Corporate governance as a critical element for driving excellence in corporate social responsibility

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Abstract

Purpose – The purpose of this paper is to enhance understanding of corporate governance (CG) in delivering excellence in corporate social responsibility (CSR).

Design/methodology/approach – The paper demonstrates models of CG and the associated elements affecting CSR. It addresses the integration of CSR into management systems through a framework as a process-based management system and studies the role of leadership style for socially responsible organizations. The paper develops a comprehensive questionnaire that enables organizations to audit their commitment to environment and social responsibility.

Findings – The paper reflects that CG encompasses different internal and external factors, by which management of organizations are influenced. This is also compatible with the new corporate community models, in which investors, the public, customers, employees and associated corporations have a mutual impact on management. The leadership style is also found to play an important role in socially responsible organizations. In this respect, transformational leader seems to be more effective, compared with manager and transactional leader. The paper suggests that organizations should audit their CG capabilities towards CSR, based on a proposed questionnaire in order to drive excellence in CSR.

Originality/value – The paper provides a comprehensive study to help understand key elements of CG and CSR and proposes a new questionnaire to organizations for assessing how far they are able to move towards socially responsible organizations.

Keywords Corporate social responsibility, Corporate governance, Leadership

Paper type Research paper

Introduction

Today not only are firms expected to be virtuous, but also they are being called to practice “social responsibility” or “corporate citizenship” (Carroll, 2000b, p. 187). Unfortunately, too frequently marketers still focus solely on their products and markets while neglecting the social impact of their activities (Flores, 2001). Perhaps this is because the concept of CSR is a fuzzy one with unclear boundaries and debatable legitimacy.

The central question confronting strategy today is how to discern and respond to the new rules of the game – those that are being set both by changing industry and market structure and the new basis for competition, and by higher public expectations of companies’ social and ethical performance. In retrospect from the vantage point of 2010, it may be only a slight exaggeration to say that ethics have come to be on a par with economics as the primary criterion for evaluating corporate performance – not
because economic value has become less important, but because it is taken for granted, and ethical performance is not (Wilson, 2000).

According to Wilson (2000), new rules of corporate conduct could be considered as:

- **Legitimacy.** To earn and retain social legitimacy, the corporation must define its basic mission in terms of the social purpose it is designed to serve rather than as the maximization of profit.
- **Governance.** The corporation must be thought of, managed, and governed more as a community of stakeholders and less as the property of investors.
- **Equity.** The corporation must strive to achieve greater perceived fairness in the distribution of economic wealth and in its treatment of all stakeholder interests.
- **Environment.** The corporation must integrate the practices of restorative economics and sustainable development into the mainstream of its business strategy.
- **Employment.** The corporation must rewrite the social contract of work to reflect the values of the new workforce and increase both the effectiveness and loyalty of employees and the corporation.
- **Public/private-sector relationships.** To ensure the success of the power shift, corporations must work closely with governments to achieve a viable and publicly accepted redefinition of the roles and responsibilities of the public and private sectors.
- **Ethics.** The corporation must elevate and monitor the level of ethical performance in all its operations in order to build the trust that is the foundation of sound relationships with all stakeholder groups.

CSR, CG, Corporate Sustainability (CS), Corporate Citizenship and Triple Bottom Line (TBL) are becoming synonymous with the emerging effort to determine the meaning of “ethical business”. However, even though the theory and models surrounding stakeholders management and social responsibility are abundant (Harrison and Freeman, 1999), the analysis of CSR is still in an embryonic stage and critical issues regarding frameworks, measurement, and empirical methods have not yet been resolved (Academy of Management, 2003).

The purpose of this paper is to clarify the CSR concept and review the different viewpoints on the role of CG in society. This paper will offer suggestions on how CG could drive excellence in social responsibility, while recognizing that empirical research is needed for definitive answers to many. The aim of this paper is not to harangue practising managers about lack of social responsibility. Rather, it tries to demonstrate, as much as possible, what companies can do to become good corporate citizens.

**Corporate Social Responsibility (CSR)**
CSR has been defined as the duty of the organization to respect individuals’ rights and promote human welfare in its operations (Manakkalathil and Rudolf, 1995; Oppewal et al., 2006). Businesses not only have the economic responsibility of being profitable and the legal responsibility to follow the laws or ground rules that guide their ability to achieve their economic requirements, but they also have ethical responsibilities that include a range of societal norms, or standards (Carroll, 2000a).
CSR has been around for more than two decades. During the latter half of twentieth century there arose the idea of the corporate social contract, which today underlies the CSR concept. Given the sometimes adverse effects of business decision making on society as well as corporate reliance on society, the notion of an implied corporate social contract was conceived by social and economic theorists. This contract spells out society’s expectations of business as well as (although much less discussed) business’s expectations of society (Bowie, 1983).

There is no single authoritative definition of CSR (ISO COPOLCO, 2002). The CSR agenda seems to be a loosely defined umbrella embracing a vast number of concepts traditionally framed as environmental concerns, public relations, corporate philanthropy, human resource management and community relations. One of the most referred definitions is by World Business Council for Sustainable Development (WBCSD) (1999) that defines CSR as “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”. CSR means being a good steward of society’s economic and human resources (Journal of Consumer Marketing, 2001). In summary, CSR entails the obligation stemming from the implicit “social contract” between business and society for firms to be responsive to society’s long-run needs and wants, optimizing the positive effects and minimizing the negative effects of its actions on society.

Different types of CSR
The notion that business has duties to society is firmly entrenched, although in the past several decades there has been a revolution in the way people view the relationship between business and society. Carroll (1979) and other researchers believe that we should judge corporations not just on their economic success, but also on non-economic criteria. Carroll (1979) proposed a popular four-part definition of CSR, suggesting that corporations have four responsibilities or “four faces” (Carroll, 2000b, p. 187) to fulfill to be good corporate citizens: economic, legal, ethical and philanthropic:

1. **Economic responsibility.** Economic responsibility is to be profitable for principals, by delivering a good quality product, at a fair price, is due to customers.

2. **Legal responsibilities.** Legal duties entail complying with the law and playing by the rules of the game.

3. **Ethical responsibilities.** Ethical duties overcome the limitations of legal duties. They entail being moral, doing what is right, just, and fair; respecting peoples’ moral rights; and avoiding harm or social injury as well as preventing harm caused by others (Smith and Quelch, 1993).

4. **Philanthropic responsibility.** Interest in doing good for society, regardless of its impact on the bottom line is what is called altruistic, humanitarian or philanthropic CSR. “giving back” time and money in the forms of voluntary service, voluntary association and voluntary giving – is where most of the controversy over the legitimacy of CSR lies.
Corporate Governance (CG)

The definition of CG differs depending on one’s view of the world. Shleifer and Vishny (1997) define CG as the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. Taking a broad perspective on the issues, Gillan and Starks (1998) define CG as the system of laws, rules, and factors that control operations at a company. Irrespective of the particular definition used, researchers often view CG mechanisms as falling into one of two groups: those internal to firms and those external to firms. Of course, firms are more than just boards, managers, shareholders, and debt holders. Figure 1 provides a comprehensive perspective of the firm and its CG. Figure 1 also depicts other participants in the corporate structure, including employees, suppliers, and customers.

By incorporating the community in which firms operate, the political environment, laws and regulations, and more generally the markets in which firms are involved, Figure 1 also reflects a stakeholder perspective on the firm (Jensen, 2001).

Over the years, CG has evolved from the traditional “profit-centered model” to the “social responsibility model”. The two models are illustrated schematically in Figure 2. These two models illustrate the fundamental conflict that prevails today in CG – the PCM and the SRM are mutually exclusive. Each focuses on an opposite half of the corporation’s domain, even though the economic and social aspects of business are closely interrelated. In short, governance is viewed as a zero sum game. Because the economic role of the firm is fundamental to its survival, profit often drives out social considerations.

Because knowledge increases when shared, collaborative partnerships between management and stakeholders can be economically productive. Like all partnerships, stakeholder collaboration is a two-way, working relationship that combines the capabilities of partners for their mutual benefit. According to Halal (2000), the wealth-creating role of business arises directly out of integrating stakeholders into a productive whole – a “corporate community” (Figure 3). The corporate community model views the firm as a socioeconomic system in which wealth is created through stakeholder collaboration. Note that this is not done to be socially responsible, but because it is a competitive advantage.
Drew et al. (2006) identified five integrated elements that underpin a firm’s ability to manage risks, engage in effective CG, and implement new regulatory changes: Culture, Leadership, Alignment, Systems, and Structure. Referred to, for the sake of convenience, by the acronym CLASS, each element relates to the others. For example, organizational culture is shaped by leadership practices. Systems support organizational structure and shape its culture. Alignment ensures each element is harmonized with the others so that, for example, explicit cultural norms are reinforced by leadership, and systems reinforce the culture. No one element stands alone. As Figure 4 illustrates, each element positively reinforces the others and strengthens strategic risk management. After engaging in an examination process, board members can map organizational challenges against these elements, identify areas in need of improvement, and plan change management programs. Superior risk management programs and stronger firm governance capabilities result. The elements of CG addressed in Figure 4 could be considered as the core (i.e. management) of Figure 3 (i.e. corporate community model). Combining the models therefore represents the influence of CG on CSR or corporate community.

**CSR and financial performance**
Over the last three decades, the pressure on firms to engage in CSR has increased. Many managers have responded to these pressures, but many have resisted. Those who resist typically have invoked the trade-off between socially responsible behaviour and profitability. Management researchers have responded to this by attempting to
Figure 3.
The new perspective: corporate community model

Source: Halal (2000)

Figure 4.
Five elements of corporate governance to manage strategic risk

Source: Drew et al. (2006)
demonstrate the effect of CSR on profitability. The results of empirical studies of the relationship between CSR and profitability have been inconclusive, reporting positive, negative, and neutral results (McWilliams and Siegel, 2000). However, it is expectable that a CSR programme will cost the company money. By treating it as a business function in the same way as finance or supplies or marketing, the company can control those costs and cut its cloth to a compromise between the needs of the communities it serves and what it can afford.

However, as Castka et al. (2004) emphasised, the purpose of CSR needs to be thoroughly considered and treated as any other investment. They supported the argument of McWilliams and Siegel (2001) that the core return on investment in CSR is finding the optimum level that balances the need for maximizing “profit from CSR” while satisfying the “demand for CSR” from multiple stakeholders (Figure 5). This balance is resolved in the framework by the stakeholder dialogue and assessment of their expectations and consequently by translation of these expectations into the strategic plan of the organisation.

How to create social value: integrating CSR into management systems
Nelson (1998) and Zairi (2000) proposed an approach based on three elements for building societal value added. Table I illustrates how this can be carried out. They argue that companies that have started to make real headway in the area of societal value-added tend to share four characteristics:

1. They rely on value-based transformational leadership (i.e. sponsor-headed by the CEO and reflected in the company’s vision/mission and value statements).
2. Cross-boundary learning (a commitment to learning, innovation and through networks and global partnerships).
3. Stakeholder linkages (mutual benefits through various modes of relationships).
4. Performance levers (use of a wide range of financial and non-financial performance measures, supported by auditing, verification, reporting and recognition systems).

Castka et al. (2004) investigated the underlying issues that shape the development of CSR standard and provided a framework for organisations to establish, manage, improve and document a CSR management system. Their framework was based on process and systems thinking and analogous to ISO 9001:2000 adding significantly to existing definitive management frameworks. In order to translate the CSR agenda into organisational settings, there are currently several standards available. These standards deal with different aspects of the CSR agenda and offer (or are going to offer) a certification against specific requirements. Nevertheless, the reader should be aware
that there is a proliferation of other tools, techniques and conventions available (for instance, Sigma GEMI, 2002; GRI, 2002; Sigma Project, 2001; International Labour Organization (ILO) Conventions).

In pursuit of the development of ISO CSR system standard, ISO has established the “ISO Committee on consumer policy” (ISO/COPOLCO). ISO/COPOLCO has been carrying out a feasibility study on standards for CSR and facilitated a worldwide discussion of the possible role of standards in defining the elements of CSR (ISO Bulletin, 2002). The committee concluded that “ISO management system standards pertaining to CSR are both desirable and feasible, and would build on the existing ISO 9001 and ISO 14001 management system series” (ISO COPOLCO, 2002). Furthermore, it is advocated by ISO COPOLCO (2002) that the general plan-do-check-act approach of ISO quality and environmental management systems standards (policy, planning, implementation and operation, performance assessment, improvement, and management review) should act as a useful template for the new standard. On the top of this plan-do-check-act template, there is a set of key elements that could conceivably form the requirements of the CSR MSS:

- Compliance with all rules and regulations of the jurisdiction in question and relevant international norms pertaining to the environmental, consumer, fair labour standards, human rights, and health and safety protection, as agreed upon through a meaningful stakeholder engagement process;

- Processes for meaningful stakeholder engagement;

<table>
<thead>
<tr>
<th>Approach</th>
<th>Example of area of application</th>
</tr>
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</table>
| Efficient and ethical pursuit of core business activities | Making environmentally and socially responsible decisions  
Investing in the responsible sourcing production, distribution by taking into account access to the poor  
Creating local jobs  
Pay taxes and royalties  
Implementing social human resource policies  
Adopting international accepted business standards  
Supporting technology co-operation |
| Social investment and philanthropy          | Offering training programs to the community at large  
Running employee volunteering schemes for social or cause-related initiatives  
Business education projects  
Community health projects  
Sponsoring community development trusts  
Resource mobilisation and civic improvement |
| Contribution to the public policy debate    | Tackling obstacles to private sector development and responsible foreign investment  
Contribution to social and environmental policies and frameworks in areas such as education, training, local economic development, employment and environmental management  
Supporting progress for good governance, including anti-corruption initiatives and human rights standards |

Table I. Creating societal value-added: a proposed approach

Source: Zairi (2000)
- Development, implementation, and communication of corporate responsibility and corporate ethics policies, including those pertaining to anti-bribery and corruption;
- Training for socially responsible governance;
- Relations with communities, philanthropy, outreach and involvement; and
- Measurement and regular reporting to the full range of stakeholders and the general public.

Note that these components have been synthesised from the following reports: ISO COPOLCO (2002); Sigma Project (2001) and SII 10000 (IQNet, 2003).

**CSR framework**

Castka *et al.* (2004) proposed a useful framework, based on three major assumptions:

1. The CSR framework should be integrated into business systems, objectives, targets and performance measures.
2. The governance system, whose purpose is to control, provide resources, opportunities, strategic direction of the organisation and be held responsible for doing so, is an integral part of business hence CSR system.
3. Central to the CSR framework is the transformation of stakeholders’ needs and expectation into business strategy, where the organisation has to balance the need for CSR from their key stakeholders with entrepreneurship.

The CSR framework was proposed to organisations to establish, manage, improve and document a CSR management system (Figure 6). This framework was designed as a process-based management system compatible with ISO 9001:2000 quality management system. Processes needed for the CSR management system include processes for management and board responsibilities, identification of stakeholders’ expectations, strategic planning, managing resources, processes and systems, measurement and analysis, managing change and continual improvement. This framework’s key is the transformation of stakeholders’ expectations into the operations of the organisations with continual monitoring of the impact. Thus, assessment will determine whether the organisation has satisfied its stakeholders or not. The only way to successfully address the complete spectrum of the CSR requirements is to look at the whole organisation and the way it carries out its activities.

**Leadership for socially responsible organizations**

Considering the evolution of CG, the type of leadership should be changed in order to make organizations more responsible for the requirements of society. In this respect, understanding differences between different types of managers/leaders becomes important. For instance, manager and transactional leader are comfortable in social spaces that call for social distance expressed in terms of boss/subordinate, teacher/follower; whereas the relationships between managers and transformational leaders are based on small to non-existent social distances. Managers work for transactional leaders but managers work with transformational leaders. When being task oriented, the manager consolidates, the transformational leader redefines, and the
transformational leader creates. When working with people, manager’s control, transactional leaders align, and transformational leaders liberate. Within the task and human interaction contexts, managers and transactional leaders are more comfortable with structure and constancy, whereas the transformational leader prefers less structure and greater ambiguity. Table II provides some key contrasts.

Contrary to current beliefs that change leading to empowered social responsibility and ethical behavior always occur at the organization’s center in contexts reflecting change and uncertainty, socially responsible actions cluster at organizations’ margins. The diverse orientation of inspirational specialists requires them to inhabit different organizational realms and operate within different rules and roles. Transactional leaders work outward from an organizational centre. They are central to business

<table>
<thead>
<tr>
<th></th>
<th>Manager</th>
<th>Transactional leader</th>
<th>Transformational leader</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thought</td>
<td>Dichotomous</td>
<td>Dichotomous</td>
<td>Holistic</td>
</tr>
<tr>
<td>Role</td>
<td>Boss</td>
<td>Teacher</td>
<td>Learner</td>
</tr>
<tr>
<td>Relations</td>
<td>Subordinate</td>
<td>Follower</td>
<td>Disciple</td>
</tr>
<tr>
<td>Activities</td>
<td>Consolidator</td>
<td>Transformer</td>
<td>Creator</td>
</tr>
<tr>
<td>Methods</td>
<td>Controller</td>
<td>Aligner</td>
<td>Liberator</td>
</tr>
<tr>
<td>Focus</td>
<td>Task</td>
<td>Organization</td>
<td>Community</td>
</tr>
</tbody>
</table>

Source: Reeves-Ellington (1998)

Source: Castka et al. (2004)
activities and occupy an official “icon” position of power, prestige, and authority within
the business-focused organization. In this position, they provide contexts and focus on
the business: ensuring profits, consolidating a centralizing hierarchy, and protecting
the organization from external environmental intrusion (Thomas and Humphrey,
1994). In periods of stability and reasonable alignment between organizations and
society, there is little challenge to the transactional leader. The transformational leader
is marginalized or driven out of the business organization. Transformational leaders
think of hierarchy in terms of the total society and its culture. They work from the
margins of the three where each tangentially touches the other. Transformational
leaders occupy themselves with options and opportunities to interact continuously and
pragmatically with the wider environment. They necessarily mediate and interpret
between systemic levels and often resist or reinterpret mandates and limitations
imposed by outlying social systems. If imposed constraints cannot be avoided,
successful transformational leaders creatively open the organization to reinterpret the
dissonance and ambiguities with the larger systems under which they operate. Once
open to these dissonances, they provide processes by which other organizational
members can integrate into the wider environment, while maintaining their drive
toward business objectives.

Auditing organisational commitment to environment and social
responsibility
Zairi (2000) proposed a framework which was based on a distillation of best practices
found to be inherent in world class organisations and can be used as a useful tool for
assessing organisational effectiveness vis-à-vis practices related to environment and
community-based, socially-oriented practices. The framework is also a useful tool for
drawing together action plans for improvement and can provide significant assistance
in steering organisations towards world class status as far as social responsibility and
environmental practices are concerned (see Table III).

<table>
<thead>
<tr>
<th>Best practice application from MBNQA winners</th>
<th>Degrees of importance</th>
<th>Degree of effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organisation’s principal business activities include systems to analyse, anticipate and minimise public risk from hazards</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>Indicators for risk areas are identified and monitored</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>Continuous improvement strategies are used consistently, and progress is reviewed regularly</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>The organisation considers the impact that its operations, products and services might have on society and considers those impacts in planning</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>Employees at various levels in the organisation are encouraged to be involved in professional organisations, committees, task forces or other community activities</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>Employees participate in a variety of professional, quality and business improvement associations</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>Overall actual score (maximum = 60)</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
</tbody>
</table>

Table III.
Best practices
It is essential for companies to keep their own checklists of important social issues, which they can regularly update. A new checklist is proposed, which is presented in the Appendix. Although the checklist is not exhaustive, it could help the senior managers to gauge how far their company has to go to achieve the status CSR. In the following, a case study is presented to show how the auditing system works.

**Case study**

In order to show how the auditing system works, the questionnaires represented in Table III and the Appendix are compared and a new questionnaire is developed for which, it is attempted to include all questions as much as possible. The questions include the following items:

- Systems and policies;
- Indicators, monitoring and data recording;
- Continuous improvement;
- Consideration of the impacts of organization’s activities on society;
- Employee involvement;
- Customer care and voluntary activities;
- Relationships with government and environment;
- Payments to employees;
- Employee education and training; and
- Up and down communications.

The answers are considered to be given in a five-point Likert-type scale (1 = "strongly disagree"; 5 = "strongly agree"). The questionnaire is mailed to 200 managers of small to medium size manufacturing companies, located in Isfahan province in Iran in 2005, each with an area between 3,000 $m^2$ and 10,000 $m^2$. To increase the response rate, a summary of the purpose of research and authors' previous research on the subject is offered to potential respondents. After a month, 67 questionnaires are returned (a response rate of 33.5 per cent). Of these, nine are eliminated as a result of inadequate data, leaving 58 questionnaires that are considered for data analysis. The profile of companies in the survey included 24 Carpet industries, 17 car spare parts producers, eight domestic furniture producers, five food industries, three textile industries, and one tile industry.

One sample $t$-test with test value of 3 is used to investigate the status of CSR in the organizations under study. Table IV represents a summary of the results.

**Discussion and conclusions**

Considering the results of the case study, it is found that six items have meaningful differences from the test value (i.e. 3). Two of the six items are greater than three, which are employee involvement and employee education and training. It is important to note that currently many quality improvement programs are being implemented in Iran. For instance, 37 of the 58 companies in this research have certificates of ISO 9000. Also, currently most of the organizations are attempting to achieve quality awards, such as The European Quality Award (TEQA). Therefore, due to the requirements of such systems, most of the organizations in the study have implemented programs for the
empowerment of their employees, including employee involvement, education and training.

Items such as systems and policies, indicators, monitoring and data recording, payments to employees and up and down communications have values less than the mean with great differences. This might be partly due to the weak support and commitment of top management. Also, the low level of payments to employees in some of the organizations is associated with many factors including the regulations of the ministry of work and economic factors such as the inflation rates in the country. It should be noted, not all companies qualified for quality management systems certificates, could maintain the standard and always this is a great challenge in such organizations; therefore, it seems that having the certificates in tern does not necessarily mean that the company has compatibility with all requirements of the standards, such as systems and policies, indicators, monitoring, etc.

However, although the case study provides new perspective on how organizations could assess their capabilities to harness CG towards CSR, more research is needed to evaluate the questionnaire and its application in other organizations and areas.

The basic cause of today’s continuing conflict between profitability and responsibility is that managers do not seem to understand that these two interests can be united. Stakeholder collaboration is now the key to creating economic wealth. In the new perspective, as emphasised in Figure 1 and Figure 6, stakeholder collaboration does more than gain resources and political support; it allows joint problem solving to increase the firm’s store of valuable knowledge. Future research needs to focus on the stakeholder assessment process and its translation into CSR objectives and policies.

As it was addressed in Figure 6, adopting a process-based management systems approach as the foundation for a CSR management system will provide top management with a holistic view of the business that takes into consideration a single system approach to governance. This approach will provide management with internal control, clearly identify responsibility and will embed CSR in their organisation. This approach overcomes much of the criticism surrounding many current CSR systems approaches.

The leadership style is also found to play an important role in socially responsible organizations. In this respect, transformational leader seems to be more effective, comparing with manager and transactional leader.

<table>
<thead>
<tr>
<th>Question</th>
<th>Mean</th>
<th>St. dev.</th>
<th>T-statistics</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.810</td>
<td>0.982</td>
<td>-9.23</td>
<td>0.000*</td>
</tr>
<tr>
<td>2</td>
<td>2.500</td>
<td>0.800</td>
<td>-4.76</td>
<td>0.000*</td>
</tr>
<tr>
<td>3</td>
<td>3.000</td>
<td>1.124</td>
<td>0.000</td>
<td>1.000</td>
</tr>
<tr>
<td>4</td>
<td>2.914</td>
<td>1.204</td>
<td>-0.550</td>
<td>0.590</td>
</tr>
<tr>
<td>5</td>
<td>3.379</td>
<td>1.073</td>
<td>2.69</td>
<td>0.009*</td>
</tr>
<tr>
<td>6</td>
<td>1.431</td>
<td>0.625</td>
<td>-19.14</td>
<td>0.000*</td>
</tr>
<tr>
<td>7</td>
<td>3.241</td>
<td>0.942</td>
<td>1.95</td>
<td>0.056</td>
</tr>
<tr>
<td>8</td>
<td>2.310</td>
<td>0.883</td>
<td>-5.95</td>
<td>0.000*</td>
</tr>
<tr>
<td>9</td>
<td>3.897</td>
<td>0.892</td>
<td>7.65</td>
<td>0.000*</td>
</tr>
<tr>
<td>10</td>
<td>2.672</td>
<td>1.066</td>
<td>-2.34</td>
<td>0.023*</td>
</tr>
</tbody>
</table>

Note: *p < 0.05
CSR is a concept to run organisations profitably yet in a social and environmentally responsible way in order to achieve business sustainability and stakeholder satisfaction. The proposed checklists in this paper (Table III and the Appendix) by no means cover almost all issues of CSR. Although it seems a hard work, the pay-offs are generally worthwhile.

It is important to note that no corporation is perfect, just as no person is perfect. In the modern business environment, however, society demands more and more that corporations be whiter than white in their behaviour. In this environment it is useless for a company to claim to be a good corporate citizen unless it is prepared to accept the need for CSR. Social responsibility must be built into the management structure and processes of the company so that, as far as possible, all social responsibility issues are foreseen, covered by corporate policy, and dealt with in a way that shows an understanding of the issues involved and a willingness to help solve societal problems.

CG as a critical element for driving excellence in CSR can be a source of competitive advantage for firms in its own right. It is hoped that this article is a step towards such advantage, and that it stimulates further discussion and effective practice.

References


Smith, N.C. and Quelch, J.A. (1993), Ethics in Marketing, Irwin, Homewood, IL.


Appendix

(1) Does your company have a social responsibility policy, or a comprehensive collection of policies that amount to the same thing?
   - Have you developed any products primarily because they meet a social rather than a commercial need?
   - Has your company obtained an outside view of its social responsibility performance? Do you know where it stands now?
   - Does it have a system to encourage managers to include social responsibility criteria in business decisions? Does that system work?
   - Does the company encourage its employees to participate in voluntary organizations?
   - Does your company realise the role of stakeholders in the continuous improving system of CSR?
   - How much have you developed knowledge in your organization towards CSR?

(2) How much care does your company take in deciding who it should make charitable donations to?
   - Is giving policy and practice reviewed on a regular and continual basis?
   - Are the beneficiaries largely in areas of real social need?
   - When was the last time your company gave practical help rather than cash?

(3) How many managers or other employees does your company have on full-time or part-time loan to a voluntary organization at the moment?
   - What does the company do to make it easier for employees to help voluntary organizations in a less formal way?
   - Do employees feel they are backed up by management if they wish to spend some time helping a charity?

(4) Does your company regularly find itself in conflict with a local government authority, a residents’ association, or environmental pressure groups? If so, have you ever admitted that the fault might be yours?
   - When did you last ask people living near your plant or office building what they thought of your company and its activities?
   - When did you last give these people any information about what goes on behind the factory walls?
   - When did you last invite them to see what you do?
   - Has the company an effective liaison with local schools/hospitals?
   - What have you done to improve the general appearance, noise level, traffic nuisance, etc. of your premises?
   - What have you done to upgrade the immediate local environment?
   - Are there any industrial eyesores for which your company was responsible decades ago, but which have not been rehabilitated?
   - Would you be happy about the good-neighbourliness of your factory if you had to live next door to it?
   - Do you have a really efficient environmental control and protection system? Have you tested it to see that it does work? Does the company environmental supremo – if there is one – have the authority to impose his decisions over those of plant managers, or does corporate policy ensure compliance in some other way?
• If you have had a programme of redundancies over the past five years, have you attempted to find alternative work for the people affected?
• Has the company a programme of job creation to replace jobs lost to the community through redundancy?

(5) Would you say your relationships with government are (a) good, (b) tolerable, (c) awful?
• What are you doing to improve them?
• How about relationships with:
  • Consumers?
  • Stakeholders?
  • Third world countries?
  • Small suppliers?
  • Environmental and other pressure groups?
  • Multinational trade unions?
  • Human rights organizations?
• Do you actually know what your relationship with each of these groups is?
• What efforts have you made to find out?
• When did you last invite a speaker from a pressure group to a management meeting?
• Is there anyone at a senior level in the company who has the responsibility for championing the rights of consumers? Small suppliers?

(6) Does your company pay: better than average salaries and wages/about average/less than average, for the industry?
• Does your company have:
  – A system of profit sharing?
  – A job enrichment programme?
  – A programme of employee participation?
• Are these all taken seriously by both managers and employees?
• Are you satisfied with your employee benefits programme? Are the employees satisfied with it? Is it really programmed to meet needs?

(7) Has your company a system to monitor the health dangers of every material that comes on to the premises?
• Has its safety programme produced a steady annual reduction in accident figures?
• Does it have a programme of ergonomic adaptation of workplaces?
• Is it attempting to relieve the problems of corporate bigamy?
• Does it have an active programme to promote employee physical fitness?
• Does it have a rehabilitation programme for the disabled, the mentally ill? Drug addicts, and alcoholics in the workforce?

(8) How much is spent on employee education and training compared with maintenance of buildings and equipment?
• How many CKOs do you have compared to your CEOs?
• Is the company educating employees to be adaptable for a variety of positions?
• What help does it give in general educational improvement for employees?
• Is there a check to ensure that no one misses out on training and education?
(9) Does your company have a policy and programme to prevent and redress discrimination against?
  - Women?
  - Racial minorities?
  - The over-45s?
  - The physically handicapped?
  - The mentally rehabilitated?
  - Ex-offenders?
  - The obese?
  - Have you a monitoring procedure that tells you whether the anti-discrimination policies are working?

(10) Does the company retain any data about employees that are not a strict business necessity?
  - Do the employees know what data are recorded about them?
  - Can they check their accuracy and challenge what they believe to be inaccurate data?
  - Do you have blacklists or files of unsubstantiated personnel data?
  - Is there a corporate policy on who has access to personnel data? Is it followed?

(11) Are you satisfied with communications up, down, and horizontally? Is it open and well-used?
  - Do you have a system of briefings for lower-level employees? For middle managers?
  - Do lower and middle-level employees ever have the chance to quiz top management?
  - What do people on the shop floor think of top management?
  - Do you have an employee annual report?

(12) Have you been surprised by a revelation of illegal or immoral conduct in business by your company?
  - Have you analysed why it happened and taken measures to prevent recurrence?
  - Does the organizational climate encourage or discourage openness and constructive criticism?
  - Is the pressure to achieve financial results so strong that it can lead managers to compromise their principles?
  - Has any employee “blown the whistle” because he could not obtain adequate hearing within the company? Was he penalized for speaking out? What did the company learn from the experience?
  - What have you done to establish a tone of morality throughout the company?

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