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THE MAGIC OF CORPORATE SOCIAL RESPONSIBILITY: AN ACADEMIC PERSPECTIVE

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ABSTRACT

'Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do or because we're forced to do it… because it is good for our business.'[1]

–Niall Fitzgerald, Former CEO, Unilever

Corporate Social Responsibility is an umbrella concept for a corporation's responsibility towards the society. It embraces an ethical, moral and business element that requires the commitment of people at all levels of the corporation. The concept tends to present itself with a soft law shield and therefore corporations usually have to go beyond their initial (legal and economic) obligations to implement its policies. But why should a corporation make an effort to adopt this concept?

This article tries to answer this question by first of all examining the evolution of Corporate Social Responsibility and the development of its regulation at an international and European level. Furthermore, recent corporate scandals and their post-scandal behaviour is investigated to highlight the power of society on a corporation and its well-being. Lastly, the use of a case study will present the added value found in Corporate Social Responsibility for corporations.

Keywords: Corporate law, environmental law, international business law, human rights law

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[1] L. Elliot, 'Cleaning Agent', *The Guardian,* 5 July 2003, at: https://www.theguardian.com/business/2003/jul/05/unilever1 (accessed on 4 March 2019).

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Introduction

'Responsibility is the price of greatness.'[2]
–Winston Churchill, Former Prime Minister, UK

The words of Mr. Churchill might be considered on point when it comes to the importance of Corporate Social Responsibility (hereafter: CSR) for corporations. Even if the quote is assumed to be regarding personal greatness. After all, what are corporations but a group of people who, through their individual quests for greatness, contribute to the corporation's greatness. Reasoning in the spirit of the quote would therefore imply that in order to accomplish corporate greatness, the group of people behind the corporation need to bear responsibility. However, paying that price and becoming a great, responsible corporation might be easier said than done.

Over more than a decade, media, activists and governments have quite adeptly succeeded in holding (large) corporations responsible for the social, environmental and/or humanitarian consequences of their business activities.[3] For instance, Nike faced an extensive consumer boycott after the *New York Times* and other media outlets reported abusive labour practices at its Indonesian suppliers in the early 1990s. Greenpeace protests in 1995 against Shell's decision to sink Brent Spar (an obsolete oil rig) in the North Sea led to international headlines.[4] More recently, in 2003, the Indian government initiated legal proceedings against Coca-Cola's subsidiary for irresponsible water use that caused water scarcity in local communities. In 2007 Radio Canada revealed the news that Walmart was using child labour at two factories in Bangladesh. In addition, several newspapers reported in 2010 on suicides due to long working hours in unbearable circumstances at Apple's manufacturer for iPhones and iPads, Foxconn in China.[5]

The rise in corporate scandals in relation to CSR has undeniably caught the attention of both practitioners and scholars. There is considerable evidence that their captivation, often manifested in the establishment of CSR foundations, websites, research, formal writings, conferences, etc. are proof of their attention to the importance of CSR and its implementation. The CSR Research Foundation, for example, initiated by business professors at the University of Delhi, was created to inform corporations about ways to make use of CSR activities.[6] In addition, other public organisations such as Myriad Genetics now rank corporations based on their CSR performance which attracts considerable publicity.[7]

Also, in academia an interesting research was conducted by two Dutch researchers, Alex van de Zwart and Professor Rob van Mulder of Rotterdam Erasmus University, regarding the effect of

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[2] G. Horst, 'The Price of Greatness is Responsibility', at: https://grhgraph.wordpress.com/2011/09/08/the-price-of-greatness-is-responsibility-winston-churchill/(accessed on 4 March 2019).

[3] M. E. Porter and M. R. Kramer, 'Strategy & Society: the link between competitive advantage and Corporate Social Responsibility', *Harvard Business Review* 2006 -8, p.1.

[4] Idem, pp. 2-3.

[5] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, pp. 52-53.

[6] A. Pandya, 'The CSR Research Foundation at: https://csrrf.org (accessed on 6 March 2019).

[7] M. E. Porter and M. R. Kramer, 'Strategy & Society: the link between competitive advantage and Corporate Social Responsibility', *Harvard Business Review* 2006 -8, pp. 1 -2.

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CSR. Their analysis shows that corporations that have been "on thin ice" actually become leaders in their business market concerning CSR issues. It also showed that when larger corporations implement CSR policies other (smaller) corporations in their supply chain follow in their footsteps.[8]

Due to the increased reliance on market forces in western economies and the increased vulnerability of corporations, CSR has even proven to be a mechanism that exposes the side effects of globalisation. When there is a stronger dependency on free market mechanisms CSR can reveal an image that large corporations have been engaged in a "quiet take over" of the world. Although this opinion is debated exhaustively, it has established an environment where more is, and will be expected from corporations. Besides the so-called 'social dividend' (employment safety, contribution to local economic growth, etc.), corporations are progressively pressured to participate and solve the problems that traditionally belonged to the realm of the nation states (such as the violations of human rights).

As a result, CSR has emerged as an inescapable priority for business leaders across the globe.[9] Non-profitable themes that in the past were perhaps easily disregarded when carrying out business activities, have now become entangled in the day-to-day business routines affecting the way in which a corporation operates.[10] And at the end of the day, with the growing expectation and pressure from stakeholders along with the risk of public scrutiny resulting in unwanted media attention, it seems that the implementation of CSR and its policies is vital for corporations to (at least) avoid scandals. This certainly raises the question as to whether reputational damage could be the main driver behind the implementation of CSR.[11]

Possibly due to the soft law approach of CSR, corporations still find themselves questioning whether implementing CSR into their codes of conduct would make a difference. Furthermore, if implemented, the question arises of how corporations could benefit from implementing CSR policies and what the relation is to building their reputation. When the perception is that implementation basically means making costs, it is essential to highlight what the added value of CSR is to a corporation.

Corporations could find themselves lost in understanding the effect of CSR and its policies. Therefore, the following research question is constructed: "Why should corporations adopt CSR?". It allows the article to define the concept of CSR and to reveal its value for a corporation. Since CSR has a few clear guidelines, the article will also illustrate how some corporations have successfully implemented the concept through a display of examples. Moreover, the aim of this article is to eventually present CSR as much more than a cost or charitable deed, rather as a source for (new) business opportunities, innovation and reputation-building. In order to succeed in finding a satisfying answer for the above mentioned question, the following sub-questions guide through the research process:

- 'What does CSR mean and how has it emerged?'

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[8] Ibid.

[9] Ibid.

[10] R. Kim and E. van Dam, *The added value of Corporate Social Responsibility,* NIDO Leeuwarden 2003, pp. 6-7.

[11] Ibid.

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- 'To what extent has CSR been captured and regulated by the international and European institutions? How have their initiatives influenced corporations into CSR and its adoption?'
- 'What is the consequence of not "being" a responsible corporation? To what extent can scandals due to a lack of CSR implementation affect a corporation's well-being?'
- 'What are the benefits of CSR for corporations?'

In order to answer the research question the doctrinal method will be used along with a literature review. A review of the existing professional literature is used to outline the concept and background of CSR in chapter one. Then, examining the UN Global Compact and the Non-Financial Regulation Directive of the EC explain the impact of larger institutions' initiatives on corporations concerning CSR in chapter two. In chapter three, relevant case studies of corporate scandals and their post-scandal behaviour over the past decade are used to reveal the development of CSR and the social accountability of not implementing CSR. The link between corporations carrying out CSR activities in relation to finding (new) business opportunities and the impact of CSR on building a corporation's value is provided in chapter four. Chapter five consists of a conclusion and answers the research question.

I. Background

'CSR isn't a particular programme, it's what we do every day, maximizing positive impact and minimizing negative impact.'[12]

–Jørgen Vig Knudstorp, Former CEO, Lego Group

Possibly due to its multidimensional and evolving nature, a wide variety of definitions and connotations exist regarding CSR, ranging from corporate philanthropic activities to strategic repositioning of enterprises in society.[13] However, the variety of definitions do not exclude each other and could actually be viewed as being complementary. The International Chamber of Commerce for instance, proposes the following definition of CSR: '*the voluntary commitment by business to manage its activities in a responsible way*'.[14] The World Business Council for Sustainable Development follows a broader definition of CSR, *'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.'*[15] The familiarity of the chosen vocabulary in the presented definitions is striking. Yet, the consequence of not having an unanimous definition and label in the field of CSR could cause confusion for corporations and lead to "cherry-picking". Therefore, with the purpose of clarifying the concept of CSR, this chapter will provide an overview of its roots. Through a literature review it will show how the early stages of Social Responsibility (hereafter: SR) in the period before and after the dominance of corporations evolved and manifested itself into CSR.

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[12] S. Mainwaring, 'How Lego Rebuilt itself as a Purposeful and Sustainable Brand', *Forbes*, 11 August 2016, at: https://www.forbes.com/sites/simonmainwaring/2016/08/11/how-lego-rebuilt-itself-as-a-purposeful-and-sustainable-brand/ (accessed on 7 March 2019).

[13] A. B. Caroll, *A History of Corporate Social Responsibility: Concepts and Practices*, Oxford University Press 2008, p. 19.

[14] P. Polman, 'The International Chamber Commerce on CSR', at: https://iccwbo.org (accessed on 4 April 2019).

[15] J. J. Asongu, 'The History of Corporate Social Responsibility', *Journal Business and Public Policy 2007-5*, p. 4.

I.1. The History: from Social Responsibility to CSR

Although CSR could be seen as a product of the twentieth century, mainly from the early 1950s to now, it actually has a long and wide-ranging history. Regardless of its recent growth and attention, there is evidence going back centuries of business' concern for society.[16] One of the most famous turning points across the globe was the Industrial Revolution in the 18th Century. This revolution did not only lead to industrial betterment, it also brought significant social changes. [17]

Examining the late 1700s, it becomes apparent that industrialisation, accompanied by urbanisation and a lack of social welfare, were the source of numerous social problems, such as labour unrest, poverty, slums, child labour, etc.[18] It is argued that factory owners had the tendency to regard workers of any age as commodities rather than as human beings. However, as profit-driven factories began to rise, so did their dependency on the productivity of workers. Factory owners were obsessed with increasing and examining the productivity of workers. In this process, owners noticed a disturbing element*:* under-developed support of societal institutions for factory work. It was found that both the physical and social infrastructure for large-scale manufacturing were lacking. Most factory owners decided to rely on their own recourses and provide efficient transport of raw materials as well as housing, education, and literacy to workers. In addition, they found factory workers to be lacking in labour discipline: they were prone to drunkenness, unused to punctuality, and in general difficult to manage. As a result, owners often helped develop roads and canals, and even build housing estates. Moreover, in support of labour discipline, owners used rewards and punishments inside the factory to stimulate of what they saw as "appropriate behaviour".[19] This transition of profit-driven factories initiating activities and practices in relation to SR was often perceived in literature as, *'an uneven mixture of humanitarianism and socialism'.*[20]

Even though the main driver behind the transition remains questionable, this demonstrates the willingness of emerging corporations to give their own money to support social causes, which today might be categorised as being socially responsible.[21] Studying other practices and activities of SR across the 19th Century it becomes clear how corporations developed a better understanding of social causes and strived to do something about them within the context of their businesses. The Young Men's Christian Associations (hereafter: YCMA) is an example of early social responsibility initiatives. Started in England in 1844, the YMCAs were supported by individuals and corporations. During the 1920s it appeared that more corporations became closely associated with the YMCAs,

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[16] A. B. Caroll, *A History of Corporate Social Responsibility: Concepts and Practices,* Oxford University Press 2008, pp. 20-21.

[17] J. J. Asongu, 'The History of Corporate Social Responsibility', *Journal Business and Public Policy 2007-5,* p. 10.

[18] Idem, pp. 22-23.

[19] F. Davis, M. Whitman and M. Zald, 'The Responsibility Paradox: Multinationals Firms and Global Corporate Social Responsibility', *Ross School of Business Paper 2006 - 1031*, pp. 4-5.

[20] A. B. Caroll, *A History of Corporate Social Responsibility: Concepts and Practices*, Oxford University Press 2008, p. 23.

[21] F. Davis, M. Whitman and M. Zald, 'The Responsibility Paradox: Multinationals Firms and Global Corporate Social Responsibility', *Ross School of Business Paper 2006 - 1031*, p. 7.

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especially with their community-related welfare and social programs. It was suggested that the "community chest movement" helped corporations realise that the relationship between business and society could not easily be dismissed. As business owners came into contact with social workers, new takes on SR began to emerge. Owners began to see other peoples' points of view as to what social problems exist and what corporations could do against it. Especially due to the rise of corporate power (from approximately the 1940s) and behaving more like institutions and governments, the emphasis on how corporations could fulfil their social obligations grew. As a result, corporations tried to use the interesting concept of an agent-principal relationship in order to build a better relationship with society. For example, corporate managers started taking responsibility for both maximising stockholder wealth and creating an equitable balance among other competing claims, such as claims from customers, employees, and the community. The manager started to be viewed as the "agent" for the various groups in relation to business and was not just seen as the agent of corporation.[22]

Using this concept did not only make corporations more engaged in society, it also exposed fundamental values. Values that regardless of the existence of various descriptions nowadays, are still found in the definition of CSR. The values are, that no business can be separated from society and most importantly, raising awareness to the corporation's role in society.[23]

Having touched upon some relevant developments and examples in relation to SR, it was only in the 1950s that the concept of SR actually started to become CSR. [24] One of the first writers during this period to notice the transition of SR to CSR was Howard Bowen. He described how several hundred large corporations dominated society, how their decision- making and actions would from that time on always touch the lives of citizens in many forms. According to Bowen CSR refers to *'the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society'*. Later, Keith Davis also stepped in to strive for the best meaning of CSR. Davis explains CSR as: '*Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest'*. He further argues that socially responsible business decisions can only be justified when corporations realise their long-term economic gain. Another important thinker in that period on CSR was Clarence Walton. His central definition of CSR is found in the following quote: '*In short, the new concept of social responsibility recognises the intimacy of the relationships between the corporation and society and realises that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals.'* Walton reasoned that the essential ingredients of CSR for corporations cover a degree of voluntarism and an acceptance that costs are involved for which it may not be possible to directly measure economic returns. [25]

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[22] A. B. Caroll, *A History of Corporate Social Responsibility: Concepts and Practices*, Oxford University Press 2008, pp. 23-24.

[23] M. Doucin, 'Corporate Social Responsibility: Private Self-Regulation is not Enough', *Journal of Business Ethics 2011-5*, pp. 5-7.

[24] M. Sontaite – Petkevicience, 'CSR reasons, practices and impact to corporate reputation', European Management Journal 2015 -9, pp. 505- 507.

[25] A. B. Caroll, *A History of Corporate Social Responsibility: Concepts and Practices*, Oxford University Press 2008, pp. 25- 27.

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During the 1970s, the Committee for Economic Development (hereafter: CED) contributed to the concept of CSR through its report called "Social Responsibilities of Corporates". The CED observed the functioning of CSR as '*a corporation's basic purpose is to serve constructively the needs and satisfaction of society*'.[26] The CED further noted that there is an implicit *social contract* between business and society which is constantly evolving. In addition, the CED presented three circles in explaining CSR to corporations: *'The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic outcome of products, jobs and economic growth. The intermediate circle encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities: for example, with respect to environmental conservation; hiring and relations with employees, fair treatment, and protection from injury. The outer circle outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment.'* What was surprising about the CED's views was that the organisation was constructed of business people and educators that demonstrated a cooperation of practitioner's and scholar's views, both confirming a corporation's newly emerging social responsibility. [27]

By the 1980s, the passion for CSR had not died out. On the contrary, the earlier development of CSR definitions gave scholars an incentive to introduce new definitions embedded in other themes such as corporate social responsiveness and corporate social performance (hereafter: CSP).[28] Archie Carroll, an important influencer of CSR, suggested the following definition: *'The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time'.* This was the first definition that embraced all elements in relation to CSR. Therefore, it was later depicted as "the pyramid of CSR".

Carroll explained that the economic element formed the foundation of the pyramid because it relates to what the corporation "does for itself". The upperpart of the pyramid consists of the legal, ethical, and discretionary elements due to what the corporation "does for others". Carroll also came up with another three-layer model of CSR, this time in relation to CSP. He argued that in order for corporations to gain CSP, they needed to have 1) a definition of CSR that relates to their types of business activities; 2) an understanding of the problems for which there is a social responsibility and 3) a specification of the strategy of corporate responsiveness to the issues.[29] Steven Wartick and Philip Cochran went on to recast Carroll's three-layer model aspect into a set of principles, processes, and policies. Both argued that Carroll's CSR definition consisted of ethical elements of social responsibility and should be thought of as principles. Both scholars also argued that understanding social problems should be thought of as processes and corporate social responsiveness should be thought of as policies.[30] [31]

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[26] J. J. Asongu, 'The History of Corporate Social Responsibility', *Journal Business and Public Policy 2007-5,* pp. 12-14.

[27] A. B. Caroll, *A History of Corporate Social Responsibility: Concepts and Practices,* Oxford University Press 2008, pp. 28-30.

[28] M. Doucin, 'Corporate Social Responsibility: Private Self-Regulation is not Enough', *Journal of Business Ethics 2011-5,* p. 7-9.

[29]A. B. Caroll, *A History of Corporate Social Responsibility: Concepts and Practices,* Oxford University Press 2008, pp. 33-34.

[30] Idem, p. 35.

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As mentioned in the introduction, the 1990s was a period of widely reported scandals that brought the public's attention to the ethical malpractice of corporations. More than ever, the CSR concept rose as the mechanism embracing other complementary themes, such as business ethics and sustainability. Edwin Epstein, scholar in business ethics, offered the following explanation: *'Corporate social responsibility relates primarily to achieving outcomes from organisational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects upon stakeholders. The normative correctness of the products of corporate action have been the main focus of corporate social responsibility.'* Epstein tried to relate CSR and business ethics by suggesting that the main purpose of a corporation's business activity is to fulfill a demand from society. Fulfilling a demand should be profitable for the society and not have conflicting consequences. The non-profit organisation Business for Social Responsibility (hereafter: BSR) was also researching how to relate business ethics to CSR. Their definition of CSR was as follows: *'a comprehensive, ethical set of policies, practices and programs that are integrated into business operations, supply chains, and decision-making processes through the company'.* BSR was established to help member corporations accomplish commercial success in approaches that respect ethical values, communities and the environment.[32] In the same period, the Ethics Officer Association was founded. The Ethics Officer Association depicted itself as a professional organisation that informs large corporations on carrying out CSR activities in relation to sustainability, corporate reputation and corporate social policy. [33] [34]

Lastly, in the 2000s, the emphasis on the theoretical contributions to the CSR concept was replaced by empirical research. The research did not introduce new concepts of CSR but rather linked CSR to the already presented variables. [35] Building upon the three-layer model of Caroll, Bryan Husted for instance introduced a contingency theory of CSR. The scholar argued that *'CSR functions as a match-maker between the nature of the social issue and its corresponding strategies and structures. It is up to the corporation to integrate the match found in elements such as CSP, business ethics, sustainability, stakeholder management, etc. into its system'.*

Another scholar, probably inspired by the numerous scandals, studied the effect of scandals on a corporation's reputation. Zyglidopolous found that a social underperformance of corporations certainly had a damaging effect on the corporation's reputation through a decrease in sales. Backhaus *et al.* discovered the relationship between CSR and employer attractiveness. [36] Their research found that job applicants do consider CSR to be essential in their assessment of corporations. Corporations were ranked higher in a job applicant's assessment especially if they were engaged in elements such as sustainability, employee relations and diversity. More recently, Philip Kotler and Nancy Lee demonstrated how the CSR path opens a new way of doing business that combines the success and the creation of value with a respectful and proactive mindset. The

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[31] F. Davis, M. Whitman and M. Zald, 'The Responsibility Paradox: Multinationals Firms and Global Corporate Social Responsibility', *Ross School of Business Paper 2006 - 1031*, p. 10-11.
[32] A. Cramer, 'Business for Social Responsibility', at https://www.bsr.org (accessed on 16 April 2019).

[33] Idem, pp. 36-39.

[34] A. Cortes, 'Ethics Officer Association', at: https://www.business-humanrights.org/en/ethics-officer-association-usa (accessed on 16 April 2019).

[35] F. Davis, M. Whitman and M. Zald, 'The Responsibility Paradox: Multinationals Firms and Global Corporate Social Responsibility', *Ross School of Business Paper 2006 - 1031*, pp. 12 -14.

[36] J. J. Asongu, 'The History of Corporate Social Responsibility', *Journal Business and Public Policy 2007-5*, pp. 15-16.

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CSR approach leads to healthy relationships with societal institutions and partnerships with non-profit organisations (hereafter: NPO) rather than having them as your enemy. In this way, the authors argue that engaging in CSR yields profit for corporations in the long-run.[37]

Examining the history, from the late 1700s to the present, through relevant practices and activities related to SR that then shifted into CSR, has offered a glimpse of the CSR evolution. The evidence suggests that CSR can be the best defined as an umbrella term for corporations' responsibility towards the society. It has an ethical, moral and business ingredient that requires the commitment of people at all levels of the corporation to think, communicate and act on CSR issues they face in their work. However, in order to reach that commitment in a corporation, an understanding of the evolution and concept of CSR is not sufficient. In today's world, with its vivid global competition, it is crucial to address how international organisations have addressed the concept of CSR and how that has influenced a corporation's mindset. Perhaps their proposed initiatives eases corporations into adopting CSR and its policies. The next chapter will demonstrate which soft law approaches have been developed by the UN and EC in the field of CSR and how they have impacted corporations.

II. International and European Initiatives

'Creating a strong business and building a better world are not conflicting goals, they are both essential ingredients for long term success'[38]

–Bill Ford, Former CEO, Ford Motor Company

The CSR evolution did not remain unnoticed nor untouched by larger institutions. The economic globalisation, the increasing dominance of corporations in society and the rise in corporate scandals also stimulated international and European institutions to become participants in the field of the worldwide phenomenon. [39] Before these institutions attempted to develop any form of guidelines or frameworks, several initiatives were already introduced which tried to provide an incentive for corporations to adopt CSR.

For instance, in Brazil the Eco Prize was launched in 1982 by the American Chamber of Commerce for national and international corporations that worked towards socially and ecologically responsible practices. This prize would be given to corporations with outstanding actions in this area. [40] Other initiatives were also established which concentrated on monitoring and benchmarking the social performance of corporations and/or initiatives that aimed to facilitate CSR implementation through knowledge-sharing, information provision, or co-operation. Their initiators were found in all three areas of society, the market, civil society and states. For instance, three prominent market initiatives

[37] A. B. Caroll, *A History of Corporate Social Responsibility: Concepts and Practices*, Oxford University Press 2008, pp. 39-43.

[38] A. Kalam, 'Bill Ford Quotes', at: https://www.azquotes.com/author/4985-Bill_Ford (accessed on 20 April 2019).

[39] C. Zimmerli, K. Richter and M. Holzinger, *Corporate Ethics and Corporate Governance*, Springer 2007, pp. 7-8.

[40] C. Stehr, N. Dziatzko, F. Struve, *Corporate Social Responsibility in Brazil: The Future is Now*, Springer 2018, pp. 400-401.

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were the FTSE4Good Index, the Dow Jones Sustainability Group Index and the World Business Council for Sustainable Development which were launched during the late 1990s.

In the domain of civil society, several corporations had already developed tailor-made guidelines in accordance with NFOs or non-governmental organisations (hereafter: NGOs) to implement CSR strategies in their business. In addition, these guidelines stimulated corporations in their supply chain to form partnerships with other civil society actors to develop specific aspects of CSR strategies.[41] The report of the Organisation for Economic Co-operation and Development (hereafter: OECD) for instance, showed that 94 of 100 transnational corporations (hereafter: TCN) had incorporated CSR guidelines in their business strategy and developed partnerships with NFOs such as The Institute of Business Ethics.[42]

In contrast to the (more or less) voluntary approach of the former initiators, the third initiator tended to have a more command and control approach. State actors aimed to promote CSR and its adoption by utilising their traditional instruments of rules and norms and providing penalties for corporations that would not comply with them. However, the hard law approach proved to be the least effective in the case of TCNs who cannot easily be held accountable for disregarding *national* regulations. Moreover, enforcing stricter rules is likely to result in comparative disadvantages for corporations, especially if one state enforces it and the other does not. [43]

In his observation of the asymmetry between state actors' CSR approaches and its effectiveness for corporations, scholar Newell also argued that *'the mainstream approaches assume a set of grounded set of principles that do not exist in the same way across the globe. Therefore a CSR framework with voluntary policies must be initiated which could be more influential on corporations to adopt the policies'*.[44]

Also researchers Maxwell and Lyon argued that, '*moving away from a strict regime to a more 'softer' type of relationship could facilitate a higher involvement of corporations in the field of CSR'*. The scholars seem to argue that state actors should not underestimate the power of soft law methods in the field of CSR.[45]

For these reasons (although not exclusively) international institutions such as the UN and the EC have been engaged in the field of CSR since the 2000s. Instead of only focusing on new regulations and binding treaties, it became apparent that developing CSR initiatives with a more soft law approach or outcome could be in the mutual best interest of both private and state actors. One

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[41] H. Runhaar and H. Lafferty, 'Governing Corporate Social Responsibility: An Assessment of the Contribution of the UN Global Compact to CSR Strategies in the Telecommunications Industry', *Journal of Business Ethics 2009 -9*, p. 480.

[42] Cetindamar and K. Husoy, 'Corporate Social Responsibility Practices and Environmentally Responsible Behavior: The Case of the United National Global Compact', *Journal of Business Ethics' 2007 - 34*, p. 5.

[43] Idem, pp. 479 - 480.

[44] Ralf Barkemeyer, 'Beyond Compliance – Below expectations? Cross-Border CSR, Development and the UN Global Compact*', University of St. Andrews Press 2007*, pp. 5- 6.

[45] Lyon and J. W. Maxwell, 'Corporate Social Responsibility and the Environment: A Theoretical Perspective'*, Review of Environmental Economics and Policy 2008-1*, pp. 8-10.

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could question however the extent to which the creations of the institutions have become "stimulating friends" regarding the implementation of CSR for corporations. It is therefore the aim of this chapter to outline the most fruitful initiatives on CSR, created by the UN and EC, and its impact on corporations.

II.1 The UN Global Compact

Officially launched on July 26, 2000, the UN Global Compact (hereafter: GC) provides perhaps the most far-reaching example of a non-governmental effort to attract the voluntary participation of corporations. The mission of the GC has two primary objectives. Firstly, the GC has prescribed ten guidelines for CSR related to human rights (1-2), labour rights (3-6), the environment (7-9), and anti-corruption (10). They were drawn from the Universal Declaration of Human Rights, the Fundamental Principles on Rights at Work from the International Labour Organisation, the Rio Declaration on Environment and Development and The United Nations Convention Against Corruption.[46]

'Businesses should...

1. *...support and respect the protection of internationally proclaimed human rights*
2. *...make sure that they are not complicit in human rights abuses*
3. *...uphold the freedom of association and the effective recognition of the right to collective bargaining*
4. *...uphold the elimination of all forms of forced and compulsory labour*
5. *...uphold the effective abolition of child labour*
6. *...uphold the elimination of discrimination in respect to employment and occupation*
7. *...support a precautionary approach to environmental challenges*
8. *...undertake initiatives to promote greater environmental responsibility*
9. *...encourage the development and diffusion of environmentally friendly technologies*
10. *...work against all forms of corruption, including extortion and bribery'*[47]

Secondly, the GC offers a platform where corporations, NGOs, labour associations, government representatives, etc. can discuss matters related to CSR development and implementation. Their practices, often manifested in newsletters, scientific papers and best practice studies, is first of all to spread information. Furthermore, the platform also brings participants together through meetings, seminars and conferences.

Both outcomes result in opportunities for corporations to learn about real-life examples of how other participants of the GC carry out socially responsible projects and get in contact with potential collaborators. In other words, this platform creates an environment where corporations can learn from each other's experiences and stay up to date in the field of CSR. The instigator, former UN

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[46] H. Runhaar and H. Lafferty, 'Governing Corporate Social Responsibility: An Assessment of the Contribution of the UN Global Compact to CSR Strategies in the Telecommunications Industry', *Journal of Business Ethics 2009 -9*, pp. 480-481.

[47] United Nations Global Compact, 'The Ten Principles', at: https:// www.unglobalcompact.org/About TheGC/TheTenPrinciples/index.html (accessed on 21 April 2019).

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Secretary-General Kofi Annan, regarded the GC as a *'basis for a dialog forum in which mutual learning among companies is to be promoted with examples of best practice.'* [48]

Since its launch, the GC has grown to approximately 3800 participants, of which more than 3000 are corporations from 100 different countries. However, during its growth, there were also some critical remarks and pessimistic predictions. Particularly originating from NGOs who feared that corporations' main driver to participate was using the UN's reputation to boost their image rather than bringing CSR to a higher level. When confronted with the risk of "blue washing", the GC initiators tried to increase the transparency of participants, by requiring that they deliver annual "Communication on Progress" (hereafter: CoP) reports to maintain membership. These reports, introduced in 2003, should reveal how the participating corporations are implementing the ten guidelines of the GC in their business activities. These CoP reports were considered an enforcement mechanism in the GC.[49] In order to contradict the critics, a study was done by Cetindamar and Husoy to investigate the reasons for participants of the GC to join this initiative. Both authors disclosed that the main reasons for joining the GC were: '*to be part of sustainable development efforts, to maintain a good relationship with other participants, and to distinguish themselves from other companies'*.

One of the remarkable discoveries was that '*all corporations indicate that being a UN GC participant influences their sustainable development efforts in their business strategy.*' [50] Another empirical study performed by Vormedal questioned the actual learning processes among corporations triggered by GC participation. The author analysed the various mechanisms made available through the GC such as the CoP reports, "best practices" of how companies have incorporated the 10 GC principles into CSR strategies, conferences, and dialogues with other participants such as NGOs, government representatives, etc. Vormedal observed that especially the conferences and dialogues had been impactful, as the more intense interactions allowed corporations to learn from each other's experiences about how to develop and implement CRS strategies. Furthermore, he considered the GC as '*the largest and most ambitious non-legal mechanism designed for corporations'*.[51]

Reviewing the literature and studies concerning the impact of GC, it appears that the UN's initiative has contributed to the implementation of CSR by corporations. Firstly, it aims to overcome the weaknesses found in existing state regulations promoting CSR. The initiative can lead to the incorporation of the ten normative guidelines without the use of a command and control approach. Secondly, GC has a broad scope: it not only tries to offer transparency through CoP's, but offers a network for learning and sharing experience as well. Thirdly, through its platform it encourages co-operation between corporations, or between

[48] Cetindamar and K. Husoy, 'Corporate Social Responsibility Practices and Environmentally Responsible Behavior: The Case of the United National Global Compact'*, Journal of Business Ethics' 2007 - 34*, pp.166 - 167.

[49] H.Runhaar and H. Lafferty, 'Governing Corporate Social Responsibility: An Assessment of the Contribution of the UN Global Compact to CSR Strategies in the Telecommunications Industry', *Journal of Business Ethics 2009 -9*, pp. 480-482.

[50] Cetindamar and K. Husoy, 'Corporate Social Responsibility Practices and Environmentally Responsible Behavior: The Case of the United National Global Compact'*, Journal of Business Ethics' 2007 - 34*, p.166 - 172.

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corporations and other public actors, concerning the implementation of CSR in business strategies. [52]

II.2. The Non-Financial Regulation Directive

The interest and growth of CSR has been most evident in the European continent since the 2000s. According to an OECD report, the turn of the century marked a period for different attempts at supporting CSR initiatives. [53] The EC for instance, published its first ever Green Paper on "Promoting a European Framework for Corporate Social Responsibility" in 2001.[54] Consequently, in 2003, the first attempt of the EU was made to regulate the CSR activities of (European) corporations with the adoption of the Accounts Modernisation Directive. This Directive obliged corporations to enhance their management reports by incorporating "Key Performance Indicators" (KPIs) related to CSR, such as environmental and sustainability matters. However, partly due to a lack of consensus among the member states and partly due to notions that CSR should not be subject to regulations, the effect of the Directive remained conditional for corporations. Yet, it did trigger some member states such as France and Denmark to require the disclosure of non-financial information from corporations. Both governments successfully tackled CSR's reporting challenge by creating flexible requirements in which corporations could choose which topics they reported on.[55]

Meanwhile at the EU level, another harmonisation initiative concerning CSR was in progress. Different than the first attempts, with the 2011 Communication on the Single Market Act the EC aimed to further develop harmonisation in the area of non-financial disclosure.[56] The incentive for harmonisation came from the EC's assumption that investors are actually interested in a corporation's environmental and social information and that the EU should therefore harmonise *'objectives of general interest or interests relating to social, ethical and environmental development of corporations'*. The wishful thinking of the EC expected that if more and better information is revealed investors (and others) would be more likely to use the information.

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[51] H.Runhaar and H. Lafferty, 'Governing Corporate Social Responsibility: An Assessment of the Contribution of the UN Global Compact to CSR Strategies in the Telecommunications Industry', *Journal of Business Ethics 2009 -9*, p. 483.

[52] J. A. Arevalo and F. T. Fallon, 'Assessing corporate responsibility as a contribution to global governance: the case of the UN Global Compact', *The International Journal of Business in Society 2008 - 4*, p. 456-460.

[53] J. A. Arevalo and F. T. Fallon, 'Assessing corporate responsibility as a contribution to global governance: the case of the UN Global Compact', *The International Journal of Business in Society 2008 - 4*, p.164 – 165.

[54] European Commission Green Paper, '*Promoting a European framework for Corporate Social Responsibility'*, July 2001, p. 6.

[55] G. Szabó and K. E. Sørensen, *New EU Directive on the Disclosure of Non-Financial Information (CSR)*, Eleven International Publising 2016, pp. 308 - 314.

[56] Communication from the EC to the European Parliament, the Council, Single Market Act – Twelve levers to boost growth and strengthen confidence "Working together to create new growth", COM(2011), April 2011.

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In other words, it appears as if the EC wanted to boost the demand for non-financial information and at the same time the demand for transparency from corporations regarding such information. [57] Along with extra public consultations and expert group opinions, it developed into the EC adopting "new, more elaborate, non-financial reporting rules" in October 2014. According to its preamble, the "new way" of information disclosure would facilitate a "change towards a sustainable global economy by combining long-term profitability with social justice and environmental protection".[58]

It is argued that with the Non-Financial Reporting Directive (hereafter: NFRD) the EC seems to have created a new transparency regulation as an example of complementary regulation concerning the adoption of CSR.[59]

The disclosure rules under the NFRD apply to '*Public Interest Entities*': corporations with more than 500 employees.[60] The term is further defined in the Accounting Directive as either listed corporations trading in a regulated market within the EU, credit institutions and insurance corporations or other corporations perceived as public interest by the member states.[61] The idea for limiting the scope to corporations with more than 500 employees appears to be the wish to avoid imposing (excessive) burdens and costs on "smaller" corporations. It is argued by the EC that the new requirement will target approximately 6000 (large) corporations. The NFRD does not really make clear what 'non-financial' information should be disclosed. It does however indirectly mention six CSR-related themes in which corporations should reveal information, policies they adopt in relation to them, the outcome of policies, the risks and the KPIs in relation to them.[62] Corporations should report on their business activities relating to social, environmental, and employee matters, respect for human rights, anti-corruption and bribery matters. Regarding the format, corporations are requested to include their non-financial statements in their management report or issue an independent file based on alternative frameworks, such as an international or national framework. An incentive to influence corporations to report on these matters is that if they do not have any policies, they are expected to explain why that is the case.[63]

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[57] G. Szabó and K. E. Sørensen, *New EU Directive on the Disclosure of Non-Financial Information (CSR)*, Eleven International Publising 2016, pp. 314- 316.

[58] Directive 2014/95 of the European Parliament of the Council of 22 October 2014 as regards disclosure of non-financial and diversity information by certain large undertakings and groups [2014] OJ 327 (Directive on Non-Finacial Reporting), Recital 3.

[59] G. Szabó and K. E. Sørensen, *New EU Directive on the Disclosure of Non-Financial Information (CSR)*, Eleven International Publising 2016, p. 314.

[60] Directive 2014/95 of the European Parliament of the Council of 22 October 2014 as regards disclosure of non-financial and diversity information by certain large undertakings and groups [2014] OJ 327 (Directive on Non-Finacial Reporting), Article 19a (1).

[61] Directive 2013/34 of the European Parliament of the Council of of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings [2013] (The Accounting Directive) OJ C 181, Article 2(1).

[62] A. Martinuzzi, B. Krumay and U. Piscano, 'Focus CSR: The New Communication of the EU Commission on CSR and National CSR Strategies and Action Plans', *European Sustainable Development Network (ESDN) 2015-23*, p.19.

[63] G. Szabó and K. E. Sørensen, *New EU Directive on the Disclosure of Non-Financial Information (CSR)*, Eleven International Publising 2016, pp. 319- 326.

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Nonetheless, the EC avoids incorporating any format or regulation on how corporations should report such matters. When taking a closer look at the NFRD it does not provide much insight into which order the non-financial topics should be reported. It only mentions that '*disclosure through non-financial reporting helps measuring and monitoring the corporations' impact on society'*.[64] Therefore, it is argued in the literature that corporations have a pretty free hand in deciding how to draw and present their reports concerning the required "non-financial" information. This means that the NFRD should be perceived as a non-intrusive way of trying to promote change towards sustainability whilst allowing corporations to decide for themselves how they will incorporate it.

Furthermore, according to the EC, this minimum harmonisation approach is preferred to avoid the one-size-fits-all approach, maintain flexibility for all corporations, and avoid the non-financial reporting becoming merely a box-ticking exercise. It also allows the member states to introduce additional, stricter disclosure requirements. It is questionable however whether the latter could be perceived as an advantage in facilitating CSR. If member states adopt extra disclosure requirements, it may still be difficult for corporations, especially TCNs, to cope with the different requirements. In addition, with different requirements and therefore, a different format of reporting, it will be challenging to audit and make comparisons.[65] [66] To tackle this issue the NFRD does prescribe the adoption of non-binding guidelines on the methodology for reporting.[67] Although in theory such guidelines could seem like an improvement in the consistency and comparability of the disclosed reports, the effect is not guaranteed. Perhaps that is the reason the EC has chosen not to adopt such guidelines yet.[68]

Although further measures could be taken to ensure and harmonise reporting quality, it is argued that the new disclosure regime adopted in the NFRD is a step forward at EU level regarding CSR implementation. By requesting disclosure on the six CSR factors, corporations are required to deliver reports where they (at least) reason whether their business strategy is related to topics. In doing so, a corporations mindset is not only aware of the existence of CSR but also its impact/risks when carrying out business activities. This implies that the NFRD in the end can affect how businesses are conducted. Also, due to its non-binding guidelines, it creates a level playing field for member states to require CSR policies and thereby stimulate corporations to adopt CSR into their business model. [69] Since it appears that both the UN and EC established initiatives want to stimulate

[64] Ibid.

[65] G. Szabó and K. E. Sørensen, *New EU Directive on the Disclosure of Non-Financial Information (CSR)*, Eleven International Publising 2016, pp. 316- 318.

[66] A. Martinuzzi, B. Krumay and U. Piscano, 'Focus CSR: The New Communication of the EU Commission on CSR and National CSR Strategies and Action Plans', *European Sustainable Development Network (ESDN) 2015-23*, pp. 40-56.

[67] Directive 2014/95 of the European Parliament of the Council of 22 October 2014 as regards disclosure of non-financial and diversity information by certain large undertakings and groups [2014] OJ 327 (Directive on Non-Finacial Reporting), Recital 2.

[68] G. Szabó and K. E. Sørensen, *New EU Directive on the Disclosure of Non-Financial Information (CSR)*, Eleven International Publising 2016, pp. 328- 330.

[69] A. Martinuzzi, B. Krumay and U. Piscano, 'Focus CSR: The New Communication of the EU Commission on CSR and National CSR Strategies and Action Plans', *European Sustainable Development Network (ESDN) 2015-23*, pp. 59-67.

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corporations and their business strategy into CSR implementation, it might be worth examining what other factors have encouraged corporations to become "active or more active" in the field of CSR. The next chapter will elaborate further on this matter through an analysis of case studies.

III. CSR scandals

'It takes twenty years to build a reputation and less than five minutes to ruin it. If you think about that, you'll do things differently.'[70]

–Warren E. Buffet, CEO, Berkshire Hathaway

An outline of the CSR concept and a review of relevant international and European initiatives is just the beginning. In the quest to really address why corporations should become "more responsible", it is important to investigate the impact of other, triggering factors. It might therefore be meaningful to examine the consequences corporations face in society when a lack of CSR (implementation) is found, such as public scrutiny, unwanted media attention, etc. Examining a few examples of corporate scandals and corporations' initial, ignorant attitude towards CSR as briefly mentioned in the introduction will highlight the effect of CSR negligence on a corporation's well-being. In addition, an analysis of the post-scandal behaviour will help to determine whether the consequences eventually boost CSR implementation. Moreover, it could encourage an appreciation of the importance of a CSR-flavoured business strategy.

III.1. Case: Coca-Cola

Started as a local soda producer in Atlanta in 1886, in the beginning Coca-Cola sold about nine beverages a day. By the 1920s, the corporation had already expanded internationally, selling its products to the Canadian and the Caribbean markets and then expanding into other continents such as Asia, Africa, Europe and South America. Before the turn of the century, the corporation was selling its beverages and had established subsidiaries in almost every country. By 2005, Coca-Cola had become the biggest manufacturer, distributor and marketer of non-alcoholic beverages across the globe.[71] However, around this time several campaigns and demonstrations started to haunt Coca-Cola and its subsidiaries for its "way of doing business".

Published in 2003, the report of the Indian NGO Centre for Science and Environment (hereafter: CSE) for instance, carried enough evidence for serious allegations against the corporation.[72] The CSE accused Coca-Cola of causing water shortages in – among other areas – the community of Plachimada in Kerala, South India. Moreover, the corporation was blamed for water pollution because it was discharging waste water from the Coca-Cola plants into rivers and fields in the same community. Their report indicated that groundwater and soil were polluted to an extent that the

[70] Z. Friedman, 'Here are 10 Genius Quotes from Warren Buffet', *Forbes*, 4 October 2018, at: https://www.forbes.com/sites/zackfriedman/2018/10/04/warren-buffett-best-quotes/#2642c2d7426, (accessed on 27 April 2019).

[71] M. Pendergast, 'The History of Coca-Cola', at: https://www.worldofcoca-cola.com/about-us/coca-cola-history (accessed on 27 April 2019).

[72] S. Soumya Misra, 'Think before you drink', at: https://www.cseindia.org/tag/coca-cola (accessed on 27 April 2019).

Indian government and public health authorities found it necessary to post signs at wells and hand pumps advising the community that the water was not suitable for consumption.[73]

Coca-Cola's Indian subsidiary in Plachimada started its production operations in the 2000s. Soon after it started operating the local people experienced a scarcity of water. The state government initiated legal proceedings against Coca-Cola in 2002, and soon after that the High Court of Kerala prohibited the subsidiary from extracting groundwater. Coca-Cola's defence argued that the water scarcity and drought conditions experienced in the area were the aftermath of decreasing rainfall.

By 2003, Coca-Cola's subsidiary had suspended production, although for a different reason than expected. The subsidiary was waiting for renewal of its license in order to continue its productions. Despite the judicial procedure and ongoing demonstrations, Coca-Cola's subsidiary succeeded in obtaining the license renewal to resume its operations. In 2005, however their operations were again boycotted. The government of Kerala banned the manufacture and sale of Coca-Cola in Kerala on the grounds that the high levels of pesticides discovered in the beverage was harmful to human health.[74] However, the ban did not last for long because later that same year the High Court of India overturned Kerala's Court decision. The main reason for the overruling was tests done on Coca-Cola beverages by an independent Joint Committee. The level of pesticides in the beverages was found to be safe according to local standards. It was therefore concluded that Coca-Cola had not violated any national laws and could continue production. [75] [76]

Nevertheless, the conflict between the state government and Coca-Cola did not stop here. More recently, in March 2012, the state government decided to fine Coca-Cola's Indian subsidiary a total of $47 million because of the damage caused to the water and soil in Kerala. [77] Possibly due to the newly established amount of legal proceedings, the outcome is still uncertain. However what is already clear is the consequence of the increased media and public attention for Coca-Cola. The corporation has suffered a great loss in consumers' trust and reputation damage in India and overseas which has resulted in an almost immediate effect on Coca-Cola revenues. For instance, just two weeks after the release of the CSE report in 2003, it became apparent that its overall sales dropped by 40%. By the end of 2005, there was another decline of 15% in the overall sales due to the allegations made about the unacceptable level of pesticides. This was all in contrast to the years before the accusations against the corporation where its annual growth rates were 25 – 30%. In

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[73] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, p. 53- 54.

[74] R. Prema Prasad, 'Pesticides in Soft Drinks', at: https://www.cseindia.org/home-mulls-over-plachimada-tribunal-bill-3665 (accessed on 27 April 2019).

[75] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, p. 55.

[76] T. Ghawana, J. P. Hespanha, J. Zevenbergen and P. van Oosterom, '*Spatial Dimensions of Land Administration and User Rights over Groundwater: Case study of Kerala, India vs. Coca Cola', Land Administration: Environmental Issues -2011 -7,* p. 5-10.

[77] S. Simya Misra, 'Making Coca-Cola pay', at: https://www.cseindia.org/making-coca-cola-pay-2320 (accessed on 28 April 2019).

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addition, the series of demonstrations by Indian and US students resulted in a temporary ban of Coca-Cola beverages at their universities in 2006. [78]

According to the scholars Pirson and Malhotra, the corporation's response and behaviour lies at the heart of why this controversy ended so badly. Coca-Cola tried to deny both the presence of pesticides in its beverages and its role in causing water shortages and pollution. The corporation lost consumers' trust by immediately denying all the claims rather than showing integrity and/or demonstrating concern about the situation. It is argued that due to its behaviour the Indian population tended to view Coca-Cola as a corporate villain who cared more about its profits than public health.

Both scholars proposed that Coca-Cola could have handled the situation better if it had implemented CSR and stakeholder engagement in its strategy (at some point).[79]

Although the corporation did not explicitly admit its mistakes, it appears that the controversy in India was indeed an open invitation for the corporation to adopt (a more proactive) CSR policy on at least water management. In June 2007, Coca-Cola went on to implement a Water Stewardship Programme.[80] With this programme, the corporation committed to reducing its operational water footprint and to increasing water sustainability on a global scale in partnership with local NGOs. An example is the rainwater harvesting project, where Coca- Cola teamed up with the Central Ground Water Authority, the State Ground Water Boards and the Indian NGO, Anandana.[81] To combat water shortages they implemented rainwater harvesting techniques across 17 states in India. These techniques consist of collecting and storing rainwater, thus preventing it from vaporising. The aim was to capture large quantities of good quality water that would otherwise go to waste. By adapting the ecosystem of water usage in India through water harvesting, the company expected that this project would eventually turn the company into a "net zero" user of groundwater by 2020. [82]

Furthermore, to achieve more commitments Coca-Cola established three, other measurable objectives:

- *'Reducing water use by improving water efficiency by 30% by 2020. The latest data available from 2010 shows a 16% improvement since 2004.*

[78] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, pp. 55-56.

[79] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, pp. 56-57.

[80] The Coca-Cola Company, 'Water Stewardship Progress', at: https://www.coca-colacompany.com/water-stewardship-replenish-report (accessed on 28 April 2019).

[81] S. Sethi, 'Anandana Foundation', at: https://www.anandana.org/ourprojects.html (accessed on 29 April 2019).

[82] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, p. 57.

- *Recycling water through wastewater treatment and returning all water used in manufacturing processes to the environment at a level that supports aquatic life and agriculture by the end of 2020. By September 2011, the progress observed concerning this target was 96%.*
- *Replenishing water used by offsetting the litres of water used in finished beverages by 2020 through local projects that support communities and nature. Currently, Coca-Cola reports that it holds a global portfolio of 386 community water partnerships or community-based replenish projects. By 2011, about 35% of the water used in finished beverages was replenished.'*[83]

After in 2008, Jeff Seabright, Coca-Cola's vice president of environment and water resources, for instance, encouraged the programme and stated that *'water sustainability should be a corporations' first concern when carrying out a business strategy'*. He also announced in 2010 a partnership between Coca-Cola and the World Wildlife Fund (WWF), making the corporation a member of the CEO Water Mandate.[84] [85]

The reputational damage experienced in India also pushed Coca-Cola to develop other initiatives in relation to CSR. For instance, in 2009 the corporation launched its sustainability framework "Live Positively" embedded at all levels of the Coca-Cola corporation, from production and packaging to distribution. The "Live Positively" framework, published in the corporation's reports, is made of seven core areas where the corporation sets itself measurable goals to improve the business' sustainability strategies. The seven established core areas are beverage benefits, active healthy living, the community, energy and climate, sustainable packaging, water stewardship and the workplace. [86]

Apart from its Code of Business Conduct, which aims to provide guidelines for its employees on – amongst other things – competition issues and anti-corruption, Coca-Cola has also become a participant of the UN's GC.[87] The corporation has included the international CSR guidelines in for example, its annual "Coca-Cola Company Sustainability Review". These reports, which are published every two years, are double-checked and assured by an independent group such as the sustainability rating firm, FIRA Sustainability Ltd. Their verification serves as a "modest assurance" on the reliability of the information provided by Coca-Cola. The development of CSR initiatives and

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[83] Idem, p. 59.

[84]P. JooHee Ng, 'Jeff Seabright of Coke on water partnership programs and watershed responsibilities', at: https://www.siww.com.sg/media-room/news/conversations/details/conversations-with-water-leaders-jeff-seabright-of-coke-on-water-partnership-programs-and-watershed-responsibilities#author (accessed on 29 April 2019).

[85] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, p. 56.

[86] The Coca-Cola Company, 'Business & Sustainability Report: Live Positively Framework', at: https://www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2019/Coca-Cola-Business-and-Sustainability-Report.pdf#page=26 (accessed on 29 April 2019).

[87] United Nations Clobal Compact, 'Our Participants', at: https://www.unglobalcompact.org/what-is-gc/participants/9195-The-Coca-Cola-Company (accessed on 29 April 2019).

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reports thus far has been addressed in literature as "the new foundations for Coca-Cola to do business".[88]

III.2. Case: Apple

Known formerly as Apple Computers Inc., the tech giant was established by founders Steve Jobs and Steve Wozniak in 1977 in California. Despite its rocky sales and low market share during the 1990s, the corporation carved the path to become a world-class leader in innovative consumer electronics and media industry with its recognisable, simple design products such as the iMac computer, iPod music player and iTunes Music Store from the year 2000. Along with the introduction of its iOS range of smartphones in 2007 and tablet computers in 2010, leading it to drop "Computer" from its name, Apple Inc. (hereafter: Apple) became a multi-million corporation.[89] In 2011 for example, Apple's net sales were estimated to be $108.2 million. Its net sales increased another 60% by 2012. Apple also managed to employ at least 60,400 full-time people worldwide and 2,900 temporary employees and contractors. The corporation utilises outsourcing by manufacturing its products overseas. One of its most well-known suppliers is located in Shenzhen, China.[90]

As briefly touched upon in the introduction, a famous scandal involved Apple and a number of suicides committed at its supplier, Foxconn. In 2006, the Chinese local press already reported that there was discrimination of Chinese employees by Taiwanese superiors as well as extremely long working hours and child labour issues.

However from May 2010 also international media attention exploded due to reports of suicides at Foxconn. Between 2009 and 2010 a total of 15 employees had committed suicide.[91] Rumour has it that Sun Danyong, one of the first employees, committed suicide after he had been interrogated on the loss of an iPhone prototype that he apparently had had in his possession. When the former CEO and co-founder, Steve Jobs, was asked about the suicides, he responded: *'Foxconn is not a sweatshop*[92]*.'* [93]

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[88] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, pp. 53-54.

[89]N. Rawlinson, 'History of Apple: The story of Steve Jobs and the company he founded', at: https://www.macworld.co.uk/feature/apple/history-of-apple-steve-jobs-mac-3606104/(accessed on 29 April 2019).

[90] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, pp. 60-62.

[91] M. Moore, 'Mass suicide' protest at Apple manufacturer Foxconn factory', *The Telegraph,* 11 May 2010, at: https://www.telegraph.co.uk/news/worldnews/asia/china/9006988/Mass-suicide-protest-at-Apple-manufacturer-Foxconn-factory.html (accessed on 29 April 2019).

[92]N. Farell, 'Foxconn is not a sweat shop', *The Inquirer,* 2 June 2010, at: https://www.theinquirer.net/inquirer/news/1652081/foxconn-sweat-shop (accessed on 29 April 2019).

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The original Taiwanese supplier is considered the largest contracted electronics manufacturer in the world. Foxconn has not only Apple as a client, but also the tech giants Dell and Sony. Their largest factory based in Shenzhen, employing over 450,000 people, is believed to be the manufacturing headquarter of Apple's products, mainly iPhones and iPads.

The complex in Shenzhen includes 15 factories, a hospital, bank, grocery store, sleeping quarters and restaurants. It is therefore argued that Foxconn has created a complex for its employees not only to work but also to actually live inside the building. [94]

An undercover investigation in 2011 revealed the apparent cause of the suicides to be internal management. Zhu Guangbing, initiator of the investigation, revealed *'The facilities of Foxconn are fine however the management is inadequate'*. In addition, Audrey Tsui, professor at the National University of Singapore Business School, argues that Foxconn utilises a military-style management approach. The employees were for instance not allowed to interact with each other and disobedience led to either being held in contempt by a manager or penalised with a huge fine.[95]

The average working week for employees was 70 hours. So, despite Foxconn's attempt to promote its factory with good facilities such as swimming pools, tennis courts and activities such as chess clubs and mountain climbing, it is reasonable to say that due to a 70-hour working week, employees did not have much time to actually enjoy these facilities. In contrary to the latter, DreamWorks China revealed interviews with several Foxconn employees who did not seem dissatisfied at all.[96] Some employees suggested that the working conditions at smaller factories are worse. Others stated that the media had just exaggerated the suicides in terms of their connection to the Foxconn factory and that some suicides had another or romantic causes.[97]

Yet, due to the increased media attention, criticism and a decrease of 1.69% in shares, Apple established a Supplier Code and produced Supplier Responsibility Reports by the end of 2012. The corporation made sure that their suppliers, including Foxconn, complied with the Code by conducting audits.

The audits had to cover working and living conditions, health and safety but also environmental practices at the respective factories. According to Apple's Supplier Responsibility Report 2014, Apple conducted 102 audits in 2013. By 2015 Apple conducted 229 audits, an increase of 80%

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[93] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, p. 63.

[94] Idem, pp. 63-64.

[95] C. Chang, 'Undercover report from Foxconns hell factory', at: https://gizmodo.com/undercover-report-from-foxconns-hell-factory-5542527(accessed on 29 April 2019).

[96] P. Olson, 'Dreamwork China: The Workers of Foxconn', at: https://chinadigitaltimes.net/2011/10/dreamwork-china-the-workers-of-foxconn/ (accessed on 29 April 2019).

[97] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, pp. 63-64.

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compared to 2014. The audits are conducted by an Apple auditor and must be supported by (local) third-party auditors.[98]

Apple also included a passage in one of the first Supplier Responsibility Reports responding to the suicides: '*Like many of our customers and others around the world, we were disturbed and deeply saddened to learn that factory workers were taking their own lives at the Shenzhen facility of Foxconn. Recognising that we would need additional expertise to help prevent further tragedies, we launched an international search for the most knowledgeable suicide prevention specialists—particularly those with experience in China— and asked them to advise Apple and Foxconn.(..).*[99]

Several media outlets reported on the visit of two leading experts who accompanied Apple CEO Tim Cook and other executives on a visit to the Shenzhen factory in June 2013. The latter group met with Foxconn CEO Terry Gou and members of his senior staff to understand the conditions better and to assess what measures were taken by Foxconn to prevent future suicides. In addition, Apple commissioned an independent review by a broader group of suicide prevention experts. This team of experts was asked *'to conduct a deeper investigation into the suicides, evaluate Foxconn's response, and recommend strategies for supporting workers' mental health in the future'*.[100]

In the next edition of the Supplier Responsibility Reports, Apple addressed the concerns around child labour discovered in the factories. Investigations led to the discovery by Apple experts of underage employees in ten of its suppliers' facilities. Apple subsequently required the suppliers to pay educational expenses, a living fee and the lost wages until the employees reached the age of sixteen. When one of the facilities local management did not want to address the problem, it was reported that Apple terminated business with the facility. The corporation also set up a training programme to prevent the future hiring of underage employees. The human resources managers for instance, were required be trained in local labour law.

It was clear that these attempts would not solve child labour issues. When the costs of labour, energy and raw materials rise, factory owners are forced to cut costs elsewhere. Child labour can easily be hidden by for example, providing fake wages and work schedule data. It is also considered difficult to prevent child labour when underage employees need and want to work to provide for their families. In an attempt to address this issue, Apple's 2015 Supplier Responsibility Report [101] stated that suppliers are obliged to send underage employees back to school and finance their education through Apple's Child Labour Remediation Program.

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[98] Idem, pp. 64-65.

[99] A. Watterson, 'Apple responds to suicides at Foxconn, at last', at: https://goodelectronics.org/apple-responds-to-suicides-at-foxconn-in-supplier-sustainability-report-at-last/(accessed on 29 April 2019).

[100] N. Young, 'Apple responds by hanging out nets after workplace suicides', *The Dailymail*, 17 November 2013, at: https://www.dailymail.co.uk/news/article-1357833/Apple-responds-suicides-Chinese-Foxconn-factory-hanging-nets.html (accessed on 29 April 2019).

[101] Apple, 'Supplier Responsibility Reports', at: http://www.apple.com/supplierresponsibility/ (accessed on 29 April 2019).

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In its report Tim Cook stated, concerning the abolishment of child labour, the following: '*We would like to totally eliminate every case of underage employment. We have done that in all of our final assembly. As we go deeper into the supply chain, we found that age verification system isn't sophisticated enough. This is something we feel very strongly about and we want to eliminate totally'*. He also announced that from February 2016, Apple will be the first tech corporation to join the Fair Labour Association (hereafter: FLA) against child labour. [102]

It does seem like the Chinese scandal was a wakeup call for Apple to be transparent about their business strategy and supply chain. Moreover, it has created a level playing field for the corporation to take on new, different initiatives. Besides the steps mentioned above, Apple also became co-sponsor of the UN Global Compact [103] and has adopted its ten principles. Moreover, it has launched CSR initiatives such as Clean Water Program, Global Volunteer Program, Sustainable Energy Consumption Program, etc. which are led by Lisa Jackson, Vice President of Environmental Initiatives, reporting directly to CEO Tim Cook. [104]

Reviewing the former examples illustrates that scandals influence corporations to not only become more involved with the local community, government and NGOs of where they conduct business, but mainly to change their business strategies and/or establish CSR policies. As illustrated, the media, demonstrations and other civil society actors can impact a corporation's prestige. Negative publicity combined with an ignorant attitude and response of a corporation, like Coca-Cola initially denying all accusations, is the first push towards a "domino-effect" consisting of losing consumers' trust in their products and market instability, resulting in a decrease in both overall sales and share prices. These risks are likely to stimulate corporations to take active measures in partnership with their stakeholders to resolve the scandal. Both corporations, Apple and Coca-Cola, teamed up with local actors and became transparent about their business strategies and supply chain in their annual or sustainability reports. Moreover, as was revealed in the research by Zwart & Mulder, the corporations turned into frontrunners in their branch as far as CSR is concerned. Apple aimed to set a new standard for the electronics industry by joining the FLA and Coca-Cola, by embracing water sustainability, has adopted one of the most ambitious CSR policies.

However, it is maybe undesirable for corporations to have to first go through a scandal before understanding the importance of CSR and (by societal force) taking action to implement its policies. It is argued that CSR can serve as much more than a way for corporations to show empathy, manage risks, avoid public scrutiny and tremendous losses or escape penalties due to a lack of its provisions. Therefore, the last chapter is devoted to research done on the benefits of CSR. It is believed to be a successful method of creating business opportunities, stimulating innovation and increasing competitive advantage.

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[102] C. A. Cedillo Torres, M. Garcia-French, R. Hordijk, K. Nguyen and L. Olup, 'Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?', *Utrecht Law Review* 2012 -3, pp. 64-65.

[103] United Nations Global Compact, 'Our Participants', at: https://www.unglobalcompact.org/what-is-gc/participants (accessed on 29 April 2019).

[104] A. Pratap, 'Apple Corporate Social Responsibility', at: https://notesmatic.com/2019/05/apple-csr-and-sustainability/(accessed on 29 April 2019).

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IV. The Added Value

'Corporate social responsibility has a bright future at its core, it makes a corporation tap into social changes, stand closer to the communities, create new opportunities and become innovative.' [105]
–Sunny Misser, Former Head of Global Sustainability Practice, PwC

Addressing the pressure and risks of "external stakeholders" holding corporations accountable for "wrong-doing" is one thing. Making them aware of the extent to which the incorporation of CSR is beneficial is another. Since corporations are not philanthropic institutions, efforts to integrate CSR need to also be profitable. Many corporate leaders often echo this remark, possibly showing interest in CSR but immediately asking: "What's in it for me?" Most corporations are not familiar with the benefits that CSR offer. They mainly analyse the manpower that is needed to gather the relevant CSR information for their specific corporation, enhance quality systems, adapt existing organisational structures, etc. This all requires money and therefore engaging in CSR initially leads to costs which may not be recouped in the short run. For example, replacing a production process by a more sustainable system could be expensive. Nevertheless, the same holds true for any other investment, such as for instance, staff development and training programmes: corporations feel the costs of the investments before profits are generated (in this example, better qualified staff). It is however argued that if corporations take measures to engage in the CSR field, it could actually result in benefits in the short term. Take for example the possibility of reducing charges by lowering the amount of emissions. By tuning up their machinery in an environmentally conscious way a corporation could enjoy direct profit. Improving the working conditions could lead to higher productivity, a reduction in sick leave and more interest among potential employees.[106] The most immediate payback of CSR is therefore usually found in advancing a corporation's reputation and in the efficiency of the organisations itself.

Quantifying the financial benefits of CSR for a corporation is often perceived as pretty difficult. Yet, with these small examples it could already be a possible to disclose the added value of CSR: the sum of cost reductions that can be quantified or assessed directly by a corporation.[107] In an effort to underpin the many advantages of CSR and make it a bit tangible, an outline of a relevant case study will be used to try to broaden the CSR horizon for corporations. In addition, to move beyond the most common corporate response, glossy reports showcasing the corporation's social and environmental deeds, the new approach regarding CSR through the proposed model addresses a better understanding of how valuable the incorporation of CSR could be. This last chapter is therefore devoted to examining CSR profitability and how best to anchor it in business strategies.[108]

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[105] AccountAbility New York, 'Sunny Misser honored as the 2017 Distinguished Alumni for Excellence in the Industry by Lehigh University', at: https://www.accountability.org/accountability-ceo-sunny-misser-honored-2017-distinguished-alumni-excellence-industry-lehigh-university/ (accessed on 30 April 2019).

[106] M. Weber, 'The Business Case for Corporate Social Responsibility: A Company-Level Measurement Approach for CSR', *European Management Journal*, p. 247-253

[107] G. B. Sprinkle and L. A. Maines, *'The Benefits and Costs of Corporate Social Responsibility'*, Business Horizons 2010, p. 448-456.

[108] J. Cramer, *Learning about Corporate Social Responsibility: A Dutch Experience*, Non Basic Stock Line 2003, pp. 49-51.

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IV.1. The Triple Value Assessment

One of the important case studies that tried to bridge the gap of knowledge between CSR and its profitability for corporations was that of the partners at the consultancy corporation "Triple Value Strategy Consulting", Rene Kim and Erik van Dam (hereafter: the partners). Within the framework of the Netherlands Initiative for Sustainable Development programme 'From financial to sustainable profit' and under supervision of the partners, five corporations made themselves available for their CSR investigation. The objective of the case study was to develop a generic model named "The Triple Value Assessment" to help disclose the added value of CSR. An additional aim was to explore whether a single model could be developed to estimate the benefits of CSR for any corporation.[109]

Since the incorporation of CSR can vary from corporation to corporation the model tries to help corporations to identify their own set of values, and thereby facilitates the process of implementing CSR. Both partners argued that any model designed to determine the added value of CSR must therefore be sufficiently general to be able to be used by a wide range of different corporations, whilst also being specific enough to allow different corporations to identify their "own" added value of CSR. As a result the model constitutes a compromise: '*it will be shown to be applicable for a broad range of companies and be flexible enough so that companies can tailor it to their specific situation'.*

The business system of the five participating corporations was taken as the starting point for developing the model. The analysis of the partners focused on those aspects that were the most relevant for the corporations in the context of CSR. Broadly speaking, three aspects were put forward that were considered of importance for corporations in the field of CSR:

- *'Increasing economic efficiency through environmental and/or social innovations*
- *Protecting and enhancing the corporation's reputation vis-à-vis the market and society at large*
- *Profiting from the parenting advantage - the benefit of belonging to a larger entity (the parent company)'*

The backbone of the model consists therefore of the following three perspectives: "economic performance, reputation value and parenting advantage". The model distinguishes these perspectives into three pathways through which the implementation of CSR can add value for a corporation: it advances the economic performance, increases the reputation value and contributes to the parenting advantage. Figure 1 illustrates that the sum of these three perspectives results in the total added value of the implementation of CSR to a corporation.[110]

[109] Idem, pp. 49-51.

[110] R. Kim and E. van Dam, *The added value of Corporate Social Responsibility*, NIDO Leeuwarden 2003, pp.7-11.

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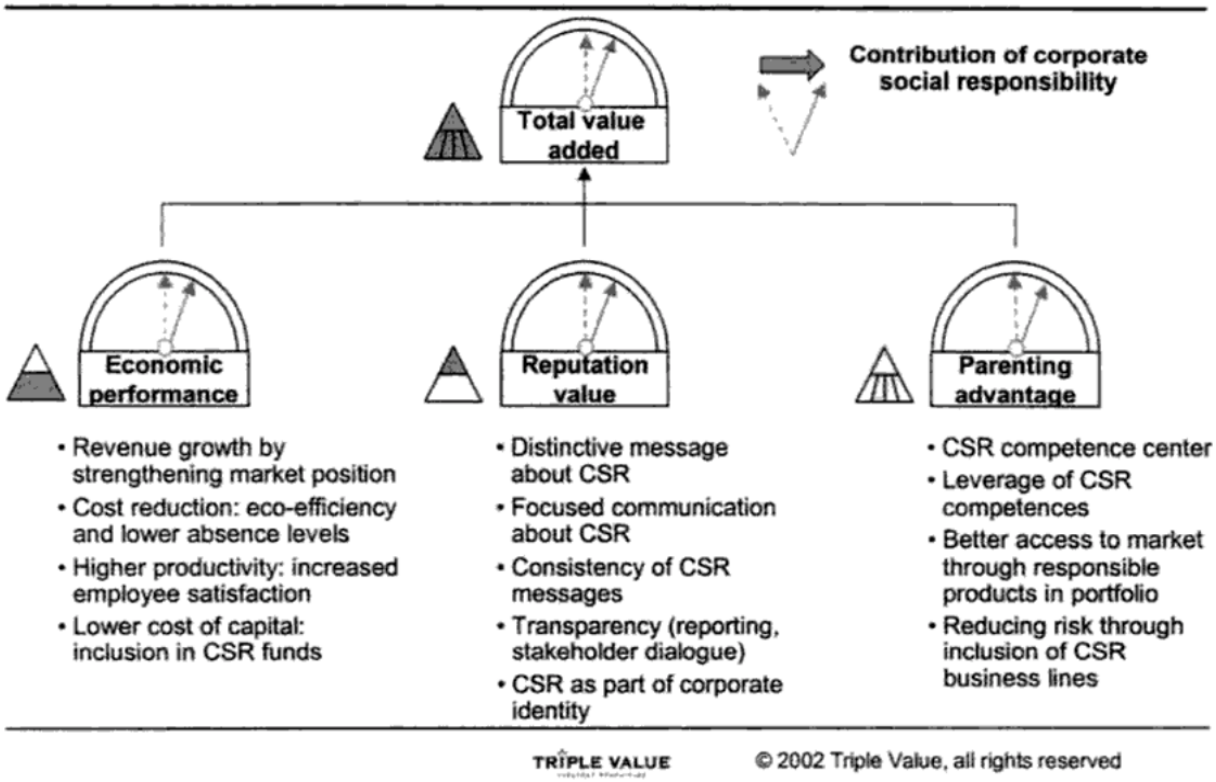
Figure 1 [111]



IV.2. Economic Performance

To enhance the economic performance of a corporation the partners first link the most important resources for conducting business to CSR in the following framework:

- Planet : materials
- People : employees
- Capital : funds

The partners argue that these are (in general) the most important three resources which every corporation needs to survive. Of course, the people element consists of much more than employees, the planet means many more things than just (raw) materials and capital can be raised through various other routes than funds. However, both partners argue that integration of CSR can provide a helping hand in the better usage of these resources resulting in higher economic performance for the corporation. The appeal of the framework lies in the fact that management analyses the same objective (value creation) from three different angles that are not entirely independent of each other. The danger of ending up with either many conflicting conclusions or a tunnel vision can therefore be avoided.

[111] R. Kim and E. van Dam, *The added value of Corporate Social Responsibility*, NIDO Leeuwarden 2003, pp. 9.

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To put their framework into perspective and to illustrate the first pathway, the partners demonstrate that for example, the use of eco-friendly production techniques does not only lead to cost reduction due to less charges for pollution. It also gives the corporation the perspective of being included in a sustainable investment portfolio opening up new possibilities in terms of access to "new" markets and capital. Newly raised capital could for example be used to improve working conditions resulting in increased employee satisfaction. This further strengthens the corporation's market position and eventually its revenue growth.[112]

IV.3. Reputation Value

The most well-known reason in favour of CSR is that it increases the reputation of a corporation. The partners try to back this argument in their study by first of all describing reputation as '*the net result of the interaction of all experiences, impressions, beliefs, feelings and knowledge that stakeholders have about the performance of a corporation'.* Their idea is furthermore that reputation is based on the corporation's past and that it reflects the stakeholders' expectations about future quality and performance. According to the partners, today's reputation influences tomorrow's performance. In this sense it is the corporation's reputation that ensures continued and successful access to the branch(es) in which a corporation is involved.

Both partners argue that CSR can be an effective tool to improve a corporation's reputation. In their research they use the Reputation Quotient: a cumulative outcome of people's answers to twenty questions related to different reputation drivers for a corporation. Although the strengths of the drivers vary from country to country, it was ultimately found that Emotional Appeal has the greatest influence on a corporation's reputation (78%). Emotional Appeal is defined as the extent to which one likes, trusts and respects the corporation. When distilling the Emotional Appeal, it becomes apparent that the drivers Social Responsibility (38%) and Workplace Environment (23%) have the strongest impact on a corporation's reputation and also have a strong association with CSR. Within these drivers, the elements "treats people well" and "good place to work" have been statistically shown to have the largest effect on reputation value. Utilising the Reputation Quotient methodology, for the second pathway the partners recommend the following CSR tools for a corporation to distinguish itself in the market.

'A corporation's reputation is enhanced when it:

- *'Occupies a distinctive position in the minds of the key stakeholders*
- *Focuses clearly on a core theme in its communications (corporations focusing on trustworthiness in all of its communication)*
- *Is consistent in its communication with all stakeholders (notably employees, customers and shareholders)*
- *Communicates in a way that is authentic and relates to the company identity.*
- *Is transparent about its affairs'*[113]

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[112] R. Kim and E. van Dam, *The added value of Corporate Social Responsibility*, NIDO Leeuwarden 2003, pp. 12-15.

[113] Idem, pp. 19-21.

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IV.4. Parenting Advantage

The last area in which the implementation of CSR can advance a corporation's value is known as Parenting Advantage. In principal, the concept deals with the fact that a corporation should not just be a good parent, but should be the best possible parent for their particular business unit. Parenting advantage already consists of aspects that are thought to be relevant for business strategies who aim to maximise a corporation's value. Four important aspects of parenting advantage usually used in corporate strategies are distinguished in their study:

- "Stand-alone" influence: each subsidiary is viewed as a separate profit centre. These businesses are controlled and monitored using basic performance targets. Value is created by strategic decisions such as the appointment of better qualified managers and approving major capital expenditures;
- "Linkage" influence: value is created by improved co-operation and synergy benefits;
- Central functions and services: corporate value is created through the provision of administrative and managerial services to the businesses;
- Corporate development: value creation is built up through portfolio management.'

The partners argue that implementation of CSR can contribute to these aspects of parenting advantage. Their case study found that the inclusion of a sustainable portfolio leads to access to different, existing markets, a better understanding of efficient production and risk reduction in their own supply chains. Whilst not activating all aspects of parenting advantage this approach mainly contributes to a business strategy aiming to maximise a corporation's value.[114]

Although the case study did not present in numbers what the added value of CSR could be, it is worth noting that their analysis leads to the conclusion that the implementation of CSR is favourable. Both partners make clear that in order to unravel the added value, a corporation needs to identify improvements, set out targets, acquire commitment from management (through a board presentation for instance) and present how implementation of CSR could be beneficial/valuable to their business.

The partners further argue that the specific value created depends on the corporation and the branch to which it belongs. But by making corporations aware of the "Triple Value Assessment": the general and yet corporation-specific value creation process, the costs and benefits of corporate social responsibility can be laid out systematically. The five corporations involved in their CSR investigation became enthusiastic about their business due to the new viewpoint that CSR has created. As one of them stated:

'The concept of corporate social responsibility has inspired me to reconsider my business model'.[115]

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[114] R. Kim and E. van Dam, *The added value of Corporate Social Responsibility*, NIDO Leeuwarden 2003, pp. 22-25.

[115] Idem, pp. 26-29.

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V. Conclusion

'Good corporations offer excellent products and services. Great corporations also offer excellent products and services but also strive to incorporate CSR in every step of the process.'[116]

–Anne Mulcahy, Former CEO, Xerox Corporation

This article discussed the concept of CSR for corporations: its transformation, soft law element, consequences and benefits. Although CSR presents itself without a fixed definition, almost every institution or corporation that attempts to define the concept uses the same vocabulary. This article traced the evolution of this dynamic concept. Presenting an overview of the transition of "Social Responsibility" into CSR the article aimed to clarify its history and development. It was Howard Bowen that noticed the latter transition during the 1950s. By the 1980s, "the pyramid of CSR" consisting of economic, legal, ethical and philanthropic elements introduced by Caroll, gave the sense that CSR was a societal creation embracing different but not entirely independent layers for corporations. When more evidence was found it became evident that CSR could best be defined as an umbrella term for a corporation's responsibility towards society. It carries an ethical, moral and business element (terms used in most CSR definitions) that requires the commitment of people at all levels of the corporation to think, communicate and act on the CSR issues they face in their work.

Having outlined the evolution of CSR, it was worth noting another important element of CSR, its soft law coating. It became apparent that utilising traditional instruments – rules and norms and issuing penalties – were the least effective at holding corporations, especially TCNs, accountable for not committing to CSR. Therefore, it became reasonable to research "soft" initiatives proposed by international and European institutions that encouraged corporations to engage in the field of CSR. The most international initiative was that of the UN. Their initiative presented in the GC aims to firstly overcome the weaknesses found in existing state regulations promoting CSR. Secondly, due to its broad scope, the GC offers a network for learning and sharing experience between corporations, or between corporations and other public actors through its platform. Meanwhile the EC adopted a "new disclosure regime" in the NFRD requiring disclosure from corporations on six CSR factors which was considered a step forward at EU level regarding CSR.

After a review of the established soft law initiatives on the concept, this article also investigated other triggering factors for a corporation to become involved in the field of CSR by determining the impact of recent corporate scandals on a corporation's well-being. It appeared that Coca-Cola and Apple for instance, have more in common than just being two top leaders in their branches; they both suffered (financially) from the consequences of CSR negligence. In addition, an analysis of their post-scandal behaviour showed that the researchers Zwart & Mulder were correct: both corporations turned into frontrunners in their branch as far as CSR is concerned.

The last chapter was dedicated to revealing "the added value" of CSR. It is pretty undesirable for corporations to first go through a scandal and then to engage in the field of CSR. The article therefore highlighted a relevant case study that developed a generic model named "The Triple Value Assessment" to help appreciate the benefits of CSR. The model presented by the partners argues that the implementation of CSR is an innovative method for corporations to advance economic performance, increase their reputation value and contribute to the parenting advantage.

[116] P. Kotler, 'Corporate Social Responsibility doing the most good for your company', at: https://www.goodreads.com/work/quotes/156552-corporate-social-responsibility-doing-the-most-good-for-your-company-(accessed on 30 April 2019).

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Having answered all the sub questions throughout the chapters, we can now turn to the answer to the question that this article aimed to find out:

“Why should corporations adopt CSR?”

Although the previous chapters have provided strong arguments in favour of CSR implementation, such as improving reputation, increasing media coverage, boosting employee engagement, attracting and retaining new investors, serving a moral obligation, etc., the actual answer is that in today’s global society and future it is apparent that (almost) no corporation or business is excluded from the CSR arena and its potential consequences. That is why corporations should be engaged in this field.

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