have argued that all previous arguments for CSR could be grouped under one or more of the four traditional arguments, they have also argued that the four arguments are obsolete, and that the only true argument for CSR is the shared value argument. They note that corporations and societies have shared values, which better serve each if they cooperate rather than fight each other.

**Stakeholder Argument**

Shareholders and other stakeholders have become increasingly vocal about the direction that companies should take. While Carroll (1979; 1991) and Wood (1991) are reputed for their analysis of the responsibility of business towards society, the real pioneer is Freeman (1984) who is credited for developing the stakeholder theory (Cochius, 2006). Stakeholder theory is based on the idea that social and ethical issues can be resolved and the demands of society and shareholders accounted for through effective stakeholder management (Harrison & Freeman, 1991). Many authors recognized this theory as an integral part of CSR (Harrison & Freeman, 1991; Klonoski, 1991; Clarkson, 1995; Dawkins & Lewis, 2003). Clarkson differentiates between corporate responsibility towards society (social issues) and corporate responsibility towards stakeholders (stakeholder issues). He believes that social issues are advocated by local institutions and adopted in regulations and legislations, while stakeholder issues are concerned with regulations and legislations.

Every firm has its stakeholders, and these stakeholders normally belong to one of two camps – those who can influence the company’s performance and those who are influenced by (or have a stake in) the company’s performance (Jones & Wicks, 1999). It is important for companies to identify their responsibilities toward their stakeholders and to meet their obligations (Robertson & Nicholson, 1996). Cochius (2006) points out that stakeholders have certain expectations of companies and these expectations focus on all levels of responsibility (economic, legal, and ethical) as outlined by Carroll (2004).

The stakeholder theory challenges the traditional view of the firm, the shareholder view, which is the only one recognized in business law in most countries (Stakeholder Theory, 2008). According to this view, the shareholders or stockholders are the owners of the company, and the company has a binding fiduciary duty to put their needs first by increasing value for them.

In older input-output models of the corporation, the firm converts the inputs of investors, employees, and suppliers into usable (salable) outputs which customers buy, thereby returning some capital benefit to the firm. By this model, firms only address the needs and wishes of those four parties: investors, employees, suppliers, and customers. However, stakeholder theory argues that there are other parties involved, including governmental bodies, political groups, trade associations, trade unions, communities, associated corporations, prospective employees, prospective customers, and the public at large. Sometimes even competitors are counted as stakeholders (Stakeholder Theory, 2008, p. 1).

As evident in Table 3 above, Cochius (2006) has identified a comprehensive list of stakeholders. The list includes stockholders or shareholders, employees, customers, suppliers, business partners, government agencies, NGOs, the local community, the environment, and the media. Each of these stakeholders has its own priorities and often some of these priorities might conflict with each other. The reason for this conflict is that various stakeholders tend to have different responsibilities, and in focusing on their specific responsibilities, they fail to see the big picture.

Many shareholders are no longer contented that a company they are invested in is making profits. Some shareholders are insisting that their companies become more socially responsible. Shareholder advocacy is taking various forms, but some of the common advocacy methods include phone calls, letter-writing, filing of formal shareholder resolutions etc. Many shareholders are using formal shareholder resolutions to compel their companies to take a particular action. They do this by placing the issue for a vote in front of all shareholders. Advocacy can also include proxy voting or simply casting ones vote as a company shareholder.

Shareholder advocacy has been increasing of recent. For instance, according to the Social Investment Forum (2004, p. 1) between 2001 and 2003, shareholder advocacy activity increased by 15%, growing from 269 social and crossover resolutions filed in 2001 to 310 in 2003. Also, the average percentage of votes received on these resolutions increased from 8.7% in 2001 to 11.4% in 2003. Of the total $2.15 trillion in all socially screened portfolios, $441 billion are in portfolios controlled by investors who are also involved in shareholder advocacy on various social issues. Most shareholder resolutions are filed by institutional investors, not individuals. These institutional investors have included public pension funds, faith-based investors, socially responsible mutual funds, and labor unions. In 2004, faith-based organizations filed 129 resolutions, while socially responsible funds filed 56 resolutions (Mitchell, 2006, p. 1).
Table 3: Classifying the Responsibilities that Stakeholders Prioritize

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Description of Priority</th>
<th>Type of Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders</td>
<td>This group has invested in the company and wants a return on its investment; otherwise they will pull their resources out of the company and seek other investment opportunities.</td>
<td>Economic</td>
</tr>
<tr>
<td>Employees</td>
<td>Every employee receives a salary. Furthermore, there are some legal requirements the company has to adhere to, like safety, health provision, etc. However, things like career planning, training, etc. would be welcome.</td>
<td>Economic, legal, and ethical</td>
</tr>
<tr>
<td>Suppliers/business partners</td>
<td>This group expects business transactions from companies and, they expect companies to behave legally as well.</td>
<td>Economic and legal</td>
</tr>
<tr>
<td>Consumers</td>
<td>Apart from buying the company’s products because they need or want them, consumers also want products to adhere to certain safety and health regulations. Finally, some consumers only buy products that are ethically produced.</td>
<td>Economic, legal, and ethical</td>
</tr>
<tr>
<td>Government</td>
<td>The government sets regulations and makes the legislation within which companies operate, but they also depend on the taxes companies pay. Furthermore, they try to stimulate social responsible conduct from businesses.</td>
<td>Economic, legal, and ethical</td>
</tr>
<tr>
<td>Environment</td>
<td>Companies adhere to legal standards that protect the environment, thus improving their business practices and preventing further environmental decay.</td>
<td>Legal and ethical</td>
</tr>
<tr>
<td>Community</td>
<td>The community wants to be recognized and involved in the activities of companies to minimize the effects on the community. These effects can also have economic consequences.</td>
<td>Economic and ethical</td>
</tr>
<tr>
<td>Non-Governmental Organizations</td>
<td>These organizations demand that companies adhere to certain legislation and try to persuade or pressure them to take additional actions that will benefit society. For financial resources some depend on business as well.</td>
<td>Economic, legal, and ethical</td>
</tr>
<tr>
<td>Media</td>
<td>The media expects companies to behave economically, legally, and ethically sound.</td>
<td>Economic, legal, and ethical</td>
</tr>
</tbody>
</table>


Regulations governing shareholder resolutions vary from country to country. In the United States they are determined by the SEC, which also requires mutual funds to disclose how they voted on behalf of their investors. American shareholders have organized various groups to facilitate jointly filing resolutions. These include the Council of Institutional Investors, the Interfaith Center on Corporate Responsibility, and the Social Investment Forum. Shareholders have increasingly been successful in positively influencing corporate behavior. The techniques used by shareholder activists include initiating conversations with corporate management on issues of concern, and submitting and voting proxy resolutions. Shareholders who undertake these activities do so with the belief that working cooperatively with management, they can steer the company on a course that will improve financial performance over time, while at the same time enhance the well being of the stockholders, customers, employees, vendors, communities or even society as a whole (Social Investment Forum, 2004).

Shareholder activism is becoming increasingly popular. Initially, some companies opposed shareholder activists, but as they developed more prominence, many companies changed their approach to that of collaboration. Today, many large companies work together with shareholders in crafting acceptable, forward-looking CSR programs that are also of strategic importance to the companies. Companies like Shell Oil Company and Ford Motor Company have accepted these shareholder initiatives. In terms of corporate philosophy, Ford is at the leading edge of social responsibility (Ford, 2000). Wander and Malone (2006) illustrate the role of activists against companies or industries they consider not to be socially responsible. A case in point is the tobacco industry’s response to tobacco control activists. Wander and Malone have explored Philip Morris'
response to demands that consumers in developing countries be informed about the risks of smoking. They also analyzed the implications of negotiating with a tobacco company. Their study showed how after resisting for 11 years, Philip Morris unilaterally reversed direction, and proposed its own labeling initiative. While activists celebrated, Philip Morris’ president detailed privately how the company was prepared to make only slight changes, but anticipated that it would benefit disproportionately.

Related to shareholder/stakeholder activism is the concept of socially responsible investing (SRI), which is a developing trend in financial circles. This trend is also attracting scholars who are wondering whether it makes business sense to invest only in companies that are socially responsible. SRI involves the integration of personal values and societal concerns with investment decisions. The socially responsible investor is, therefore, one who considers both his/her financial needs as well as the impact of his/her investment decisions on society. The goal of SRI is to put ones money to work to build a better future while earning competitive returns.

The concept of SRI is closely linked to that of sustainable development. Kysar (2005) has examined the controversy over Coca-Cola’s alleged depletion of groundwater resources in India. The study is a vehicle for exploring competing conceptions of global environmental governance and the role of private actors within them. To accomplish the task, Kysar presented the facts of the case; efforts by exponents of sustainable development to adapt their sustainability goals to the framework of market liberalism; speculation on the promotion of conscientious consumption and socially responsible investment; and the objectives of sustainable development.

Taking the SRI practice to Africa, Heese (2005) thinks that sustainability practices, particularly those relating to SRI, still have to fully evolve in a developing country context. Heese considers international trends in SRI and how these might relate to South Africa. He observes that internationally, SRI has become increasingly motivated by the business case for risk-management and, therefore, how it might have the potential to offer superior returns, especially as demonstrated by recent experience in the United States. He also examines the relevance of SRI trends to South Africa, where the concept of SRI still faces further structural development. The work also reviews the performance of funds operating in the South African SRI arena.

Socially responsible investors or simply social investors can either be individuals and institutions. Many individuals are becoming conscious of the impact of their investment activities on society, and are investing in a socially responsible manner. However, most social investors are institutional investors. Institutional investors include corporations, universities, hospitals, foundations, insurance companies, pension funds, nonprofit organizations, religious organizations etc. The idea of SRI as an investment strategy is widely accepted in the field of socially responsible investment. For example, Calvert Funds (2007), which specializes in socially responsible investments, defines SRI as an investment strategy that integrates social or environmental criteria into financial analysis. Like many other socially responsible investment companies, First Sustainable uses social screening tools together with asset allocation practices in selecting companies its clients should invest in. It recognizes the fact that many social investors are motivated by political, religious, social, and moral values, and promises to align these values with each investor’s financial goals.

Innovation Argument

Companies that have sustainable policies tend to be technological leaders, as they seek imaginative new methods for reducing pollution and increasing efficiency. In many cases, these companies are able to come out with new, innovative products that out-pace most of their competitors (Lawrence et al., 2005). A case in point is Toyota’s introduction of the Prius or DuPont with the vast array of sustainable products it has developed. It is even possible for a company to become more innovative as an unintended concomitant to a CSR initiative. Recent trends suggest that many companies are adopting CSR in order to ensure efficiency, stimulate innovation, and create continued organizational growth (Stigson, 2002). Innovation should be regarded as the outcome of specific research and development projects that are intended for this purpose. It includes the serendipitous identification of more efficient methods of doing business or the development of new products or services that would not have been possible without the CSR program.

Hood (1995) argues that environmentalism is the strongest force within the CSR movement, and that most of the companies that have been honored for their responsibility — such as the Body Shop, Patagonia, and Ben and Jerry’s — usually have a highly publicized “commitment to environmental goals” (p. 80). It is further clear that the American public has been responsive to companies that use their innovations for the common good of society, as long as the public is made aware of these activities. There is little doubt that many companies have spared no expense to accomplish this. Some have spent more on advertising their good deeds than they spent on the original innovation.

The investment of research and development (R&D) of innovative and more environmentally friendly products is paying off. Companies that improve their environmental performance are more likely to realize better financial returns and competitive positioning over the mid to long term. Manning (2004) has found that there are also an increasing number of companies reporting that they have enhanced their profitability in the short term thanks to the CSR-inspired innovations. Therefore, the CSR process can serve as a framework for identifying innovations and exploiting them to the company’s advantage. Therefore, CSR-inspired innovations could satisfy the needs of the local
community, while presenting an opportunity for using CSR to the company’s advantage.

It will only be wise for corporate leaders to seek opportunities to use innovations to their advantage in terms of its impact on their bottom line. Although the phrase “thinking outside the box” has become somewhat hackneyed, it is entirely appropriate in describing “innovation” because it means the introduction of new methods, concepts, or device. Corporate culture influences innovation in that it has a direct impact on how individuals make decisions affecting all aspects of corporate management. It influences the framing of questions and policies; the determination of the validity of problem-solving approaches; the facilitation or obstruction of proposed solutions; and the influencing of external relationships and internal management approaches (Larsen & Peck, 2001).

While genuine innovations may be rare, even modest gains can still improve the company’s bottom line. Petrobelli and Sverrsson (2003) suggest that some innovations may, however, not have immediate marketable value. In that situation, the company should first pursue some test marketing before engaging in a costly product development.

Marketing Argument

The marketing argument is an acknowledgement of the importance of CSR as a marketing tool. Lantos (2001) argues that the marketing departments should take control of CSR activities in their companies because marketing is the business function most closely related to satisfying and communicating with most of the organization’s constituencies. Corporations should discover and communicate the shared values and visions they have with their society (stakeholders) and at the same time generate innovative strategic CSR initiatives that will benefit not only the society, but also the company.

Marketers who approach CSR from a strategic perspective know they have to select a target market for their activities. Based on the criteria for determining ethical responsibility, Boatright (1999) has suggested several criteria for establishing groups to target. Groups that could be targeted for CSR activities are those with an urgent need; those in close proximity to a corporation; those that the corporation is capable of responding to effectively; and those for which the likelihood is high that the need will not be met unless a corporation acts. This last category is also called the “last resort” criterion (Smith & Quelch, 1993). The last resort criterion should always be examined because many corporations fail to act in certain circumstances assuming someone else will act or that if the need was strong enough someone else would have acted. But as the Product (Red) initiative shows, there could be an enormous marketing opportunity in trying to meet the needs of a socially conscious market segment (Baue, 2007). Companies have been known to use strategic CSR to boost consumer patronage and loyalty as well as worker morale and loyalty (Lantos, 2001).

There are those who think that socially responsible marketing essentially means providing consumers with products of genuine value which will enhance their well-being (physical or psychological), pricing the products at a level that yields a fair return to the company but at the same time with integrity; distributing products through proper channels, effectively, and efficiently (Chewning et al., 1990); and promoting the products with honesty and in a wholesome environment (Dunkerton, 1990). While this definitely forms part of socially responsible marketing, it does not tell the whole story. Companies are also turning to cause-related marketing to market their products, while doing enormous good to society (Baue, 2007).

Studies attest to the fact that consumers are responding positively to genuine CSR initiatives. A 1992 survey by the Public Relations Society of America revealed that one of the industry’s 10 hottest trends was social issues marketing, where companies celebrated their commitment to public issues as well as to its products and customers (Carroll, 2001). Various other studies have pointed to a trend where consumers are turning towards socially responsible companies, while resenting socially irresponsible ones (Smith, 2001; Jones, 1997). Marketers are rightly taking advantage of this trend are designing their strategic CSR initiatives to enhance customer goodwill and provide a way of differentiating the company and its products (McWilliams & Siegel, 2001; Stodder, 1999). One way of doing this has been through cause-related marketing, which involves linking consumer purchases of a firm’s products with fund-raising for worthwhile causes or charitable organizations (Dupree, 2000).

Furthermore, corporations have begun targeting their own employees as part of their strategic CSR efforts. The importance of internal marketing cannot be overemphasized given that when employees (especially those on the front-line) are happy, they are more likely to better satisfy customers (McWilliams & Siegel, 2001). Targeting legislators and regulators has become another important element of strategic CSR. When companies are seen as good corporate citizens, they are likely to be fairly treated by government officials (Jones, 1997). Finally, Novak (1996) urges companies to communicate clearly with their various constituencies or stakeholders.

CONCLUSION

This paper has illustrated the fact that in spite of the growing literature surrounding the subject of CSR, there is still no uniformly accepted definition of CSR, at least from the perspective of academics. This notwithstanding, corporations are certainly interested in being perceived as being good corporate citizens and are doing a variety of things to prove the point. As theorists continue to debate what CSR actually is and what should constitute a genuine CSR effort, corporations are simply doing a number of things under the umbrella of CSR. These activities cannot simply be ignored and rejected as not being true CSR.
While it makes sense to say that corporations should only engage in those activities that can give them a strategic advantage (i.e. strategic CSR), it is quite difficult to say for sure which activities lie beyond the bounds of CSR. Asongu (2007) has pointed out that even those activities that Lantos (2001) dismisses as being mere philanthropy could be of strategic importance to the company in the long run as these charitable deeds help build a positive image for the corporations. Therefore, as theorists continue to sort out what is actually CSR and what is not, it might be better for them to look at what corporations consider to be their CSR activities and the reason why corporations do so.

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