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Corporate Compliance Issues in Managing Supply Chains in the Environmental-Friendly 21st Century

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ABSTRACT

Recent economic crisis has alerted citizens around the world about the behavioral patterns of corporations that were not in lined with the expectations of the local citizens. These events has re-emerged the global conversations of the responsibilities of corporations that are beyond the conventional wisdom of financial accomplishments. Traditionally, corporations have been in tuned with financial goals and awareness of necessity of Corporate Compliance efforts operationally along their Supply Chains. The recent addition of Social Responsibilities has certainly complicated corporate strategies in varied magnitude. At times, it introduced un-welcomed uncertainty in terms of expectations. The focus of this research is to investigate the first-step for corporations, the understanding of Corporate Social Responsibility expectations so as to allow corporations to refine their strategies so as to be in compliance along their supply chains with minimal additional resources. An empirical model for data collection from corporate practitioners will also be introduced.

INTRODUCTION

> The perceived importance of corporate environmental, social, and governance programs has soared in recent years, as executives, investors, and regulators have grown increasingly aware that such programs can mitigate corporate crises and build reputations. But no consensus has emerged to define whether and how such programs create shareholder value, how to measure that value, or how to benchmark financial performance from company to company. (*McKinsey Quarterly*, 2009)

Wall Street's "Red October" 2008 saw the S&P 500 drop by 198 points, predicted over twenty million in job losses by 2009, and according to a poll on CSR (Corporate Social Responsibility) found that 44% of CSR professionals believe CSR activity will increase, 22% think it will weaken, and 26% believe CSR will change (Visser, 2008). According to another poll published at *Forbes* there was s a public loss of confidence in corporate leaders that places the blame at 46% for the government, 34% for big business, 10% on individuals, 1% on foreign competition, and 11% not sure or "other" (Zogby, 2009). The financial impact of the economic crisis was estimated at $145 billion for the Wall Street bank bailout, $71 billion for Federal Deposit Insurance Corporation, $29 billion for General Motors and $109 billion for the Troubled Asset Relief Program (Wessel, 2010). The significance of the issues highlighted the fact that both the government and corporations failed the public's expectations of ethical or socially responsible corporate behavior. The implication was CSR as practiced today was certain to change in the future in reaction to the volatile and sometimes competing constituent influences of the three primary stakeholder groups: Government, industry, and citizens.

Conventional wisdom in corporations was Corporate Compliance was mainly engaged in operating along their supply chains with collaboration from suppliers/customers, and within the regulatory environments of local governments. With the inherent increase in pressure from the CSR perspective by local citizens, corporations need to re-structure their strategic principles to accommodate the additional dimension of CSR, without much, if any, compromise in terms of financial performance. A major first-step is the understanding of what is the true meaning of CSR, and its impact on the corporation's supply chain compliance efforts. More importantly for most corporations is the potential commonality of the understanding and expectation of CSR amongst supply chain partners that can allow synergistic efforts that can optimize corporate utilization of resources. The major research focus of the authors is to develop an actionable model that allows the collection of corporation executives' perceptions of CSR, and empirically explore the opportunity of driving consensus across corporations.

The *Wall Street Journal* reports:

> ….(E)conomists see greater risk from an economy that overheats in 2011 than from growth that's too slow….It will no longer be enough to simply respond –stakeholders will become increasingly interested in seeing organizations identify and lead on areas where they are capable of doing so. Moreover, many sustainability leaders, having seen the benefits of their own proactivity, will continue to find more areas to be proactive and take leadership—and will find it less necessary to react to what others around them are doing. (2011)

Conceding there was no commonly accepted definition of CSR from which to provide the basis for the design of constructs to effectively measure corporate compliance (Zenisek, 1979; Frederick, 1986, 1994; Carroll, 1991, 1999; Porter & Kramer, 2003;Hummels, 2004; Waddock, 2004; Hussein, 2006), the International Organization for Standardization (ISO) provided guidance on social responsibility in the form of ISO 26000-10 standards, issued in 2010.

This action validated Blyth's conclusion the focus in the arena of CSR should be on a process for identifying and accomplishing CSR responsibilities (2005). The ISO 26000-10 guidelines published at www.iso.org/iso/iso26000 by the International Standards Organization (2013), however, were voluntary, unlike many other ISO standards. Because ISO 26000-10 provided voluntary guidance, not requirements, they purposefully were not suggested for use as the basis for a certification standard. The underlying rationale was this particular standard was used not by a specific industry but by organizations of all types, in both public and private sectors, in developed and developing countries, as well as in economies in transition. One size did not "fit all," thus defeating attempts to reach consensus on an accepted definition of CSR and specific standards for measuring compliance. Because industry had not evolved toward consensus in these areas, ISO 26000-10 suggested industry CSR efforts should be directed toward identifying and accomplishing CSR responsibilities for the present, rather than identifying standards.

While the definitions of CSR varied, it generally referred to serving people, communities, and the environment in ways that went above and beyond what was legally required of a firm. Overall, CSR was an extension of firms' efforts to foster effective corporate governance, ensuring the sustainability of firms via sound business practices that promoted accountability and transparency. According to Barnea and Rubin (2006), however, if CSR initiatives did not also maximize firm value, such initiatives were a waste of valuable resources and potentially a value-destroying non-sustainable proposition. The debate about CSR continued to grow, without a clear consensus on its meaning or value.

In an effort to provide CSR guidance to the global community in the absence of an agreed upon definition of CSR, ISO developed non-mandatory guidelines for industry to view structuring CSR programs. ISO was the world's **largest developer** and publisher of **International Standards**. However, to date, industry has failed to embrace ISO 26000-10 as value-added in CSR operations for the very reasons that it is non-specific and unquantifiable. Without measurable standards there can be no true benchmarking or measurement of attainment of goals.

Firms Identified as Top Performers in CSR

The Boston College Center for Corporate Citizenship and the Reputation Institute released a Corporate Social Responsibility Index and study in 2010. One of several findings was the positive correlation between consumer support and achieving a high rating in both corporate social responsibility and corporate reputation. If a corporation improved its reputation by five points, the number of people who would positively recommend the company increased by six percent.

The heightened focus on corporate social responsibility was in response to "…greater stakeholder demands, more government regulations, criticism from non-government organizations (NGOs) and increasing competitive pressure (Sarkus, 1998; Tate, Ellram, & Kirchoff, 2010)."

These developments raised crucial questions concerning CSR. How is CSR defined (what is it)? How are operational aspects of CSR addressed including, how are drivers of CSR identified, CSR processes implemented, and CSR processes integrated? There was no agreement regarding question one, "What is it?"

Perceptions of CSR in the U.S.

A MORI poll in 2003 found 70% of consumers were willing to pay more for a product "which they perceive as ethically superior" (Besley & Ghatak, 2007). Companies were beginning to recognize how greater social and environmental responsibility could improve firm performance, although "…the empirical study of corporate social involvement is in an undeveloped state" (Abbot & Monsen, 1979). One group of theorists argued organizations which assumed social responsibility costs placed them at an economic disadvantage relative to their peers (Vance, 1975; Aupperle, Carroll & Hatfield, 1985; Ullmann, 1985 McGuire & Sundgren, 1988). Other theorists found that the actual cost of corporate social responsibility was minimal and firms could benefit from their actions in areas such as employee morale and productivity (Moskowitz, 1972; Soloman, 1985; McGuire & Sundgren, 1988). A third view was the costs of social responsibility were significant, but offset by reductions in other costs. This was the stakeholder theory view (Cornell & Shapiro, 1987; McGuire &Sundgren, 1988) which suggested companies must meet expectations of stockholders, consumers and other stakeholders. Measuring profitability was relatively simple, but determining levels of social responsibility was not (Parket & Eilbirt, 1975; Arlow & Gannon, 1982; Aupperle et al., 1985). New approaches to improving corporate responsibility in worldwide operations were emerging as a means for companies to improve economic social and environmental performance; a focus on what Elkington (1998) called the triple-bottom line (Porter & van der Linde, 1995; Zadek, 2004; Tate, et al., 2010). One of the questions posed to experts in the field of CSR in this study was how have their views changed over time for identifying "drivers" of CSR.

CSR Failures in the Twenty-First Century

The U.S. stock market dropped from 14,000 point on the Down Jones Industrial Average index in 2007 to 6,600 points in 2009. As reported by Kawamoto, Phil Dow, a market strategist stated: "The Dow's fall of over 50% in 17 months is similar to a 54.7% fall in the Great Depression, followed by a total drop of 89% over the next 16 months" (March 2, 2009). The need for improved CSR efforts was self-evident. The adverse effects to the market failures have spanned the globe challenging governments to grapple with solutions to contain the damage.

Ludo Van der Heyden wrote from a European perspective: "Of the many lessons from the global financial crisis, a glaring one has been to emphasize the poor state of regulatory and corporate governance practices, including the role of boards and regulators in managing crisis and turbulence." (2011). He noted that Madoff's actions were found to be fraud, U.S. insider trading cases were still under review by the U.S. Justice Department, Deutsche Bank was charged for over one billion dollars for fraudulent practices in its U.S. mortgage operational arm, and most recently Goldman Sachs, Bank of America, and Morgan Stanley were currently all under investigation for banking and mortgage fraud. He acknowledged that the U.S. was not alone in failing to act responsibly. Greece and their partners created more risk for the European Union (EU). He noted one of the most positive outcomes arising from the global economic crisis was the active intervention of not just stakeholders, but what he calls "stateholders" (as opposed to "stakeholders"). He viewed the "state" as a privileged stakeholder which "should" intervene for the public good. He cited the U.S. government bailout of GM as illustrative of an example of "stateholding" in the United States. Van der Heyden believed governance is an area that will be in the public eye for the years to come. The question, in his view, was not if there would be regulation and oversight, but rather, how would independent oversight come into play? This study undertook the exploration of specific stakeholder "drivers," such as the economy as discussed above, as related to CSR initiatives and processes.

Modern Era of and Debate on Corporate Social Responsibility offered views on corporate responsibility that have been debated since the 1950s. Earlier views focused on the role of companies as social institutions and their relationship to society in general (Heald, 1970). These concerns led to discussions on whether or not companies should engage in philanthropy, and if so, to what extent. Philanthropy was framed in terms of the power relationship of management towards shareholders and employees, two specific sub-categories of stakeholders. Later, the discussion was expanded to include the responsibility of companies for social activities such as social welfare, education, etc. In the 1950's there was a shift in viewing this responsibility as linked to the "preservation and progress of democratic society itself" (Heald, 1970). Along with this shift came a heightened regard for legitimacy for the involvement of business in society.

Although much of the formal writing on CSR was said to have emerged in the 20th Century, the modern discussion of CSR was said to have started in the 1950's with the work of Howard R. Bowen, the "Father of Corporate Social responsibility" (Carroll, 1999). Bowen stated that "by virtue of their strategic position and their considerable decision-making power" the social responsibility of businessmen was "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" (Bowen 1953) and not guided by profit motives alone.

Boston College Center for Corporate Citizenship & the Reputation Institute

The Boston College Center for Corporate Citizenship and the Reputation Institute released a Corporate Social Responsibility Index and study in 2010. One of several findings was the positive correlation between consumer support and achieving a high rating in both corporate social responsibility and corporate reputation. If a corporation improved its reputation by five points, the number of people who would positively recommend the company increased by six percent.

This focus on corporate social responsibility was said to be in response to "…greater stakeholder demands, more government regulations, criticism from non-government organizations (NGOs) and increasing competitive pressure (Sarkus, 1998; Tate et al., 2010)." Research revealed little progress has occurred to date in company-wide integration of Social Responsibility or the development of an accepted definition of corporate compliance (The World Business Organization, 2002 ; Morimoto, et al., 2005; Whitehouse, 2006; Okeye, 2009; Knippenberg & Jong, 1010).

Finally, in 2010, in an attempt to provide a framework for companies to design CSR programs, ISO 26000-10 established "core subjects" to help companies frame and design their CSR programs and efforts. The core subject areas were: (1) Organizational Governance; (2) Human Rights; (3) Labor Practices; (4) the Environment; (5) Fair Operating Practices; (6) Consumer Issues; and, (7) Community Involvement and Development.

Attempting to move closer to providing an agreed on understanding of the elements of CSR, this study used a survey questionnaire to pose three rounds of questions to experts in the field of CSR as to what "should be" or "could be." Through convergence and consensus the experts provided their views on how the definition and operational aspects of CSR have changed over time, including how CSR processes were identified, implemented and integrated in corporate strategy, and what constituted specific "drivers" of CSR initiatives from a longitudinal view from today, to five years ago, to five years in the future.

There was an urgency underlying an attempt to have experts in the field of CSR agree on a common understanding of the meaning and operational elements of CSR (the "what" of CSR); how CSR process were identified, implemented, and integrated (the "how" of CSR); and how CSR initiatives were identified (the "drivers" of CSR) . There was the looming possibility of voluntary oversight and self-regulation becoming mandatory in the present state of global economic uncertainty brought about by financial disasters occurring in the United States since 2008.

FRAMEWORKS FOR VIEWING CSR

CSR in the 21st Century

CSR in the 21st Century was a complex network of stakeholders representing interests from industry, government, the community, employees, and suppliers in an ever-growing dependent and integrated global community. Oversight, both in the form of mandatory regulation and voluntary actions, was often contradictory, patch-worked, and/or absent. Horrigan wrote that reforms targeting global and national corporate initiatives included the G8 (Group of 8) and G20 (Group of 20), OECD (Organisation for Economic Co-Operation and Development), UN (United Nations), EU (European Union), the UK (United Kingdom), among many. He explained the UK undertook reform initiatives in the 21st Century for policy pertaining to "enlightened shareholder value." This reform formally made the law pertaining to directors' duties and corporate reporting stakeholder-inclusive, but it remained a largely shareholder-centered model:

In the United States, a "bastion of opposition to CSR," per the *Economist* (2011), as written by Horrigan, it was declared:

> One way to looking at CSR is that it is part of what businesses need to do to keep up with (or, if possible, stay slightly ahead of) society's fast-changing expectations. It is an aspect of taking care of a company's reputation, managing its risks and gaining a competitive edge (by) being 'embedded' in the business, influencing decisions on everything from sourcing to strategy ….In time it will simply be the way business is done in the 21st century. (2010)

A comparison of the EU (specifically the UK) view with that of the U.S. reflected few differences in terms of the underlying premise of CSR. There were, however, differences in philosophical approach. The UK view represented the "glass is half full" philosophy. Taking all the stakeholder interests into consideration, how could all interests best be maximized? This represented a positive, transparent, and participatory approach. The U.S. view represented the "glass is half empty" philosophy. How could interests of all stakeholders be manipulated to deliver maximum profits to the key stakeholder, the shareholders? This represented a negative approach. The ramifications of this philosophical difference has been played out in the streets of the major U.S. cities recently in terms of the "Occupy Wall Street" movement. It was believed this movement was indicative of public outrage in the United States concerning the state of the economy and perceived imbalance of power and wealth with the nation's poorest paying for the life styles of the nation's richest. The disenfranchisement of stakeholders and lack of corporate transparency were identified as underlying issues. As reported in *the Economist*:

> The Anglo-Saxon model claimed that free markets would create prosperity; many voters feel instead that they got a series of debt-fuelled asset bubbles and an economy that was rigged in favor of financial elite, who took all the proceeds in the good times and then left

> everybody else with no alternative other than to bail them out. To use one of the protesters' better slogans, the 1% has gained at the expense of the 99%." (Oct 22, 2011) Indicative of the global ties to CSR, the "Occupy" protests have gone world-wide.

A study by the Berteismann Foundation based in Gutersloh, Germany revealed, in support of the "Occupy Wall-Street" protesters' battle cry "we are the 99 percent," that the United States was among the most unequal in the distribution of wealth among industrialized nations (*Wall Street Journal,* October 27, 2011). The recent unrest of citizens in the United States in protest of the economic crisis brought about by perceived corporate greed had gone viral around the globe. The expectations of citizens not just in the United States, but around the world, were demanding improved, transparent, and participatory corporate social responsibility.

U.S. Model of Corporate Responsibility

Horrigan wrote there are many nuances of concern regarding CSR. Corporate social responsibility was used interchangeably with terms such as corporate citizenship, responsible business, corporate sustainability, corporate social responsiveness, corporate social initiatives, corporate community investment and triple bottom line responsibility (2010). He cited the Corporate Social Responsibility Initiative at the John F. Kennedy School of Government at Harvard University as identifying CSR as a "contemporary enhancement of the societal roles and engagements expected of business." It was the "common thread" running through all terms associated with CSR. It was representative of the broadening scope of corporate enterprise.

Kitzmueller defined an Anglo-American shareholder primacy model of CSR as "the commitment of businesses to behave ethically and to contribute to sustainable economic development by working with all relevant stakeholders to improve their lives in ways that are good for business, the sustainable development agenda, and society at large. A notion similar to "voluntary behavior" was found in **definitions** that referred to either "beyond compliance," such as those used by Vogel (2005) or McWilliams and Siegel (2001), who characterized CSR as "the fulfillment of responsibilities beyond those dictated by markets or laws" (Kitzmueller, 2010), or to "self-regulation," as suggested by Calveras, Ganuza, and Llobet (2007), among others. As Kitzmuller wrote:

> These attempts to identify the 'drivers' of CSR reveal two basic conceptual features: First, CSR manifests itself in some observable and measurable behavior or output. The literature frequently refers to this dimension as corporate social or environmental performance (CSP or CEP). Second, the social or environmental performance or output of firms exceeds obligatory, legally enforced thresholds. In essence, CSR is corporate social or environmental behavior beyond levels required by law or regulation. This **definition** is independent of any conjecture about the motivations underlying CSR and constitutes a strong fundament for economic theory to investigate *incentives and mechanisms* (emphasis added) beneath CSR. Note that, while Baron (2001) takes the normative view that "both motivation and performance are required for actions to receive 'the CSR label,'" it is proposed here that linking a particular motivation to the respective performance is required for the action to receive "the correct CSR label" (e.g., strategic or altruistic). From an economic point of view, the "interesting and most relevant" form

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of CSR is strategic (i.e., CSR as a result of classical market forces—"drivers"), while McWilliams and Siegel's (2001) **definition** would reduce CSR only to altruistic behavior. (2010)

Similarly, the FDCC Quarterly recently reported:

Investor confidence has yet to rebound from the financial crises and down markets plaguing the global economy. The Bernard Madoff scandal and "bail-out" of major financial institutions have left investors wary about whom they can trust with their money. With the deep economic losses the financial sector's recklessness has wrought on the US and global economy, the need to fundamentally reform how financial institutions are regulated is widely recognized. Yet, as critical as reform is to ensure that such a financial meltdown never occurs again, corporate directors and officers are already charged with basic legal duties to protect investors' best interests. Primary among these duties are those of loyalty, care, and good faith. (Segalla & Bernstein, 2009).

While regulatory compliance existed for corporate entities in the U.S., based on the economic failures since 2008, change was necessary. The U.S. model of CSR, driven by corporate America and shareholder interests, transcended American markets. Not only were the citizens of the U.S. demanding change, citizens and governments alike around the world demanded change.

As John Parkinson stated:

(T)he legal model has traditionally regarded the shareholders' interests as exclusive, in the sense that other groups may be benefited only to the extent that this furthers the interests of the members. Thus the interests of employees, customers, or the local community, for example, may be served only as a means of increasing shareholder wealth and may not be treated as ends in their own right …. But while promoting non-shareholder interests is not a permissible management objective, the (limited) satisfaction of third part expectations is often a prerequisite of maximizing profits, and hence consideration of them is not precluded by the legal model. (1993)

The crux of the dilemma was, given markets and economies were now irrevocably intertwined, the historically provincial view of corporate law in the United States could no longer stand unchanged. The "what," "how," and "drivers" of CSR were all dependent, not just locally, but globally.

CSR was found to be more advanced in Europe than the United States. The European model for CSR was the *European Framework for Corporate Social Responsibility* developed by the Commission of the European communities in 2001. Dialogue among diverse stakeholders was promoted to create partnerships between government and industry (Enderle & Murphy, 2009). The question was would the United States move toward a more globally accepted practice of CSR by not merely adopting, but more importantly, practicing elements of the European Union model of CSR. To do so effectively organizations must more successfully predict drivers of CSR initiatives.

Global Models of Corporate Responsibility

Companies world-wide saw increased government involvement in large part due to the global financial crisis. The trend was expected to grow and government regulation of corporate responsibility and governance was also expected to increase (Ascoli & Benzaken, 2009). A study undertaken by BSR viewed seven countries (Brazil, Canada, China, Mexico, Peru, Sweden, and the United Kingdom). Despite differences in policies and stages of economic development, the following trends were observed:

1. Voluntary guidelines or binding standards that guide or require companies to implement socially responsible practices;
2. National campaigns that raise awareness about CSR issues;
3. Government funds made available to the private sector for the implementation of CSR programs.

Sweden, for example, established binding standards in 2007 requiring state-owned companies report on social issues using the Global Reporting initiative as a framework. China enacted the Labor Contract Law in 2008 requiring companies to provide minimum protections for workers. In addition, China drafted CSR guidelines for both state-owned and foreign-owned firms. The combination of voluntary guidelines and binding policies can potentially influence companies' behavior. Regulation of public companies can lead to similar policies or regulation of the private sector.

Government efforts to raise CSR awareness in the private sector was exemplified by Canada's two federal agencies, Industry Canada and Foreign Affairs and International Trade Canada, both of which promote CSR domestically and internationally. Government-led CSR initiatives, like voluntary CSR initiatives, lacked needed industry buy-in and expertise.

Government funding in the EU for CSR awareness programs provided a venue for government and the private sector to debate CSR issues and collaborate. Research suggested the public sector and the government sector needed better aligned efforts. The potential for inclusion of external stakeholders who could assist in promoting CSR efforts included academic institutions, think tanks and CSR associations.

The United States government might follow the European Union and undertake responsibility for funding a multi-dimensional public dialogue on CSR. At this time the option was a voluntary one. If the United States government failed to act proactively, the alternative might be dictated through provisions in global treaties and initiatives. NGOs such as ISO 26000-10 offered broader frameworks than specific country models of CSR. The next section explores NGO frameworks for CSR.

Non-Government Organizations' Frameworks for CSR

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Oversight of the corporate board of directors and the external oversight of government and regulatory agencies. It was uniformly recognized that legal responsibilities constituted a significant "driver" of CSR processes and initiatives.

As expressed by Souza:

> All corporations exist as persons only by authority of law; hence the term legal persons. As a legal person, the purpose of a corporation is set out in its enabling law. A business corporation therefore is an organization that exists by the authority of business corporation law for business purposes, which is understood to be financial profit. This focus on financial gain has been and remains the responsibility of the business corporation. Where corporations for non business purposes can and do exist, they are usually mandated with acting in the best interest of the public beyond what constitutes legal obligations; however, the interpretation of this goal in compliance with corporation objectives can vary considerably depending on the business and context. (2010)

CSR included four broad areas, according to Souza (2010). The four areas were: human rights, labor, the environment, and anticorruption. Beyond external mandatory regulatory oversight (government) corporations must also contend with stakeholders beyond employees, suppliers, shareholders, and creditors. External voluntary oversight influences included global political, and social influences. Disclosure, transparency, and accountability were watchwords of modern CSR programs. As corporations struggled to integrate social responsibilities with business practices, third-party organizations such as the International Organization for Standardization (ISO), the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises, and the Global Compact offered voluntary guidance following the financial economic disasters emanating from corporate mis- and mal-feasance in 2008. There was speculation that because of the far reaching effects of corporate misbehaviors in the United States resulting in financial bailouts by government and the ripple effect on global economies and societies, the possibility of third-party standards, rules, or guidelines becoming legally binding globally might become a reality (Bryant, 2003; O'Rourke, 2003; Linton, 2004; Clapp, 2005; Pangsapa & Smith, 2008; Souza, 2010). This study answered the "What," "How," and the "Drivers" of CSR in the 21st Century though the dialogue of experts in the field of CSR The researcher then aligned participant response themes with the ISO 26000 core subjects.

Global Government Collaborative CSR Frameworks

Because there was no commonly accepted definition or standards for CSR, and because the effects of CSR failures were global, not just local, in recent decades, governments came together to try to agree on a model for implementing and managing CSR. According to a report by the United Nations Global Compact (2010) the economic crisis spotlighted the need for more corporate responsibility and government intervention. The relationship between governments and business were key to developing mutually feasible solutions. Business possessed expertise in areas governments did not. Governments were schooled to consider broad stakeholder issues while business tended to focus on shareholder interests. Therefore, the answer appeared to be partnerships designed to create win-win situations with a variety of stakeholders and "soft law" approaches that incentivized voluntary action by business as well as government regulation and "mandatory" government oversight , created a dual-pronged approach.

Geopolitical Implications for Corporations

While CSR was of great concern to the G8 leaders of the world, the basis was still founded in volunteerism:

> Conscious of the complementary role played by governments and the private sector in reaching a sustainable growth, we call for enhanced efforts to avoid wider consequences of the financial crisis and to promote responsible business practices. To this end we promote the dissemination of internationally-recognized *voluntary* Corporate Social Responsibility (CSR) standards to raise awareness among our governments, citizens, companies and other stakeholders. We will further promote and foster Corporate Social Responsibility through encouragement of adherence to the existing relevant international instruments, in accordance with our Heiligendamm commitments. We also welcome the work of relevant international institutions (ILO, OECD, UN Global Compact) to incorporate CSR into business practices and encourage them to work together in a coherent way in order to achieve synergy effects with existing CSR instruments. (G8, 2009; Horrigan, 2010)

The failed world economies in 2011-2012 and subsequent "Occupy Wall Street" protests world-wide were indications that the status-quo will not stand. Voluntary CSR efforts were not meeting the demands of stakeholders for transparency and leadership. Governments world-wide were taking note. Citizen demands were becoming an important driver of government action; they could become an important driver of corporate actions.

A study of the largest 100 economies in the world revealed corporations leading the list with 51 top ranked, and countries ranked 49 (Bielak , Bonini, & Oppenheim, 2007; Horrigan, 2010). Multinational corporations (MNCs) represented 80% of developed nation's investments in developing nations (Orts, 2002; Horrigan, 2010). In 1999, preceding the financial crisis of 2008, a Millennium Poll on Corporate Social Responsibility spanning more than 25,000 people in 23 countries across six continents revealed over 50% associated CSR impressions with a company's reputation (Ward, 2001; Ruggie, 2007; Horrigan, 2010).

The G8's commitment to CSR standards and principles were memorialized in the 2008 G8 Summit Declaration by recognizing "…CSR value of good corporate governance practices, socially responsible investments, and voluntary corporate adherence to relevant international norms" (Horrigan, 2010), which placed CSR in the forefront of international policy-making. The next stages of development, framework-building and standard-setting, were identified as tasks for CSR development in the next decade of the 21st Century. Focus would be on drivers of CSR initiatives.

CSR action, not good intentions, were identified as a key driver in the field of CSR in the next decade of the twenty-first century. In the United States, corporate CSR officers must balance

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shareholder profit, but increased transparency and stakeholder participation in their company operations, recognizing the power of "non-businesses" (Drucker, 1992). Failing to recognize the broader view of enterprise stakeholders in a global environment (the "drivers" of CSR), corporate America ran the risk of losing its ability to sustain itself. The question became how to predict necessary action or change. This study documented experts' views for identifying "drivers" of CSR initiatives.

CSR involved an organization's social responsibility activities and operations. CSR was included within the purview of organizational change theory (the "What" of CSR). Modern theories of organizational change included economic, political, and sociology theory. Economic theory focused on both internal and external stakeholders and equated initiatives and results in financial terms. Political theory was also concerned with stakeholders, but in terms of power and policy, both internally and externally. The sociology theory of organizational change focused on societal influences not necessarily driven by governments or consumers. CSR was described as a holistic endeavor with focus on stakeholder influences.

The "How" of CSR was addressed by models of CSR management theory. Modernly the four primary theories were identified as: Management by Objective, Balanced Scorecard, Triple Bottom Line, and Stakeholder theory. MBO defined the purpose and mission of the organization and the importance of measurement. The Balanced Scorecard linked strategy to value. The Triple Bottom Line combined both MBO and the Balanced Scorecard, but did not comprehensively address stakeholders. Stakeholder theory comprehensively addressed stakeholders, but failed to provide for a means of performance measurement. A combination of all four theories provided a comprehensive baseline for a model of CSR management theory, but no single theory addressed all aspects of CSR.

The future of CSR was predicted via "drivers" of CSR. Because there was an absence of an agreed upon definition of CSR and standards for "operationalizing" initiatives, there were differences in perceptions of drivers of CSR. The result in recent years was the global failures of CSR. Attempts at addressing CSR failures included global responses from entities such as the G8 Summit Declaration (2008), the United Nations Global Compact (2010), and ISO 26000-10, all focusing primarily on voluntary corporate efforts.

This study asked experts in the field of CSR to define CSR and describe "operationalizing" CSR initiatives, inclusive of drivers of CSR. Their responses included a discussion of voluntary and mandatory initiatives, and discussed the potential for incentivizing behaviors society, government, and industry seek to attain in terms of organizational transparency and outcomes.

RESEARCH METHODOLOGY

Although there was no agreed upon definition of CSR from which to provide the basis for the design of constructs to effectively measure corporate compliance (Zenisek, 1979; Frederick, 1986, 1994; Carroll, 1991, 1999; Porter & Kramer, 2003; Hummels, 2004; Waddock, 2004; Hussein, 2006), the International Organization for Standardization provided guidance on social responsibility in the form of ISO 26000:10 standards. This research effort by the authors utilize the Delphi study that use a survey questionnaire to pose three rounds of questions to experts in the field of CSR of to determine not only what "is" but what "was" and what "should be" or "could be" an accepted understanding of CSR. Through convergence and consensus the experts provided their collective views longitudinally for today's environment, five years in the past, and five years in the future for: (1) the definition of CSR; (2) how drivers of CSR are identified; (3) how CSR processes are implemented; and, (4) how CSR processes are integrated. Additionally participants were asked to (5) provide a baseline operational definition of CSR to be effective in the next five years and to (6) provide minimal baseline mandatory CSR standards.

The participant responses were themed based on frequency of mention and then aligned by the researcher to the seven core subjects of ISO 26000-10. The results of the study provided expert views of an aggregated definition of CSR and operational insights into various aspects of CSR initiatives. The participant response themes were then aligned with ISO-26000-10 core subject areas by the authors.

While the International Organization for Standardization provided voluntary guidance on social responsibility in the form of ISO 26000-10 standards, there was no commonly accepted definition of corporate social responsibility presented in the literature from which to provide the basis for the design of constructs to effectively understand corporate compliance (Zenisek, 1979; Frederick, 1986, 1994; Carroll, 1991, 1999; Hummels, 2004; Waddock, 2004; Porter & Kramer, 2003; Hussein, 2006). The problem examined in this study was to determine if experts in the field of CSR could arrive at consensus for a definition and operational aspects of CSR, longitudinally from today, five years in the past, and five years in the future.

Use of Delphi Technique

Delphi technique studies used a formal structured group communication process to investigate issues for which there is no accepted answer. The consensus of opinions of experts was used to judge what should be the answer or to predict outcomes.

Although the definitions of CSR identified in the literature were not uniform, generally definitions referred to serving people, communities, and the environment in ways that go above and beyond what is legally required of a firm. Overall, CSR was an extension of firms' efforts to foster effective corporate governance, ensuring the sustainability of firms via sound business practices that promoted accountability and transparency. According to Barnea and Rubin (2006), however, if CSR initiatives did not maximize firm value, such initiatives were a waste of valuable resources, and potentially a value-destroying proposition. The debate about CSR continued to grow without a clear consensus on its meaning or value.

ISO (International Organization for Standardization) is the world's **largest developer** and publisher of **International Standards**. As described on ISO's webpage, which can be viewed at www.iso.org/iso/iso26000:

> The ISO 26000-10 standard served as the basis of this study to query experts in the field of CSR as to how their views have changed over time in terms of the meaning and operational elements of CSR, how CSR processes were identified, implemented, and integrated in

corporate strategies, and how drivers of CSR initiatives were identified. ISO 26000-10 provided guidance for all types of organizations, regardless of size or location in contributing to sustainable development. It was intended to encourage companies to "go beyond legal compliance, recognizing that compliance with law is a fundamental duty . . . . (it) is intended to promote common understanding in the field of social responsibility, and to compliment other instruments and initiatives for social responsibility, not to replace them" (ISO 26000, 2010).

This study asked experts in the field of CSR for their views on the definition and operational aspects of CSR related to the seven core subjects of ISO 26000-10: (1) The organization, (2) Human Rights, (3) Labor Practices), (4) Environment, (5) Fair Operating Practices, (6) Consumer Issues, and (7) Community Involvement and Development (2012).

Research Questions

The research questions for this study were:

Research Study Question 1 - How do CSR experts in the field define CSR?
Research Study Question 2 - How do experts in the field of CSR operationalize CSR initiatives?
Research Study Question 3 - How do CSR experts' views relate to the ISO 26000-10 core subjects?
Research Study Question 4 - What change has occurred over the past five years to five years in the future for defining and operationalizing CSR processes in the view of CSR experts in the field?

Research Design

The Delphi technique was developed and evolved through a series of studies (Dalkey & Helmer, 1963; Helmer, 1967) to deal with judgments. Because there was no agreed upon definition of CSR this study utilized the Delphi technique to capture the judgments of experts in the field to arrive at a definition and to provide answers to operational aspects of CSR.

Classic Delphi originated with an open-ended questionnaire (Round One). Responses were collected and used to create a survey instrument (Round Two). The second survey was provided to participants for their review and comment. The results were used to create another survey instrument (Round Three). The results from round three were used to provide rationale or justification for their responses. Throughout the process the participant responses converged and consensus evolved. This study comported with the classic Delphi technique.

Research Population

The value of a Delphi study was dependent on the qualifications of the expert participants. Delbecq(1975) et al. held:

> It is unrealistic to expect effective participation unless respondents: (1) feel personally involved in the problem of concern to the decision makers; (2) have pertinent information to share; (3) are motivated to include the Delphi task in their schedule of competing tasks; and (4) feel that the aggregation of judgments of a respondent panel will include information which they too value and to which they would not otherwise have access.

Although there was no consensus in the literature regarding sample size for Delphi technique studies Delbecq et al. (1975) , Parente and Anderson-Parente (1987), suggested 10 to 15 participants should be adequate if their backgrounds are similar. However, if there was a dissimilarity of background, more participants should be involved. If the number of participants was too small there was a risk they may be unable to provide a reliable representative pooling of judgments concerning the issue. If the pool was too large, there was a risk the factors constituting disadvantages of using Delphi techniques discussed above such as attrition would perhaps be difficult to manage.

Skulmoski et al., (2007) conducted a comprehensive study of Delphi technique sample sizes and found the Delphi technique had been used in research to develop, identify, forecast, and to validate in a wide variety of research areas with sample sizes that ranged from four to 171 "experts." They suggested that there is no “typical” Delphi; rather that the method was modified to suit the circumstances and research question.

This study used a select group of six experts in the field as the population for the study. The pool of potential experts was identified from a list of the top ranked fifty organizations based in the United States (Boston College, Center for Corporate Citizenship, 2010 and 2011). The combined lists served as a current distilled list of elite experts among CSR experts in general in the United States. From this distilled list of elite experts in CSR, four self-selected to participate in this Delphi technique study. This number, while relatively small, was deemed adequate to assure a pool of expert participants to provide reliable representative judgments, but not so large as to create difficulties in managing the study. Two additional expert participants were added from multi-national corporations with divisions in the Southern California area. The combined pool of experts ensured an adequate population for this study in the event a participant dropped out. All of the participants are the most senior executive management responsible for CSR within their respective corporate and divisional structures within the United States.

The literature revealed that if a group is homogeneous, then a smaller sample may yield sufficient results (Delbeq, Van de Ven & Gustafson, 1975; Skulmoski et al., (2007). While some Delphi studies had hundreds of participants and the median group size was 15-20 participants (Strauss & Ziegler, 1975; Hussein, 2006), samples as small as four had been used (Skulmoski, et al., 2007). This study’s population was representative of an adequate sample size of experts within the specialized field of CSR.

PILOT STUDY

A pilot study was administered to assure the survey instructions and questionnaire questions were constructed in clear language, easy to understand. Participants were asked to comment on the clarity of the language and solicit recommendations for improvements to the survey questionnaire questions, instructions, processes, and procedures. The software program identified for data collection, SurveyMonkey, was reliable for collecting, storing and analyzing the data. Tiered follow-up reminders (a first, second, and third) for participant responses for each round of survey questionnaires was utilized. Acknowledgement of received anonymous aggregated responses and recognition of participant contributions was provided to participants at the end of each round to assist in reducing attrition.

Based on the rich and detailed feedback provided by Pilot Study participants that the survey formatting in SurveyMonkey was confusing to some participants and presented problems for some participants in saving and submitting SurveyMonkey survey rounds, the survey questionnaire was redesigned in Microsoft Word.

Additionally, based on pilot survey participant comments and responses, the pilot research survey questions were redesigned with provision for unlimited comments to open-ended survey questions for rounds in an effort to encourage unrestricted commentary from survey participants. Rounds Two and Three posed sample aggregated responses from previous rounds for participant comment in the Pilot Survey.

Pilot Study Data Analysis and Results

The pilot study survey instrument was administered to five CSR experts in the field using SurveyMonkey as the survey platform. The pilot survey participants were asked to answer the survey questions as if they were actual participants and to provide detailed feedback on the ease of use of the instrument design, the ease of use of the platform, clarity of questions and directions, appropriateness of language, appropriate time estimates and allocation for completing the rounds of the survey, and any other comments or suggestions to improve the survey instrument. The questions as they were posed in Round One of the pilot survey may be viewed in Attachment A.

The individual anonymous responses from the pilot survey for Round One using SurveyMonkey as the survey platform were coded randomly and sample responses were listed beneath each question. The same protocol was followed for Round Two and Three. A pilot study matrix was created containing sample key themes emerging from the collective responses. Individual concepts from the responses were identified as single or related concept in the matrix. Only a sample portion of the responses were coded by concept for purposes of testing the survey protocol. Concepts identified in a participants' response were recorded in the matrix by participant code (randomly assigned number) from which frequencies of responses were calculated. When responses were related, a theme was identified. The categorization of themes then provided a basis for determining if related themes could be grouped and majority views identified. A full matrix of all responses and codes was not created. The purpose of the pilot study was to determine if the study protocol was viable. The pilot test matrix was not included as an appendix in this study, but the full study matrix was designed following the format used in the pilot survey.

The premise of the Delphi technique is though iterative survey rounds of survey questions and review of all participant responses the expert participants may converge closer to consensus (Linstone & Turoff, 1975). Sample responses from the pilot study in Round Two were coded by concept and recorded in the matrix by participant code and theme and summary majority views were identified.

The sample aggregated anonymous responses from the 14 survey questions and majority views from Round Two were provided to participants for review and convergence. The Round Two feedback forms submitted by participants were collected and reviewed by the researcher for disposition immediately or at the conclusion of the study. The purpose of the pilot survey was to test the study protocols, not to evaluate the quality of the content of the responses.

Round Three of the pilot survey presented sample aggregated views of participants from Round Two but also requested participants to select one of the following categorical responses for study questions they responded to (with minor variation if there were majority and minority participant views):

1. I agree.
2. Disagree. (If you disagree please explain your rationale).
3. I disagree but would support the majority view (If you disagree but would support the majority view please explain your rationale).

The inclusion in Round Three of categorizing questions for each of their responses to the 14 survey questions resulted in a further shift toward convergence toward consensus.

Results of the Pilot Survey

Participant responses to the pilot survey questions were informative in revealing the sample survey questions rounds did result in a general convergence toward consensus on the topic of CSR. These results were not necessarily predictive of the actual Delphi survey results in that not all pilot participants responded to all questions, and responses were not detailed. Only two of the five pilot participants were diligent in responding to all questions.

A second streamlined pilot Delphi survey was conducted with two of the original pilot survey participants solely to test the utility of the survey platform (Microsoft Word) and document transmittal medium (email). Their feedback supported the survey platform change from SurveyMonkey to Microsoft Word. The result was a reformatted Delphi Survey instrument in Microsoft Word and a revised protocol to ensure anonymity of participants in reporting emailed anonymous participant responses. The SurveyMonkey platform offered system anonymity by collecting participant responses and reporting anonymously within the Survey.Monkey website. Individual identities were not revealed. Utilizing the platform of Microsoft Work and the medium of personal participant email required a study protocol shift such that participants retained anonymity among shared aggregated response documents. This was achieved by the researcher randomly coding participant responses by number to ensure anonymity when sharing the aggregated participant response results.

DELIMITATIONS OF THE STUDY

This study examined the views of experts in the field of CSR to answer questions for which there were no agreed upon answers for a definition and operational impacts of CSR along supply chains in the United States in the 21st Century. The Delphi Technique was identified as the appropriate methodology to obtain detailed personal views of experts in the field when the literature provided no agreed upon answers.

Survey questionnaires were utilized to solicit the views of CSR experts identified from the Boston College, Center for corporate Citizenship, 2010 and 2011. This study used a select group of six experts in the field as the population for the study. The pool of potential experts was identified from a list of the top ranked fifty organizations based in the United States from the combined lists. Four participants self-selected to participate, which was a relatively small number, but was deemed adequate to assure a pool of expert participants to provide reliable representative judgments, but not so large as to create difficulties in managing the study. Two additional expert participants were added from multi-national corporations with divisions in the Southern California area to fortify the sample size. The combined pool of six CSR experts ensured an adequate population for this study. It is hoped the results of this study will contribute to providing a foundation for a common understanding and agreement for the definition and "operationalization" of CSR in the United States.

CONCLUSION

In summary, the lack of understanding regarding expectation of Corporate Social Responsibility has become a major source of uncertainty for corporations globally along supply chain partners. It led to sub-optimal utilization of resources. And at times may even create major crisis. An example is the misunderstanding of expectation by Chinese contract manufacturers such as Foxconn with the American consumers of Apple products. It does impact corporate performance negatively even though the corporations are in good compliance of local government regulatory principles. With the development of an empirical model, the authors are able to begin the process of collection of perceptions by various constituents, such as corporations, and explore the opportunity of driving consensus in the understanding of CSR. When successful, these efforts can contribute to the decrease of uncertainty for corporations in terms of compliance along their supply chains, which obviously can lead to improvement in resource allocations.

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