

A new direction for CSR: the shortcomings of previous CSR models and the rationale for a new model

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Abstract

Purpose – *This paper aims to take the reader on a journey through the development of CSR since it first emerged in the 1940s, through to contemporary models of CSR.*

Design/methodology/approach – *By drawing on existing CSR literature the achievements and gaps of CSR are demonstrated. The literature review focuses on a small selection of important CSR models, referencing the most iconic from the last few decades.*

Findings – *Existing CSR models are critiqued as being insufficient in providing an adequate understanding of CSR. It is asserted that a more efficient model of CSR is required and a new model of CSR is proposed, which is more relevant to and reflective of the present day business environment. The model of “consumer-driven corporate responsibility” (CDCR) is founded on the notion that consumer demand for CSR is both the most likely and the most effective driver for the implementation of CSR in a company.*

Research limitations/implications – *As CSR is rapidly evolving, undoubtedly models will be created after this paper was written, that, for this reason, are out of the scope of this review.*

Practical implications – *This paper provides an alternative, more comprehensive and more effective model of CSR, useful as a tool for academics and business leaders alike.*

Originality/value – *As the model of CDCR focuses on the conditions under which companies are most likely to adopt CSR from both a descriptive and normative perspective, it is proposed as being a more suitable approach to CSR.*

Keywords *Corporate social responsibility, Business ethics, Corporate governance, Sustainable development, Ethical consumption, Consumerism*

Paper type *Conceptual paper*

The concept of corporate social responsibility (CSR) has become an increasingly common term and conjecture in the political, academic and business realms over the last century. During this time, it has experienced a period of constant defining and modelling, re-defining and re-modelling. This paper aims to take the reader on a journey through the development of CSR, demonstrating what it has achieved and highlighting the gaps it is yet to fill. The reader will be navigated around the development of CSR since it first emerged in the 1940s through to four models of CSR that have been more recently created. These models are a small selection but range from those which have been the most commonly referred to over the last few decades, such as stakeholder theory (Freeman, 1984) and the “pyramid of CSR” (Carroll, 1991), to the some of the more complex and contemporary, such as the “model of sustainable development” (Aras and Crowther, 2009) and “CSR 2.0” (Visser, 2010). A critique shall then be put forward, arguing that such models are insufficient in providing either an adequate descriptive or normative understanding of CSR, subsequently asserting that a more efficient model of CSR is required. Lastly, a new model of CSR will be proposed which is more reflective of and better suited to the present day business environment. This model, named “consumer driven corporate responsibility” (CDCR) is founded upon the notion that consumer demand for CSR is both the most likely

and effective driver for the implementation of CSR in a company, above all other models outlined below.

The origins of CSR

Discussions around the impact corporations have on the environment and society were initiated long before any definition of CSR was constructed. The dominant ideology that has historically surrounded the role of ethics in business is derived from the assertion by Adam Smith (1776) that the free market economy is self-regulating by means of the “invisible hand”, whereby an individual's self-interested goals will inevitably result in a democratic capitalist system. A strong proponent of Smith's argument and stern critic of the emerging concept of CSR at the time of his writing was Milton Friedman, who famously asserted that “the social responsibility of business is to increase its profits” (Friedman, 1970). He justified this argument by claiming that corporations cannot have social responsibilities for three reasons: that only human beings can have a moral responsibility for their actions; it is the business manager's obligation to act solely in the interests of shareholders; and social issues are the province of the state, not the corporation (Friedman, 1970). Despite this dominant ideology that propagates business ethics as an oxymoron, the argument itself has been criticised for not taking into consideration the role that corporations actually do play in society. In fact, the emphasis on ethical business conduct actually originated from business executives themselves, as demonstrated by acts of corporate philanthropy, social-give back policies and codes of conduct that many companies established in the 1920s (Frederick, 2006). Companies such as Carnegie, Cadbury and Lever were among the first companies to utilise company assets to improve the conditions of their workers along with other social conditions (Blowfield and Murray, 2008). Following this, under the umbrella of social contract theory, corporations began to be recognised by many as a “social enterprise” if the existence of a corporation served public or social purposes. This emphasised the fundamental principle that the collective well-being precedes all else (Dahl, 1972).

The impact that business had on society and the environment became increasingly important with the progression of globalisation. Beesley and Evans (1978) were possibly the first authors to observe the concept of CSR on a cross-cultural level. Despite the differences across the world in implementation of CSR, they asserted that social responsibility may be a successful way of dealing with unresolved social problems:

The common ground lies in the perception of a relative shift from government to companies as the source of social improvement and the means to promote specific items of social welfare (Beesley and Evans, 1978, p. 13).

The limitations to CSR which had been widely discussed at the time they believed lie in the incomplete perception on the meaning of “power” and the fact that such criticisms do not sufficiently address the question of managing social change. They asserted that most writers before them had attached CSR to the problem of controlling corporate power, where “power” is generally taken to mean an ability to constrain or influence the options open to others. A recurring issue was that the company had been able to implement power, which was not efficiently controlled and could, therefore, acquire an excessive share of social benefits. From this concern arose a number of potential problems identified with the relationship between the economically powerful company and the environment, the local community, political organisations and the social infrastructure (Beesley and Evans, 1978). They stated that the corporations have a huge influence on the emerging society which can both expand the opportunities available to society but also be detrimental in that the corporation has control over the local politics, economy, workforce and local produce:

The company is intrinsically bound up with issues of justice, and has some power to promote or inhibit the just outcome. The more complex the relationship between company and society, the more issues of legitimisation of company actions and control of them intrude [...] a range of ethical arguments has been produced to support the view that companies should be socially responsible (Beesley and Evans, 1978, p. 15).

The perspective of the corporation as an expression of human aspiration owning political and sociological characteristics brought home to many onlookers the social and political power that such corporations had on our society and emphasised the need for them to be socially responsible. As a result of such a realisation, governments became progressively more interested in monitoring corporate behaviour. One of the first political agendas initiated to monitor and maintain ethical corporate behaviour was the Brundtland report. Established in 1983 by the World Commission on Environment and Development (WCED), the aim of the report was to address a growing concern about the impact of deterioration of the environment and decline of natural resources on social and economic development. The report asserted that it is possible to achieve social equity, environmental maintenance and economic growth, the "triple bottom line" (Elkington, 1991). It further asserted that all countries are capable of achieving its full economic potential whilst at the same time enhancing its resource base. As a result, much legislation was derived from the report during the 1992 Earth Summit in Rio De Janeiro, in which several documents were created: the Rio Declaration of Environment and Development; The Convention on Biological Diversity; Forest Principles; Framework on Climate Change; and Agenda 21. This legislation was a comprehensive blueprint of action to be taken locally, nationally and globally by government organisations to reduce our impact to the environment (Aras and Crowther, 2009). Another important outcome of this summit was the organising of another conference, the Climate Change Convention, which led to the Kyoto Protocol. This was an agreement whereby the countries who have committed themselves to it must reduce their carbon emissions.

However, the emphasis on CSR has not solely focused on the impact of corporate behaviour on the environment. Over the last ten years, specifically, the focus on the impacts of business on human society has been elevated by numerous infamous demonstrations of corporate greed and business scandal. One of the first and most controversial of such instances was the case of Enron, the US energy company that famously went bankrupt in 2001 after conducting irresponsible accounting practices. During the time of the scandal its stock price fell from \$90 in mid-2000 to \$0.10 a few months later, costing its shareholder \$11 billion. The public confidence in big business at the time was a disappointing but not surprising 22 per cent (Frederick, 2006). This specific incident led to the Sarbanes-Oxley act (SOX) to increase regulation of the financial sector in the US, particularly focusing on the devastating effects that illegitimate and immoral corporate behaviour has on its various stakeholders; not just shareholders but its employees, customers, suppliers, partners and the wider community within which it operates. However, such regulation of the financial sector did not come under scrutiny in the UK until recently when, in 2007, the nation experienced a national "run" on the building society giant Northern Rock after it had reported significant losses and reached out to the Bank of England for financial support. The mortgage lender had experienced such losses after having been one of the many financial institutions that had been affected by the "sub-prime crisis" of the western world, whereby millions of high risk, low income mortgage borrowers started to default on their loans, causing massive write-offs and losses of many banks and building societies across the globe. Hamilton and Micklethwait (2006) have drawn attention to the way in which unethical business behaviour and subsequent downfall of a company is often rooted in its inherent general attitude of greed, hubris and desire for power. This is especially true insofar as there is a strong correlation between the performance and growth (profit) of a company and the status and pay of the chief executive of the company (CEO). However, big bonus pay-outs relating to performance are also common amongst traders within the stock markets and banks, rather than just CEO's. This issue was a key aspect of controversy within the "sub-prime crisis", during which the media heavily focused on the bonuses of city bankers for causing the crisis by encouraging rapid and unsustainable growth in a short period of time, resulting in the lack of due diligence given by such bankers to risk management of lending.

These historical events have significantly changed the way in which academics, business leaders, consumers, environmental groups and governments consider the effects of business on society and the environment. As a result of such historical events, it is evident why CSR was originally conceptualised and how has been embedded in business and

society as a result of such historical events. Now that an observation of some of this contextual background of CSR has been made, an investigation into some of the more comprehensive and most commonly referred to theories and models of CSR can proceed.

The development of CSR models

Stakeholder theory

Stakeholder theory, developed by Freeman (1984), emerged shortly after the Brundtland report. Though the aim of this paper is to investigate CSR models and stakeholder theory is not a model *per se*, it is still important to review as it is as one of the earliest and most commonly referred to theories of CSR. Freeman was one of the first academics to reject Friedman's perception that a company only has social responsibilities towards its shareholders and challenged the dominant model of business at the time that was not "consistent with the law, and for the most part, simply ignores matters of ethics" (Freeman, 2008, p. 39). He instead asserted that managers actually "bear a fiduciary relationship to stakeholders" (Freeman, 2002, p. 39). In providing a definition of a stakeholder, he asserted it is any group or individual "who can affect, or is affected by, the achievement of the organisation's objectives" (Freeman, 1984, p. 46). The logic for such an assertion is derived from the notion that stakeholders have a right not to be treated merely as a means to an end but must be able to participate in the direction of the firm in which they hold a stake (Freeman, 2002, p. 39). Further, Freeman stated in a later paper that "businesses and the executives who manage them, actually do and should create value for customers, suppliers, employees, communities and financiers (or shareholders)" (Freeman, 2008, p. 39).

Freeman provided two main arguments to support the notion that stakeholders matter, in response to the traditional shareholder model as asserted by Friedman (1970). First, from a legal perspective there are more groups than shareholders that have a stake in the corporation, as there are legally binding contracts between the corporation and its suppliers, employers, customers, partners and the surrounding community and environment. Freeman further rejected the *laissez-faire* strand of economic theory that the free market is self-regulatory and needs no intervention from government. Thus, stakeholder theory ensures that such regulation of a company's actions towards all of its stakeholders, including shareholders is legal. Second, from an economic perspective there is the problem of what Freeman calls "externalities". For example, if a firm closes a plant in a small community and lays off workers, it is not only those workers that will be affected but the surrounding shop owners who will lose their business, tax payments to fund schools and other public services that will also suffer. Yet the company has no contractual relation to these groups so the traditional model states these obligations do not exist.

The stakeholder theory approach to CSR necessarily criticised the previously dominant view as asserted by Friedman (1970) that the social responsibility of business was to increase profits for shareholders by examining the other important stakeholder groups that businesses had to be responsible towards. However, although it was feasible to suggest that a company should be responsible for more than just its shareholders, it was not successful as a pragmatic approach for explaining how ethical behaviour can be implemented into a company. Further criticism comes from Stieb (2009) who identifies many gaps in Freeman's approach. Stieb observes that stakeholder theory appears to ask more questions than it answers surrounding the role of business in society and, generally speaking, does not provide any clarity on the issues that most require it. For example, Freeman identifies that shareholders enjoy the majority of the power in the decision making processes of a firm, a process which he argues should actively engage the other stakeholders concerned, as they will be the most impacted by the businesses actions. Yet, on a pragmatic level, this proves confusing to business managers when assessing which of the stakeholders should be given the most decision making power (Stieb, 2009). Freeman further identifies the distribution of wealth as unequal and calls for its redistribution from solely the shareholders of a corporation to the other stakeholders concerned. However, Stieb sees this as problematic as it automatically assumes that every stakeholder is affected and directly impacted by the

businesses actions enough for it to warrant the redistribution of wealth from the individual who has directly financially invested to an external stakeholder:

A theory that refocuses decision-making power and the benefits of labour from those who invest money (stockholder) to (stakeholders) "any group or individual who can affect or is affected by the achievement of the activities of an organisation" is open to abuse [...] Redistribution of wealth abuses those who merit their earnings (Stieb, 2009, p. 402).

This is problematic also, as even if we were to assume that every stakeholder is affected by all of the businesses actions on some level which warrants a redistribution of wealth, reflecting on the notion of "distributive justice" (Freeman, 2002), it does not stipulate which of the stakeholders should be compensated and by how much. Thus, it seems to disregard the amount of resource invested even by the stakeholder themselves. Further, with little clarity it does provide it actually suggests that stakeholders are those who can either affect or be affected by a corporation; hence, ignoring those individuals or groups who do not directly impact or are impacted by the company to be important (Stieb, 2009).

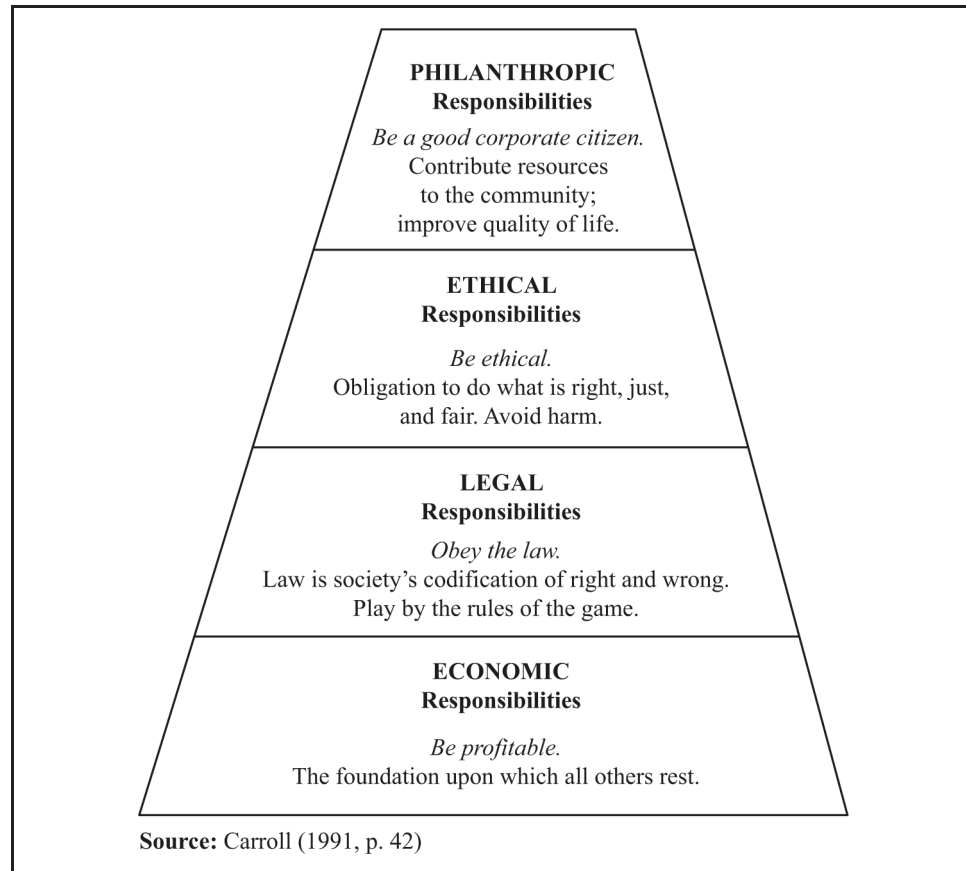
To sum, stakeholder theory is not descriptive enough as it proposes solely how a company should act, rather than also reflecting how companies do act. Further, it fails to address who the stakeholders are in each situation, how much power they should have in the decision making process and how much compensation they should receive in their "fiduciary relationship" (Freeman, 2002) with the company (Stieb, 2009). Stakeholder theory, then, appears to ask more questions than it answers. In addition to the criticism surrounding Freeman's theory at the time, it was evident that theories of CSR alone did not provide a satisfactory pragmatic approach required by business managers in order to implement CSR. In a response to this, the first model of CSR was created shortly after.

The pyramid of CSR

Through the creation in the 1970s of many government bodies such as the Environmental Protection Agency and the Consumer Product Safety Commission to protect the environment, employees and consumers, it became apparent at the time that the government was aligning with the social enterprise and stakeholder theories, as the business world was under criticism for not being accountable enough to their stakeholders and society in general. As explained above, the perception of social "responsibility" during this time shifted to social "responsiveness" by some writers who argued that there was not enough attention being paid to the actions of the corporation. This was a necessary reorientation as it emphasised the importance of corporate action and implementation of a social role; yet the question still remained as how to reconcile the economic orientation with such a role. From this, a four part comprehensive model of the "Pyramid of CSR" (Figure 1) was proposed by Carroll (1991), which emphasised the importance of businesses responding to all aspects of the social world: economic, legal, ethical and philanthropic.

According to Carroll, all business responsibilities are predicated upon the *raison d'être* of a firm; to create profit for its shareholders from supply and demand of society (as maintained by Friedman). This feature of the pyramid is positioned at the bottom as the foundation of the pyramid and only after this principle has been satisfied can other responsibilities occur. At the second tier lie the legal responsibilities, whereby the corporation must adhere to the law and all rules and regulations that it is governed by to ensure it maintains responsible business practices. The third tier is the ethical layer, where corporations are obliged to do what is right, just and fair for their stakeholders and avoid doing them any harm. The last tier, the philanthropic level, ensures that the corporation is a good citizen to the community, contributing resources where needed (Carroll, 1991). The last two tiers of the pyramid have also been highlighted within the social contract theory of CSR, whereby the corporation is regarded as a citizen within the community who should, therefore, contribute to society like any other individual (Dahl, 1972). The Pyramid of CSR, then, rests on the notion that the *raison d'être* of the firm is economically defined as the foundation of the pyramid. All other responsibilities (legal, ethical and philanthropic) come after or from this, meaning that the company will only ever be socially responsible if it fits in with the economic goal of maximising profit.

Figure 1 The pyramid of corporate social responsibility



This model is one of the earliest examples of how the structure of responsibilities should sit within a corporation, and is still widely used. However, it has also faced wide criticism. For example, Campbell (2007) argued that companies who are economically weak are less likely to engage in acts of CSR as they have fewer resources to invest time, effort and money into it ("slack resource theory"). Thus, these corporations are unlikely to meet the threshold for socially responsible behaviour. Following on from this, Campbell (2007) further argued that self-interest can actually allow for CSR, rather than prohibit it. Campbell explains from an institutional and instrumental perspective why a corporation is likely to behave in a socially responsible way and under what conditions they would do so. He argues that the relationship between economic conditions and corporate behaviour is mediated by: public and private regulation; the presence of nongovernmental institutions and organisations that monitor corporate behaviour; institutional norms regarding appropriate corporate behaviour; associative behaviour amongst corporations themselves; and organised dialogues among corporations between them and their stakeholders. Thus, although the simple structure of the pyramid is somewhat its main appeal, it is not adequate as a tool for explaining complex relationships between business, society and the environment, as outlined by Campbell.

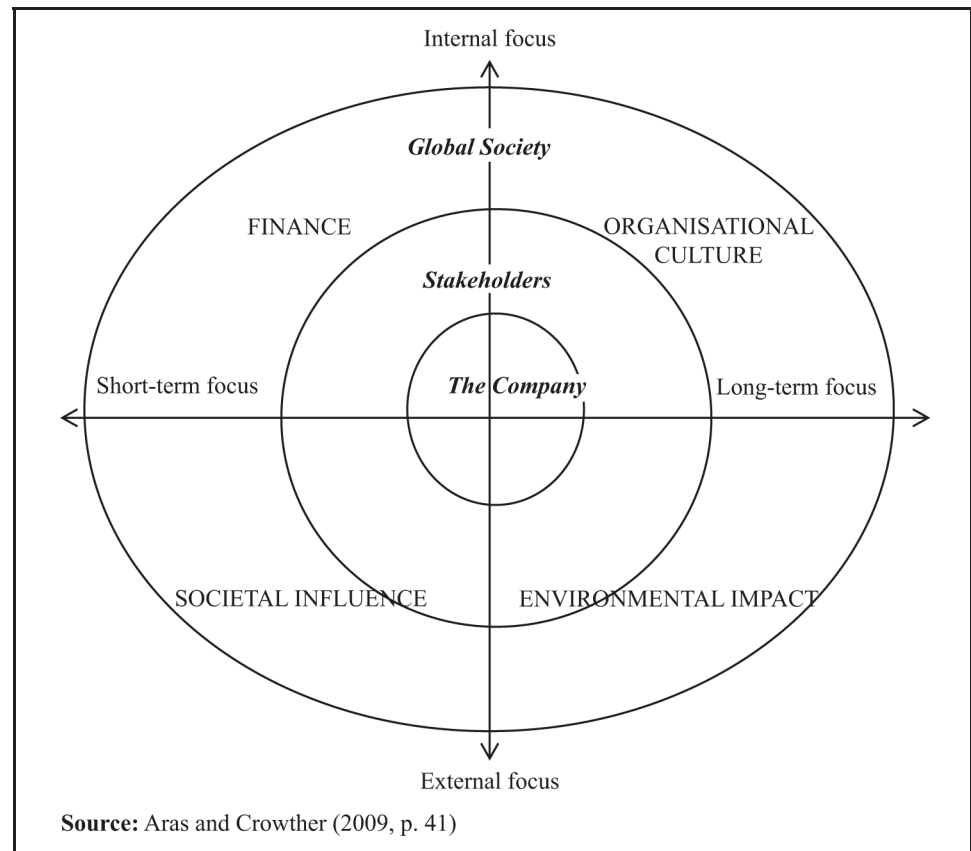
Following Campbell's critique and in reflection of the numerous examples of corporate greed during the Millennium era, as outlined earlier, the pyramid of CSR was not successful as a credible model for understanding the ways in which CSR actually can be achieved. It still failed to explain the way in which a healthy bottom line can ensure CSR is achieved and vice versa. In response to these shortcomings, a new model of CSR was created by Aras and Crowther (2009) to provide a more comprehensive examination of all the factors that are likely to determine whether a company will adopt CSR and how it is likely to be successful.

Model of sustainable development

Yet another criticism of Carroll's pyramid observes its lack of consideration of environmental management and corporate sustainability, which is particularly pertinent as corporate managers are more likely to adopt CSR using the triple bottom line approach (Visser, 2005). Developing this argument, Aras and Crowther (2009) have focused specifically on the development of the models surrounding CSR, specifically those concerned with sustainability. They assert that most analyses of sustainability are inadequate as they concentrate solely on the environmental and the social whilst financial performance, which is also imperative to the success of sustainability, is overlooked. It is likely this is so because as the authors see a conflict between financial performance of a corporation and its social and environmental performance (Aras and Crowther, 2009). As such, most work on corporate sustainability does not recognise the need for understanding the importance of financial performance as an essential part of sustainability. They offer, then, a more comprehensive model (Figure 2) that looks at all four aspects of CSR (environment, society, financial performance and organisational culture) in both the short- and long-term context. Furthermore, they assert that to achieve sustainable development it is necessary to first achieve sustainability, which can occur via four actions: maintaining economic activity (as this is the *raison d'être* of the company); conserving the environment (as this is essential for the maintenance of future generations); ensuring social justice which includes elimination of poverty and the ensuring of human rights; and developing spiritual and cultural values, where the corporate and societal values align in the individual (Aras and Crowther, 2009). Thus, they argue that sustainable development involves more than just managing the interest of the stakeholders versus the shareholder.

Sustainability focuses on ensuring that the resource utilisation of the present does not affect the future. This creates concepts with which the corporation must engage to become

Figure 2 The model of sustainable development



sustainable (such as renewable energy resources, minimising pollution and using new techniques of manufacture and distribution), and thereby accepting the costs involved in the present for ensuring sustainability in the future. This is beneficial not only to the environment, but also to the organisation, for it cannot operate tomorrow without the resources it has today. As this is directly relevant to the performance of the bottom line, then, there is no dichotomy between the environmental and financial performance of the company as they are mutually exclusive; the environmental performance of the company in the present day ensures the financial performance of the company tomorrow and vice versa (Aras and Crowther, 2009). The bottom line is further impacted by the environmental aspect, firstly, in that the company has to make sure that the company is not prohibited by large monetary fines from government bodies for not complying with environmental regulation and, secondly, by the consumption practices of the ever increasing “green” consumer base (which will be explored in detail later). This assertion corroborates the principles of the pyramid of CSR, which also stresses the importance of the bottom line of financial performance as a pre-requisite for ethical behaviour thereafter. However, though the pyramid stresses the financial aspect as integral to a concrete model of CSR, it does not provide an explanation of how financial performance can actually lead to the corporation’s sustainability by ensuring that money is invested in socially responsible behaviour and sustainable behaviour, i.e. by investing in renewable energy resources and other socially responsible activities (Aras and Crowther, 2009). Instead, the pyramid merely asserts that the business must stay profitable only because it is the *raison d’être* of the corporation to do so and not because it has a direct impact on ensuring sustainability. Further, the pyramid asserts that the corporation can always achieve profitability, despite relying on the other factors of CSR in the other tiers, as the financial layer is the foundation of the pyramid. However, Aras and Crowther’s model asserts that profitability is predicated upon the other factors of CSR and so the financial success of the company and its actions of CSR exist in a continuum.

Aras and Crowther’s view of corporate performance, then, is that it should be one of “stewardship” of the resources of the society and of the environment within which the corporation operates, which leads to economic and environmental sustainability. Yet corporations, like other social entities and individuals, tend to think about their stakeholders in the present, rather than future generations. Therefore, corporations are less likely to plan for the long-term future and more likely to concentrate on generating profit in the short term for their present shareholders. So, the model of sustainable development is again more normative than it is descriptive as it depicts a vision of how a corporation should act, rather than how it does act. Hence, although Aras and Crowther can credibly argue that environmental concern is in the future interest of the corporation, this is more abstract than pragmatic as it is not how corporations (or other actors) tend to make their calculations.

Although the model of sustainable development provides a more comprehensive model of CSR than Carroll’s pyramid and, perhaps, any such previous model, there are still gaps in the model as outlined above. Further, Visser (2010) stresses there is still no CSR model that has enabled the truly successful implementation of CSR. He asserts this in light of various staggering facts and figures which highlight that: our global ecological footprint has tripled in forty years; one in ten people are still having to pay bribes to get services; and that Enron was voted by *Fortune* magazine to be one the “100 Best Companies to Work for in America” in 2000, as well as having a “solid” set of CSR codes shortly before its infamous collapse. Visser subsequently asserts that CSR has failed via three “curses”. First, “incremental CSR” as a type of continuous improvement, fails in making any substantive changes to the issue of sustainability from its lack of speed and scale. Second, “peripheral CSR” is never fully integrated into the company’s core values and business strategies and thus is used as merely an “add-on”, which does little to hide the fundamentally capitalist driven motivations of the shareholders and top management. And finally, “uneconomic CSR” is a critique of the “façade” of the business case for CSR that asserts that “CSR pays”. Instead, the more “inconvenient truth” is CSR sometimes pays but is more a necessary part of the change that is needed to a capitalist driven society to reverse poverty and enable sustainability of our planet (Visser, 2010). Following this critique, Visser proposes a new model of CSR which signifies a shift from a one-dimensional “CSR 1.0” to a multiple dimensional “CSR 2.0”.

CSR 2.0

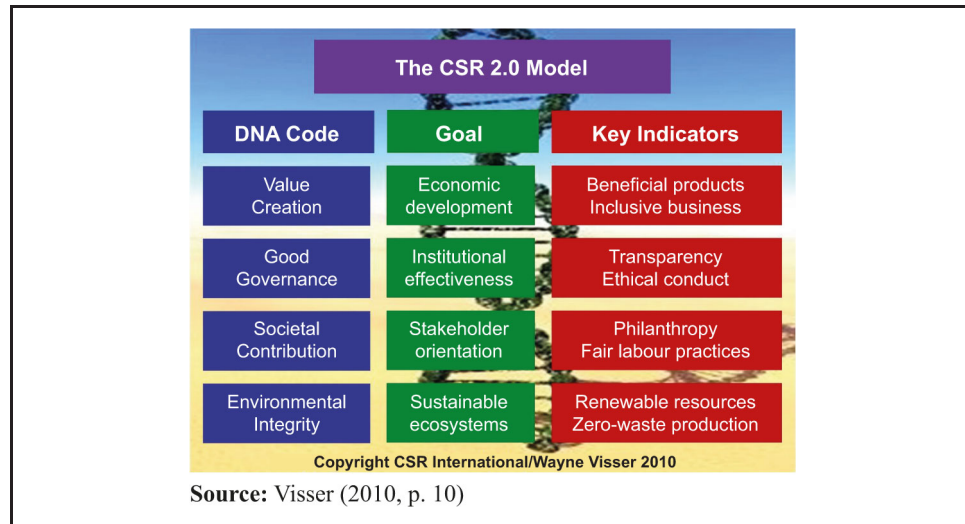
“CSR 2.0” outlines five principles of the “DNA” of (C)(S)(R)(2)(0). (C)onnectedness urges company practice to break the hegemony of shareholders and instead embrace a multi-stakeholder approach to business relations. (S)calability critiques the pilot projects and best practice programmes of CSR and sustainability that many companies often demonstrate, as they are often very small scale over a small duration of time, rather than being cross-market, long term goals. (R)esponsiveness calls for a bolder response to the community needs, which replaces simple philanthropy programmes that are based on their own terms to drastic response to climate change, such as the Prince of Wales’ Corporate Leaders Group on Climate Change[1]. Duality (2) challenges the notion of “either/or”, i.e. having to make the choice between being either socially responsible or not and instead CSR 2.0 affirms there can be both economic responsibility and social responsibility. And lastly circularity (0) is founded upon the notion of that there are three basic rules of sustainability, that waste equals food, nature runs from current solar income and nature depends on diversity (Hawkins, 1994). Hence, CSR 2.0 using Hawkins’ model of sustainability would depend on businesses constantly feeding and replenishing its own social and human capital through education, training, community nourishment and employee well being. The shifting of CSR 1.0 to 2.0, then, will move from being paternalistic to collaborative, risk-based to reward-based, image-driven to performance driven, specialised to integrated, standardised to diversified, marginal to scalable, western to global and from a luxury product to an affordable solution for those who most need improvements to their quality of life (Visser, 2010). Visser further asserts the future of ethical business will not include CSR departments or ethical products which consumers choose over another less-ethical product as the core business values of the company and its products will be ethical, socially responsible and sustainable. Therefore, the mission statement and the company goals will be founded upon ethical behaviour within the triple bottom line, so the future model of CSR will cease to resemble Carroll’s Pyramid which is “no longer fit for purpose” (Visser, 2010, p. 10). Instead, this new model will, first, change from “corporate social responsibility” to “corporate sustainability and responsibility” and, second, change in appearance from a rigid pyramid structure to something akin to DNA structure:

[a] spiralling, interconnected, non-hierarchical levels, representing economic, human, social and environmental systems, each with a twinned sustainability/responsibility manifestation: economic sustainability and financial responsibility; human sustainability and labour responsibility; social sustainability and community responsibility; and environmental sustainability and moral responsibility (Visser, 2010, p. 10).

The notion that CSR should not be implemented as merely a profitable exercise but should be an integral part of the change needed for a capitalist society to reverse poverty and enable sustainability of our planet (Visser, 2010) is certainly a credible argument. Yet again, though, CSR 2.0 via the double helix model (Figure 3) is solely normative and does not provide corporations with a practical tool that allows them to implement CSR effectively into their company. Further, this type of approach is commonly being used within processes such as the 2009 Copenhagen Summit[2], which are largely unproductive in creating agreement due to the clashing economic interests of different nations. Therefore, although this model fits in better with network theories, it is ambiguous as to how this model would actually work in practice and connect with power relations, inequalities, conflicts and economic interests.

Unfortunately, these shortcomings are not exclusive to CSR 2.0 but are relevant to all CSR models that have been presented in this paper and the CSR movement as a whole. Frederick (2006) has provided a comprehensive overview of the story of CSR and outlines the progress it has made since the 1950s when the concept first emerged. He asserts that there is increased transparency within firms, for example whereby company practices are unveiled through CSR reports and certain aspects of company behaviour have become public knowledge. However, in reflection of the recent recession in the UK and the subsequent scandal surrounding banker’s bonuses[3], increased transparency has not necessarily led to companies change in approach or behaviour. Frederick also identifies the increased oversight of company practice by NGOs, CSOs and government regulators as a

Figure 3 CSR 2.0 double helix model



result of previously socially irresponsible behaviour of large corporate actors, such as that of Enron and WorldCom that directly initiated in the SOX regulation in the USA. This is another example that CSR has been evident and successful. However, this assertion of Frederick's is problematic as the implementation of new laws to govern corporate behaviour has been instigated by corporation's inability to self regulate in a socially responsible way. Hence, it can be argued that without such regulation companies would not continue to act in socially responsible ways. Frederick also highlights the way in which globalisation has itself necessitated the consideration and implementation of CSR. Corporations have been forced to become aware of and responsible for their actions on a larger scale and across different cultural borders, which has directly led to coalition efforts such as the Kyoto Protocol. Yet, adherence to these codes of conduct as set out by the Caux Roundtable and the Coalition for Environmentally Responsible Economies (CERES) has not yet become a fully mandatory process. Therefore, many companies and indeed countries at large have not affiliated with any such programme, the largest and probably most important in terms of actual impact is the US, which has signed but not yet ratified the Kyoto Protocol. Therefore, CSR is not (yet) fully enforceable at this level.

The shortcomings of these CSR models warrants a new model of CSR which is both descriptive in that it reflects the current successful socially and environmentally responsible practices demonstrated by corporations and normative in that it provides a guideline for how corporations can adopt socially and environmentally responsible behaviour into their business strategy and everyday practices. I propose this can be achieved through the model of consumer driven corporate responsibility (CDCR).

A new model: consumer-driven corporate responsibility (CDCR)

In a response to issues such as climate change and corporate greed which have been put under the spotlight on a public scale, consumers are increasingly concerned with social and environmental issues whilst at the same time having a greater expectation for a company to be socially responsible (Frederick, 2006). This is demonstrated in numerous recent studies of consumer behaviour: a 2005 Co-operative Bank survey found that 60 per cent of consumers had bought a product because of the company's responsible reputation (Crane and Matten, 2007); a recent survey by the Boston Consulting Group found that more consumers purchased green products in 2008 than in 2007 and were willing to pay a higher price for green products and further found that 73 per cent of consumers believed companies should have high ethical standards and treat their employees fairly (www.socialfunds.com); finally, a recent report conducted by management consultants

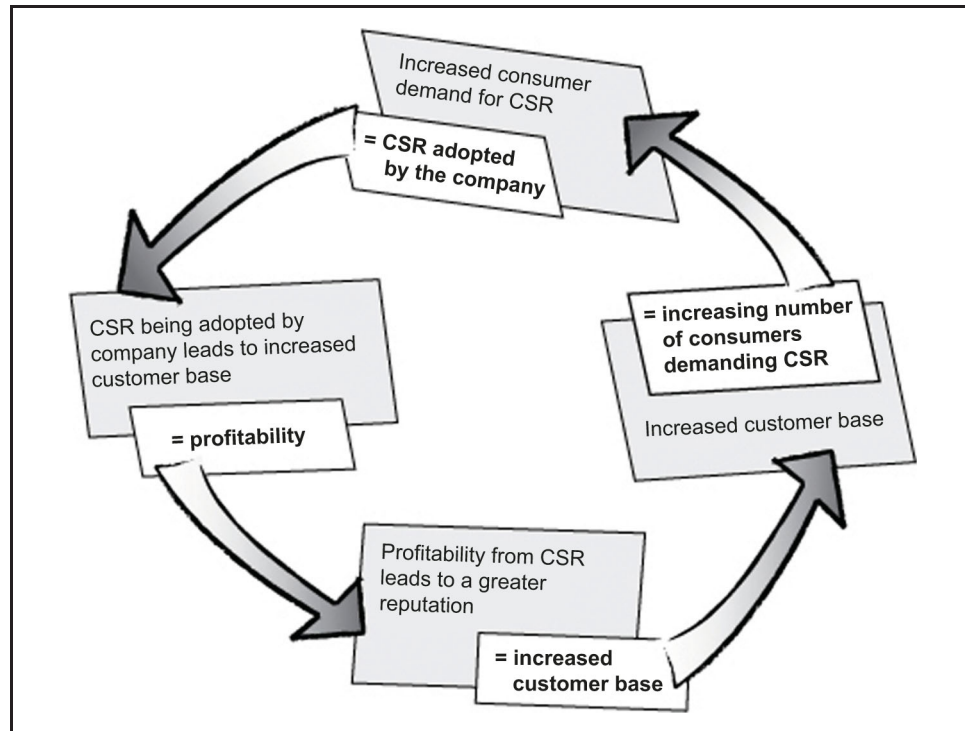
Ernst and Young asserted that “retail consumers are pressuring businesses to act in socially and environmentally responsible ways” (www.suite101.com). This demonstrates the increasing consumer demand for socially and environmentally responsible products and corporate behaviour (hereafter referred to as CSR), even during a time of economic downturn. Of course, not all consumer demands stipulate CSR. Ryanair, an Irish low budget airline operating within the Europe, is notorious for its lack of consideration for its employees, community, environment and even treatment towards its customers. It's Chief Executive, Michael O'Leary, famously declared during the UK recession in 2009 that he wished to charge passengers for using the toilet onboard the aircraft (*BBC News*, 2009). Yet, it has remained profitable in a tough economic environment because the consumer demand within the travel sector during the recession was for low cost flights solely, regardless of the social and environmental impacts on its stakeholders. Further, consumer demand for CSR is dependent on a number of factors, including national economic stability and the social and financial circumstances of the individual consumer. For example, Sabapathy (2007) asserts that ethical consumption is a phenomenon most associated with those who have high levels of income, education and political awareness in post-industrialised countries. Conversely, consumer demand for CSR overall is consistently rising.

One of CSR's main achievements is verified by the stakeholder orientation (Freeman, 1984) of business which is more socially inclusive (Frederick, 2006). After various demonstrations of civil rights activism in the 1960s and 1970s, Frederick asserts that businesses ceased focusing on solely the shareholder as a key group needing to be taken into consideration and began focusing also on the other key groups affected by the actions of the corporation. This demonstrates how consumers have historically driven change to business through activism on a public scale (Frederick, 2006). Arvidsson *et al.* (2008) explains that we are experiencing an emergence of a new “ethical economy” through the demonstration of economic system which operates with a logic of value output that is related to creating of efficient social relations. Through the concept of the “brand”, the corporation creates social relations by engaging with societal values, norms and culture. Further, a new mode of production, “social production”, exists in the ethical economy which is driven by neighbourly motivations, enabling social relations to become significant in driving productive behaviour. The new economy is “ethical”, then, by way of investing in the human in society (Arvidsson *et al.*, 2008). This assertion, coupled with the increasing consumer demand for CSR in a contemporary capitalist society, calls for a new model of CSR to be adopted by companies which will address how a company can be profitable and socially an environmentally responsible.

The model of consumer driven corporate responsibility (CDCR) (Figure 4) demonstrates that, in order to remain profitable, consumer demands for CSR must be met. As a result, the corporation not only remains profitable but: engages in socially and environmentally responsible behaviour; obtains a higher reputation and esteem in the public sphere due to the adoption of CSR; subsequently expands the scope of its customer base which contains more consumers who demand CSR; hence adopts CSR, which attracts more customers making them more profitable and so it continues.

This model creates a win-win situation for all: the consumers have their demands met; the requirements of other stakeholders and the environment are met; and the company remains profitable and increases in value as it becomes more profitable. Further, once the company becomes profitable and reputable and thus increases its customer base, it has to uphold its CSR policies to maintain its customer base and profitability. The most likely way for a company to implement CSR successfully, then, is if it responds to its consumer and customer demand for it. Hence, the name “consumer driven corporate responsibility” better encapsulates the reason for corporations to act in socially and environmentally responsible ways; as a direct and prompt response to consumer demand. Further, this new model allows for CSR to be adopted at any stage of the lifecycle of a company, despite whether its customer base is established. If the customer base is not yet established, it can adopt CSR in order to attract customers from its competitors who have not yet adopted such responsible business practices. However, if the customer base of a company is already fully

Figure 4 The model of consumer-driven corporate responsibility



or beginning to become fully established, the existing customers of the company will inevitably demand CSR from the company. Thus, the company will need to respond to the demand from its already acquired customer base in order to retain such customers. Therefore, CDCR is applicable to and can be adopted by all types of companies regardless of their size or scope and it will always increase their profitability.

CDCR as a response to the failings of existing CSR models

As an overview of the model of CDCR has now been provided, a comparison of this new model to the existing models outlined earlier shall be drawn. As we have already seen, there are existing models which emphasise the importance on the bottom line in determining whether a company is likely to adopt socially responsible business practices (Freeman, 1984; Carroll, 1991; Aras and Crowther, 2009; Visser, 2010). However, these models do not address how the bottom line is driven (i.e. by consumers) and thus subsequently do not address how consumer demand for CSR is the most likely way that a company can achieve both profitability and social responsibility. Further, Campbell (2007) asserts that a company is only ever likely to be socially responsible if it has the economic foundation with which to do so. However, he fails to observe that a company is more likely to have the economic foundation (i.e. profitability) if it responds to consumer demands in order to increase its customer base. Subsequently, then, his arguments lack consideration that consumer demand in a contemporary market largely involves demand for CSR. In addition, some authors have written about the emergence of ethical consumption (Sabapathy, 2007; Crane and Matten, 2007), though this argument has not been extracted from the wider literature on CSR to be used as a model for CSR in itself.

A comparison between CDCR and other existing CSR models will allow a comprehensive insight into the reasons for the ineffectiveness in each model and demonstrate ways in which the new model fills in these gaps to provide a model of CSR. An explanation will now be put forward to address how the model of CDCR is both descriptive, in that it is a true reflection of the way in which CSR is already being successfully incorporated into companies and normative, in that it provides a model of how companies can successfully incorporate CSR.

Stakeholder theory. Stakeholder theory asserts itself to be a “managerial tool” which provides a pragmatic approach for business managers to help them incorporate social responsibility into their companies; however, it is too vague a concept and does not provide enough clarification for specific scenarios to be interpreted using this tool. Specifically, as Stieb (2009) highlights, although Freeman asserts that stakeholders should be given more power in the decision making processes for actions which affect them, he fails to stipulate who these stakeholders are specifically and what stakeholders should have more power in the process than others or why such a hierarchy exists.

Therefore, the model of CDCR is more of a practical managerial tool for business managers to use and successfully incorporate CSR into their company. Yet, an important aspect of the CDCR remains to be addressed here; in relation to Freeman's assertion that stakeholders should play an important part in the decision making process. As the consumer (customer) in the CDCR model is recognisably the stakeholder with the most – if not the only – power in the decision making process regarding which stakeholders are considered over others, the consumer group will ultimately have the most control over which other stakeholder group is benefited by the company. However, it is also apparent that other stakeholder groups can actually be represented within the consumer stakeholder group itself; for example, the customer can also be a shareholder, supplier, employee of the company or part of the local community. Further, although the consumer cannot embody the environment per se, consumers are affected by the environment as well as being able to affect the environment. Thus, as demonstrated in the figures above, it is evident that the environment is valued by the consumer and subsequently likely to be represented in the decision making process of consumers. Consequently, then, the model of CDCR is more valuable than stakeholder theory as both a descriptive and normative approach for ensuring the social and environmental responsibilities of the company are addressed.

Pyramid of CSR. The pyramid of CSR importantly outlines that economic factors are vital in providing a good foundation for the company so that the other factors (social and environmental) can be achieved thereafter. However, this suggests that the other levels (legal, ethical and philanthropic) are dependent on the economic level of the Pyramid, but that the economic level is independent of the other levels. This is problematic in ensuring CSR is implemented as the three highest levels can be ignored by the company as it has no economic motivation to pursue them. Furthermore, this assertion is erroneous as the economic level is actually dependent on the other levels. A company will struggle to maintain the bottom line under three conditions: it fails to adhere to regulation and so suffers massive legal monetary penalties; it fails to act ethically towards its employees, therefore suffering a loss of workforce and productivity; and it fails to act philanthropically towards its locally community and environment, therefore suffering brand damage and loss of esteemed reputation.

According to the model of CDCR, however, the legal, ethical and philanthropic layers would be necessary to the economic foundation of the company. In accordance with this model the bottom line would be directly impacted if the company did not respond to consumer demand for companies to act socially and environmentally responsibly. Further, in the Pyramid model the philanthropic activities of the company are placed at the top, suggesting that they are the *piece de resistance* of the socially responsible achievements of the company. However, it has been widely recognised by many academics for some time that philanthropy is not, by far, the most successful way in which CSR can be achieved and can even be problematic (Rajak, 2006).

Model of sustainable development. As outlined earlier, Aras and Crowther (2009) stress the importance of the financial performance of the company in ensuring that the social and environmental goals (and sustainability on the whole) can also be achieved. They further address the long terms versus short-term focus and consider both the internal and external aspects affecting the sustainability performance of a company. This certainly leads to a more comprehensive model of CSR and sustainability than those seen before. However, the model is still solely normative; it focuses on why a company should act in relation to its social and environmental responsibilities but does not provide a pragmatic enough approach of how a

company can achieve sustainability. Further, though it does address to some extent how sustainability can be achieved, it is not representative of the current drivers for CSR as evidenced in the contemporary practices of companies, which ultimately relates to the ways in which CSR can achieve short-term profit for the company. The model of CDCR, then, is more successful in addressing both how a company can achieve short-term profit by implementing socially and environmentally practices (i.e. by producing ethical products and demonstrating ethical behaviour that appeals to consumers) and long-term sustainability (i.e. by conducting its business in an environmentally friendly manner in a response to consumer demand for CSR).

CSR 2.0. As outlined earlier, the underlying message behind CSR 2.0 is that CSR should be an integral part of the change that is needed to enable sustainability of our planet (Visser, 2010). Though I agree with much of how Visser claims CSR should be implemented, it is still too normative in its approach. It lacks the capability of providing a pragmatic tool that companies can use to implement CSR into its everyday practices. Yet, there are many similarities in the approaches taken by CSR 2.0 and CDCR as both encourage a multi-stakeholder approach to business relations, call for the company to respond more to its stakeholders, abolish the notion that companies have to make the choice between being either socially responsible or profitable, encourage a shift from specialised CSR aspects of the company to CSR being fully integrated into the company and allow for ethical behaviour to be at the core of the companies business values (Visser, 2010). However, the model of CDCR provides a more evocative model that specifically demonstrates the business model that the company can adopt, at any stage of its life, to ensure all of the above is achieved.

Conclusion

The body of academic theory and literature surrounding CSR is merely a small portion of that which has been written on the subject. I have chosen to focus on some of the more widely renowned literature to demonstrate how CSR has achieved much in raising the awareness of the importance of ethical and socially responsible business conduct in both the consciousness of business leaders and the general public alike. As demonstrated in the above, these models of CSR have provided comprehensive details on why companies should adopt CSR into its business strategy and practices. Further, some theorists (Carroll, 1991; Campbell, 2007; Aras and Crowther, 2009) have crucially demonstrated the importance of the economic factors (the “bottom line”) in ensuring the social and environmental objectives of CSR can be met. However, these models have not provided a sufficient explanation how all three of the economic, social and environmental objectives can be met to ensure social responsibility within a corporation. Though these models may explain that ensuring profitability is vital in ensuring that the foundation is laid in order to then be able to invest in social and environmental programmes, they fail to achieve a comprehensive model which allows the maximising of profit whilst at the same time ensuring corporate social responsibility is achieved. This condition can be met using the model of CDCR that ensures CSR is achieved in a response to consumer demand for it.

Further, previous CSR models have not been successful in outlining both how a company can be socially responsible and how companies currently are implementing CSR into their business strategies (O’Riordan and Fairbrass, 2008). CDCR however, is successful as both an analysis for identifying how corporations actually are successfully implementing CSR currently and as a tool for how companies can successfully implement CSR going forward.

As the model of CDCR focuses on the conditions under which companies are most likely to adopt CSR from both a descriptive and normative perspective, it is a more suitable approach to CSR. This paper, then, has made it evident that the model of CDCR is more effective in any stage of economic stability than any of the existing models outlined in the above.

Notes

1. The Prince of Wales Corporate Leaders Group on Climate Change is a campaign for carbon emission reduction of 50-85 per cent by 2050.
2. United Nations Climate Change Conference, December 2009, Copenhagen.
3. The "Banker's bonuses" scandals were the focus of media attention in the UK between 2008 and 2010. It highlighted many examples whereby huge bonuses were still being paid to the most senior bankers despite the fact that such banks were experiencing huge losses, the country was officially in a recession and the UK tax payer had to bail out the banks who were on the verge of bankruptcy. The latest example comes from within Lloyds who paid four of its top bankers bonuses totalling more than £4 million last year despite making huge losses. "Boardroom pay at the bailed-out bank leapt 75 per cent to almost £10 million, its annual report yesterday revealed" (*Daily Mirror*, 2010).

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