Strategic corporate social responsibility: a theoretical framework

Filippo Vitolla* and Michele Rubino

Economics and Management Department, Lum University s.s. 100 – km. 18,00 - Casamassima (Bari) – Italy.

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This paper focuses on CSR integration in strategic management and control systems, with particular reference to the reasons which lead firms to strategically manage social dimension and the consequences in terms of social performance. The goal of the paper is to develop a conceptual framework which enables us to understand the relationship among contextual factors (internal and external), strategic control tools and mechanisms supporting management processes in corporate social responsibility, and results of socially oriented actions. Based on the research goals, we referred to the conceptual methods that aimed at theory building; we have used a methodology which combines inductive approach (creation of a mental model based on direct observation of the phenomena and on the analysis of the significant literature) and deductive approach (analytical explicitation of the mental model and identification of the logical relationships between concepts). In defining conceptual framework this paper applied an analysis perspective of integrative, multilevel and systemic type which included: the identification and evaluation of antecedents, elements and consequences; the study of cause-effect relationships, moderator effects and mediator effects. The conceptual induction refers to the integration of occurrences and instances to infer the nature and the working of the system. The induction process is related, on the one hand, to the long experience of the two researchers in the direct observation of the firms’ social aspects, and on the other hand, to the analysis of significant literature on CSR. This process contributed to define the mental model which the conceptual framework is based on. However, induction stops with the mental model and deduction begins with the conceptual framework and its ramifications and predictions. The deductive process is connected to the detailed explicitation of mental model; this process is realized by the development of the conceptual framework based on the identification of the propositions (logical relationships between concepts). In this phase, the literature analysis was used as a preliminary validation (theoretical or empirical) of the propositions.

Key words: Corporate social responsibility, corporate social performance, strategic management, strategic control, performance measurement, multilevel conceptual framework

INTRODUCTION

The success of a company, as concerns the achievement of economic, competitive and social aims, is linked on different levels to both ethics and values as well as to a strategic dimension. A strategic approach to Corporate Social Responsibility (CSR), rather than creating conflict through an ethical approach, is useful in outlining a non-operational analysis approach within the social dimension of a company. This choice is indeed based on the increasing importance of social issues and relations with stakeholders in the success of a business, which requires the strategic, not just purely operational, management of the social dimension. Strategies and social policies must

*Corresponding author. E-mail: vitolla@lum.it
be framed within a context of a far reaching perspective, with a view to the future, on a long-running equilibrium based on the vision that orients the organization and guides it towards its targets. Firms able to maintain a successful position are those capable of better managing the dynamics of strategy. In this context three strategic development processes can be identified, which are the foundation of changing organizations: the strategy execution process; the formulation of strategic intent processes; the process of entrepreneurship and innovation. In managing social strategies, control tools and mechanisms can be used to support processes for training top management, defining bottom-up strategies and creating favourable conditions for their achievement. These tools and mechanisms vary depending on the context and have different influences on outcomes.

The following paragraph includes an analysis of the literature on CSR, aiming primarily to identify the contents of the theoretical paradigm in which the work takes place.

**LITERATURE REVIEW**

Scholars have studied firm’s social concerns for many decades (Clark, 1916; Berle, 1931; Dodd, 1932; Bowen, 1953). The literature on this topic is very wide and fragmented (Waddock, 2004) especially for the contributions related to different discipline matrices and with various conceptual backgrounds (Serenko and Bontis, 2009; Wagner et al., 2009). These elements make the systematization of the contributions particularly complex (Votaw, 1972; Carroll, 1994). Frederick (1987, 1994, 1998), Heald (1988), Mitnick (1995), Swanson (1995) and Carroll (1999) propose a classification based on the historical evolution of literature, which, though presenting some limitations connected with systematicity, allows to have a rather immediate view of the theoretical developments. Garriga and Melé (2004) suggest an interesting classification of contributions on ethics and social responsibility based on general aspects that can be observed in any social system: adaptation to the environment, goal attainment, social integration and pattern maintenance or latency. De Bakker et al. (2005) discuss three different accounts of evolution: progression, variegation and normativism. In the last few years, some scholars have written reviews addressing specific research questions: Pelzoa (2009) has focused on the impact of social responsibility on financial performance and Pelzoa and Shang (2011) have pointed out the impact on the creation of stakeholders’ value. Wood (2010) has reviewed the literature related to measurement of social responsibility. Other scholars have carried out reviews of literature referring to specific disciplines: marketing (Enderle and Murphy, 2009); organization behavior and human resource management (Aguinis, 2011); operations (Brammer et al., 2011); information systems (Elliot, 2011). Minoja (2008) distinguishes between the core areas of research, in which the theme of CSR is treated explicitly, and contextual areas underpinning the core areas and defining the theoretical reference array from an economic and non-economic background. In order to enhance the effectiveness of the systematization of literature given the diverse and multidisciplinary contributions, in this paper we utilize the classification based on core areas and contextual areas of research. This criterion enables us to analyze the phenomenon from various and interrelated points of view.

The core area can be identified as CSR “strictly speaking”, Corporate Social Responsiveness, Corporate Social Performance, Stakeholder Theory and Business Ethics. CSR “strictly speaking” is characterized by the recognition of social obligations imposed on businesses, which transcend economic functions. The assumptions underlying CSR can be summarized as follows: power implies responsibilities (Bowen, 1953); social responsibility is voluntary (Walton, 1967) and goes beyond economic and legal obligations (McGuire, 1963); companies play a key role in improving the welfare of the community in which they operate and must recognize the expectations, rights and needs of different social groups. Corporate Social Responsiveness focuses on developing internal procedures and management tools that enable companies to detect and understand social issues and respond effectively to the demands of the environment (Frederick, 1978). A critical step is noted from responsibility, understood as an obligation arising from ethical precepts (though vague and imprecise), to responsiveness, or the ability to strategically manage environmental pressures (Ackerman and Bauer, 1976). Corporate Social Performance is focused on the evaluation of the social dimension of a company through an analysis of policies, processes and results. An initial set of contributions centres on developing the theoretical frameworks that integrate principles, processes and policies and are able to integrate social performance (Carroll, 1991; Wood, 1991). A second important path of research concerns an analysis of the correlation between social orientation and financial performance. A third set of contributions involves studies in the field of social accounting (Zadek and Evans, 1993). Finally, in the late nineties, a fourth area of research developed whose objective is not to confirm the basic economic expediency of social commitment, but to analyze the critical and relevant aspects of managing social strategies, which affect achieved performance (Berman et al., 1999; Graves and Waddock, 2000; Molteni, 2004). Stakeholder’s Theory develops a new vision of the company, one not merely focusing on shareholders’ interests and relations with different categories of stakeholders. Stakeholder’s Theory includes three different approaches: descriptive, strategic and normative. The descriptive approach seeks to determine whether and how organizations take into account the needs of stakeholders in the real world (Brenner and Cochran, 1991). The strategic
approach requires that managers take into account the demands of stakeholders based on strategic opportunities. This approach involves recognition of the criticality of the social approval in management and an acknowledgement of the importance of stakeholders’ contributions in ensuring the survival of businesses and the pursuit of economic equilibrium (Freeman, 1984). The normative approach, on the other hand, raises the ethical principles at the base of Stakeholders’ Theory that transcend functionality in relation to economic purposes (Donaldson and Preston, 1995; Goodpaster, 1991). 

**Business Ethics** (De George, 1982) tends to serve as a heterogeneous container with contributions in different interdisciplinary areas of management. This tendency focuses on three key issues: the relationship between ethics and business (Jones, 1982); moral and ethical reflections on decision-making (Coda, 1988a); and the diffusion of an ethical climate within the business (Frederick, 1986). The focus is not still placed on specific entrepreneurial values, but on those “meta values” (honesty, loyalty, justice) that should guide human activities and, therefore, businesses as well. The economic contextual paths of research refer to excellence entrepreneurial theories (De Woot, 1984; Coda, 1988a; Porter and Kramer, 2006), the theory of the firm (Margolis and Walsh, 2001), strategic management (Hillman and Keim, 2001; Fombrun, 1996), corporate governance (Mahoney and Thorn, 2005; Picou and Rubach, 2006), organizational theories (Cohen, 1993; Weber, 1993; Collins, 1997; Bowen, 2004), marketing (Sen and Bhattacharya, 2001; Maignan and Ferrel, 2004). The non-economic contributions refer to ethics, moral philosophy, cognitive psychology and sociology. In the last few years the trend of integration among paths of research has been developed (Aguinis and Glavas, 2012). In the 2000s, an increased number of contributions began to appear in the field of theory of the firm and strategic management related to the integration between business strategy and social responsibility. These studies represent an evolution of neoclassical economics and focus on the application to social responsibility of the classical analysis tools used in profit maximization evaluation. Baron (2001) uses his profit maximization model to define corporate social responsibility as a private supply of a public good; McWilliams and Siegal (2001), as a part of a supply and demand model applied to social corporate responsibility, determine the ideal level of social responsibility through a cost/benefit analysis. McWilliams et al. (2002) apply a resource based model to corporate social responsibility with the goal of highlighting the links with competitive advantage of differentiation; Bagnoli and Watts (2003) refine Baron’s model (2001) by introducing elements related to the structure and characteristics of competition in markets most influenced by social issues; King (2007) concentrates his analysis on transaction costs related to environmental responsibility; Orlitzky et al. (2011) analyze the influence of corporate social responsibility on environmental sustainability. Porter and Kramer (2006) reiterate the importance of the integration between strategy and society, and between competitive advantage and corporate social responsibility, proposing an analytical model based on the social impacts of the value chain and the role of corporate social responsibility in the competitive context. Mirvis and Googins (2006) identify five stages of evolution in the process of integration between social responsibility and corporate strategy. Sharp and Zaldman (2010) analyze processes by applying Jarzabkowski’s model (2005) to the integration of social responsibility into corporate strategy. The triangular model highlights the interconnected relationships among management, organization community and strategy. The interconnection among these three elements is expressed in the firm’s routines and procedures and is aimed at reflecting the social values of management and social strategy into the firm’s activities.

The development of multilevel models which integrate different perspectives of analysis (Aguilera et al., 2007; Lindgreen and Swaen, 2010) and many theoretical backgrounds (Aguinis and Glavas, 2012) is especially important. Therefore, considering the limited number of integrative and multilevel models, the main gaps in the CSR literature are related to: i) the definition of advanced integrative multilevel conceptual framework; ii) the development of integrative multilevel conceptual framework connected to unexplored issues; iii) the empirical test of the propositions identified in the model (Aguinis and Glavas, 2012). This paper aims to fill literature gaps of second type. Actually, we propose to help bridge the theory gap in integrating CSR into strategic management (Minoja, 2008), focusing on the integrative and multilevel analysis of the CSR strategic control system. The core area of this paper focuses on corporate social performance aiming not to verify the general affordability of CSR but to analyze, in integrative and multilevel perspective, the critical elements which affect achieved performance. This work can be categorized, in terms of theories of context, along with institutional studies by Italian business economics scholars (Zappa, 1957). The importance of institutional theory in analyzing CSR lies in the identification of an independent entity that pursues its own aims, making convergent, potentially divergent, actions and conflicting demands and allowing everyone to ensure, in different ways and methods, the benefits of common management (Signori and Rusconi, 2009).

**METHODOLOGY**

The conceptual method to build an integrative and multilevel framework of CSR strategic management

With regards to the research goals, we referred to the conceptual methods aimed at theory building (Meredith,
These methods, in the normal cycle of research (Zaltman et al., 1982), address primarily description and explanation and lead to a better balance between theory building and theory testing research. A conceptual method is a set of concepts, linked by propositions, used to represent and to explain events, objects, processes and phenomena. Conceptual modelling is more interpretative than a formally rational research (Meredith et al., 1989). Briefly, they are mental models which are made up of suspected relationships between concepts. In conceptual methods, the identification of propositions is based on logical links rather than epistemological process (Lin, 1976). In this case, we use a methodology which combines inductive approach and deductive approach. The conceptual induction refers to the integration of occurrences and instances to infer the nature and the working of the system. The induction process is related, on the one hand, to the long experience of the two researchers in the direct observation of the firms’ social aspects, and on the other hand, to the analysis of significant literature (Fink, 1998). This process contributes to define the mental model which the conceptual framework is based on. However, induction stops with the mental model and deduction begins with the conceptual framework and its ramifications and predictions (Seuring and Müller, 2008). The deductive process is connected to the detailed explicitation of mental model; this process is realized by the development of the conceptual framework based on the identification of the propositions (logical relationships between concepts). In this phase, the literature analysis is used as a preliminary validation (theoretical or empirical) of the propositions (Meredith, 1993).

The model of CSR strategic management

In defining a model of analysis for strategic control in CSR (Figure 1), this paper uses an integrative systemic approach (Anthony, 1965; Forrester 1968). This approach was chosen based on the fact that studies of CSR include a gap in explaining the integration of CSR into strategic management; in CSR studies, motivations that lead companies to integrate social responsibility into strategic management systems do not appear adequately explained nor do the implications of such integration. The development of a model and formulation of the main propositions on which the same model is based require: an identification and analysis of the antecedents (contextual factors) that are the basis for a company’s assumption of responsibility and CSR; an identification and analysis of the elements of the CSR strategic control system; an analysis of consequences (social performance) and an analysis of cause-effect relationships. The model used is multilevel type, aimed at integrating micro and macro perspectives (Aguilera et al., 2007; Lindgreen and Swaen, 2010). Particularly, in this case, the multilevel analysis focuses on explaining the transversal relationships between elements at an organizational level and micro and macro environment (Aguinis et al. 2011). The model incorporates mediator and moderator (Aguinis and Glavas, 2012): the former

![Figure 1. A model of CSR strategic control.](image-url)
enables us to make explicit the indirect relationships between concepts, and, therefore to better understand the antecedents of a phenomenon; the latter identifies the conditions which determine the intensity of the relationships.

**The antecedents**

Contextual factors are classified according to two dimensions of analysis:

1. the level (vertical dimension), which can be individual, organizational or macro-environmental (Aguilera et al., 2007);
2. the nature (horizontal dimension), which can be generic (determinant of CSR) or specific (determinant of the CSR strategic control system).

We will first analyze the generic antecedents, which serve as simple factors within the context of CSR. Behaviours must be considered on an individual level (or micro level), particularly in terms of pressure from specific stakeholders.

The reasons why stakeholders request CSR (Williams, 1997) can be instrumental, relational and ethical. Instrumental reasons are primarily related to stakeholders' interest in using CSR to improve the relationship between contributions provided and rewards received. Relational reasons are related to the psychological need for belonging that depends on factors such as loyalty and trust within a relationship, which CSR should contribute to increasing and improving (Rupp and Cropanzano, 2002). Finally, ethical reasons (Folger, 2001) are connected to the moral values of stakeholders (justice, honesty, fairness, respect for human rights, environment) that CSR should help to spread in management within an enterprise.

Macro-social phenomena should be considered on a macro-environmental level (unemployment, development, globalization, environmental issues, crises and scandals) as well as pressure from governments (supranational, national and local), non-Governmental Organizations (NGOs) and Corporate Interest Groups (Greening and Gray, 1994). Again, reasons can be instrumental, relational or ethical. For governments, instrumental motivations concern the competitiveness of a nation (Aguilera et al., 2007), where competitiveness is considered linked, through CSR, to innovation, employment, growth and the good name of the country in general; for NGOs and Corporate Interest Groups, instrumental reasons are connected to the power of influence and attraction of limited resources, although power and resources are, however, pre-conditions for the achievement of social aims. As for relational elements for governments, the objective is to achieve cohesion and social inclusion (Aaronson and Reeves, 2002); for NGOs and Corporate Interest Groups this involves the coordination of networking relationships, the balance and alignment of the interests of different stakeholders (Hart and Milstein, 2003) including forms of “quasi-regulation”. Finally, ethical reasons for governments involve the collective responsibility to contribute to a better society and for NGOs and Corporate Interest Groups the altruism of the social aspiration for achievement.

In relation to the general antecedents on an individual and macro-environmental level, the following propositions can be made:

**PROPOSITION 1**

Behaviours and pressures on an individual and macro-environmental level influence the social context of reference.

**PROPOSITION 2**

Behaviours and pressures on an individual and macro-environmental level influence the competitive environment of reference.

**PROPOSITION 3**

Behaviours and pressures on an individual and macro-environmental level influence the entrepreneurial and management philosophy.

Propositions 1, 2 and 3 make it possible to connect the general antecedents on an individual and macro-environmental level with those on an organizational level. The social context of reference results from both individual and macro-environmental pressures (Proposition 1). The degree of social awareness of the context depends on the intensity of these pressures and reflects: i) the level of attention of specific stakeholders on social issues (Agie et al., 1999, Sharma and Henriques, 2005; Stevens et al., 2005); ii) the more or less pronounced presence of issues with significant environmental or social impacts (Chiu and Sharfman, 2011; Russo and Fouts, 1997); iii) the level of regulation or “quasi regulation” and (Christmann and Taylor, 2006) the strength of NGOs and Corporate Interest Groups (Greening and Gray, 1994). With reference to the first aspect, the elements that make the context more social include: public ownership of the company or cooperative firms (Hinna, 2005), the presence of ethical investors (Griffin and Mahon, 1997), local banks, customers who are sensitive to cause-related marketing operations (McWilliams and Siegel, 2001), employees who are highly sensitive to ethical standards (Barbian, 2001). Concerning the second and third aspects, intense
globalization, increased regulations, obtaining certifications, best practices and accountability standards and the growing presence and influence of NGOs and Corporate Interest Groups all increase the degree of social awareness of the reference context.

The competitive context is influenced both by individual and macro-environmental pressures (Proposition 2). Sector configuration is affected by competitive forces (Porter, 1985), intensity depends mainly on financial standpoints and, though to a lesser extent, social factors (Boutin-Dufresne and Savaria, 2004). The degree of social awareness in a sector depends on the level of individual and macro-environmental pressures and reflects: i) the more or less pronounced presence of industrial issues with significant environmental or social impacts, ii) the presence of social determinants involving a competitive advantage. With reference to the former, industries characterized by ecological issues and the globalization of supply chains in developing countries present competitive dynamics, including social aspects (Campbell, 2007) and those in which public utilities are provided. As for the second point, a competitive advantage based on social standards, is typical of industries (e.g. food industry) in which ethical and environmental factors are considered key factors in the purchasing decisions of customers (McWilliams and Siegel, 2001).

The entrepreneurial and management philosophy is the result of many factors and includes values, aims, mental models (emotional models) and cognitive and value-based elements at the basis of the choices and decisions made by entrepreneurs and managers (Coda, 1988b). This philosophy is stimulated by society (an economic, environmental, cultural, social, political, and regulatory context), from the history of the company, the past experiences of top management and dynamics of the industry (Allaire and Firsirirotu, 1984). The macro-social context and behaviour of stakeholders contribute, though not exclusively, to defining the entrepreneurial and management philosophy of the context of each company (Proposition 3); a weaker cause and effect relationship can be traced back precisely to the plurality of elements that form the basic strategic orientation. The history of the company and the past experiences of the management are moderators in the relation identified in Proposition 3. The most profound and consolidated beliefs certainly slow down change within the basic philosophy; faster changes may occur in turnaround processes that result in changes in top management (Starbuck et al., 1978) or during an organizational crisis due to ethical failure. The strength of individual ethical reasons has a bigger influence on the entrepreneurial and management philosophy (Folger, 2001) because ethical values, strongly rooted in people, are able to modify this philosophy. With reference to CSR, the entrepreneurial and management philosophy should be evaluated with regard to the purposes and role of the firm, the concept of profit, social function, the relationship between the economic and social nature of business (Mudrack, 2007). From this point of view, three different types of entrepreneurial and management philosophies can be identified:

1. economic entrepreneurial and management philosophy. This philosophy is based on the following beliefs: a company's sole function is to maximize profit or market value (Friedman, 1970); the company's only aim is to optimize profit; the company has no social responsibility; economic objectives and ethical goals are incompatible (Margolis and Walsh, 2001);

2. operational entrepreneurial and management philosophy. This philosophy, unlike the previous one, does not view economic and social goals as incompatible and therefore suggests an "enlightened self-interest" in adequately responding to social demands (Smith, 2003), if social awareness helps to improve financial performance and increase competitive advantage;

3. innovative entrepreneurial and management philosophy. This philosophy is based on the following assumptions: a business has both an economic and social role (De Woot, 2005) and its profit is not given a supreme position in relation to other business goals; the firm must meet the expectations of different categories of stakeholders in a synergistic way (Freeman and McVeag, 2001); economic, social and competitive objectives are closely interrelated, as none of them is an end in themselves, but simply because they are connected to the other objectives of the institute (Coda, 1988b).

In constructing the model and its propositions, it is interesting to consider the relationship between generic antecedents on an organizational level and antecedents of the CSR strategic control system (CSR orientation). The generic antecedents on an organizational level are mediators between individual and macro antecedents, on the one hand, and CSR orientation, on the other hand.

**PROPOSITION 4**

Among the general antecedents of CSR on an organizational level, the entrepreneurial and management philosophy is the factor that most influences CSR orientation. The type of entrepreneurial and management philosophy affects the level of integration of CSR within strategic management.

CSR orientation, a specific antecedent of the CSR strategic control system, refers to four aspects of CSR, all directly linked to the entrepreneurial and management philosophy (Sharma, 2000): type, purposes, reasons and approach (Minoja, 2008). CSR type can be: disconnected from management; related to operational processes; related to competitive advantage determinants (Porter and Kramer, 2002); rooted in the mission (Pearce, 1982) and in the corporate strategy system (Molteni, 2007).
Purposes may be predominantly economic or a circular function of economic, competitive and social aims (Coda, 1988b). Reasons may be: instrumental, connected to improving customers approval, accessing valuable resources that are rare and difficult to imitate (Branco and Rodrigues, 2006); relational, relating to social approval (Adler and Kwon, 2002); reputation (Fombrun, 2001) and social cohesion (Barnett, 2007); ethical, based on moral values (justice, honesty, fairness, respect for human rights, environment) that CSR should help spread throughout the enterprise (Logsdon and Wood, 2002); hedonic, related to the intrinsic satisfaction derived from the implementation of CSR policies (Lindenberg, 2001). Finally, the CSR approach (Carroll, 1979) may be: reactive/defensive based on adaptation to environmental stress; proactive, focused on anticipating environmental changes and proposing strategies capable of combining financial aspects, social awareness and competitiveness. The combination of these four elements enables the identification of six types of CSR orientation (each exemplify a certain level of integration within company management):

1. Level 1, no CSR. CSR policies are not implemented and aims are exclusively economic in nature.
2. Level 2, occasional CSR. No-systematic CSR actions have been taken (usually philanthropic activities) related to improving reputation; aims are economic in nature, the approach is defensive.
3. Level 3, formal CSR. CSR activities are only formally included in business management and are instrumental to the improvement of the corporate image and often merely apparent; aims are mainly economic; the approach is defensive/reactive (in some cases merely fulfilling legal obligations).
4. Level 4, operational CSR. CSR activities are fully incorporated in operational management and are instrumental to preserving and consolidating the corporate image and maintaining the approval of certain categories of stakeholders; aims are economic in nature while social aspects often merely consist of management limitations; the approach is defensive, aimed at avoiding any risks to activities.
5. Level 5, strategic business CSR. CSR is integrated into business strategy and is instrumental to the achievement of competitive advantage; aims are both economic and competitive and hierarchically higher-ordered compared to social goals; the approach is proactive.
6. Level 6, strategic corporate CSR. CSR is fully integrated in the mission, the corporate strategies and strategic management processes; aims are economic, social and competitive; reasons are normative and hedonic, the approach is proactive, designed to define innovative strategies capable, in some cases, of modifying even the social context.

At the first level, there is no integration in management; at the second, there is a minimum degree of integration; at the third, integration is only apparent; at the fourth level, integration is operational; at the fifth level, integration is business strategic; at the sixth, integration is corporate strategic. The level of integration is closely related to the type of entrepreneurial and management philosophy (Proposition 4), since the elements of CSR orientation (types, purposes, reasons and approach) are based precisely on this philosophy. The first, second, third and fourth levels are dependent on an economic philosophy (the distinction between levels is related to the varying impact of the social and competitive context on CSR orientation), the fifth level is connected to an operational philosophy, while the sixth to an innovative philosophy. CSR orientation develops a mediator effect between generic antecedents on an organizational level and elements of strategic control system of CSR.

The elements

System elements, the strategic control system (Simons, 1995) in CSR, are the tools and mechanisms that support the processes of strategic CSR management. They serve to: allocate power; monitor the progress of the achieved strategy; check the validity of the strategic approach; evaluate various corrective actions to fill any possible gap; clarify and align values; communicate with stakeholders and report on the social dimension.

The following wording expresses the proposition linking CSR orientation to the system elements.

PROPOSITION 5

Higher levels of CSR integration with strategic management determine the actual usage of multiple systems of strategic control of CSR.

The analysis of Proposition 5 is preceded by a description of the main tools and mechanisms for strategic control in CSR (Garzoni, 2003; Simons, 1995).

Systems of corporate governance

These arise at a higher-order level and contribute to the institutional structure of the firm; they concern mechanisms that ensure the proper functioning of the governance system and that, in general, handle power allocation and the use. Concerning CSR (Johnson and Greening, 1999), the concept of expanded corporate governance is certainly more appropriate (Blair, 1995), as the centre of attention is expanded to key stakeholders; the expanded view refers to the adaptation of stakeholders’ interests and the mechanisms for allocating power, conferred to those who are able to wield it (Coda,
From this perspective, the structures and mechanisms protecting the interests of stakeholders are expanded; the structure and functioning of the Board of Directors is accompanied by legislation, internal auditing systems, ethics committees, information systems, reward systems and so on.

Value control systems

These systems, defined as those controlling company values, contain two elements (Simons, 1995): belief systems (values, beliefs), which specify in a positive sense, the ideals and values pursued and rewarded by the organization and boundary systems, which specify in a negative sense what should not be done to avoid excessive risk to the organization. Belief and boundaries systems are often formalized in documents such as the code of ethics, code of conduct, and so on (Stevens, 2008).

Diagnostic systems

Diagnostic systems for measuring performance are one of the most important tools/mechanisms for strategic control (Anthony, 1965). During the execution of strategic objectives, performance measurement tools must be used taking into account both a pragmatic and semantic perspective (Mason and Swanson, 1979). In particular, the pragmatic view involves the identification of which objects should be measured, since the measurement tool should aim to guide the behaviours of managers (Flamholtz, 1996). The semantic perspective is more often adopted, with reference to the analysis, diagnosis and evaluation of implemented strategies: in this case, the measurement tool should aim to identify a “system of symptoms” that can monitor the progress of implemented strategies in relation to the desired situation (Hofer and Schendel, 1978). The informative function of measurement tools is part of a feedback mechanism, which activates if a strategy out of line with that planned should be implemented and includes corrective actions to change managerial behaviour (Horovitz, 1979). The strategic management of CSR requires the identification of a different structure of diagnostic control systems. A different configuration can be achieved (Atkinson et al., 1997) by: inputting CSR measures in a non-systemic way into financial diagnostic systems; adapting financial diagnostic systems in a structured way; creating specific diagnostic systems for CSR; designing new diagnostic systems oriented toward CSR.

Accountability and social disclosure systems

In CSR strategic control, accountability and social disclosure tools are used to improve relations with stakeholders (Morsing and Schultz, 2006) and to enhance credibility, confidence and legitimacy in the context of reference (Suchman, 1995); together these elements, in turn, improve the corporate image (Hooghiemstra, 2000). These tools enable communication processes that require the disclosure of information beyond legal obligations. Voluntary disclosure is linked to two interrelated elements: the expansion of stakeholder categories on the one hand, and on the other the extent and quality of contents communicated. Voluntary disclosure can include any data or information relevant to those stakeholders not included in the obligatory disclosure.

Intelligence systems

Intelligence tools (Schreyogg and Steinmann, 1987) facilitate the broad-spectrum monitoring of the socio-environmental context, so as to highlight emerging opportunities and latent threats; reference sources are established, particularly for case studies, best practices, newspapers, periodicals, magazines, websites and so on. CSR strategic control tools serve to monitor implementation strategies, control the validity of strategic assumptions and support analysis and strategic diagnosis processes. In this field each tool plays a special role. Strategic corporate CSR uses, from a dynamic perspective, different strategic control tools that support processes for identifying the contents of the strategy and the conditions for its implementation, monitoring the implemented strategy and verifying the validity of its structure. Using limited tools is incompatible with the full integration of CSR in strategic management as this would only partially manage (and, therefore, without full integration) the overall strategic dynamics. In the case of strategic business CSR, being basically referred to as an integration of CSR in exclusive competitive dynamics, models for performance measurement and environmental monitoring need to be adopted in order to take into account the social aspects related to the achievement of a competitive advantage. Operational CSR is not integrated into strategic management as it only covers operations; in this case some parameters of the process related to CSR are simply monitored and disclosure tools that communicate their own CSR profile can be used. In the case of formal CSR, the use of certain tools (Codes of Ethics, Social Reports, Ethical Committees) is not linked with integration processes in strategic management, but is the result of CSR policies implemented without real conviction (Mathews, 1987): in some cases for public relations (Frankental, 2001), in others simply following the “fashion” or “vanguard” (Hinna, 2005) and in other ones to artificially modify the perception of the company by stakeholders (Puxty, 1986). Some firm characteristics, such as dimension, the organizational
structure, the operative mechanisms are moderators in the relationship identified in Proposition 5; larger and more structured firms, with advanced operative systems are more ready to implement advanced strategic control systems also for CSR (Greening and Gray, 1994; Sharma, 2000). Moreover, system elements are mediators between CSR orientation and social performance.

**The consequences**

The consequences of a strategic control system in CSR are found in social performance. In literature, social performance has been defined in various ways. Carroll (1991) defines social performance in terms of the coherence between the responsibilities we assume, the specific issues that you choose to respond to and the underlying principles on which responses are based. Wood (1991) defines social performance from an integrated perspective, in relation to the principles that motivate actions, the level of compliance of social processes, the effectiveness of policies and programs and the social outcomes of management. The definition of social performance used in this research is based on the concept of an institutional matrix, finalism of business, which assumes the configuration of the complex system in financial, competitive and social dimensions; social performance is an expression of goals which are not economic in nature, and are capable of producing a synergetic social awareness-competitive effect.

**PROPOSITION 6**

*The measurement of social performance requires the use of a number of variables including both lag and lead.*

On one hand, social performance identifies the approval and cohesion of stakeholders and, on the other, the development of synergies between the social and financial-competitive dimensions. Given the complexity of the aspects to be observed a number of variables must be identified that are not necessarily related to results; this ensures the measurement system for social performance includes a comprehensive set of variables designed to evaluate the many aspects of CSR, which are difficult to summarize in just one or a few measures (Greening and Turban, 2000). The variables used can be divided in two categories: lagging variables, which measure results and leading variables, which anticipate the emergence of results. Lagging variables refer to the stakeholder satisfaction (Lev et al., 2010) and an ability to influence financial and competitive performance. Lagging variables are not, in many cases, "operationalizable", due to the difficulty of directly measuring results. To overcome this problem leading variables can be used; they serve as predictors of the effects of CSR and are able to highlight the causes and determinants that influence the development of lagging variables. The variables expressing social performance are as follows.

**Outcome variables**

These variables indicate the degree of satisfaction and the level of approval among stakeholders (social outcomes) and, secondly, the influence of CSR on financial-economic (Arya and Zang, 2009; Brammer and Millington, 2008; Doh et al. 2010) and competitive variables (Greening and Turban, 2000).

**Impact variables**

Impact variables refer to intangible resources as an expression of the future capacity to achieve better financial and competitive performance. Impact variables are dependent on the extent of intellectual capital (Surroca et al., 2010). These variables are used in the event of an inherent defect in outcome variables; firstly, the high degree of subjectivity inherent in methods of directly measuring satisfaction, which could produce results that are not consistent with the actual approval of stakeholders, and secondly, the difficulty of highlighting the effects of CSR on the financial and competitive dimensions over the long run.

**Process variables**

These variables serve an operational purpose as compared to outcome variables; in fact, the ability of a business to effectively implement CSR is specifically determined on the level of process. Stakeholders’ approval and the activation of virtuous competition and social circles are generally the result of a company’s ability to manage, from a socially oriented perspective, central business processes: operations, customer relationships and support processes. The immediate drop in CSR policies is of great advantage to process measures (Sharma and Vredenburg, 1998); moreover, since these are leading variables they are influenced by a CSR policy earlier than outcome variables.

**Effort variables**

Effort variables measure the commitment (in terms of resources and activities) to achieve social outcomes; these variables are inserted based on the existence of a link, even if not immediate, between effort and outcomes. Effort variables should be used in all cases where it is not possible to identify a reliable and precise relationship between outcome and process variables.
This is the proposition that connects the system elements to consequences.

**PROPOSITION 7**

The strategic control system in CSR is related to social performance in two ways: 1) through the orientation of organizational behaviour and 2) through the production of information and development of knowledge. The actual use of numerous socially oriented control tools increases control effectiveness and, consequently, contributes to the improvement of social performance.

The link between the strategic control system in CSR and social performance is generally based on the important relationship between strategic management and the success of a business: successful companies are those that can better manage strategy dynamics (Garzoni, 2003). This theme is rarely tackled in research on CSR. In particular, within the CSR literature, little attention is given to analyzing the relationship between CSR and corporate strategy, both as concerns contents and processes (Carroll and Hoy, 1984). Regarding content, Meznar et al. (1991) argue that the success of a strategy is linked to its ability to integrate the social dimension within it; Molteni (2004) proposes the concept of the socio-competitive business idea as a strategy for success. With reference to processes, Graves and Waddock (2000) highlight, in general, the importance of quality stakeholder management for company survival; Minoja (2008) proposes an articulated model for dynamically integrating CSR in business strategies. In this work the focus is, as concerns CSR strategic management, on the relationship between the control system and social performance. The strategic control system in CSR is related to social performance in two ways (Ansari, 1977):

1. it improves the level of knowledge (Anthony and Dearden, 1976) of social phenomena inside and outside the business (Schreyogg and Steinmann, 1987), on the one hand, enabling the activation of feedback mechanisms aimed at reduce the gap with deliberate strategies (Horovitz, 1979) and, on the other hand, exchanging key strategy settings (Lorange and Vancil, 1977) with challenging goals (Goold and Quinn, 1990);
2. it directs organizational behaviour in a social sense by clarifying values and constraints (Simons, 1995) and defining corporate goals (Flamholtz, 1996) that guide individual behaviour, motivating and reinforcing the social awareness of activities, including through a rewards system (Weaver et al., 1999).

Naturally, it is linked to performance only when the tools are actually used (Stevens, 2008) and truly integrated in strategic management. In addition, individual, deeply rooted ethical values (Barbian, 2001; Folger, 2001) support the ability to orientate organizational behaviour in a social sense through strategic tools: the absence of a broad ethical culture reduces the effectiveness of these tools (Stevens, 2008).

Every single element of the strategic control system is connected differently to social performance. The governance system enables high-level control, as it concerns power allocation and use; with regard to CSR, governance systems focused on ensuring balanced interests, rather than just the satisfaction of shareholders, create an institutional context that at least potentially can positively influence the level of social performance. Socially-oriented governance systems may include different categories of stakeholders in the board (Pfeffer and Salancik, 1978) or in additional structures (Womack et al., 1990), with the goal of representing their interests more adequately. Internal auditing (Hass et al., 2006) and risk management (Meulbroek, 2002) processes can also be provided, aimed at protecting the interests of stakeholders, who will only be disappointed in the event of improper conduct by directors and managers or adverse events related to risk; these processes diminish the dangers of impaired social performance as concerns a loss of approval. Control value systems affect organizational behaviour by acting as a stimulus for development and a limit to individual behaviour and these systems can help align individual and business values. In the case of socially oriented business values, organizational behaviour tends to focus on social awareness. From this perspective, belief systems must stimulate creativity and bottom-up initiatives (Burgelman, 1983); these should be instrumental in satisfying stakeholders growing expectations and in following synergies between financial, social and competitive elements (Molteni, 2004). Boundary systems are intended to prevent behaviours out of line with corporate values, which could result in a deterioration of social performance. Intelligence systems improve the level of knowledge of the socio-environmental context, producing broad-spectrum information from which latent threats and opportunities can be inferred (Schreyogg and Steinmann, 1987); these systems should make it possible to cope with threats (and thus avoiding the deterioration of social performance in the long run) and opportunities (in order to improve social performance in the long run) in advance. Diagnostic tools affect both knowledge and the organizational behaviour. Including several social variables (outcome, impact, process, effort) in the measurement system permits a more extensive representation of business phenomena (Epstein and Wisner, 2001); this enables the activation of feedback mechanisms aimed at improving social performance, as well as issues related to CSR. With regard to organizational behaviour, this involves explaining business aims, communicating CSR policies, encouraging socially oriented behaviours and enhancing social performance, especially when a link to
the rewards system is created (Weaver et al., 1999). Social accountability and disclosure systems also influence both knowledge and the organizational behaviour, although in a different way than diagnostic systems, whose function is mostly internal. Social disclosure systems improve stakeholders’ knowledge of the company through the supply of information that goes beyond that contained in financial reports: this improves the degree of transparency and confidence in the company and, consequently increases social approval (Johnson-Cramer et al., 2003). As regards behaviour orientation, however, this process is based on two-way communications, where listening to stakeholders, following disclosure, may initiate a process of change in organizational behaviour, in order to improve social elements (Morsing and Schultz, 2006).

System loops

From a dynamic perspective, system loops must be analyzed, which represent the impact of consequences on the system elements and its antecedents. The propositions below describe the loops, which serve as an indication of the influence of social performance on the CSR strategic control system and contextual factors.

PROPOSITION 8

The level of social performance may lead to changes in the configuration of the strategic control system, CSR orientation and the entrepreneurial and management philosophy.

PROPOSITION 9

The level of social performance influences the behaviour of specific stakeholders and can trigger changes in the external setting at an organizational or macro-environmental level, directly or indirectly, by changing CSR orientation.

Proposition 8 demonstrates a double system loop (Argyris and Schön, 1978). The first adaptive loop (Sethi, 1979) refers to the feedback mechanism for system performance elements; in this case the level of performance, if not satisfactory, can lead to a change in the pattern of the strategic control system. Consider, for example, the introduction of a code of ethics and the modification of governance mechanisms as a result of scandals which undermine the social approval; in the event of low levels of stakeholder satisfaction, the preparation of diagnostic systems highlighting and measuring the determinants of approval; the introduction of mechanisms of intelligence for monitoring a broad spectrum of hazards and risks, which could suddenly and dramatically reduce the level of satisfaction of certain categories of stakeholders; the introduction of accountability systems and social disclosure to improve the corporate image. This loop determines some changes to the system that will not change culture and values, as well as the enhancement of control tools to cope with the loss of social approval (Pearson and Clair, 1998). The modifications would be purely formal and the real change, therefore, minimal (Miner and Mezias, 1996) if the analysis and the evaluation of performance were not preceded and accompanied by a change in CSR orientation. The second loop is one linking to the CSR orientation and to the entrepreneurial and management philosophy, which is directly expressed through CSR orientation; in it, social performance determines any changes in the type, aims, reasons and approach for CSR (Gond and Herrbach, 2006). The strategic shift is more intense than that related to the first loop (Logsdon and Yuthas, 1997), since the change of processes and control tools are more effective as a direct result of a new perspective.

Social performance inevitably influences stakeholder behaviour (Proposition 9); low levels can cause even stronger pressure and higher levels can help raise the level of services provided (Aguilera et al., 2007). The level of social performance influences the degree of legitimacy within the social context (Suchman, 1995), both on a business and macro level, and therefore the attitude towards the firm also in terms of its “license to operate” (Livesey, 2001). When the performance achieved initiates a loop and change in values and the approach to CSR becomes proactive, the company may activate the loop for changing the socio-economic context (Christensen et al., 2006), with reference to the competition and in response to social and ethical issues.

Conclusion

The objective of this study was to construct a conceptual framework for analyzing the elements of the CSR strategic control system and attempt to explain the reasons that lead companies to integrate social responsibility into strategic management systems and the implications of this integration as concerns social performance.

Among the many both internal and external causes that lead companies to pursue a policy of CSR, only those related to the entrepreneurial and management philosophy result in the full integration of CSR into strategic management. This happens when CSR is fully integrated into the mission and based on economic, social and competitive purposes, normative and hedonic reasons and a proactive approach. CSR integrated with strategy serves as the basis for creating a strategic control system, which includes several tools to support processes for identifying the contents of the strategy and
conditions for its achievement, controlling the strategy implemented and checking the validity of the strategic approach. Whether non-structured and systematic, or merely formal, the use of limited strategic control tools is incompatible with full CSR integration within strategic management, as this enables only partial or apparent management of strategic dynamics.

The link between the strategic control system in CSR and social performance is generally based on the important relationship between strategic management and business success: successful companies are those that can better manage the dynamics of strategy. On the one hand, social performance identifies stakeholders’ approval and cohesion and on the other, the development of synergies between a social and financial-competitive dimension. The complexity of the aspects observed requires the use of a comprehensive set of variables designed to capture numerous aspects of the CSR. An effective strategic control system helps to improve social performance in two ways: it improves the level of knowledge of social phenomena inside and outside the company and socially directs organizational behaviour by clarifying aims, values and limitations.

From a dynamic perspective, there are some loops in the system that, starting on the level of social performance, are able to modify the elements of the system, CSR orientation and socio-economic context. The last two variables involve a learning process, triggered by performance evaluation, which causes a change in the culture and values that support management.

In summary, we believe that the conceptual model developed here will provide interesting research ideas both in refining the framework and the empirical, qualitative and quantitative analysis in a natural setting of the propositions made.

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