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Responsibility for Social and Environmental Issues

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Guest Editorial
Responsibility for Social and Environmental Issues

Colin Higgins
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Whether and to what extent business organisations should assume responsibility for social and environmental issues has been a vexed issue for most of the 20^{th} Century. Debate ensues along ideological, ethical, strategic and cultural lines.

Some maintain that business organisations *should* adopt broad responsibilities – business organisations are an integral part of society and should play a role, beyond just economic outcomes, in shaping social and environmental well-being. Others are more restrictive – seeing business as primarily an economic entity, with a comparative advantage in wealth and job creation, and should minimise their negative impacts, and contribute to broader social/environmental matters where it can have strategic business benefit.

Debate also rages about the extent and nature of change assumed by corporate responsibility. Some suggest a fundamental transformation in the prevailing norms and ideas of business system require change; others suggest the institutional structure is basically sound – but business could be more responsive.

In this issues, the authors traverse many of these issues. In the first article, Professor Wayne Visser, Founder and Director of CSR International and Senior Associate of the University of Cambridge Program for Sustainability Leadership charts the contours of the emerging *Age of Responsibility*. He suggests that most of what has passes for corporate responsibility has failed to address many of the pressing issues and challenges of contemporary society. Rather than CSR being an ad-hoc after thought, CSR needs to be thought of as encompassing four bases: value creation, good governance, societal contribution and environmental integrity. To ensure an effective contribution to social and environmental well-being, CSR needs to become more holistic and more systemic.

Colin Higgins, Lecturer in the School of Management at Victoria University, argues that the assumptions about change that underpin most CSR theorising are limited. He illustrates that most scholars assume that if managers can be convinced that acting in a socially responsible way is the 'right thing to do' or is 'good business', they will voluntary change their behaviour, and direct their organisations towards more socially just and sustainable outcomes. Both of these strategies fail to stimulate management action. He suggests, instead, that broader processes of social change need to be considered if the goal is to change business operations.

Michelle Fong's paper provides a closer insight into one of Dr Higgins' arguments – she examines the relationship between the CSR orientation of Chinese small and medium sized enterprises and their financial performance. She found that despite involvement in a range of issues, it was only quality assurance within these firms that had any positive impact on their financial performance. Dr Fong's paper provides valuable insights into the veracity of the CSR-Financial Performance relationship, and also how CSR is unfolding in China, and amongst SMEs – two under-researched aspects of CSR.

Our last paper, by Richard Kasperczyk, shifts the analysis frame to the organisational level and addresses the specific issue of occupational stress prevention – an emerging, and increasingly significant, governance and social responsible issue. Dr Kasperczyk outlines the significance of the occupational stress issues, like Professor Visser, suggests these issues are systemic organisational issues and go to the heart of fundamental business behaviour. Importantly, Dr Kasperczyk makes an important contribution to ongoing CSR debates – CSR is not just about philanthropy, social marketing, corporate volunteering – it is about the fundamental well being of people at work.

I hope that you find the papers in this issue stimulating – they've been selected to provide a wide cross section into contemporary debates and issues about corporate responsibility. As you'll see – issues of corporate responsibility traverse a number of issues, at a number of levels, and across cultures.

The Age of Responsibility: CSR 2.0 and the New DNA of Business

Wayne Visser
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Abstract

This paper argues that CSR, as a business, governance and ethics system, has failed. This assumes that success or failure is measured in terms of the net impact (positive or negative) of business on society and the environment. The paper contends that a different kind of CSR is needed if we are to reverse the current direction of many of the world's most pressing social, environmental and ethical trends. The first part of the paper reviews business's historical progress over the Ages and Stages of CSR: moving through the Ages of Greed, Philanthropy, Marketing and Management, using defensive, charitable, promotional and strategic CSR approaches respectively. The second part of the paper examines the Three Curses of Modern CSR (incremental, peripheral and uneconomic), before exploring what CSR might look like in an emerging Age of Responsibility. This new CSR – called systemic or radical CSR, or CSR 2.0 – is based on five principles (creativity, scalability, responsiveness, glocality and circularity) and forms the basis for a new DNA model of responsible business, built around the four elements of value creation, good governance, societal contribution and environmental integrity.

Keywords

Corporate sustainability and responsibility, business, governance, ethics

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> *It is easy to dodge our responsibilities, but we cannot dodge the consequences of dodging our responsibilities.*
> *- Josiah Charles Stamp*

Taking Stock on CSR

My starting point for any discussion on CSR – by which I mean *corporate sustainability and responsibility*, but choose whichever label you prefer (corporate social responsibility, corporate citizenship, sustainability, business ethics) – my starting point is to admit that CSR has failed. The logic is simple and compelling. A doctor judges his/her success by whether the patient is getting better (healthier) or worse (sicker). Similarly, we should judge the success of CSR by whether our communities and ecosystems are getting better or worse. And while at the micro level – in terms of specific CSR projects and practices – we can show many improvements, at the macro level almost every indicator of our social, environmental and ethical health is in decline.

[1] Based on the author's forthcoming book of the same title (Visser, 2011).

I am not alone in my assessment or conclusion. Paul Hawken stated in *The Ecology of Commerce* (1994) that 'if every company on the planet were to adopt the best environmental practice of the "leading" companies, the world would still be moving toward sure degradation and collapse.' Unfortunately, this is still true. Jeffrey Hollender, founder and CEO of Seventh Generation, agrees, saying: 'I believe that the vast majority of companies fail to be "good" corporate citizens, Seventh Generation included. Most sustainability and corporate responsibility programs are about being less bad rather than good. They are about selective and compartmentalized "programs" rather than holistic and systemic change' (Hollender & Breen, 2010).

In fact, there are no shortage of critics of CSR. Christian Aid (2004) issued a report called 'Behind the Mask: The Real Face of CSR', in which they argued that 'CSR is a completely inadequate response to the sometimes devastating impact that multinational companies can have in an ever-more globalised world – and it is actually used to mask that impact.' A more recent example is an article in the *Wall Street Journal* called 'The Case Against Corporate Social Responsibility', which claims that 'the idea that companies have a responsibility to act in the public interest and will profit from doing so is fundamentally flawed' (Karnani, 2010). This is not the place to deconstruct these polemics. Suffice to say that they raise some of the same concerns I have and which I discuss in this paper.

There are a number of ways to respond to my assertion that CSR has failed. One is to disagree with the facts and to suggest that things are getting better, not worse, as do the likes of Bjørn Lomborg in his *Skeptical Environmentalist* (2001). I find the overwhelming evidence to the contrary, which is widely available from credible sources like the United Nations and Transparency International, both compelling and convincing[2]. Second, you might argue that solving these complex social, environmental and ethical problems is not the mandate of CSR, nor within its capacity to achieve. Certainly, business certainly cannot tackle our global challenges alone, but unless CSR is actually about *solving* the problems and *reversing* the negative trends, what is the point?

The Ages and Stages of CSR

The impotence of CSR in the face of more systemic problems has been nowhere more evident than in the global financial crisis. I have argued elsewhere that the global financial crisis represents 'a multi-level failure of responsibility – from the individual and corporate level to the finance sector and entire capitalist system' (Visser, 2010). Underlying this failure of responsibility lies a cancer of greed that has corrupted our business systems, governance and ethics, particularly in our Western economies.

However, it would be unfair and inaccurate to characterise all business activity as motivated by greed. Rather, it is my contention that the evolution of business responsibility can be best understood in terms of five overlapping ages – the Ages of Greed, Philanthropy, Marketing, Management and Responsibility. I believe that each of these ages typically manifests a different stage of CSR, namely Defensive, Charitable, Promotional, Strategic and Systemic CSR respectively. Furthermore, companies tend to move through these ages and stages, although they may have activities in several modes at once. Table 1 briefly outlines each Age. Furthermore, they can be described as follows.

Table 1: The Ages and Stages of CSR

Economic Age	Stage of CSR	Modus Operandi	Key Enabler	Stakeholder Target
Greed	Defensive	Ad hoc interventions	Investments	Shareholders, government & employees
Philanthropy	Charitable	Charitable programmes	Projects	Communities
Marketing	Promotional	Public relations	Media	General public
Management	Strategic	Management systems	Codes	Shareholders & NGOs/CSOs
Responsibility	Systemic	Business models	Products	Regulators & customers

2 Consider, for example, the UN Millennium Ecosystem Assessment the TI Corruption Perceptions Index

The *Age of Greed* is characterised by *Defensive CSR* in which all corporate sustainability and responsibility practices – which are typically limited are undertaken only if and when it can be shown that shareholder value will be protected as a result. Hence, employee volunteer programmes (which show evidence of improved staff motivation, commitment and productivity) are not uncommon, nor are expenditures (for example in pollution controls) which are seen to fend off regulation or avoid fines and penalties.

Charitable CSR in the *Age of Philanthropy* is where a company supports various social and environmental causes through donations and sponsorships, typically administered through a Foundation, Trust or Chairman's Fund and aimed at empowering community groups or civil society organisations.

Promotional CSR in the *Age of Marketing* is what happens when corporate sustainability and responsibility is seen mainly as a public relations opportunity to enhance the brand, image and reputation of the company. Promotional CSR may draw on the practices of Charitable and Strategic CSR and turn them into PR spin, which is often characterised as 'greenwash'.

Strategic CSR, emerging from the *Age of Management*, means relating CSR activities to the company's core business (e.g. Coca-Cola and water management), often through adherence to CSR codes and implementation of social and environmental management systems, which typically involve cycles of CSR policy development, goal and target setting, programme implementation, auditing and reporting.

Finally, *Systemic CSR* in the *Age of Responsibility* focuses its activities on identifying and tackling the root causes of our present unsustainability and irresponsibility, typically through innovating business models, revolutionising their processes, products and services and lobbying for progressive national and international policies.

Hence, while Strategic CSR is focused at the micro level – supporting social or environmental issues that happen to align with a company's strategy, but without necessarily changing that strategy – Systemic CSR focuses on understanding the interconnections in the macro level system (society, communities, economies and ecosystems) and changing a company's strategy to optimise the outcomes for this larger human and ecological system.

Ideally, therefore, businesses should make the journey to Systemic CSR in the emerging Age of Responsibility, building on each previous stage of maturity. If on the other hand companies remain stuck in any of the first four stages, our ability to turn the tide on the environmental, social and ethical crises that we face will be seriously compromised. Simply put, CSR will continue to fail.

Curses of Modern CSR

But why is CSR failing in the first four modes? I believe this can be explained the three 'curses', or fundamental failings, of modern CSR.

Table 2: The Curses of Modern CSR

Curses	Nature of the Failing
Peripheral CSR	CSR has remained largely restricted to the largest companies, and mostly confined to PR, or other departments, rather than being integrated across the business
Incremental CSR	CSR has adopted the quality management model, which results in incremental improvements that do not match the scale and urgency of the problems
Uneconomic CSR	CSR does not always make economic sense, as the short-term markets still reward companies that externalise their costs to society

Peripheral CSR

The first of these curses is the *Curse of Peripheral CSR*. Using BP as an example, here is a company with a long and mostly proud history, contributing highly useful products to society and practicing CSR management. Leaving the safety and environmental disasters aside for a moment, BP has made serious commitments to sustainability and responsibility and achieved a great deal in terms of measurable improvements in its safety, health, environmental, labour and human rights performance. And yet for all their flagship leadership in the Age of Management, we see that CSR has remained on the periphery. BP has not gone 'beyond petroleum'; quite the opposite in fact.

It is the same for almost all companies practicing CSR. At worst – and I see this especially in developing countries that are stuck in the Philanthropic or Promotional CSR mode – CSR sits in a public relations, marketing, corporate affairs or human resources department. It is an 'add-on', explicitly used to improve brand equity or the company's reputation. At best – and more common in developed countries and among subsidiaries of multinationals – we see companies practicing Strategic CSR, trying to align CSR activities with their industry impacts, or embedding CSR through management systems. Even so, they completely fail to change the strategic direction or core business of the company, or the harmful effects of its processes, products and services.

What BP and Enron and virtually every other leader in the Ages of Marketing and Management have in common is not the deliberate intention to mislead (although there are clear examples of this too), but rather a corporate culture – supported by a system of narrow institutional performance incentives, short-term market pressures and perverse economic measures of progress – that remains essentially in conflict with the objectives of sustainability and responsibility. When a trade-off has to be made between financial profitability and ethical standards, the choice is clear, irrespective of carefully crafted codes of practice on the boardroom wall. If there is a tug-of-war between economic growth and environmental impacts, the winner is clear, despite any number of ISO 14001 certificates. If customer demand for cheap products is at odds with fair labour conditions, consumerism triumphs over the needs of powerless workers in the supply chain from some far-flung land.

Once again, examples are not hard to find. In July 2010, Marlboro cigarette manufacturer Philip Morris International acknowledged 'serious concerns' after Human Rights Watch found 72 cases of child labour in a remote region of Kazakhstan – with children as young as 10 in dismal conditions picking tobacco destined for the global company. Similarly, the UK retailer Poundland was recently exposed for sweatshop activities, when a boy of seven was found to be working 100 hours a week in an Indian factory, earning just 7p an hour to make napkin rings for the cut-price chain.

CSR has remained peripheral in another way. It hardly ever extends beyond the large, high-visibility branded companies in any country. All the CSR indexes and rankings, the CSR codes and standards, the CSR reports and audits are focused on a few thousand companies. The Global Reporting Initiative celebrated 1,000 reports in 2008 that are using their guidelines. SA 8000 certification still only covers 2,000 'facilities'. The UN Global Compact has 5,300 participants. These numbers are peripheral by any measure you care to choose. Even ISO 14001, with almost 190,000 certifications worldwide, pales into insignificance when you consider that the U.S. Chamber of Commerce alone has more than 3 million members. If we are honest, CSR is the preserve of a tiny corporate elite, a miniscule business minority.

Incremental CSR

Closely linked with the Peripheral curse – and driven by the Age of Management – is the *Curse of Incremental CSR*. To fully appreciate this issue, we have to go back to business guru Peter Drucker's 1954 book *The Practice of Management* (Drucker, 1993), in which he introduced the concept of 'management by objectives', or MBOs. The concept is so endemic now as to seem like common sense, but it was quite a revolutionary concept at the time. The basic idea is to translate corporate strategy into a series of measurable objectives, which can be cascaded down through the organisation. This allows managers to track and incentivise performance, while employees know what is expected of them and can reap the rewards if they meet their targets. Furthermore, if they participate in setting those objectives, they are likely to feel more motivated and empowered.

The MBO approach – together with subsequent tools like the Balanced Scorecard – is right at the heart of the Age of Marketing, in the sense that draws attention to voluntary incremental improvements, which distracts attention from the larger problems and deeper impacts of the business. In one of those bizarre ironies of history, the 'system' that would do more to embed the MBO approach than anything else was conceived by one of MBO's great detractors. I am referring to W. Edwards Deming and his total quality management (TQM) approach. Deming credits the inspiration for his theory of management to a 1927 meeting with Walter A. Shewhart of the Bell Telephone Laboratories, the originator of the concepts of statistical control of processes. Years later, during Allied occupation of Japan, Deming was asked by the U.S. military to assist with the 1951 Japanese Census.

This led to an invitation by the Japanese Union of Scientists and Engineers (JUSE) for Deming to teach statistical control and quality management to its members. Japan's CEOs were impressed with Deming's idea that improving quality would reduce expenses, while increasing productivity and market share, and began to test and implement TQM in their factories, notably in their nascent motor industry. Not only did this assist Japan's economic rise in the second half of the 20th century, but it also spawned the international quality movement.

The TQM approach was later standardized through ISO 9001, first launched in 1987. By the end of 2008, nearly a million certifications had been issued. The key to total quality management, according to ISO 9001, is continuous improvement, which is predicated on setting objectives and reviewing performance against them. The designers of the standard seem to have overlooked (or ignored) Deming's objection to MBOs. Deming argued that a lack of understanding of systems commonly results in the misapplication of objectives. By contrast, a leader with an understanding of systems was more likely to guide workers to an appropriate solution than the incentive of an objective.

This debate is important for the responsibility debate because the most widely practiced CSR standard, ISO 14001, is explicitly designed to apply the ISO 9001 approach to management systems, including MBOs, to environmental management. That is not a bad thing in and of itself, and it has resulted in many welcome incremental improvements in the environmental performance of companies *processes*. But the Achilles heel of ISO 14001 and all the other voluntary CSR standards that use MBOs is this: companies set their own objectives and make progress at their own pace and discretion. Furthermore, as with the Peripheral Curse, the MBOs approach has failed to challenge or significantly change companies largest negative impacts, which that are associated with either the nature of their business, the consumption-driven lifestyle they promote, or the impacts of their resource- and energy-intensive products and services.

The net effect is that, despite more CSR than ever before, and despite laudable incremental improvements in CSR performance at the micro level, virtually every macro-level indicator we have of social, environmental or ethical quality – be it the gap between rich and poor, deforestation, biodiversity loss, or corruption – shows that things are still getting worse, not better. The incremental approach to CSR simply does not produce the scale and urgency of response that is required, nor does it get to the root of business's systemic unsustainability and irresponsibility in the shareholder-driven, growth-obsessed capitalist global economy.

Uneconomic CSR

The third and final curse of modern CSR is that the much touted 'business case' for CSR is not nearly as obvious, certain or practiced as many assume. Let's start with the rhetoric. The World Business Council for Sustainable Development (WBCSD), which is the strongest proponent of the business case, suggests that it is predicated on five 'returns': operational efficiency, risk reduction, recruitment and retention of talent, protecting the resource base of raw materials, and creation of new markets, products and services. And it is certainly not hard to find ad-hoc examples of each of these 'win-wins'. But is there always a business case?

To answer this, we must look beyond the rhetoric and turn to academic research. The findings vary. For example, Griffin and Mahon (1997) reviewed 25 years of studies and found that a majority showed a positive link between CSR and financial performance, while Margolis and Walsh (2001) reviewed 80 studies, of which 42 show a positive relationship, 19 demonstrate no relationship and four find a negative one. Two reports by SustainAbility – *Buried Treasure* (2001) and *Developing Value* (2002) – also suggest mixed results. Some relationships between sustainability factors and business success factors are stronger than others, and in many cases, no relationship exists. Economist Arthur Laffer, on the other hand, in a review of *Business Ethics* magazine's 100 Best Corporate Citizens found 'no significant positive correlation between CSR and business profitability as determined by standard measures' (Gupte, 2005).

Academic and author of *The Market for Virtue,* David Vogel (2005), concluded that 'there is no definitive answer to the question of a financial link. It depends on an individual company's circumstances. Academics searching for a definitive corporate responsibility-financial performance link are barking up the wrong tree.' I tend to agree. There are far too many variables to isolate the impact of CSR on financial performance, except through very specific examples like eco-efficiency. What's more, are typical measures of CSR a reliable proxy for sustainability and responsibility? After all, if we had correlated Enron's CSR and financial performance prior to its demise, it would have pointed to a strong positive relationship, which makes a nonsense of the whole exercise.

I have a more fundamental problem with the misdirection of CSR business case rhetoric however. The real question we should be asking is: Does the market consistently reward sustainable and responsible performance by companies? Even without checking the data, we know intuitively from what we see going on in the world that the answer is an unequivocal *no*. With very few exceptions, the global markets today reward the externalisation of social, environmental and ethical costs over the short term. *New York Times* journalist and author Thomas Friedman (2008) calls this the privatization of benefits and the socialisation of costs, while activist writers like Naomi Klein (2000) call it 'the race to the bottom', referring to tendency for companies to locate their production in places with the lowest labour or environmental standards, and hence the lowest costs.

To underscore the point, the Vice Fund (VICEX) in the U.S., which only invests in the so-called 'sin' industries like tobacco, alcohol, gambling and armaments consistently outperforms the market over the long term, including socially responsible funds like the Domini Social Equity Mutual Fund (DSEFX). However, we don't need to go to extremes to prove the uneconomic nature of responsibility. Why are fairtrade and organic products, or renewable energy, more expensive than more generic products? Why does Exxon remain one of the largest and most profitable companies in the world? The fact of the matter is that, beyond basic legal compliance, the markets are designed to serve the financial and economic interests of the powerful, not the idealistic dreams of CSR advocates or the angry demands of civil society activists.

What's more, business leaders agree. The 2010 survey of 766 CEOs by the UN Global Compact and Accenture found that 34% cited lack of recognition from the financial markets as a barrier to achieving their sustainability goals.

The Age of Responsibility

These three curses are why CSR has failed in the Ages of Greed, Philanthropy, Marketing and Management. What makes the Age of Responsibility – and showcase leaders like Ray Anderson and Interface – different from, say, BP (Age of Marketing) or Cadbury's (Age of Management), is the depth of their admission and the scale of their ambition. Anderson's latest book is called *Confessions of a Radical Industrialist* (2009), in which he concedes not only that today's economic system is broken, but that he and his company are part of the problem. He is able to see himself as a plunderer – not through malicious intent, or even greed, but by failing to question the true impacts of business on society and the environment. As Alcoholics Anonymous will tell you, admission is the first step to recovery. Unfortunately, most companies stuck in the Ages of Greed, Philanthropy, Marketing and Management are all still in denial, thinking that either there is *no* problem, or it's not *their* problem, or that it's a problem to *benefit* from, or that it's only a *minor* problem.

The Age of Responsibility is not just about admission though; it's also about ambition. As far as I can tell, Interface was the first major company to set the BHAG (big hairy audacious goal) of zero negative impact, as well as going beyond 'no harm' to also become a restorative business – to genuinely make things better and leave this world with a net-positive balance. It is only such audacious goals that can lift the triple curses of incremental, peripheral and uneconomic CSR. As Robert Francis Kennedy reminds us: 'There are those who look at things the way they are, and ask why. I dream of things that never were, and ask why not?' We need more pragamatic dreamers, business leaders who practice what brain-mind researcher and author Marilyn Ferguson calls 'pragmagic'.

Anderson was not the first radical business leader, nor perhaps even the most radical. The late Anita Roddick, founder of the Body Shop International, had a missionary zeal that few will ever rival. Famous for her business-led activism, which began as an alliance with WWF in 1986 to save the whale, she went on to tackle issues as far ranging as animal rights, women's self-esteem, human rights, fair trade and indigenous people's rights. In her autobiography, *Business As Unusual* (2001), she distilled her philosophy as follows: 'Business is a renaissance concept, where the human spirit comes into play. It does not have to be drudgery; it does not have to be the science of making money. It can be something that people genuinely feel good about, but only if it remains a human enterprise.'

Ben Cohen and Jerry Greenfield who 'hated running but loved food' and therefore founded Ben & Jerry's ice cream, became flag bearers for a more radical kind of responsibility as well. Their mission 'to make the best possible ice cream in the nicest possible way' was not just sweet talk. They put it into action in various ways, from going free range and supporting fairtrade to setting up a Climate Change College and sponsoring research into eco-friendly refrigeration. Their biography, *The Inside Scoop: How Two Real Guys Built a Business with a Social Conscience and a Sense of Humor* (1994), tells the story. 'If you open up the mind,' they concluded, 'the opportunity to address both profits and social conditions are limitless. It's a process of innovation.'

Ricardo Semler (1989, 1993), CEO of the Brazilian manufacturing company Semco, is another self-confessed maverick who turned many assumptions about 'good management' on their head. For example, at Semco he allowed workers to set their own salaries and working hours; he taught everyone in the company, including shop floor workers, how to read a balance sheet; and he made everyone's salary public. 'If you're embarrassed about the size of your salary', he said, 'you're probably not earning it'. His radical philosophy was this: 'Most companies hire adults and then treat them like children. All that Semco does is give people the responsibility and trust that they deserve.'

Web 2.0: Seeds of a Revolution

Throughout my 20 year career in corporate sustainability and responsibility, these are the kinds of pioneers I have looked to for hope and inspiration. The frustration has been that these 'radical industrialists' have always remained the exception, rather than the rule. They are the outliers, which is fine if – in line with Everett Rogers' Diffusion of Innovation model – they are the innovators that make up 2.5% of the population. The problem is that most their ideas and practices haven't diffused to the early adopters and the early majority, let alone the late majority and laggards.

So what will it take to get the kind of transformation we need to move beyond innovation towards mass change? I find an analogy is always helpful and in early 2008, I discovered the perfect metaphor: Web 2.0. The term, of course, had been around for a while – coined in 1999 by IT consultant Darcy DiNucci in an article called 'Fragmented Future' and popularised in 2004 by the landmark O'Reilly Media Web 2.0 conference. Tim O'Reilly's 2005 article 'What is Web 2.0' had already become an Early Adopters' touchstone for a rapidly evolving new lexicon, and remains a classic piece. People like me, part of the technosphere's Early Majority, were a bit slower in waking up, and it took Dan Tapscott and Anthony Williams' book *Wikinomics* (2006) to switch me on to the revolution in progress.

Before coming to why Web 2.0 is a good metaphor for the transformation of CSR, let me try to bed down the concept. Today, Wikipedia defines Web 2.0 as 'web applications that facilitate interactive information sharing, inter-operability, user-centered design and collaboration.' Fair enough, but let's dig a little deeper, drawing on the term's evolution. In 1999, DiNucci was writing for programmers, challenging them to adapt to the increasing use of portable Web-ready devices. This was just a small part of what Web 2.0 would come to mean. In 2005, O'Reilly brainstormed a far more wide ranging list of examples and contrasts between Web 1.0 and Web 2.0. Examples included DoubleClick versus Google AdSense, Britannica Online versus Wikipedia, personal websites versus blogging, publishing versus participation, directories (taxonomy) versus tagging (folksonomy) and stickiness versus syndication, to mention but a few. His article concluded with seven core competencies of Web 2.0 companies:

- Services, not packaged software, with cost-effective scalability;
- Control over unique, hard-to-recreate data sources that get richer as more people use them;
- Trusting users as co-developers;
- Harnessing collective intelligence;
- Leveraging the long tail through customer self-service;
- Software above the level of a single device; and
- Lightweight user interfaces, development models and business models.

In 2006, Tapscott and Williams gave an applied view on Web 2.0 in the form of *wikinomics*, which they defined as 'the effects of extensive collaboration and user-participation on the marketplace and corporate world'. Wikinomics, they said, is based on four principles:

- *Openness*, which includes not only open standards and content but also financial transparency and an open attitude towards external ideas and resources;
- *Peering*, which replaces hierarchical models with a more collaborative forum, for which the Linux operating system is a quintessential example;
- *Sharing*, which is a less proprietary approach to (among other things) products, intellectual property, bandwidth and scientific knowledge; and
- *Acting globally*, which involves embracing globalisation and ignoring physical and geographical boundaries at both the corporate and individual level.

The Birth of CSR 2.0

By May 2008, it was clear to me that this evolutionary concept of Web 2.0 held many lessons for CSR. I published my initial thoughts in a short article online entitled *CSR 2.0: The New Era of Corporate Sustainability and Responsibility* (Visser, 2008), in which I said:

The field of what is variously known as CSR, sustainability, corporate citizenship and business ethics is ushering in a new era in the relationship between business and society. Simply put, we are shifting from the old concept of CSR – the classic notion of 'Corporate Social Responsibility', which I call CSR 1.0 – to a new, integrated conception – CSR 2.0, which can be more accurately labelled 'Corporate Sustainability and Responsibility'. The allusion to Web 1.0 and Web 2.0 is no coincidence. The transformation of the internet through the emergence of social media networks, user-generated content and open source approaches is a fitting metaphor for the changes business is experiencing as it begins to redefine its role in society. Let's look at some of the similarities.

Table 3: Similarities between Web 1.0 and CSR 1.0

Web 1.0	**CSR 1.0**
A flat world just beginning to connect itself and finding a new medium to push out information and plug advertising.	A vehicle for companies to establish relationships with communities, channel philanthropic contributions and manage their image.
Saw the rise to prominence of innovators like Netscape, but these were quickly out-muscled by giants like Microsoft with its Internet Explorer.	Included many start-up pioneers like Traidcraft, but has ultimately turned into a product for large multinationals like Wal-Mart.
Focused largely on the standardised hardware and software of the PC as its delivery platform, rather than multi-level applications.	Travelled down the road of 'one size fits all' standardisation, through codes, standards and guidelines to shape its offering.

Table 4: Similarities between Web 2.0 and CSR 2.0

Web 2.0	**CSR 2.0**
Being defined by watchwords like 'collective intelligence', 'collaborative networks' and 'user participation'.	Being defined by 'global commons', 'innovative partnerships' and 'stakeholder involvement'.
Tools include social media, knowledge syndication and beta testing.	Mechanisms include diverse stakeholder panels, real-time transparent reporting and new-wave social entrepreneurship.
Is as much a state of being as a technical advance - it is a new philosophy or way of seeing the world differently.	Is recognising a shift in power from centralised to decentralised; a change in scale from few and big to many and small; and a change in application from single and exclusive to multiple and shared.

As our world becomes more connected and global challenges like climate change and poverty loom ever larger, businesses that still practice CSR 1.0 will (like their Web 1.0 counterparts) be rapidly left behind. Highly conscientised and networked stakeholders will expose them and gradually withdraw their social licence to operate. By contrast, companies that embrace the CSR 2.0 era will be those that collaboratively find innovative ways tackle our global challenges and be rewarded in the marketplace as a result.

The Principles of CSR 2.0

So much for the metaphore of CSR 1.0 and CSR 2.0. However, a metaphor can only take you so far. What was needed was a set of principles against which we could test CSR. These went through a few iterations, but I eventually settled on five, which form a kind of mnemonic for CSR 2.0: Creativity (C), Scalability (S), Responsiveness (R), Glocality (2) and Circularity (0). These principles can be described briefly as follows:

Principle 1: Creativity (C)

In order to succeed in the CSR revolution, we will need innovation and creativity. We know from Thomas Kuhn's work on The Structure of Scientific Revolutions that step-change only happens when we can re-perceive our world, when we can find a genuinely new paradigm, or pattern of thinking. This process of 'creative destruction' is today a well accepted theory of societal change, first introduced by German sociologist Werner Sombart and elaborated and popularised by Austrian economist Joseph Schumpeter. We cannot, to a paraphrase Einstein, solve today's problems with yesterday's thinking.

Business is naturally creative and innovative. What is different about the Age of Responsibility is that business creativity needs to be directed to solving the world's social and environmental problems. Apple, for example, is highly creative, but their iPhone does little to tackle our most pressing societal needs. By contrast, Vodafone's M-PESA innovation by Safaricom in Kenya, which allows money to be transferred by text, has empowered a nation in which 80% of the population have no bank account and where more money flows into the country through international remittances than foreign aid. Or consider Freeplay's innovation, using battery-free wind-up technology for torches, radios and laptops in Africa, thereby giving millions of people access to products and services in areas that are off the electricity grid.

All of these are part of the exciting trend towards social enterprise or social business that is sweeping the globe, supported by the likes of American Swiss entrepreneur Stephen Schmidheiny, Ashoka's Bill Drayton, e-Bay's Jeff Skoll, the World Economic Forum's Klaus Schwabb, Grameen Bank's Muhammad Yunus and Volans Venture's John Elkington. It is not a panacea, but for some products and services, directing the creativity of business towards the most pressing needs of society is the most rapid, scalable way to usher in the Age of Responsibility.

Principle 2: Scalability (S)

The CSR literature is liberally sprinkled with charming case studies of truly responsible and sustainable projects and a few pioneering companies. The problem is that so few of them ever go to scale. It is almost as if, once the sound-bites and PR-plaudits have been achieved, no further action is required. They become shining pilot projects and best practice examples, tarnished only by the fact that they are endlessly repeated on the CSR conference circuits of the world, without any vision for how they might transform the core business of their progenitors.

The sustainability problems we face, be they climate change or poverty, are at such a massive scale, and are so urgent, that any CSR solutions that cannot match that scale and urgency are red herrings at best and evil diversions at worst. How long have we been tinkering away with ethical consumerism (organic, fairtrade and the like), with hardly any impact on the world's major corporations or supply chains? And yet, when Wal-Mart's former CEO, Lee Scott, had his post-Hurricane Katrina Damascus experience and decided that all cotton products in Wal-Mart will be organic and all fish MSC-certified in future, then we started seeing CSR 2.0-type scalability.

Scalability not limited to the retail sector. In financial services, there have always been charitable loans for the world's poor and destitute. But when Muhammad Yunus (1999), in the aftermath of a devastating famine in Bangladesh, set up the Grameen Bank and it went from one $74 loan in 1974 to a $2.5 billion enterprise, spawning more than 3,000 similar microcredit institutions in 50 countries reaching over 133 million clients, that is a lesson in scalability. Or contrast Toyota's laudable but premium-priced hybrid Prius for the rich and eco-conscious with Tata's $2,500 Nano, a cheap and eco-friendly car for the masses. The one is an incremental solution with long term potential; the other is scalable solution with immediate impact.

Principle 3: Responsiveness (R)

Business has a long track-record of responsiveness to community needs – witness generations of philanthropy and heart-warming generosity following disasters like 9/11 or the Sichuan Earthquake. But this is responsiveness on their own terms, responsiveness when giving is easy and cheque-writing does nothing to upset their commercial applecart. The severity of the global problems we face demands that companies go much further. CSR 2.0 requires uncomfortable, transformative responsiveness, which questions whether the industry or the business model itself is part of the solution or part of the problem.

When it became clear that climate change posed a serious challenge to the sustainability of the fossil fuel industry, all the major oil companies formed the Global Climate Coalition, a lobby group explicitly designed to discredit and deny the science of climate change and undermine the main international policy response, the Kyoto Protocol. In typical CSR 1.0 style, these same companies were simultaneously making hollow claims about their CSR credentials. By contrast, the Prince of Wales's Corporate Leaders Group on Climate Change has, since 2005, been lobbying for bolder UK, EU and international legislation on climate change, accepting that carbon emission reductions of between 50-85% will be needed by 2050.

CSR 2.0 responsiveness also means greater transparency, not only through reporting mechanisms like the Global Reporting Initiative and Carbon Disclosure Project, but also by sharing critical intellectual resources. The Eco-Patent Commons, set up by WBCSD to make technology patents available, without royalty, to help reduce waste, pollution, global warming and energy demands, is one such step in the right direction. Another is the donor exchange platforms that have begun to proliferate, allowing individual and corporate donors to connect directly with beneficiaries via the web, thereby tapping 'the long tail of CSR' (Visser, 2008).

Principle 4: Glocality (2)

The term glocalization comes from the Japanese word dochakuka, which simply means global localization. Originally referring to a way of adapting farming techniques to local conditions, dochakuka evolved into a marketing strategy when Japanese businessmen adopted it in the 1980s. It was subsequently introduced and popularised in the West in the 1990s by Manfred Lange, Roland Robertson, Keith Hampton, Barry Wellman and Zygmunt Bauman. In a CSR context, the idea of 'think global, act local' recognises that most CSR issues manifest as dilemmas, rather than easy choices. In a complex, interconnected CSR 2.0 world, companies (and their critics) will have to become far more sophisticated in understanding local contexts and finding the appropriate local solutions they demand, without forsaking universal principles.

For example, a few years ago, BHP Billiton was vexed by their relatively poor performance on the (then) Business in the Environment (BiE) Index, run by UK charity Business in the Community. Further analysis showed that the company had been marked down for their high energy use and relative energy inefficiency. Fair enough. Or was it? Most of BHP Billiton's operations were, at that time, based in southern Africa, home to some of the world's cheapest electricity. No wonder this was not a high priority. What was a priority, however, was controlling malaria in the community, where they had made a huge positive impact. But the BiE Index didn't have any rating questions on malaria, so this was ignored. Instead, it demonstrated a typical, Western-driven, one-size-fits-all CSR 1.0 approach.

To give another example, in contrast to Carroll's (1991) CSR pyramid with its economic, legal, ethical and philanthropic layers, in a sugar farming co-operative in Guatemala, they have their own CSR pyramid – economic responsibility is still the platform, but rather than legal, ethical and philanthropic dimensions, their pyramid includes responsibility to the family (of employees), the community and policy engagement. Clearly, both Carroll's pyramid and the Guatemala pyramid are helpful in their own appropriate context. Hence, CSR 2.0 replaces 'either/or' with 'both/and' thinking. Both SA 8000 and the Chinese national labour standard have their role to play. Both premium branded and cheap generic drugs have a place in the solution to global health issues. CSR 2.0 is a search for the Chinese concept of a harmonious society, which implies a dynamic yet productive tension of opposites – a Tai Chi of CSR, balancing yin and yang.

Principle 5: Circularity (0)

The reason CSR 1.0 has failed is not through lack of good intent, nor even through lack of effort. The old CSR has failed because our global economic system is based on a fundamentally flawed design. For all the miraculous energy unleashed by Adam Smith's 'invisible hand' of the free market, our modern capitalist system is faulty at its very core. Simply put, it is conceived as an abstract system without limits. As far back as the 1960s, pioneering economist, Kenneth Boulding, called this a 'cowboy economy', where endless frontiers imply no limits on resource consumption or waste disposal. By contrast, he argued, we need to design a 'spaceship economy', where there is no 'away'; everything is engineered to constantly recycle.

In the 1990s, in *The Ecology of Commerce* (1994), Paul Hawken translated these ideas into three basic rules for sustainability: waste equals food; nature runs off current solar income; and nature depends on diversity. He also proposed replacing our product-sales economy with a service-lease model, famously using the example of Interface 'Evergreen' carpets that are leased and constantly replaced and recycled. William McDonough and Michael Braungart have extended this thinking in their *Cradle to Cradle* (2002) industrial model. Cradle to cradle is not only about closing the loop on production, but about designing for 'good', rather than the CSR 1.0 modus operandi of 'less bad'.

Hence, CSR 2.0 circularity would, according to cradle-to-cradle aspirations, create buildings that, like trees, produce more energy than they consume and purify their own waste water; or factories that produce drinking water as effluent; or products that decompose and become food and nutrients; or materials that can feed into industrial cycles as high quality raw materials for new products. Circularity needn't only apply to the environment. Business should be constantly feeding and replenishing its social and human capital, not only through education and training, but also by nourishing community and employee wellbeing. CSR 2.0 raises the importance of meaning in work and life to equal status alongside ecological integrity and financial viability.

Shifting from CSR 1.0 to CSR 2.0

These principles are the acid test for future CSR practices. If they are applied, what kind of shifts will we see? In my view, the shifts will happen at two levels. At a meta-level, there will be a change in CSR's ontological assumptions or ways of seeing the world. At a micro-level, there will be a change in CSR's methodological practices or ways of being in the world.

The meta-level changes can be described as follows: Paternalistic relationships between companies and the community based on philanthropy will give way to more equal partnerships. Defensive, minimalist responses to social and environmental issues will be replaced by proactive strategies and investment in growing responsibility markets, such as clean technology. Reputation-conscious public-relations approaches to CSR will no longer be credible and so companies will be judged on actual social, environmental and ethical performance, i.e. are things getting better on the ground in absolute, cumulative terms?

Although CSR specialists still have a role to play, each dimension of CSR 2.0 performance will be embedded and integrated into the core operations of companies. Standardised approaches will remain useful as guides to consensus, but CSR will find diversified expression and implementation at very local levels. CSR solutions, including responsible products and services, will go from niche 'nice-to-haves' to mass-market 'must-haves'. And the whole concept of CSR will lose its Western conceptual and operational dominance, giving way to a more culturally diverse and internationally applied concept. These shifts are summarised in the table below.

Table 5: CSR 1.0 to CSR 2.0 – Meta-Level Ontological Shifts

CSR 1.0	**CSR 2.0**
Philanthropic	Collaborative
Risk-based	Reward-based
Image-driven	Performance-driven
Specialised	Integrated
Standardised	Diversified
Marginal	Scalable
Western	Global

How might these shifting principles manifest as CSR practices? Supporting these meta-level changes, the anticipated micro-level changes can be described as follows: CSR will no longer manifest as luxury products and services (as with current green and fairtrade options), but as affordable solutions for those who most need quality of life improvements. Investment in self-sustaining social enterprises will be favoured over cheque-book charity. CSR indexes, which rank the same large companies over and over (often revealing contradictions between indexes) will make way for CSR rating systems, which turn social, environmental, ethical and economic performance into corporate scores (A+, B-, etc., not dissimilar to credit ratings) and which analysts and others can usefully employ in their decision making.

Reliance on CSR departments will disappear or disperse, as performance across responsibility and sustainability dimensions are increasingly built into corporate performance appraisal and market incentive systems. Self-selecting ethical consumers will become irrelevant, as CSR 2.0 companies begin to choice-edit, i.e. cease offering implicitly 'less ethical' product ranges, thus allowing guilt-free shopping. Post-use liability for products will become obsolete, as the service-lease and take-back economy goes mainstream. Annual CSR reporting will be replaced by online, real-time CSR performance data flows. Feeding into these live communications will be Web 2.0 connected social networks that allow 'crowdsourcing', instead of periodic meetings with rather cumbersome stakeholder panels. And typical CSR 1.0 management systems standards like ISO 14001 will be less credible than new performance standards, such as those emerging in climate change that set absolute limits and thresholds. These practical shifts are summarised below.

Table 6: CSR 1.0 to CSR 2.0 – Micro-Level Methodological Shifts

CSR 1.0	CSR 2.0
CSR premium	Base of the pyramid
Charity projects	Social enterprise
CSR indexes	CSR ratings
CSR departments	CSR incentives
Product liability	Choice editing
Ethical consumerism	Service agreements
CSR reporting cycles	CSR data streams
Stakeholder groups	Social networks
Process standards	Performance standards

The DNA Model of CSR 2.0

Pulling it all together, I believe that CSR 2.0 – or Systemic CSR (I also sometimes call it Radical CSR or Holistic CSR, so use whichever you prefer) – represents a new model of CSR. In one sense, it is not so different from other models we have seen before. We can recognise echoes of Archie Carroll's CSR Pyramid, Ed Freeman's (1984) Stakeholder Theory, Donna Wood's (1991) Corporate Social Performance, John Elkington's (1994) Triple Bottom Line, Prahalad and Hart's (2002) Bottom of the Pyramid, Porter and Kramer's (2006) Strategic CSR and the ESG approach of Socially Responsible Investment, to mention but a few. But that is really the point – it integrates what we have learned to date. It presents a holistic model of CSR.

The essence of the CSR 2.0 DNA model are the four DNA Responsibility Bases, which are like the four nitrogenous bases of biological DNA (adenine, cytosine, guanine, and thymine), sometimes abbreviated to the four-letters GCTA (which was the inspiration for the 1997 science fiction film GATTACA). In the case of CSR 2.0, the DNA Responsibility Bases are Value creation, Good governance, Societal contribution and Environmental integrity, or VEGS if you like. Each DNA Base has a primary goal and each goal has key indicators. The goals and key indicators, summarised in the table below, are what begin to show the qualitative and quantitative differences between other models of CSR and the CSR 2.0 DNA model.

Table 7: DNA Model of CSR 2.0

DNA Code	Strategic Goals	Key Indicators
Value creation	Economic development	Capital investment (financial, manufacturing, social, human & natural capital) Beneficial products (sustainable & responsible goods & services Inclusive business (wealth distribution, bottom of the pyramid markets)
Good governance	Institutional effectiveness	Leadership (strategic commitment to sustainability & responsibility) Transparency (sustainability & responsibility reporting, government payments) Ethical practices (bribery & corruption prevention, values in business)
Societal contribution	Stakeholder orientation	Philanthropy (charitable donations, provision of public goods & services) Fair labour practices (working conditions, employee rights, health & safety) Supply chain integrity (SME empowerment, labour & environmental standards)
Environmental integrity	Sustainable ecosystems	Ecosystem protection (biodiversity conservation & ecosystem restoration) Renewable resources (tackling climate change, renewable energy & materials) Zero waste production (cradle-to-cradle processes, waste elimination)

Hence, if we look at *Value Creation*, it is clear we are talking about more than financial profitability. The goal is economic development, which means not only contributing to the enrichment of shareholders and executives, but improving the economic context in which a company operates, including investing in infrastructure, creating jobs, providing skills development and so on. There can be any number of KPIs, but I want to highlight two that I believe are essential: beneficial products and inclusive business. Does the company's products and services really improve our quality of life, or do they cause harm or add to the low-quality junk of what Charles Handy calls the 'chindogu society'. And how are the economic benefits shared? Does wealth trickle up or down; are employees, SMEs in the supply chain and poor communities genuinely empowered?

Good Governance is another area that is not new, but in my view has failed to be properly recognised or integrated in CSR circles. The goal of institutional effectiveness is as important as more lofty social and environmental ideals. After all, if the institution fails, or is not transparent and fair, this undermines everything else that CSR is trying to accomplish. Trends in reporting, but also other forms of transparency like social media and brand- or product-linked public databases of CSR performance, will be increasingly important indicators of success, alongside embedding ethical conduct in the culture of companies. Tools like Goodguide, KPMG's Integrity Thermometer and Covalence's EthicalQuote ranking will become more prevalent.

Societal Contribution is an area that CSR is traditionally more used to addressing, with its goal of stakeholder orientation. This gives philanthropy its rightful place in CSR – as one tile in a larger mosaic – while also providing a spotlight for the importance of fair labour practices. It is simply unacceptable that there are more people in slavery today than there were before it was officially abolished in the 1800s, just as regular exposures of high-brand companies for the use of child-labour are despicable. This area of stakeholder engagement, community participation and supply chain integrity remains one of the most vexing and critical elements of CSR.

Finally, *Environmental Integrity* sets the bar way higher than minimising damage and rather aims at maintaining and improving ecosystem sustainability. The KPIs give some sense of the ambition required here – 100% renewable energy and zero waste. We cannot continue the same practices that have, according to WWF's Living Planet Index, caused us to lose a third of the biodiversity on the planet since they began monitoring 1970. Nor can we continue to gamble with prospect of dangerous – and perhaps catastrophic and irreversible – climate change.

A final point to make is that CSR 2.0 – standing for corporate sustainability and responsibility – also proposes a new interpretation for these terms. Like two intertwined strands of DNA, sustainability and responsibility can be thought of as different, yet complementary elements of CSR. Hence, sustainability can be conceived as the destination - the challenges, vision, strategy and goals, i.e. what we are aiming for – while responsibility is more about the journey – our solutions, responses, management and actions, i.e. how we get there.

Conclusion

When all is said and done, CSR 2.0 comes down to one thing: clarification and reorientation of the purpose of business. It is a complete misnomer to believe that the purpose of business is to be profitable, or to serve shareholders. These are simply means to an end. Ultimately, the purpose of business is to serve society, through the provision of safe, high quality products and services that enhance our wellbeing, without eroding our ecological and community life-support systems. As David Packard, co-founder of Hewlett-Packard, wisely put it:

> *Why are we here? Many people assume, wrongly, that a company exists solely to make money. People get together and exist as a company so that they are able to accomplish something collectively that they could not accomplish separately - they make a contribution to society.*

Making a positive contribution to society is the essence of CSR 2.0 – not just as a marginal afterthought, but as a way of doing business. This is not about bailing out the Titanic with a teaspoon - which is the current effect of CSR 1.0 - but turning the whole ship around. CSR 2.0 is about designing and adopting an inherently sustainable and responsible business model, supported by a reformed financial and economic system that makes creating a better world the easiest, most natural and rewarding thing to do.

CSR is dead! Long live CSR!

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Is a Responsive Business Also a Responsible Business?

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Abstract

While much has been written about corporate responsibility, arguments for transformation in the business & society relationship prevail. In this paper, the dominant normative and business-case perspectives of corporate responsibility are examined in light of their assumptions regarding change. Both rely on modernist, firm-centred assumptions regarding management agency. Change in the business and society relationship may require closer attention being paid to processes of social norm formation.

Keywords

Corporate responsibility, change, assumptions, social norm formation.

Introduction

The social responsibility of business has interested researchers and practitioners for decades (Birch, 2001; Bradley, 1987; Carroll,1999; Clark, 1916; Crane, McWilliams, Matten, Moon, & Diegel, 2008; van Oosterhout & Heugens, 2008). Numerous perspectives about what business should do, and why, have developed (De Bakker, Groenewegen, & Den Hond, 2005; Dentchev, 2009; Garriga & Mele, 2004; Mele, 2008) and businesses routinely engage in a number of social and environmental practices (Maignan & Ralston, 2002; McIntosh, Thomas, Leipziger, & Coleman, 2003; van Oosterhout & Heugens, 2008; Whitehouse, 2006).

Despite widespread uptake of 'socially responsible' activities by business, however, many concerns remain (Basu & Palazzo, 2008; O'Dwyer, 2003). Daily newspapers reveal on-going issues of employee discrimination and exploitation, the privileging of profitability over local communities, inappropriate and often illegal environmental breaches, and questionable claims about product performance. Additionally, tensions surface regularly about business and its influence on the public policy process – not only in domestic situations like taxation and regulatory reform, but also on the international stage in terms of trade, democratic participation, and the exploitation of developing countries. The academic literature is replete with a regular recycling of concerns about business impacts, and the need to re-think the business and society relationship (Scherer & Palazzo, 2007). Questions thus arise about corporate responsibility and whether its practice makes much difference to improving social wellbeing (van Oosterhout & Heugens, 2008).

Part of the problem relates to poor consideration of organisational and social change. To date, most emphasis in the CSR literature has been on describing and justifying the responsibilities that should be assumed by managers. If change is considered at all, most scholars rely on either (or some combination of) moral persuasion or business-case arguments to encourage more socially just or sustainable outcomes. These approaches reflect modernist assumptions about management rationality and agency (Jones, 1996) and overlook broader considerations about the processes of social and organisational change (O'Dwyer, 2003).

In this paper, I suggest that change in the business and society relationship rests on de-centering the business organisation, and focusing on processes of social norm formation. I argue that morality-based and business-case arguments are second-order drivers of business activity. In essence, business organisations can, and will, behave differently when social expectation mounts both subtle and direct pressures.

This paper is structured thus. In the next section, I provide an overview of the major threads in corporate responsibility thinking, and illustrate the poor consideration given to questions of change. I highlight the shortcomings of both morality-based arguments, and the flaws within business case-thinking. I point out that business-case thinking dominates understandings about corporate responsibility, and the means to bring about change. I conclude the paper by calling for more research into social movements and drivers outside business organisations as a strategy for effecting change in the business and society relationship.

Corporate Social Responsibility

Notions of 'corporate responsibility' are usually traced to concerns about the power of business and undesirable corporate impacts observed during the 1950s and 1960s (Birch, 2001; Bowen, 1953; Carroll, 1999). Reflecting emerging social movements about the environment, employees, and consumers (Carroll, 1979), corporate responsibility posed challenges to prevailing ideology and also raised new ethical imperatives for managers (Carroll, 1999; Levitt, 1958). Books such as Selekman's 1959 *Moral Philosophy for Management* and Heald's 1957 paper *Management's Responsibility to Society* contributed to thinking that capitalism required "a profound metamorphosis" (Thurow, 1966, p. 326), that there were 'social limits to growth' (Hirsch, 1976), and that the individualism of market capitalism, the universal participation of democracy, and unequal distribution of income was unsustainable. From an ideological perspective, Rockefeller (1974) called for greater integration between business and society, and Brown (1979) argued that business needed to shift "from an organisation conscious of a single purpose (profit) to one conscious of a multiplicity of purpose (economic, social, psychological, educational, environmental, and even political") (p.20).

Research into corporate responsibility has since covered wide territory (Basu & Palazzo, 2008). Reviews of the literature consider: its degree of idealism (Dentchev, 2009); its empirical and theoretical, qualitative or quantitative, normative or non-normative emphases (Lockett, Moon, & Visser, 2006) in various countries (Egri & Ralston, 2008) and whether it reflects instrumental, political, integrative and/or ethical concerns (Garriga & Mele, 2004). Some have considered the extent to which CSR is progressing (De Bakker, *et al.,* 2005) and evolving (Gerde & Wokutch, 1998) or has evolved (Carroll, 1999; Frederick, 2008) as a field. Others highlight the environmental, social, and/or economic dimensions of CSR and its emphasis on stakeholders and with voluntariness (Dahlsrud, 2008). Despite much being said about 'what' a socially responsible business should do (or be), little careful attention has addressed how such changes can come about. In other words, most focus in CSR work has been on the 'what' and the 'why', but very little about the organisational 'how'.

Most contributions to CSR are positioned in contrast to the view articulated by Milton Friedman – that the only social responsibility of business is to maximise its profits (Friedman, 1970). While Friedman's argument is based (in part) on normative assertions regarding property rights, a fiduciary relationship between owners and managers, and utilitarian arguments about the distributive effects of wealth maximisation (Henderson, 2001); CSR theorists tend to draw on alternative normative frameworks. In particular, notions of justice, the rights of stakeholders, the duties of managers, and/or a social contract between business and society (Lockett, *et al.,* 2006; Matten, Crane, & Chapple, 2003; Scherer & Palazzo, 2007; Windsor, 2006) specify expanded corporate responsibilities and managerial behaviours.

Stakeholder theory has been a particularly enduring and influential contribution (Mele, 2008). Stakeholder theory directs managers to treat organisational constituents 'fairly' in organisational deliberations (see also Phillips, 1997) and also with respect to organisational outcomes (Evan &

Freeman, 1993; Mele, 2008). Additionally, managers have an obligation to explain the principles that sit behind their decisions (Hosmer & Kiewitz, 2005), and they should also incorporate ethical considerations into their decision-making (Swanson, 1999; 1995). Some argue that stakeholders have particular rights, and attempts have been made to codify the UN Declaration of Human Rights into specific management obligations (eg the UN Global Compact, the Global Sullivan Principles, and the SA8000 certification program). The rights of stakeholders, however, go beyond basic human (Gibson, 2000) or liberty rights (Lea, 2004). Most commonly, they're justified on the basis of Kantian ethics. Freeman (1984) suggested, for example, that " each stakeholder group has a right not to be treated as a means to some end" (p. 14, and see also Bowie, 1991; Donaldson & Preston, 1995; Gibson, 2000; Hasnas, 1998). Others implore managers to engage with stakeholders to formulate corporate responsibilities. Phillips (1997), for example, draws on Habermas' discourse ethics to suggest that corporate responsibilities can be developed through dialogue with those affected (see also Scherer and Palazzo, 2007). Freeman (2002) and his colleagues (eg Phillips, 2003) extended Rawls' work to suggest that a 'thought experiment', under a 'veil of ignorance', could generate agreement on a minimum set of outcomes that morally bind social actors, including business (Evan & Freeman, 1993; Scherer & Palazzo, 2007).

Some corporate responsibilities arise out of the business and society relationship, rather than from obligations owed to specific groups and individuals. The social contract perspective, for example, assumes that an 'agreement' exists between business and the community (Anshen, 1970; Bowie, 1983; Crowther & Rayman-Bacchus, 2004; Dahl, 1975; Den Uyl, 1984), much like that which justifies the existence of the state (see Hobbes, Locke, Rousseau in Donaldson, 1982). Accordingly, managers should serve the interests of society because of the benefits extended to it (eg use of public goods, limited liability) by the community (Donaldson, 1982; Donaldson & Dunfee, 1994; Dunfee, 1991). Argandona (1998) draws on Aristotlean notions of 'participation' and argues that business has an obligation to contribute to the 'common good' – those societal conditions that are beneficial and fulfilling for everyone (see Erisksen & Weigard, 2000). Early versions of 'corporate citizenship' were similar (Davis, 1973; Eilbert & Parket, 1973; Mele, 2008) and emphasised 'good neighborliness' (Solomon, 1992). Current views about global corporate citizenship incorporate an obligation to respect (local) societal norms (Mele, 2008; Logsdon & Wood, 2002; Wood & Logsdon, 2001). Considerations of Inter- and intra-generational equity, as well as a broad obligation to ensuring current and future generations enjoy life-sustaining conditions, are reflected in notions of business and sustainable development (Bebbington, 2001; Dentchev, 2009; WCED, 1987). Ethical approaches to CSR are basically concerned about morally indifferent business conduct and promoting the social advantages of responsible management and expansive public policy (Windsor, 2006).

Many contributions to corporate responsibility, however, downplay normative arguments and/or attempt to integrate them with prevailing business practice. Despite CSR usually being positioned in contrast to Friedman (1970), not all contributions consistently or categorically reject his underlying ideology. Probably the most well developed integrative framework is corporate social performance (Gond & Crane, 2009) in which ethical, legal and discretionary (social or philanthropic) responsibilities are aligned with economic obligations. First mooted by Carroll (1979) as an attempt to clear up confusion within the literature; corporate social performance also sought to ally criticisms that social responsibility ignored economic responsibilities. Carroll (1979) summarises the various responsibilities expected of business into four dimensions, and also captures different philosophies of responsiveness (ranging from reaction to pro-action). Wartick & Cochrane (1985) reformulated Carroll's framework into a Principles – Processes – Policies framework, introducing the idea that corporate social performance involves aligning these different dimensions. Wood (1991) extended this work further and incorporated expectations that circulate at institutional, organisational and individual levels into the CSP model. She, additionally, suggested that stakeholder engagement, issues management and codes of ethics were important processes of social performance. When taken together all contribute to achieving robust and effective economic, social and environmental outcomes.

Similar ideas are reflected in most perspectives about corporate social responsibility, and business-case and instrumental thinking has come to dominate CSR work (Windsor, 2001). Donaldson & Preston (1995), for instance, review instrumental approaches to stakeholder theory – pointing out the increasing perspective that managers should engage with stakeholders to achieve corporate performance goals. Additionally, Birch (2001) argues that corporate citizenship rests on 'sustainable capitalism' and involves taking a systematic approach to identifying and managing social/environmental expectations to generate win-win opportunities. The social contract is said to ensure organisational legitimacy (Milne & Patten, 2002; Suchman, 1995); respecting community expectations secures a social licence to operate that is necessary for generating superior long-term financial performance. Recent threads in understanding business and sustainable development are similar. Bebbington (2001), for example, demonstrates that sustainability is mostly reflected as 'good environmental management' and 'eco-efficiency' within business literatures, and Salzmann, Ionescu-Somers, & Steger (2005) suggests that consideration of sustainability can generate a number of business benefits. Instrumental perspectives can be thought of as 'enlightened self-interest' (Keim, 1978) and, like corporate social performance, downplay conflict between economic and social/environmental outcomes, and assert that corporate responsibility largely equates to corporate social *responsiveness* (O'Dwyer, 2003; Spence, 2007; Windsor, 2001).

CSR and Organisational Change

Despite considerable developments about corporate responsibility, current arguments for CSR have changed little during the past 50 years (see Bowen, 1953; Heald, 1957; Selekman, 1959; Thurow, 1966; Rockefeller, 1974; Brown, 1979; and above) raising questions about its value for generating change. Andriof & McIntosh (2001), for example, suggest that business needs to understand that everything it does "has some flow on effect either inside or outside the company…[and that corporate citizenship involves] a deeply held vision by corporate leaders that business can and should play a role [in society] beyond just making money" (p. 15). Additionally, current discussions about business and sustainable development point to transformational change – similar to arguments made in the 1950s. 'Strong' sustainability challenges the accumulation of wealth and consumption-based growth (Bebbington, 2001). At an organisational level, Tichy, McGill, & St. Clair (1997) demand greater integration between business and society, and Welford (1997) calls for a conceptualisation of business, as a social institution, built upon stakeholder engagement and corporate democracy. 30 years ago Davis (1975) made similar suggestions. Business should, he argued: develop and maintain open and continuous relationships between itself and society, to enable it to provide an account of its activities and impacts, but also to keep up to date with social issues and concerns; it should seek to consider the full economic, social and environmental costs of producing its products and services, and reflect these in its pricing; and it must go beyond minimising harm, to fulfil a citizenship role by contributing to solving social problems and issues. What is significant is the commonality within these arguments and perspectives, and that the arguments have been so enduring.

One key issue is poor consideration of the processes of social and organisational change in CSR theorising. Arguments about stakeholder rights, distributive justice of organisational effects, and an obligation to participate in the resolution of social issues are not unreasonable. The case for expanded corporate responsibilities is well made, and soundly justified according to respected ethical theory (although see Scherer & Palazzo, 2007, and below, for some criticisms). What is problematic are assumptions that if managers can be convinced about the 'right thing to do', or the business benefits of being socially responsible, they will voluntarily change their behaviour and transform their organisations. Such assumptions reflect modernist assumptions about management rationality and agency, and fail to comprehend the way change comes about, and is resisted, in organisational settings.

Normative CSR work relies on moral persuasion, particularly imploring managers to 'do the right thing'. Most scholars working in this area have sought to develop a universal, dispassionate and impartial set of corporate responsibilities (Scherer & Palazzo, 2007) that can be implemented. The assumption is that if corporate responsibilities can be described and justified, managers will voluntarily direct their organisations toward more socially just and sustainable outcomes. Zenisek (1979), for instance, suggested in the late 1970s, that his model "indicate[s] the areas of managerial focus required… to achieve harmony between managerial attitudes and behaviour in relation to environmental demands" (p. 367). Freeman's (1984) description of stakeholder theory was to enable managers to “explore the logic of the concept in practical terms, ie in terms of how organisations can succeed in the current and future business environment” (p. 72). Donaldson & Preston (1995) suggest stakeholder theory relates, primarily, to managerial decision-making. More recently, Dentchev’s (2009) review of the normative and philosophical CSR literature found most of it was concerned with developing principles to “guide companies to promote ‘social good’ and to prevent ‘social harm’” (p. 5) that can be “integrated in the organization, adopted as a reference for decision making, and shared by organizational members” (p. 5). Savage, Nix, Whitehead, & Blair (1991) tried to “introduce practicing managers to the stakeholder concept to improve their ability to implement stakeholder management practices” (p. 77). Tellingly, considerable attention has been afforded to business ethics in management education (Gerde & Wokutch, 1998), with the assumption being, presumably, to raise the consciousness of business students to enable them to behave ethically and responsibly in business situations. Some acknowledge that CSR challenges conventional business thinking, but contend that “all that is necessary [is] to show that such characteristics [of stakeholder rights] are the same as those giving rise to fundamental concepts of property rights” (p. 85). What Donaldson & Preston (1995) (and others) overlook are whether managers, once convinced, will change their behaviour.

Some problems regarding change rest on the nature of normative theorizing. Assertions about rights, justice, and obligations are based on philosophical reasoning that is not easily digestible by managers. Normative obligations create puzzles for managers and contain few insights about managing tradeoffs (Windsor, 2006). Further, the monological character of Western ethical theory (Scherer & Palazzo, 2007) denies the socially-constructed nature of values and expectations. Ethical assertions are theoretical statements deduced from logic and argumentation and, while they’re possibly acceptable and almost certainly justifiable, there is nothing inherent in normative assertions that mean they will necessarily be actioned. Surveys of managers’ attitudes and their understanding of corporate responsibility (including some of its radical elements) show they understand the issues, but this does not translate into fundamental change to the business and society relationship (O’Dwyer, 2003). The assumption that mangers will voluntarily change their organisations once convinced of ‘the right thing to do’ is highly problematic.

Integrated and instrumental CSR work takes a different approach, and attempts to convince managers that acting in a socially responsible way contributes to superior financial performance. The basic idea is that social problems can be turned in to profitable business opportunities (Drucker, 1984; Porter & Kramer, 2006) and/or that business organisations can achieve superior financial returns by being ‘socially responsible’ (Burke & Logsdon, 1996). Neither ideas are descriptively accurate in terms of managerial decision-making nor are they effective in bringing about enduring change in the business and society relationship.

The idea of turning social and environmental problems into profitable a business opportunity is seductive, but it assumes that all problems can be addressed this way, and that managers will pursue and maintain those opportunities over the long term. While some social/environmental problems do present business opportunities (eg recycling of waste), not all do (eg addressing labour inequality in developing countries). Only those issues for which a business model can be easily applied, and then only those that would/could outperform competing business opportunities, will be addressed (Stroup, Neubert, & Anderson, 1987). What’s more, treating social and environmental issues as a business opportunity requires that such issues continue to prevail, and continue to be attractive investment propositions. Business thus could, arguably, have an interest in social/environmental problems continuing, rather than being resolved or eliminated (Berman, Wicks, Kotha, & Jones, 1999). Stakeholders tend only to be noticed when they exhibit characteristics of power, legitimacy and urgency (Mitchell, Agle, & Wood, 1997), and similar conditions of issue salience may shape business’ pursuit of such opportunities. Finally, pursuing corporate responsibility as a business opportunity only focuses on the outcomes of business, rather than business operations and the philosophy of business practice. Much community concern about business relates to fundamental aspects of employee relations, decision-making and trade-offs in everyday business behaviour. As a strategy for generating widespread change to business practice and the business and society relationship, the idea of social issues as profitable business opportunities is limited.

Others maintain that social issues do not necessarily present profitable business opportunities, but business can achieve significant benefits from acting in a socially responsible way. Considerable effort has gone in to testing the social responsibility/financial performance relationship (Lockett, *et al.,* 2006; Margolis & Walsh, 2003; McWilliams & Siegel, 2000; Windsor, 2001), but no clear consensus exists on whether (or what) socially responsible behaviour leads to positive financial outcomes. Not only are these studies characterised by inconsistencies in what is studied and measured, van Oosterhout & Heugens (2008) point out it is difficult to assess whether a particular business initiative is an expression of its corporate *responsibility* or a relatively decoupled act of *responsiveness.* They suggest that a lot of what passes as corporate responsibility is simply the pursuit of legitimacy by adopting 'appropriate' structural, strategic, or symbolic features which signal compliance with the social system (see also (Bebbington, Higgins, & Frame, 2009) rather than a morally motivated pursuit of responsibility (see also Windsor, 2006). Instrumental arguments thus lack descriptive validity. The relationship between social responsibility and business benefit may not exist, and if it does it fails to explain why all business organisations aren't socially responsible or why some are successful despite poor social, environmental and ethical performance (eg Enron, the current furore over the practices of the major banks in Australia).

Business-case and instrumental arguments basically represent little more than strategic management. That is, some companies attempt to achieve above-average returns by strategically differentiating (as per Porter, 1985) themselves according to social responsibility, ethics or sustainability. Using 'social responsibility' to position an organisation relative to competitors is, however, limited in its ability to generate industry wide change. Not only is differentiation vulnerable to changes in company strategy, but it is also likely to be abandoned if all organisations in an industry decide to become 'socially responsible'. The point of difference would be lost, and companies would pursue an alternative means of differentiation. Like other 'business case' arguments, strategic differentiation will also only generate selected corporate behaviours that are valued and recognised as different by customers. Arguably, community expectations of business behaviour go beyond those that can be marketed.

Instrumental and integrated approaches suffer from the basic flaw that assumes more 'business as usual' can solve the problems of 'business as usual'. Pursuing superior financial performance by engaging in some (selected) socially responsible activities represents little more than traditional shareholder and wealth creation perspectives about corporate responsibility (as per Friedman, 1971, and see Windsor, 2001, 2006). If corporate responsibility is concerned with effecting changes to dominant business ideology, refining business practice whilst maintaining the emphasis on free market ideology, voluntariness, natural liberty and freedom of contract (Windsor, 2006) will clearly fall short of community expectations. More damaging, perhaps, are the broader socio-structural implications of instrumental thinking and business case arguments. These perspectives have come to dominate theory and practice, even in light of the acknowledged limitations. Imbued within instrumental and business case thinking are metaphors of journeying, care, transparency and the 'triple bottom line', which all provide an appearance that the dilemmas between profits and principles have been solved (Livesey, 2002; Livesey & Kearins, 2002; Markus Milne, Tregidga, & Walton, 2009).

Conclusion

Corporate responsibility is, at its core, about change in the business and society relationship, but that central tenet is what is most lacking in CSR work. While considerable understandings have developed about obligations and rights, and a number of responsiveness methods have evolved, arguments for change in the business and society relationship prevail.

While some CSR scholars have started to explore multi-level approaches to change (Aguilera, Rupp, Williams, & Ganapathi, 2007), the role of activist groups (den Hond & de Bakker, 2007), and drivers in the institutional environment (Campbell, 2007; Jones, 1999; Marquis, Glynn, & Davis, 2007); calls for a new discourse (Arevalo, 2009; Jones, 1996; Kuhn & Deetz, 2008; Wry, 2009) have largely fallen on deaf ears. Part of the problem is that most CSR work focuses too much attention on the business entity. Change is assumed to rest on convincing managers to direct their organisations to new or different outcomes. Moral persuasion and business case arguments overlook important socio-structural influences on organisations and how they change. As van Oosterhout & Heugens (2008) argue in their 'much ado about nothing' piece, there is little in prevailing CSR work that isn't covered by more powerful and better developed conceptual schemes.

In order to effect change in the business and society relationship, it is necessary to de-centre the business organisation, and to consider drivers for change that exist outside the organisation. To do so, however, two considerations are important: it is necessary to consider the 'how' along with the 'what'. That is, CSR is firstly about change. Its origins and the continuing arguments point to fundamental change in the business and society relationship, and this needs to be considered alongside how change comes about. In order to effect meaningful change in the business and society relationship, it is necessary to reclaim both the political dimension of CSR, and to consider more broadly the processes of organisational and social change.

Despite the limitations of the business case, de-centering the business organisation does raise some new considerations for instrumental arguments. Some important potential does exist. The business case exhibits a degree of robustness as a response mechanism to external shifts and changes. Business does respond to social shifts. Most of what we currently observe regarding business and climate change, for example, could only have come about due to external social pressure. If appropriate social movements can be enhanced, developed and supported we can be assured of some responsiveness on the part of business.

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The Corporate Social Responsibility Orientation of Chinese SMEs

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Abstract

This paper examines the Corporate Social Responsibility(CSR) orientation of Chinese Small and Medium Enterprises (SMEs) based on their internal functions, including training, job creation, quality assurance and environmental sustainability. In addition, it also examines the relationship between their CSR orientation and firms' financial performance. Despite SMEs' participation and investment in training, job creation, and environmental sustainability, their involvement and action have not produced a statistically significant positive relationship with their financial performance (as measured by profitability and sales revenue). The only CSR-oriented activity that registered a statistically significant positive impact on financial performance was quality assurance.

Keywords

Employee training; environmental sustainability; job creation; profitability; quality assurance; sales revenue

Introduction

Research on Corporate Social Responsibility (CSR) practice has been focused heavily on large corporations and is relatively scant on Small and Medium Enterprises (SMEs) . This imbalance is due to the higher CSR profile of larger corporations, which have largely driven CSR activities (European Commission, 2001). Although the individual contribution of a SME to an economy may appear relatively insignificant, when compared to a large transnational corporation, the aggregate contribution of all SMEs can be sizeable. SMEs constitute more than 90% of enterprises and account for at least half of employment in developing countries (OECD, 1997; Luetkenhorst, 2003). SME engagement in CSR is of crucial importance to the economy because SMEs are a major contributor to employment, wages generation and overall economic activity. In fact, this business sector is gaining increasing recognition for its potential to reduce poverty and contribute to equitable distribution of income (Storey, 1994; UNIDO, 2002). CSR in SMEs can also be very rewarding to a country when a CSR-oriented SME grows into a large enterprise and its continuing stance on local social issues may become increasingly influential. For example, large Chinese corporations such as Haier and Lenovo Group Ltd, which were initially SMEs, have now become internationally recognised large enterprises and active sponsors of community rebuilding, education promotion and poverty reduction projects. Although research on CSR of SMEs began to emerge in early 1990s, it has been particularly scarce on SMEs in developing countries including China (Luken and Stares, 2005; Burton and Goldsby, 2007; Sweeney, 2007; Yu and Bell, 2007; Jamali, 2008; Mankelow, 2008; Morsing and Perrini, 2009; Hammann et al., 2009). It is important to gain a better understanding of the CSR orientation of SMEs located in China because they constitute a rapidly expanding group in the emerging Chinese market economy. There were about 8 million Chinese SMEs in the late 1990s and they have grown to more than 40 million entities in 2005, representing 99.6% of the total number of enterprises and accounting for more than 50% of the country's GDP. In 2008, they provided more than 75% of employment in the economy. Given appropriate incentives or encouragement for undertaking CSR, this growing sector can collectively generate significant and positive benefits for a range of stakeholders.

This paper aims to examine the relationships between CSR-oriented activities and financial performance in a sample of 208 SMEs in China. The underlying rationale of the study is that there are few conclusive empirical findings on the relationships between CSR activities and financial performance, particularly evidence from SMEs in developing countries. The data analysed in this paper was obtained from a survey on Chinese SMEs in 2004. Despite the consequent time lag in the publication of this paper, the authors strongly believe that their work contributes to the limited body of evidence on SMEs' CSR activities in China. This paper will firstly highlight the fluidity of a definition of CSRs for SMEs, before examining the CSR orientation of Chinese SMEs in terms of four factors: their engagement in support of labour skills development (as measured by training time spent by SME employees, and the proportion of SME employees attending training); as a source of employment opportunities (as measured by the number of equivalent full-time staff employed); the adoption of 'good practice' in their business management (as measured by the number of ISO9000 certifications or adoption of equivalent standards); and their investment in environmental sustainability (as measured by the proportion of sales revenue invested in environmental sustainability). The next section is devoted to a description of the methodology and variables utilised in the study and proposal of the research hypotheses on the relationships between SMEs' CSR orientation and their financial performance. This is followed by results and analyses of hypothesis testing. The last section presents an overall discussion including the effects of latest developments on SME's CSR orientations. The main conclusion is summarized in the last section.

There Is No "One-Size Fits All" Definition for CSR

The literature reflects that there is no 'one-size fits all' definition of CSR. For example, van Marrewijk (2003) concluded in his study that there is no standard definition of CSR based on historical perspectives or philosophical analyses. Similarly, Whitehouse (2003) found no consensus among researchers, not only on the specific meanings of CSR but also on the practical methods for implementing CSR. Gond and Herrbach (2006) explained that despite considerable research efforts, determining and assessing CSR's contribution to business is not a clear-cut process, because of the absence of a reliable theoretical definition of CSR. While it has been a challenge to identify specific elements in a definition of CSR, it has been no less difficult to determine the breadth and scope of the obligations associated with CSR (Smith, 2003). The difficulty in precisely defining CSR has also been reinforced by Fassin (2008, p.367) who argues that CSR has evolved to a confused notion. Sweeney (2007, p.516) noted that some of the researchers who tried to determine the meaning of CSR have described it as "ambiguous", "subjective", "unclear", "amorphous", "highly intangible", and "fuzzy". Some studies (UNIDO, 2002; Van Marrewijk and Werre, 2003; Hill et al., 2007; Jamali, 2008; Welford et al., 2008) suggest that the meaning of CSR may vary according to the context (for example, location and industry) and the value systems of different organisations. For example, Welford's (2004) research highlights considerable differences in CSR among Asian countries, which vary according to national norms, values, economic development and culture. The attempt to obtain a clearer definition of CSR for SMEs has also been complicated by the fact that CSR evolves over time (Ullmann, 1985; Luetkenhorst, 2003; Gond and Herrbach, 2006; Welford et al., 2008). For example, a company's impact on society through its CSR can change as social standards evolve and science progresses to the extent that firms are expected to respond to the changing beliefs and values of society, which may ultimately be transformed into ethical and moral obligations for these firms. Fast food companies, for instance, are increasingly subjected to unprecedented pressure to offer nutritious and low cholesterol alternatives in their menu.

Although there is no standard definition of the concept, the existing literature offers a very general description of what constitutes CSR. CSR is largely understood as a range of voluntary initiatives, beyond legal and contractual requirements, which, if undertaken effectively, should eventually benefit the workforce, their families and the local community, and ultimately improve the overall welfare of the community and contribute to economic development (Davis, 1973; Jones, 1980; European Commission, 2001; McWilliams and Siegel, 2001). In China, employee training, job creation, product and service quality, and environmental sustainability have been commonly associated with CSR. These activities were confirmed as primary CSR engagement in a survey conducted in 2008 involving 1593 respondents (Qiao, 2009). Forty percent of these respondents were senior managers of large enterprises, 30% were senior managers of SMEs, 10% were academics, 10% government officials, and 10% CSR experts. “Environmental protection and resource conservation” attracts the most votes (97%) from these respondents as an important CSR activity, followed by “high product and service quality” (95%), “employee training” (85%), “job creation” (85%). These activities are related to the internal functions of an enterprise and can lead to strong commitments if they generate positive benefits because if profit-oriented SMEs can see specific practices that benefit profitability and business improvement, they tend to be more likely to become involved since these are stronger reasons or incentives for firms to justify their CSR investments. In this way, CSR is integrated into the way companies manage their business processes and may produce benefits for stakeholders. For example, a sound business system can benefit both society and a company’s own competitiveness through quality product offering and may generate intangible benefits for the company such as improved reputation for quality or reliability, allowing the company to generate and maintain its profit growth (Castka et al. 2004). It is believed that a firm that has a strong CSR orientation will invest in creating continual superior value for its customers (Porter and Kramer, 2006). However, a negative correlation with a firm’s financial performance can become a serious cause for concern as managers will be cautious in supporting CSR.

Methodology and Variables

This paper focuses on the CSR orientation of Chinese SMEs in the areas of employee empowerment, societal impact, environmental impact, and quality compliance. Median values will be used as descriptive statistics for profiling the CSR orientation of the 208 SMEs. More detail re the sample, selection, and responses required. The median is used instead of the mean because the variables are not distributed normally due to extreme values in the data set. The median is the middle value in a set of data, where 50% of the values are less than or equal to the median, and 50% of the values are more than or equal to the median. The median, unlike the mean, is not affected by extreme values, and is a fairer representation of a set of numbers. Pearson correlation analysis is used to address the hypotheses and investigate the relationships between CSR-oriented activities in SMEs and their financial performance. Profitability and sales revenue are used as measures of financial performance to determine whether financial performance has a positive relationship with CSR-oriented activities. The presumption is that CSR can improve a firm’s competitiveness, resulting in increased profitability and/or sales.

1. Employee training

In China, labour quality and skills are still relatively low, and the underdevelopment of its human resources is the biggest restraint on Chinese economic development. For example, a study on Chinese enterprises by Venter (2003) found skill shortage to be a pressing issue in this emerging market economy. Her survey revealed that 46% of organisations found it difficult to fill managerial positions and 30% had the same problem with technical positions. The Chinese education system is still incapable of supplying the vital skills and talents required by businesses to keep up with a dynamic market environment. China’s move to privatize and reform its various state run businesses since the early 1980s have introduced changes to the lifetime employment system that were operating for decades. Workers in the post-reform competitive Chinese labour market now regard their own career growth and development as an important element in their work life, which they see it as employers' responsibility in developing and improving their job skills (Huo and Si, 2001). Good labour practices undertaken by Chinese SME owner-managers, such as providing training and development opportunities to their workforce, is considered as evidence of CSR because these can lead to improvement in labour standards, not only of the labour-intensive enterprise, but also of the national workforce. If all enterprises were to contribute in this way, the nation's skills base would be significantly enhanced, with the responsibility being shared equitably across all types of enterprises. In addition, the core business activities of a business can have a positive impact on poverty through the creation of employment. Training is all the more important, given that SMEs represent at least 99% of all businesses operating in China. Their aggregate impact on employment has been assessed by Zhou (2005) to be profound, in the ratio of 14 SME employees to each employee hired by a large corporation (14:1). Although it has been generally assumed that human resources training can help firms develop new competencies and capabilities, and improve competitiveness, this assumption has been largely based on qualitative studies (Patton et al., 2000; De Kok, 2002; Bryan, 2006). Empirical evidence on the relationship between training and company performance has been inconclusive. For example, the Wynarczyk et al. (1993) study on SMEs in the UK found an insignificant relationship between training and company performance. Cosh, et al. (1998), on the other hand, found a positive but insignificant relationship between training and firm survival. However, Jones' (2004) identified a statistically significant positive relationship between training and performance in Australian Manufacturing. Overall, previous studies, including the aforementioned studies on the effectiveness of training programmes for SMEs, have focused mainly on Western nations (Huang, 2001). This paper will test two research hypotheses relating to the relationships between training as a CSR orientation and company financial performance on the chosen sample of 208 Chinese SMEs:

H1: Training time spent by a SME employee has a significant positive relationship with company financial performance.

H2: The proportion of SME employees attending training has a significant positive relationship with company financial performance.

2. Job Creation

SMEs constitute an important source of job creation because they historically provide the majority of new job growth in a community, which itself constitutes a significant contribution to economic development (Burton and Goldsby, 2007). The SMEs have a great potential to play a key role in national and social development because the job opportunities they create can reduce or alleviate poverty. This CSR role in job creation can also create goodwill and improve relations with local governments and other stakeholders, potentially improving the image of an organization and demonstrating its social commitment to stakeholders (Davis, 1973). The Chinese government has been paying close attention to the issue of employment in recent years. For example, on 1st January 2008 the government enacted the 'People's Republic of China Employment Promotion Law', which encourages financial institutions to provide monetary support and local governments to provide tax concessions to SMEs, because these enterprises can become significant sources of job creation. However, the relationship between this job creation role and company financial performance remains unknown, and this paper examines whether this role has generated positive financial outcomes for the SMEs included in the 2004 sample. Therefore, we propose to test the third hypothesis:

H3: The number of full-time jobs created by SMEs has a significant positive relationship with company financial performance.

3. ISO9000

It has been argued that a sound business system can benefit not only society but also a company's own competitiveness through quality product offering, because being socially responsible has been associated with positional advantage (Porter and Kramer, 2006). ISO9000 is an international quality assurance standard, and is one of the most well-known and widely implemented set of criteria voluntarily adopted by quality-oriented companies to achieve a sound business system. It has become an important indicator of voluntary business commitment to quality assurance. In the main, ISO9000 standards appear to provide a baseline and an improvement mechanism for organisations aiming to improve company performance by way of improving product, service and organisational quality (Wilson, 1997). There may be economies of scope in the provision of CSR, or cost savings that arise for CSR incorporated systems and procedures such as ISO (International Standard Organisation) accreditation. However, there has been limited literature and research concerning quality standards in the context of SMEs because research on the use of ISO9000 tends to focus on larger companies (Boulter and Bendell, 2002; Mulhaney et al., 2004). Because ISO9000 is one of the most popular voluntarily adopted basic standards, the survey tracks the certification of this standard, or an equivalent, as a proxy for socially responsible commitment to quality from SMEs. Hence, the fourth hypothesis postulated in this paper is:

> *H4: The implementation of accredited international standard ISO9000, or an equivalent, has a significant positive relationship with company financial performance.*

4. Investing for Environmental Sustainability

Although SMEs play an important role in the Chinese economy, collectively they are responsible for much of the nation's industrial pollution. For example, it was reported in 2003 that SMEs discharged about 50% of total emissions of industrial pollutants (CCICED, 2003). According to the report by CCICED (2003), the inability of SMEs to respond to the increasingly important environmental issues in the market has been due to their general lack of available financial and time resources. This has been a common constraint among SMEs in their efforts to develop and implement environmental management practices (Seidel et al., 2008). However, the dominance of these SMEs makes them significant potential contributors to global environmental sustainability, and potential adopters, if given proper incentives, of business system frameworks that incorporate proactive environmental practices. Spicer (1978) found that better pollution performance was associated with higher profitability and lower risk, but this is more obvious in larger firms. This positive attribute is also echoed by The Government Office for London (2009) which advocated that sound environmental management practices will deliver financial benefits (such as profitability) and competitive advantage for businesses, as well as benefiting society. This is encouraging because presumably SMEs will voluntarily adopt environmental activities if such engagements add value to their core business (Studer et al., 2006).

ISO14000 was developed under the same philosophy of ISO9000 and is widely regarded as an example of best practice in environmental management. However, the incidence of ISO14000 certification obtained by Chinese SMEs has been considerably lower than the certification rate for ISO9000. In 2004, the certification rate for ISO14000 in all types or enterprises was less than 10% of the ISO9000 certification rate in China (ISO, 2007). Although ISO14000 certification had increased by 2007, it was still below the ISO9000 certification rate (14.5% of the latter). In addition, this standard tends to be adopted primarily by larger enterprises. SMEs have commented that these environmental management standards are costly and time-consuming to implement and of questionable effectiveness. However, some of these companies may have adopted inhouse environment management systems which are not necessarily ISO14000 certified. In this context, the survey obtained data from SMEs on the percentage of revenue invested in integrating environmental sustainability, rather than the adoption of ISO14000 per se, because the key indicator is whether an organisation internalises environmental considerations into its operations and has mechanisms in place to prevent and control environmental impacts. The percentage of revenue invested in integrating environmental sustainability in company systems (such as implementing environmentally friendly business practices, or producing environmentally friendly products or services) is used as a proxy to measure the uptake of environmental practices in SMEs. Hence, this paper's fifth hypothesis relating to environmental sustainability and financial performance is:

> *H5: Environmental sustainability investment has a significant positive relationship with company financial performance.*

CSR Orientation of SMEs

Table 1, below, presents the median as a measure of central tendency of CSR-oriented activities in a sample of 208 SMEs in regard to training time spent by an SME employee (number of days), percentage of SME employees attending training, employment provided by company (number of full-time equivalent employees), and percentage of sales revenues invested for environmental sustainability. Figures 1, 2, 3 and 4 show that the distribution of the data is skewed or not normally distributed, which justifies the use of the median instead of the mean for profiling CSR-oriented activities in these SMEs.

Table 1: Descriptive Statistics.

CSR-oriented activities in SMEs	Median
Training time spent by each SME employee (days)	30 days
Proportion of employees attending training (percentage)	75%
Employment provided by SMEs (number of full-time equivalent employees per SME)	26 employees
Proportion of sales revenues invested for environmental sustainability (percentage)	3%

1. Employee training

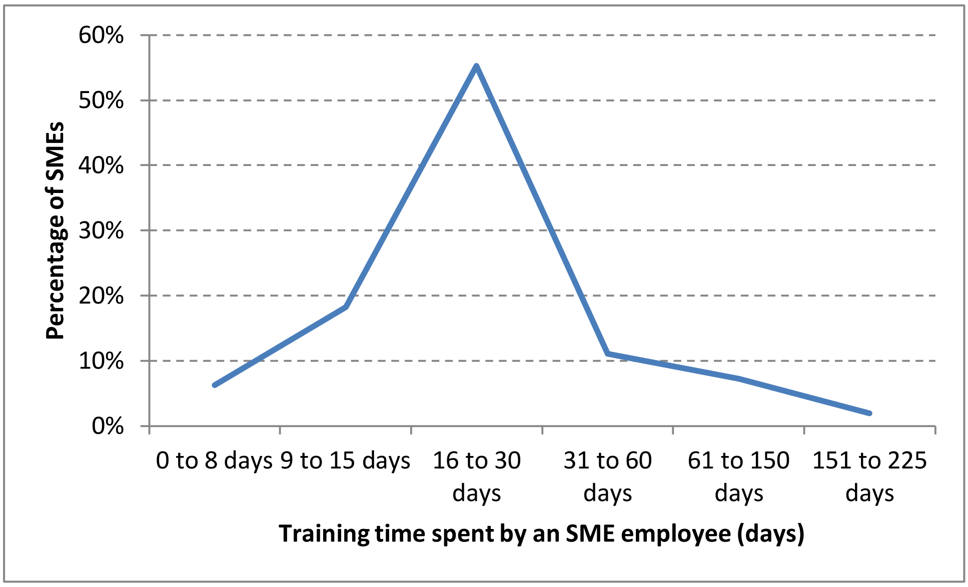
According to Table 1, the median training time spent by an SME employee in 2004 was 1 month. In addition, the frequently occurring training time duration (mode) in this sample is 1 month. This training duration spent by an SME employee is significantly higher than enterprises, including large enterprises, in other countries. For example, the average training time spent by employees in all types of enterprises in Australia was 5.1 days in 2002-2003; 3.7 days in 2003-2004; 4.8 days in 2004-2005; and 6.2 days in 2005-2006 (ABS, 2003; 2004; 2005). In Ireland, the average number of days of training per employee was 5.61 days in 2001 and 5.35 days in 2003 (Heraty and Collins, 2006). De Kok's (2002) study on Dutch firms with 40 to 150 employees in Netherlands found an average of 2.5 and 2.7 training days respectively in 1990 and 1993[1]. Chinese SMEs' median training time in 2004 is significantly higher than these developed countries, possibly because of the latter's comparatively more skilled labour force. The higher average training time suggests that Chinese SMEs are taking a positive stance by investing for a skilled labour base.

Of the 208 SMEs surveyed, two companies (1%) did not provide or support any training for their employees. Although slightly more than half of SMEs (55.3%) were found to provide or support an average of 30 days or less in training time for each employee, there was a general gradual decrease in the number of SMEs willing to provide or support more than 2 months of training time (refer to Table 2 and Figure 1).

Table 2: Training Time Spent by an SME' Employee (Days)

Training time (days)	Frequency	Relative frequency	Cumulative frequency
0 to 8 days	13	6.25%	6.25%
9 to 15 days	38	18.27%	24.52%
16 to 30 days	115	55.29%	79.81%
31 to 60 days	23	11.06%	90.87%
61 to 150 days	15	7.21%	98.08%
151 to 225 days	4	1.92%	100.00%
	208	100.00%	

Figure 1: Training Time Spent by an SME Employee (Days).

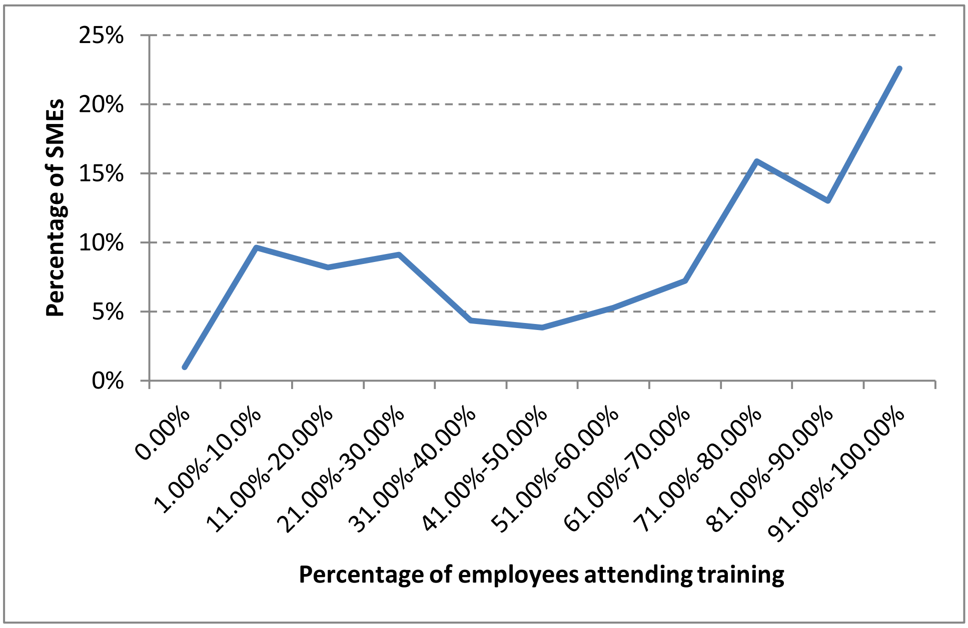


According to Table 1, the median proportion of employees in SMEs who attended training in 2004 was 75%. From the survey, approximately 14% of SMEs responded that all their staff had gone through a training programme at some point of time during the year. Table 3 and Figure 2 also reflect a general increase in the number of SMEs with more than 50% of employees who underwent training in 2004. These data indicate that although SMEs increasingly provide or support training for more than 50% of their employees, a training duration of more than two months is seldom supported by these companies.

Table 3: Proportion of Employees Attending Training

Proportion of employee attending training (percentage)	Frequency	Relative frequency	Cumulative frequency
0.00%	2	0.96%	0.96%
1.00%-10.0%	20	9.62%	10.58%
11.00%-20.00%	17	8.17%	18.75%
21.00%-30.00%	19	9.13%	27.88%
31.00%-40.00%	9	4.33%	32.21%
41.00%-50.00%	8	3.85%	36.06%
51.00%-60.00%	11	5.29%	41.35%
61.00%-70.00%	15	7.21%	48.56%
71.00%-80.00%	33	15.87%	64.42%
81.00%-90.00%	27	12.98%	77.40%
91.00%-100.00%	47	22.60%	100.00%
	208	100.00%	

Figure 2: Proportion of Employees in SMEs Attending Training



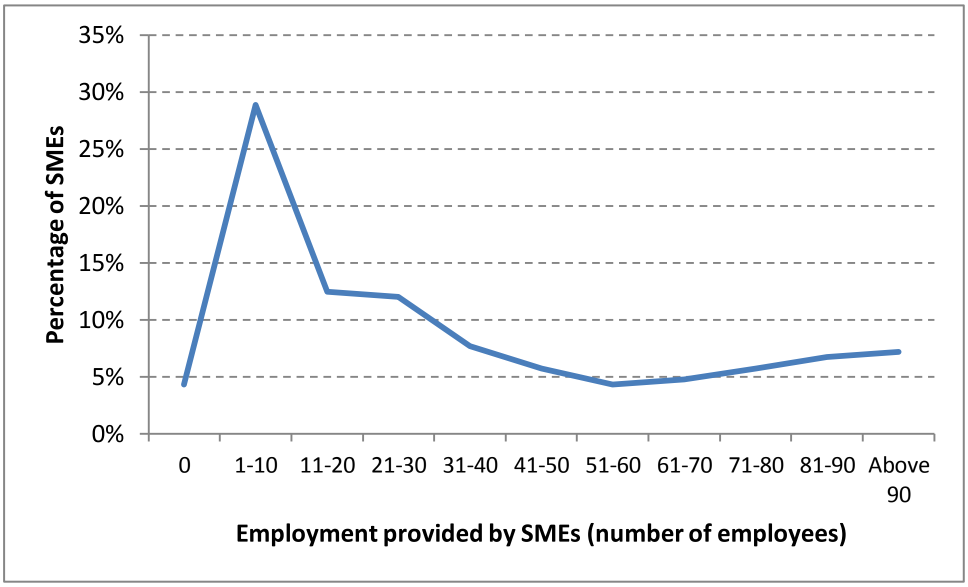
2. Job Creation

Table 1 shows that the median number of new full-time jobs or equivalent positions created by SMEs in 2004 was 26. About 29% of SMEs employed between one and ten new full-time or equivalent staff in 2004 (refer to Table 4 and Figure 3). However, 4.3% did not employ any new staff in 2004, while 7.2% employed more than 90 new staff in the same year. Slightly more than half of SMEs surveyed (57.7%) employed 30 or less full-time employees or equivalent in 2004.

Table 4: Employment Provided by SMEs (Number of Employees)

Employment provided by SMEs (number of employees)	Frequency	Relative frequency	Cumulative frequency
0	9	4.33%	4.33%
1-10	60	28.85%	33.17%
11-20	26	12.50%	45.67%
21-30	25	12.02%	57.69%
31-40	16	7.69%	65.38%
41-50	12	5.77%	71.15%
51-60	9	4.33%	75.48%
61-70	10	4.81%	80.29%
71-80	12	5.77%	86.06%
81-90	14	6.73%	92.79%
Above 90	15	7.21%	100.00%
	208	100.00%	

Figure 3: Employment Provided by SMEs (Number of Full-Time Equivalent Employees)



3. ISO9000

As mentioned earlier, SME survey respondents were asked whether their organisations had obtained accredited international standards certification for systems improvement initiatives such as the basic ISO9000. The rationale was to determine whether these Chinese businesses had integrated the CSR concept of 'good practice' into their business management. Table 5 shows that 29.3% of Chinese SMEs had adopted ISO9000 while 70.7% had not.

Table 5: Proportion of SMEs With and Without ISO9000 Certification

	Frequency	Relative frequency	Cumulative frequency
SMEs with ISO9000 certification	61	29.3%	29.3%
SMEs without ISO9000 certification	147	70.7%	100.0%
Total	208	100.0%	

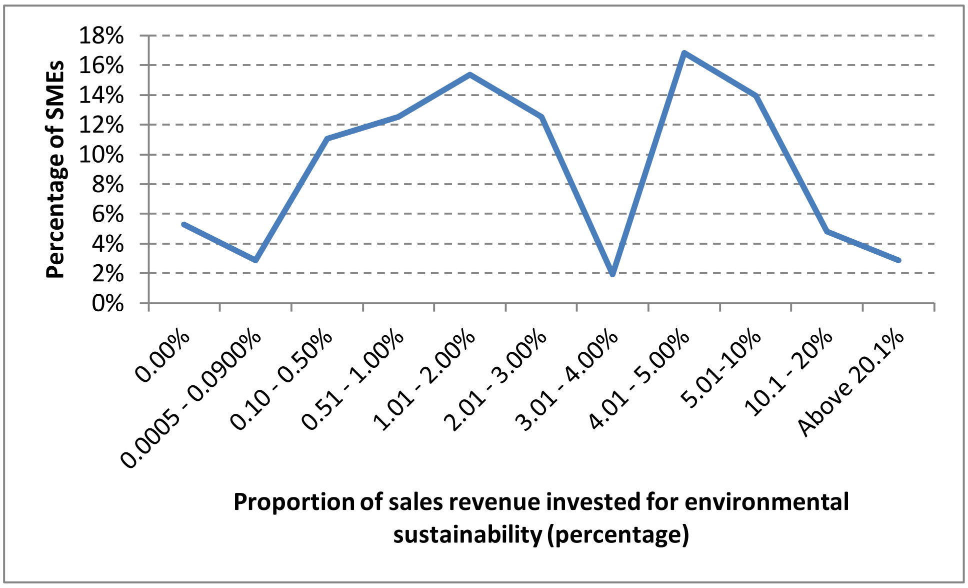
4. Investing for Environmental Sustainability

Table 1 shows that the median proportion of sales revenues invested for environmental sustainability was 3%. The highest investment was 33% from an SME in the construction industry. As shown in Table 6 and Figure 4, 68% of SMEs contributed more than 1% of their sales revenues towards the cause of environmental sustainability, while 7.69% contributed more than 5%. These measures are significantly higher than the aggregate contribution from Australian manufacturing industry, which was 0.26% of sales revenue in 2001-2002 (ABS, 2003; 2005). There were differences in the propensity towards environmental sustainability among the different industrial sectors. The rate of investment from the hotel and restaurant industry was 10%, while construction's was 6.93%, manufacturing 4.42%, and information transmission, computer services and software 2.3%.

Table 6: Proportion of Sales Revenue Invested for Environmental Sustainability (Percentage)

Proportion of sales revenue invested for environmental sustainability (percentage)	Frequency	Relative frequency	Cumulative frequency
0.00%	11	5.29%	5.29%
0.0005 - 0.0900%	6	2.88%	8.17%
0.10 - 0.50%	23	11.06%	19.23%
0.51 - 1.00%	26	12.50%	31.73%
1.01 - 2.00%	32	15.38%	47.12%
2.01 - 3.00%	26	12.50%	59.62%
3.01 - 4.00%	4	1.92%	61.54%
4.01 - 5.00%	35	16.83%	78.37%
5.01-10%	29	13.94%	92.31%
10.1 - 20%	10	4.81%	97.12%
Above 20.1%	6	2.88%	100.00%
	208	100.00%	

Figure 4: Proportion of Sales Revenue (Percentage) Invested for Environmental Sustainability.



Results of Hypothesis Tests

This section shows the hypothesis test results on the relationships between SMEs' CSR orientation and their financial performance.

Table 7: Pearson's Correlation Results

CSR orientation	Sales revenue	Profit
Training time spent by an SME employee (days)	0.031	0.013
Proportion of employees attending training (percentage)	-0.047	0.034
Employment provided by SMEs (number of full-time equivalent employees)	0.05	-0.063
Proportion of sales revenues invested for environmental sustainability (percentage)	0.05	0.016
SMEs with ISO9000 certification	0.203***	0.193***

***1% significance, **5% significance, *10% significance

1. Employee training

H1: Training time spent by an SME employee has a significant positive relationship with company financial performance.

H2: The proportion of SME employees attending training has a significant positive relationship with company financial performance.

Overall, the sample of 208 Chinese SMEs did not suggest a significant positive relationship between either training duration or proportion of SME employees attending training and the respective SMEs' financial performance measures (profitability and sales revenue), as indicated in Table 7. Although the Chinese SMEs supported a higher training duration per employee than enterprises in Australia, Ireland and Netherland, as reported earlier in this paper, these Chinese SMEs have lamented the pressure in having to maintain a balance between their firm's sustainability in an increasingly fiercely competitive market, and their expenditure on training programs for staff development. Because training programs tend not to generate immediate benefits, these enterprises find it difficult to justify such expenditure at the expense of profit. In addition, these SMEs are also fearful that their trained staff will be poached by competitors in markets where skilled labour is in short supply. Based on the above comments from Chinese SMEs, it appears that these enterprises are not investing training resources sufficiently to create a significant positive impact on company financial performance, despite a high training duration. If this is the case, the average training duration of SME employees or the proportion of SME employees undergoing training would be even higher if these enterprises had more resources and adopted a longer term and broader view of training benefits for their future operations and the overall economy. As such, this aspect of the findings suggests the possibility of hypothesis test H1 revealing a different relationship between the training variable and the company financial performance, if these SMEs were able to afford the optimal investment.

2. Job Creation

H3: The number of full-time jobs created by SMEs has a significant positive relationship with company financial performance.

The survey of 208 Chinese SMEs did not exhibit a statistically significant relationship between the number of jobs created by SMEs, and the performance indicators of profitability and sales revenue. Chinese SMEs are generally labour-intensive enterprises and hire low-cost labour for their production processes. They also possess antiquated production methods with low technology intensity and have little financial strength. Despite SMEs being a major employment force in the economy, their viability as long term employers and stable engines of job creation in China is dubious. Moreover, their financial predicament during the current global financial crisis has revealed their vulnerability. For example, it has been reported that 40% of Chinese SMEs have already closed down their businesses, with another 40% struggling to stay afloat financially during this period (China Commercial

Intelligence Network, 2009). Only 20% of the SMEs were reported to be unaffected by this crisis. One of the reasons behind their financial weakness is that Chinese SMEs are generally faced with high borrowing barriers when seeking financial support from lending institutions. This is because Chinese SMEs tend to have few or no quality assets for collateral and a bad history of defaulting on loan repayments. For example, a summary of loan performance obtained at the end of 2008 revealed that 11.6% of loans granted to small enterprises in China had degenerated into bad debts, which far exceeded the national average bad debt of 2% of loans awarded to all types of enterprises (Yi, 2009). In some regions, the rate of bad debts incurred by SMEs runs as high as 20%. Financing difficulties have been an age-old issue for Chinese SMEs, despite the incentives given by government to lending institutions to encourage financial support for SMEs. Statistical data compiled from major banking institutions in the first quarter of 2008 revealed financial bottlenecks in SMEs which had serious ramifications for the future viability of these enterprises. The proportion of loans granted by the commercial banks to SMEs in the first quarter of 2008 constituted only 1.5% of all loans granted and was 10% less than in the same period of the previous year, due to the tightening of credit during the global financial crisis (news.163.com, 2008). This means that the Chinese SMEs are facing a tougher financial challenge than ever before, and that their viability as long-term employers of the country's population is being put at stake.

3. ISO9000

H4: The implementation of accredited international standard ISO9000 or equivalent has a significant positive relationship with company financial performance.

Overall, the sample of 208 Chinese SMEs evinced significant positive relationships (at 1% significance) between the implementation of accredited international standard ISO9000 (or equivalent standards) and both profitability and sales revenue. SMEs in China accounted for 68% of all Chinese exports in 2004 and their exports are twice that of their US counterparts and five times their European counterparts (Hall, 2007). The Chinese SMEs have become acutely aware of the importance of producing quality products and services for the international marketplace, as a result of their active trading with developed countries over the years (Wang, 2001; Hung and Gong, 2007; An, 2008; Liang, 2009). Their main export markets are the USA, European Union, Japan and North America, all of which maintain stringent quality requirements on imported products. As a result, the adoption of quality assurance standards in the SMEs' production processes has been driven by importers from these developed countries.

4. Investing for Environmental Sustainability

H5: Environmental sustainability investment has a significant positive relationship on company financial performance.

There is no statistically significant positive relationship between environmental sustainability investment and SMEs' financial performance at the aggregate level. Although 68% of SMEs in the sample invested at least 1% of their sales revenue on environmental sustainability, this appears to be not enough to make a significant impact on their financial performance. Overall, China is not operating at an environmentally efficient level. Its energy utilization rate is 33%, its industrial water recycling rate 55%, and its mineral conservation rate (a measure of the reduction of loss and waste of non-renewable resources) 30%, which are 10%, 25% and 20% lower respectively than the standards achieved by the developed countries (Yao, 2008). Although the median proportion of sales revenues (3%) invested by the Chinese SMEs is higher than the counterpart contribution from Australian manufacturing industry (0.26%), the impact of the Chinese investment appears to be inadequate for China to close its environmental sustainability gap with the developed countries.

SMEs in China generally rely on pricing strategy to attract demand for their products and services, rather than non-pricing strategies which emphasise innovative and quality products and services to engage customers. They lack the ability to be innovative because of their inexperience, and because of the limited availability of resources for research and development activities. In a survey conducted by UPS Asia Business Monitor (2009), 81% of Chinese SMEs admitted that the lack of innovation is the major obstacle to their competitiveness in the marketplace. In addition, 78% of SMEs indicated that the lack of access to business financing hinders their business growth. Due to a persistent lack of financial support, these enterprises have to compete on pricing. However, their attempts to achieve a production cost that supports a low pricing strategy frequently means that they are unable to afford the integration of certain voluntary ‘ancillary’ processes into their operations. For example, integrating environmental sustainability processes is considered an ancillary activity and an unnecessary cost burden by struggling Chinese businesses (Ren and Yan, 2008).

If SMEs bring down their implicit costs by acting in an environmentally irresponsible manner by reducing the cost of pollution and protection, they will experience higher explicit costs and their competitive platform will be eroded. For example, Cheng et al. (2007) found that Chinese enterprises have to bear an extra export certification cost of between 1 million and 2 million yuan in order to comply with the new European Union (EU) Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (known as REACH) which was introduced by the EU to ensure a high level of protection for human health and the environment. If proper environmental protection measures are in place in the Chinese economy, the savings of this superfluous cost would alleviate the financial pressure on exporting enterprises, particularly the financially strapped SMEs.

Discussion

The hypothesis test results reveal no significant relationship between SMEs’ profitability and training time per SME employee, or the proportion of SME employees attended training. The same insignificant relationships exist between sales revenue and each of these training variables. While the descriptive measures in Table 1 reveal a healthy picture of training support (in terms of long training duration and high proportion of employees undertaking training) in SMEs, there is however no statistically significant positive link between either training variable and the posited financial performance measures. The authors caution against an immediate conclusion of a null relationship between these variables, because failure to provide adequate training can retard the development of SMEs. Information on the training duration and the proportion of staff undertaking training is useful for understanding the CSR profile of SMEs’ commitment to training and development. However, further research needs to be conducted on the manner, approach and content of the training, and the applicable relevance of training for determining impact on the financial performance of SMEs.

There is also no significant relationship between profitability or sales revenue and job creation by SMEs, and likewise between financial performance and environmental sustainability investment by these firms. Overall, the relevant Pearson correlation coefficients suggest insignificant relationships between the three aforementioned CSR-oriented attributes and financial performance for the sample of 208 Chinese SMEs. However, there is a significant positive relationship between implementation of accredited international standard ISO9000, or equivalent standards, and financial performance in SMEs. The implementation of quality assurance standards in SMEs’ production processes was mainly driven by importers from developed countries, which tend to impose stringent quality requirements on imported products. Informal feedback and comments obtained during the survey period suggest that the Chinese SMEs’ roles in training, employment, quality assurance standards and environmental responsibility were primarily carried out as part of their core business function rather than for any CSR purposes. With the exception of quality assurance standards (represented by the implementation of accredited international standard ISO9000 or equivalent standards), the insignificant relationships between the 3 variables and financial performance may be due either to an insufficient level of commitment to these activities or to the fact that the benefits associated with these activities have yet to come to fruition .

The statistically significant positive relationship between the implementation of accredited international standard ISO9000, or equivalent standards, and the financial performance of the Chinese SMEs implies that CSR-oriented activities can be driven by market forces or customer demand. This relationship indicates that Chinese SMEs are becoming increasingly integrated into the global economy and will find social and environmental standards increasingly becoming a precondition for doing business with companies in developed countries. Although the Chinese SMEs initially adopted ISO9000 certification primarily for economic reasons rather those of CSR, the authors still regard this as a positive start towards socially responsible behaviour. The influence generated by customers within the value chain can be a powerful tool in developing the SMEs' perspective on quality assurance. The attitude towards product and service quality has now developed to a broader level that embraces supply chain efficiency. For example, a survey reported by the UPS Asia Business Monitor (2009) reveals that 93% of Chinese SMEs regarded supply chain efficiency as a critical success factor for their businesses. One quarter of these enterprises believe that supply chain efficiency can bring about reductions in capital outlay, while 23% believe it can help improve quality assurance for their products and 18% believe it can be used to forecast demand. This demonstrates that market conditions and competition pressure can lead to a change in attitude among SMEs in their quest to become viable suppliers in global trading.

Overall, Chinese SMEs tend to have a lower level of aggregate commitment to CSR in their core functions and business activities because of financial and resources constraints. Like many of their counterparts in emerging economies, the Chinese SMEs have undergone a relatively short and brisk period of development and are still experiencing rapid changes and demands from the market. For instance, their management philosophy, style, industrial structure, product mix and market orientation are still grappling with the demands of market competition and reform (Chen, 2006). Generally, they face challenges in the form of an unskilled labour force, low levels of management skills, weak innovative ability and difficulties in obtaining finance (Ren 2003; Dong, 2007; UNDP, 2005; Wang, 2008). These challenges can impede SMEs' ability to undertake CSR-oriented activities to a level where a positive impact on financial performance could be generated. Their commitment is expected to weaken if financial and resources constraints become tighter. A worldwide survey conducted by UPS Asia Business Monitor (2009) on 150 Chinese SMEs found that 64% of them plan to diversify their business or develop new revenue sources to combat challenges generated by the global financial crisis. Fifty-nine per cent of enterprises in the same group responded that they will reduce expenditure spending while 55% will tighten their cash management. Given the financial challenges, the lack of expertise and the skilled labour shortage in SMEs, achieving competitive advantage through innovation in products and services as well as developing new markets and building new business models can be very difficult. Cost-cutting strategies are a more accessible option for these enterprises and are likely to involve reduced spending on activities that may generate socio-economic externalities in the economy but not immediate economic impact for the businesses. It will be no surprise if profits prevail over social responsibility. A commonly targeted area for cost-cutting would be environment protection and control measures, because they are not generally viewed by Chinese SMEs as profit-enhancing processes. This view is also reinforced by the fact that SMEs lack the experience and functional expertise to integrate environmental aspects into their operations in order to enhance financial performance. However, if SMEs do not address environmental issues in their production and management operations, the cost repercussions are likely to be magnified in the long run.

CSR issues generally tend to be of low priority for SMEs if they are not required to comply with legislation, particularly if they view such undertakings as costly to integrate and unlikely to generate immediate or foreseeable returns. If public pressure is strong enough, it can replace regulatory imposition on businesses in the uptake of CSR and the extent of CSR engagement. However, this requires businesses to be at a mature level of development for the actualisation of socially responsible behaviour, and also financially empowered to move towards integrating social values into their decision-making processes.

Williamson et al. (2006) advocated the development and imposition of regulatory structures to generate pressure on SMEs to increase their uptake of environmental and social practices. In this way, environmental and social responsibility can be shared equitably across all types of enterprises. However, imposing regulatory compliance needs careful cost-benefit analysis because it can increase firms' non-productive overheads (Kapstein, 2001). In addition, regulation is costly to business and restricts the flexibility of decision-making. If CSR legislation is to shape the activities of Chinese SMEs, a consultative process involving interaction and negotiation between policy makers and these firms will be essential. Ideally, such a policy initiative would be more likely to yield mutually agreed socially and environmentally beneficial outcomes which have taken into account the difficulties of SMEs in taking on CSR. However, it will be difficult to mandatorily impose CSR on Chinese SMEs.

Legislative power has recently been used to influence CSR uptake in Chinese enterprises but its effect has been largely confined to persuasion and encouragement. For example, the guidelines issued by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) in early 2008 encouraged its large, state-owned enterprises to actively take on CSR. On January 1, 2006, the Company Law incorporated a CSR edict for the first time in its legislative history but it merely encouraged Chinese enterprises to undertake social responsibility as part of their duty.

Conclusion

This paper has examined the CSR orientation of Chinese SMEs based on their internal functions, including training, job creation, quality assurance and environmental sustainability. Despite SMEs' participation and investment in training, job creation, and environmental sustainability, their involvement and action have not produced a statistically significant positive relationship with their financial performance (as measured by profitability and sales revenue). The only CSR-oriented activity that registered a statistically significant positive impact on financial performance was quality assurance (as measured by the implementation of accredited international standard ISO9000 or equivalent standards). The uptake of quality assurance by these SMEs was largely attributed to their involvement in global trade, whereby market and competition conditions pressurised these businesses to gain certification for their internal processes and participation in the international supply chain.

The obstacles faced by the Chinese SMEs (which include a lack of access to business financing, a lack of innovative capability, and an inexperienced and unskilled management and labour force) have resulted in these CSR-oriented activities being undertaken primarily for economic reasons rather than for their social value. There is a risk that the statistically significant positive relationship between quality assurance and financial performance may be eroded if these obstacles are not resolved. The lag in CSR uptake in the Chinese economy may aggravate the costs involved in the monitoring and certification of quality standards, so that it becomes a major burden to struggling SMEs and eventually erodes their share of the international market. This paper has also suggested that using legislative powers to enforce the uptake of CSR-oriented activities in enterprises must take into consideration the inherent difficulties faced by SMEs.

Endnote

1. Some of these Dutch firms are not considered SMEs because SMEs in Netherlands are defined as enterprises with less than 100 employees.

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Corporate Responsibility for Systemic Occupational Stress Prevention

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Abstract

The purpose of this paper is twofold: to highlight the increased focus on corporate governance responsibility for managing employees' psychological health, and to present an argument for a systemic approach to prevention of occupational stress. The paper commences with a brief description of the problem posed by occupational stress as a threat to organisational effectiveness. It then discusses the types of currently observed organisational responses to this issue and the extent to which they are shaped by beliefs about occupational stress. There are two fundamental approaches to dealing with work stress, one aimed at the individual and the other, at the organisation. The more comprehensive approaches have been increasingly reported to be more effective. The argument for a systemic approach to its prevention is then developed, in line with the risk management framework currently being adopted by Government jurisdictions governing Occupational Health and Safety in Australia and New Zealand. As the stress issue is now couched in health and safety terms, it is a moral and legal duty of the Board to satisfy itself that it is effectively addressed.

Keywords

Occupational stress, job stress, prevention, stress intervention, stress management, risk management, systems approach

Introduction

Stress in the workplace is recognised as an increasingly significant and global problem in terms of negative economic, health, and social outcomes. The issue of employees' psychological health is relevant to corporate governance to the extent that it concerns organisational effectiveness as well as ethical, moral, legal and financial aspects of responsibility for human resources.

While there is a general agreement amongst the business, practitioners and research community that the experience of stress has adverse consequences for workers and their employing organisations, there is discrepancy in the views regarding its definition, causes, and responsibility for tackling the problem.

These obstacles, however, should not deter decision makers from exploring this important issue, attempting to identify the underlying causal factors under their control and creatively tackling it through evidence-based intervention programs. The organisations that find a way to generate healthy profits without creating risks to mental health of their workforce are likely to benefit from the wellbeing and goodwill of their employees and their enhanced ethical reputation.

Despite the lack of precision in measuring work stress and defining its mechanisms, researchers and practitioners have converged on the notion that it involves an interaction between the individual and the organisation. However complex this interaction may be, its organisational aspects fall within the area of corporate responsibility, similarly to the way in which health and safety issues have been accepted in recent years.

While there is little argument about employer's responsibility for ensuring a healthy work system environment in the physical realm, there are some misconceptions about the same obligations in the psychological realm. These stem from the way stress is sometimes conceptualised by decision makers as an individual rather than a corporate problem. The belief that individual employees are responsible for their experience of stress has led to stress prevention strategies addressing individual factors being far more prevalent than those addressing organisational factors. The individual and organisational approaches represent the two fundamental types of methods of managing stress in the workplace. The more comprehensive approaches have been increasingly found to be more effective (LaMontagne et al. 2006; Blewett et al. 2006).

If occupational stress is understood as a transaction between the worker and the work environment (Cox & Griffiths 1995; Israel 1996), then it has significant implications for corporate governance in the areas of organisational effectiveness, employee health, employee performance and risk management. This concept of work stress has led to recent developments in Occupational Health and Safety (OHS) legislation reinforcing employers' responsibility for providing a work environment that is free of risk to employees' psychological health. As OHS legislation and various regulations define criminal law duties for organisational entities and natural persons in charge of them, it is important to ensure that psychological health is managed with the same rigour and determined focus as physical safety, and to minimise exposure of risk for those responsible for corporate governance.

The costly problem of occupational stress

As organisations face pressures to maximise productivity and minimise costs due to increased global competition and rapid advances in technology, the resulting outcomes for their employees are greater work intensity and lesser job security (European Agency for Safety and Health 2007). These global factors are believed to have produced a more stressful work environment generally, however, there are many other local management factors such as unsupportive and laissez faire leadership styles, interpersonal conflict, and poor job design, that have been linked to high stress outcomes (Caulfield et al. 2004; Dollard & Knott 2004; D'Aleo et al. 2007).

The extent of the work stress problem can be readily measured in terms of direct costs of workers' compensation claims relating to psychological injury. In Australia, workers are entitled to claim for work related injury including mental health, popularly referred to as "stress claims". The number of claims in the "mental stress" category has grown rapidly in the last decade (from 4440 claims in 1997-98 to 8665 in 2004-05, representing 95% growth) while the annual number of overall workers' compensation claims decreased by 13%, in the comparable period. Despite recent initiatives in various compensation jurisdictions to reduce access to such claims, their costs as a proportion of overall compensation expenditure keep increasing. (Australian Safety and Compensation Council 2008).

The direct cost of stress in Australia is estimated to be in excess of $100 M out of an $8 B expended on work injury compensation (Australian Safety and Compensation Council 2009). Serious claims involving mental stress have consistently the longest median time lost from work (10 weeks, compared to 3.8 weeks for all serious claims) and the largest median cost ($12,700 per claim), (Australian Safety and Compensation Council 2008).

Significant costs and incidence of stress have also been reported worldwide. In the UK, the leading employers' association, Confederation of British Industry ranks stress as the second highest cause of absenteeism estimated to cost British industry well in excess of £10bn. Surveys of workers in Europe, UK and US have consistently found about 30% reporting that they find their work stressful. (Giga et al. 2003b; Murphy & Sauter 2003; Jordan et al. 2003).

The costs to the economy related to workplace stress are far greater than those directly attributed to workers' compensation. Indirect social costs of work stress have been linked to poor physical health outcomes mental health problems, mental illness, and unhealthy behaviours [1]. Additional costs to organisations include unplanned absences, employee turnover, increased industrial accidents, lower morale and lower productivity (De Bruin & Taylor 2005; Caulfield et al. 2004; Senol-Durak, Durak & Gençöz 2006)[1].

Understanding work and stress

Organisational factors linked to stress

Various definitions of stress gave rise to many theoretical frameworks over the years. A growing convergence of the stress definition has been on a harmful psychological and/or physiological response of the individual that has both emotional and cognitive components and that is a product of an imbalance between appraisals of environmental demands and individual coping resources (Cox & Mackay 1981; Israel 1996).

The features of the work environment linked to stress responses have also been increasingly agreed upon, particularly following the UK and European research leadership in this area. A series of studies led by the UK Health and Safety Executive (HSE) has narrowed the number of environmental factors which have been linked to harmful stress responses. The HSE taxonomy (Cox & Griffiths 1995) which later gave rise to management standards aimed at creating a healthy organisational environment have been narrowed down to the following seven factors (Mackay et al. 2004):

- Demands (including workload and work patterns)
- Control (how much say the person has in the way they do their work)
- Support (including management encouragement, supportive leadership and resources)
- Relationships at work (including interpersonal interactions and the processes of dealing with conflict)
- Role (clarity of the worker's understanding their role and the degree of role conflict)
- Change (how it is managed and communicated within the organisation)
- Culture (the way organisations demonstrate their commitment to fairness and openness).

The HSE approach has been underpinned by an Occupational Health and Safety paradigm which has led to the development of intervention strategies within the risk management framework, adopted by Governmental OHS jurisdictions within Australia and New Zealand. This paradigm is a useful reminder of health-promoting aspects of work. While stress research focuses on the negative aspects of work that potentially cause harm, the same factors, when managed well, produce positive psychological and social outcomes.

All of these factors are within the control of executive management for which they need to be accountable to their Boards or others responsible for corporate governance because of their impact on resources, employees' health and therefore corporate risk and organisational effectiveness.

Causal links between work environment and stress

Evidence of causal links between the work environment and psychological harm experienced by workers is found in two lines of evidence. First of these is from empirical studies of real work conditions, and second from epidemiological studies of biological pathways of how injury is sustained (Mackay et al. 2004).

There is now solid evidence of biological mechanisms that link psychosocial hazards in the workplace to poor health or disease such as cardio-vascular, coronary, blood pressure levels and poor mental health outcomes. These include physical changes such as immune system responses, neuro-endocrine changes, blood coagulation disturbances, to name a few and psychological mechanisms such as anxiety, hyper-vigilance and risk taking (Bosma et al. 1997; Yusuf et al. 2004).

Mental and psychological ill health, including: anxiety, depression and emotional exhaustion have also been linked to specific psycho-social work factors such as lack of job control, work overload, and unclear work roles. Evidence is also building on the relationship between the work environment and health behaviours such as smoking, lack of activity, poor diet and alcohol consumption. These in turn, form an indirect link between work and ill physical health, (LaMontagne et al. 2006).

Risk Management nomenclature

Couching the discussion of stress in risk management terms adds clarity and provides a solid basis for its prevention. If stress is agreed to be a negative and harmful response, what previously might have been referred to as stressors or stress factors can be described as hazards within this framework.

A hazard is defined as an event, a situation or an aspect of work which has the potential to cause harm (Cox et al. 2000). The concept of risk provides an estimate of such a potential of harm when the frequency of exposure to the hazard, and the probability and severity of its negative consequences are considered. Psychological injury or harm become far more precise terms than “stress” which will continue imply a negative response within an individual, a precursor to or a warning signal of potential harm.

The risk management approach to understanding and preventing stress has gained an increasing acceptance in UK, Europe, New Zealand Australian Health and Safety jurisdictions (refer to Table 1). In this paradigm, the mechanism of injury is treated in the same way as in physical injuries, recognising that the injury occurs as a result of the interaction between the individual and the environment. For example, the worker’s exposure to a slippery floor hazard may lead to their injury only if they interact with it by slipping. Increased exposure to a physical hazard and certain personal characteristics (such as poor sensory-motor co-ordination) will cause increased risk in the same way that some individuals will be at greater risk of psychological harm due to their transactions with those aspects of work known to act as psycho-social hazards.

As shown in Table 1, all the Australian and New Zealand jurisdictions regulate risk management approaches to be adopted as a way of ensuring a healthy work environment and all of them imply that mental health issues are encompassed by the same regulations as the physical. Some, however, do so explicitly, either through a general definitional inclusion (e.g. Victoria) general statements about psychological hazards (e.g. NSW, NZ) or references to specific psycho-social hazards. The most commonly occurring hazards are singled out in OHS legislation are: bullying, occupational violence, fatigue and change (e.g. SA).

TABLE 1. Legislative instruments governing employers' obligations of duty of care for employees' psychological health in Australia and New Zealand.

Jurisdiction	Legislative instruments governing employers' obligations to provide safe work environment	OHS Act Section outlining employers' duty of care	OHS Section outlining employers' risk management obligations	Specific references to employers' responsibilities for employees' psychological health[1]	Related Guidelines and Regulations to managing occupational stress
Victoria	Occupational Health & Safety Act, 2004; Occupational Health and Safety Regulations 2007	S. 21 (1) An employer must, so far as is reasonably practicable, provide and maintain for employees of the employer a working environment that is safe and without risks to health.	S. 35 of the OHS Act 2004 requires the employer to consult with the employees when identifying hazards and assessing risks. S. 2b. .. obligation to eliminate, at the source, risks to the health, safety or welfare of employees and other persons at work;	S. 5 clarifies the definition of health applying to the obligations of the entire OHS Act: "Health includes psychological health"	*Stresswise* – Preventing Work-Related stress, A guide for employers in the public sector, 2007 Preventing and responding to bullying at work
NSW	Occupational Health & Safety Act 2000; Occupational Health And Safety Regulation 2001	S. 8 (1) An employer must ensure the health, safety and welfare at work of all the employees of the employer	OHS Regulation 2001 requires of an employer to identify hazards, assess risks and eliminate or control risks to the health and safety of workers.	OHS Act S. 7 defines risks as attributable to: the manner of conducting an undertaking. OHS Regulations S. 9 (2) (b) mandates that employer must take reasonable care to identify any foreseeable hazard and arising from: work practices, work systems and shift working arrangements (including hazardous processes, psychological hazards and fatigue related hazards)	Risk Management Code of Practice, 2007 Prevention of Workplace Harassment Code of Practice 2004 Workplace Violence, 2002
Qld	Workplace Health & Safety Act, 1995; Workplace Health and Safety Regulation 2008	S. 29 (1) .An employer. has an obligation to ensure the workplace health and safety (..) of each of the person's workers	S. 22 (2) describes risk assessment and control obligations S. 30 (1) A person in control of a workplace has (..) obligations to ensure the risk of injury or illness from a workplace is minimised; Risk Management Code of Practice 2007 – general application	General application of the duty of care. Specific information provided for harassment, fatigue and occupational violence.	Prevention of Workplace Harassment Code of Practice 2004 Publications on occupational stress: risk management approach, Dept of Employment and Industrial Relations.
Western Australia	Occupational Safety and Health Act 1984; Occupational Safety And	S 19 (1) An employer shall, so far as is practicable, provide and maintain a working environment in which the	S.3.1 outlines the requirement to conduct identification of hazards, assessing and addressing risks in	General application of OHS Act. Stress at Work publication states: Stress becomes an occupational hazard if it	Stress at work A Code of Practice for Prevention and Management Violence,

Jurisdiction	Legislative instruments governing employers' obligations to provide safe work environment	OHS Act Section outlining employers' duty of care	OHS Section outlining employers' risk management obligations	Specific references to employers' responsibilities for employees' psychological health[1]	Related Guidelines and Regulations to managing occupational stress
	Health Regulations 1996	employees are not exposed to hazards	the workplace	adversely impacts on safety and health in the workplace A Code of Practice – Violence, Aggression and Bullying outlines risk assessment requirements	Aggression and Bullying at Work
South Australia	Occupational Health and safety and Welfare Act (SA) 1986; Occupational Health, Safety And Welfare Regulations 1995	S 19 (1) and S. 22. An employer must ensure that the employee is, while at work, safe from injury and risks to health	Risk control measures for work stress outlined in Safeguards Workplace Stress publication.	S. 19 (3) (f) specifically mandates employers' responsibility for providing information and supervision to any employee who could be put at risk by a change in the workplace, S. 4(4) of the Act deems workplace bullying an offence by defining an occupational health and safety matter as including anything that affects a worker's general well being at work	Safeguards Workplace Stress – guidance note
Northern Territory	Work Health Act Workplace Health and Safety Regulations	S 29. Ultimate responsibility of employer for ensuring safe workplace is maintained	Risk management included in Regulations	Risk management related to stress described in Managing stress in the workplace – A practical guide for managers	NT WorkSafe, Managing stress in the workplace – a practical guide for managers
ACT	Work Safety Act 2008; Work Safety Regulation 2009	S 37 (1) An employer shall take all reasonably practicable steps to protect the health, safety and welfare at work of the employer's employees	General guidelines for risk management	General application.	Guidance on workplace violence
Common-wealth	Occupational Health & Safety Act, 1991	S16 (1) An employer must take all reasonably practicable steps to protect the health and safety at work of the employer's employees	S. 16 (2A) 3 b arrangements relating to risk management to be in place OHS Code 2008, Part 1 outlines risk management process	Guidelines provide specific instructions on prevention and management of psychological injuries.	Beyond working well - A better practice guide. - A practical approach to prevention and management of psychological injury in the workplace. Bullying in the workplace – A guide for prevention for managers and

Jurisdiction	Legislative instruments governing employers' obligations to provide safe work environment	OHS Act Section outlining employers' duty of care	OHS Section outlining employers' risk management obligations	Specific references to employers' responsibilities for employees' psychological health[1]	Related Guidelines and Regulations to managing occupational stress
					supervisors
New Zealand	Health, Safety in Employment Act.	S 6 Every employer shall take all practicable steps to ensure the safety of employees while at work	General guidelines for risk management	HSE Amendment 2003 clarified that "harm includes physical and mental harm caused by work related stress", a person's behaviour may be an actual or potential cause or source of harm" that might result from "physical or mental fatigue"	Morale, Distress and Healthy Work, 2008

NB. (1) Statements underlined by the author to indicate the most direct references to psychological health within the legislation, regulations or guidelines.

Corporate Responsibility

The risk management approach to understanding stress assumes a causal link between hazards and potential harm, without the need to focus on the individual responses. As such, organisations need to manage this issue in a similar manner to any other risk arising from their business activities. There is a distinct lack of evidence, however, that this area of corporate responsibility is assumed with the same rigour as other risks, for example, physical safety, financial or technological.

It is proposed that underlying this lack of activity in the area of organisation-level stress prevention is the belief, amongst organisational decision makers, that main cause of "stress" should be attributed to the individual, for example their coping resources or their personality profile. Such belief which is a necessary precursor to action, according to the Theory of Planned Behaviour, forms a barrier to any meaningful change required at the organisational level to control the hazards and therefore prevent stress.

Employers tend to hold the view that causes are found within the individual, whereas unions are more likely to espouse the view that work environments cause stress (Sanders 2001; LaMontagne et al. 2006; Redfern, Rees & Rowlands 2008). Different beliefs underlying the understanding of stress lead to ineffective communication amongst the key organisational stakeholders and slow progress in improving the effectiveness of its prevention.

Some researchers are more direct in placing the responsibility for failing to prevent work stress at its sources with the managers. Giga, Cooper & Faragher (2003a, p. 282) proposed as one of the reasons for the individual focused approach as Senior management failing to take responsibility – blaming employee personality and lifestyle rather than employment factors".

The question of responsibility for causing harmful effects is directly related to sense of responsibility for their prevention and management. At the moment, it appears that there is still no agreement reached on the question: "who is responsible for minimising stress in the workplace?" (Sanders 2001).

There are examples emerging of some Boards taking the lead on this responsibility. The UK's HSE has nominated, for example, five companies as "beacons of excellence" demonstrating top management commitment to preventing occupational stress (Jordan et al. 2003*)*. One of the named companies was Rolls-Royce whose Health Safety and Environment Committee reports directly to the Board and is chaired by the Chief Operating Officer. One of its initiatives was a comprehensive stress prevention program, including managers' tools and education (Rolls-Royce Annual Report 2006). It is not a coincidence that the company's Code of Ethics explicitly refers to its commitment to making proper provisions for the health, safety and wellbeing of its employees (Rolls-Royce Global Code of Business Ethics 2009).

Approaches to stress prevention

A stress intervention program has been defined as "any activity or program initiated by an organisation that focuses on reducing the presence of work-related stressors or assisting individuals to minimise the negative outcomes of exposure to these stressors" (Ivancevich et al. 1990).

Organisations at times react to the need to reduce stress in their workplaces. Often this need is recognised through poor people-related outcomes, such as unplanned absences or high cost of stress-related workers' compensation claims. However, there appears to be a lack of congruence between the insight about the stress processes gained from research and stress interventions within organisations. In general, the budgets allocated to reducing and combating workplace stress do not appear to be commensurate with the level of its indirect and direct costs, about which there is general agreement (Cooper et al. 2001; Giga et al. 2003b).

Categories of interventions

Stress interventions have been categorised along two broad dimensions: (1) the degree of prevention, i.e. primary, secondary and tertiary, and (2) the level of organisational involvement, i.e. organisation-wide, team-based, individual, and a combination of these (Sutherland & Cooper 2000).

Primary prevention refers to those strategies that aim to prevent the occurrence of stress, secondary approaches refer to those that ameliorate the effects of stress once its experience has been noticed and reported and tertiary interventions deal with the enduring health outcomes of stress through rehabilitation and return to work processes.

Examples of primary prevention, or organisational level interventions, are job and/or process redesign, leadership development programs, cultural change etc. Secondary prevention at individual level interventions includes Employee Assistance Programs (EAPs), Cognitive-Behavioural therapeutic or stress management training approaches. Examples of tertiary intervention programs are rehabilitation programs assisting those who have suffered psychological injury due to stress to return to work.

Individual approaches

Interventions within the individual category include the following programs: relaxation training with and without biofeedback, meditation, cognitive-behavioural therapy, physical exercise, time management training, Employee Assistance Programs, other health promotional education (Giga et al. 2003b). Some approaches include a combination of these programs, however, all of these are based on the assumption that altering the individual's perceptual, information processing, cognitive and behavioural responses are sufficient in order to reduce the probability of harmful stress effect. They also fundamentally ascribe the responsibility for managing stress to the individual.

Organisational approaches

Organisational level interventions tend to be proactive in nature and thus belonging in the primary prevention category of stress interventions. There are numerous examples of organisational-level interventions as they can include any program designed to develop and improve organisational health. All of these can have preventive effects on employees' health.

Giga, Cooper & Faragher (2003a) have identified the following programs reported in various studies as organisational stress intervention: Selection and placement, training and development programs, improvements in physical environments, communication improvements, and job design/ restructure, and combinations. There are also combinations of these approaches.

Some of these organisational approaches listed above are immediately recognised as standard management programs adopted at various cycles of organisational life to effect change or improvement in performance. The extent to which these can be classified as stress intervention programs depends on the purpose for which they are enacted.

Multi-modal approaches

Stress intervention approaches combining individual and/or team with an organisational strategy are referred to as multi-modal. Examples of such programs at both individual and organisational levels are the creation of peer support groups, improving worker participation, Cognitive Behavioural Therapy (CBT) based training and relaxation.

The most common approach observed in organisations is found in the secondary – individual category. These types of intervention programs aim at the individual altering his or her perceptions of the work environment and learning resilience and coping skills to reduce the negative impact of potential stressors (Richardson & Rothstein 2008).

Systems approach to stress intervention

An organisational intervention that has become known as comprehensive or a systems approach is noted by a number of components including context-specific identification of those aspects of work that pose hazard to employees' psychological health. One formal approach to such an assessment is the risk management methodology with includes hazard identification, assessment of risk and planning (Cox & Griffiths 1995), as a component of the organisation's Occupational Healthy and Safety system.

The Vichealth study classified stress intervention evaluation studies as having a "high" systems approach if they were focused on primary prevention directed at the organisation and environment, if they were integrated with either secondary and/or tertiary interventions, and if there was a stakeholder participation in the conduct of needs or risk assessment (LaMontagne et al. 2006).

The following general hallmarks are typical of a stress intervention program that can be classified as being systemic (Jordan et al. 2003):

1. Risk assessment methodology
2. Top management commitment
3. A participative approach
4. A formal stress prevention strategy
5. Stress prevention activity.

Researchers consider that practice in the above five areas to be essential to the development of a comprehensive stress prevention program and a culture that supports healthy workplace practices (Jordan et al. 2003).

An important point of differentiation of a systemic approach is the emphasis of an accurate assessment of specific and context-specific risks. By focusing on the work aspects to which the employees are exposed and which they report are most associated with negative effects employers, the prevention programs can be intelligently designed and evaluated [2]. A prevention program that adopts the international risk management standards has built-in components of a systems approach.

Evaluation of Effectiveness of Interventions

Definitional and theoretical differences in approaching stress by various researchers have led to different intervention approaches. There have also been varying approaches to studying the effectiveness of those interventions. Some studies use pre- and post-intervention individual measures of stress responses, using either physiological, psychometric tests or qualitative self-reports. Others utilise organisational measures, typically involving perceptions of the participants and rarely quantitative organisational outcomes.

A number of meta-studies have recently emerged providing a comprehensive analysis of the known effectiveness of stress interventions both internationally (Kompier et al. 2000; van der Klink et al. 2001; Jordan et al. 2003; Giga et al. 2003b, Richardson & Rothstein, 2008) and locally in Australia (Caulfield et al. 2004; LaMontagne et al. *20*06, Blewett et al. 2006). These have limited their selection of source studies on the basis of rigorous evaluation methodology.

The meta-studies addressing the effectiveness of stress interventions published in the last twenty years were identified through the search utilising EBSCO host search engine (incorporating: Business Source Complete, PsycARTICLES, PsycINFO, Medline, and Blackwell Encyclopedia of Management Library). The following groups of terms were used for this search: "Stress" and "work" and Prevention or Intervention" and "Meta-Analysis", "Analysis" or "Evaluation". Search was limited to peer reviewed articles and to the period of publication between 1979 and 2009.

The following criteria were used to select the meta-analysis studies of stress prevention for analysis:

- International and Australian studies were included;
- The source studies' methodological rigour was assessed by the reviewers and studies were rejected if they did not meet a certain standard;
- Studies were published either in a peer-reviewed journal or were commissioned by a government institution.

In addition, research review articles referenced in all of them were included. Other reviews were obtained through searching OHS related institutional Australian websites such as State Government Departments responsible for regulating OHS e.g. WorkSafe and Safe Work Australia. The results of this meta-analysis are shown in Table 2.

TABLE 2 Analysis of Systematic Reviews of Stress Interventions in the Workplace

Authors	No of reviewed articles	Geog. Area limit	Period	Criteria for selection of articles	Industries	Approach	Research Quality Evaluated and Rated	Classification framework for Individual (I) vs Org programs (O)	No and % of reviewed articles – organisational intervention	Conclusions about effectiveness and Org. vs Individual interventions
Newman & Beehr 1979 (referred to as the first study of its kind)	46	Intnl	1967-1978	General Literature Review of personal and organisational strategies for handling stress	Wide range	Narrative	Opinions and Evaluation studies included; No attempt to exclude or rate studies other than to note its evaluation methodologies; only 1 study with controls	12 categories based on different adaptive responses or participants (person, organisation, outsider), the primary target (person, org) and nature of response (preventive, curative)	23 out of 46 articles addressing organisational strategies	No conclusions about effectiveness can be drawn.
Murphy 1984	13	Intnl	1977-1984	Focus on individual interventions	"White collar" workers	Narrative	Great variation in research quality but no attempt to exclude studies with poor methods; Lack of evaluative studies noted	3 categories of intervention primary, secondary and tertiary.	None	Generally acceptable positive effects but difficulty assessing the quality of gains.
van der Hek & Plomp 1997 (Update of DeFrank & Cooper 1987)	37	Intnl	1987-94	Any stress intervention with some evaluation	Wide range	Narrative	Some kind of evaluation	3 categories based on level of intervention: I, O and I/O interface	5 out of 37 (13.5%) identified as O-level intervention; only 2 of them used org measures	Some effect noted in interventions but no consistent picture.
Kompier *et al* 2000	9	Europe	Prior to 2000	Specific intervention – implemented and evaluated; unpublished case studies	Range	Case Study step-by-step approach	1-5 star evaluation quality; Minimum 3 star standard required for selection; Only 1 obtained 5 star rating.	Classified into Work-directed, Person-directed and other interventions/ measures	8 out of 9 reported both work-directed measures. Majority (7 out of 9) reported both work and person-directed measures.	In 3 out of 4 studies using sick leave as an outcome measure showed significant reduction. 7 studies using self-report measures in general had positive outcomes. 4 reported economic cost benefits.
Bunce & Stephenson 2000 (Overlaps with van der Hek & Plomp Murphy	27	Intl	1980 - 1997	Only individual level outcome measures; n>10; full intervention;	Range	Statistical change	Studies selected on the basis of reporting evaluation measures ; only 10 out 27 studies considered to have optimal	Studies only with individual measures selected; Noted if reduction or prevention of stress were targeted. Reported only if intervention procedure was identified or	None reported.	16 out 49 (33%) measures (14 studies) showed meaningful change. 6 out of 49 measures showed

Authors	No of reviewed articles	Geog. Area limit	Period	Criteria for selection of articles	Industries	Approach	Research Quality Evaluated and Rated	Classification framework for Individual (I) vs Org programs (O)	No and % of reviewed articles – organisational intervention	Conclusions about effectiveness and Org. vs Individual interventions
1996 and Bunce 1997)				some evaluation			level of statistical power.	theoretical background was provided.		reliable change.
Jordan et al (HSE Beacons of Excellence study) 2003.	74	Intl	1990-2001	Only with evaluations Min n=30; working population; Min 3 star research rating	Wide range	Case study approach; Research quality and good practice success factors identified by expert panel.	Murphy's 5- star research rating; 24% achieved 5-star rating	Classified into 3 categories: (I, O and I/O) then broken down to more specific 5-8 interventions in each category.	6 = only O 14 = O & O/I 9 = O, I, & O/I 39% - some Org level intervention	More comprehensive strategies (I/O and O cat's) more likely to lead to improvements in both individual health and org performance. Individually based programs have some immediate benefits but no long term effects; Tendency for short-time frame evaluations;
Mimura and Griffiths 2003	10	Intl	1990-2002	2 interventions compared to each other or control; outcomes measured	Nurses	Narrative	Categorised into placebo or control groups	2 categories: Environmental and Personnel support interventions	3 out 10 classified as "environmental management" interventions	"Environmental change" interventions are possibly or potentially effective; more evidence for the effectiveness of "personnel support" for reducing stress amongst nurses, however not possible to determine what kind of approach is more effective.
Caulfield *et al.* 2004	6	Australia	1993-2003	Specific intervention – implemented	All public sector (inc.	2 independen t reviewers	1 to 5 star rating; 1 out of 6 given a 5-star	Primary-secondary- tertiary matrix proposed but only classified by individual	1 out of 6 studies with org. focus	Individually based programs do not perform well at

Authors	No of reviewed articles	Geog. Area limit	Period	Criteria for selection of articles	Industries	Approach	Research Quality Evaluated and Rated	Classification framework for Individual (I) vs Org programs (O)	No and % of reviewed articles – organisational intervention	Conclusions about effectiveness and Org. vs Individual interventions
				and evaluated	nurses, correctional officers, police and fire fighters)	using the descriptive framework	rating; 1 out of 6 given a 4- star rating	vs.org. responsibility for implementation		reducing stress; Org –based intervention produced better. Training seminars produced better coping
van der Klink *et al*. 2001	48	Intl	1977-1996	Studies had to be designed to prevent or reduce stress; working population	Wide range of industries	Meta analytic technique	Only experimental of quasi-experimental studies (selected from identical populations) included; Outcome variables had to be well defined and reliable	Classified by 4 categories of interventions: organisational, multi-modal, cognitive-behavioural and relaxation	5 out of 48 studies with org. focus	Small overall effect of d=0.34; When broken down by intervention type: Cognitive-behavioural types had the greatest effect (d=0.68) followed by multi-modal (d=0.51)
Blewett *et al* (HCS NSW Report), 2006	40 (inc. 28 from Jordan *et al* 2003, and 8 from Mimura & Griffiths, 2002)	Intl with focus in Australia	1990-2004	Same as Jordan et al. 2003	Health and Community Sector	Narrative	5 star rating; 9 out of 40 were of the highest rating – most of which were individual.	Classified into O, I, and O/I categories	1 out of 40 was solely O focused (2.4%) - Found fewer O-inteventions than Jordan et al; 3 (7.3%) = I/O category; 6 (14.6%) = O and I/O.	Primary intervention is more effective. Evidence strongly supports the efficacy of approaches combining I and I/O interventions. More comprehensive interventions are more effective. Individual focused interventions had short evaluation timeframe.
LaMontagne *et al* (Vichealth report), 2006)	95	Intl		Same as Jordan et al. 2003	Wide range	Meta analytic	5 star rating - only 3 stars included	Classified into 0,I and E categories. Also rated systems approach as high,	31 of 95 (33%) reported as high systems	27 out of 31 studies classified as "high systems" reported favourable

Authors	No of reviewed articles	Geog. Area limit	Period	Criteria for selection of articles	Industries	Approach	Research Quality Evaluated and Rated	Classification framework for Individual (I) vs Org programs (O)	No and % of reviewed articles – organisational intervention	Conclusions about effectiveness and Org. vs Individual interventions
								moderate and low.	approaches.	organisational outcome changes.
Richardson & Rothstein, 2008 (Update of van der Klink, 2001)	36 studies (55 SMIs) inc. 19 in van der Klink, 2001	2/3 US and 1/3 other countries	1977-2006	Experimental evaluation; Working population Random controls	Wide range of occupatio ns	Meta analytic technique, based on van der Klink et al 2001	Included only randomised controlled studies	Classified by 5 categories of interventions: organisational, multi-modal, cognitive-behavioural (CBT), relaxation and alternative (a selection of individual programs)	8 considered primary; 5 out of 55 classified as organisational	Largest effect in CBT studies (d=1.164), with organisational being least effective (Cohen's d=0.239); Single component interventions more effective than multiple ones; size of benefit also depends on measures used

As summarized in the table above, the organisational level interventions have been reported far less frequently than individual interventions. At most, the organisational approaches represent about 30% of evaluation studies.

There is some evidence from the reviews that individual approaches are effective to varying degrees in reducing the level of experienced stress. Studies focusing on individual level interventions tend to evaluate their effects within a short time frame, typically up to three months, following the intervention and measure the outcomes as reported by individuals. Subject to these limitations, it is known that CBT-based preventive approaches to training have produced a moderate positive effect for the individuals' stress outcomes (van der Klink et al. 2001). Many other studies reporting individual interventions have also found reduced stress effects for individuals but, most of these types of interventions do not utilise organisational measures and hence do not report effects at the organisational level (Richardson & Rothstein 2008).

Systemic approaches, integrating both individual and organisational levels and all three categories, primary, secondary and tertiary, however, as reported in most recent studies, have proven to be the most effective (LaMontagne et al. 2006). Out of the source studies classified as "high systems" and using organisational evaluation measures 93% reported favourable results. This finding indicates that prevention of occupational stress is achievable when hazards are systemically identified and controlled within the workplace.

Few studies employed organisational level measures. In an example of such a study, the researchers found that improving working conditions through job redesign, monitoring psychological disorders and risk factors, and improving psychological health services resulted in positive outcomes for correctional officers. These included a significant reduction in the number of work stress claims, reduction in expenditures on the worker's compensation budget, and increased utilisation of the staff counsellor (Dollard, Forgan & Winefield 2002).

This is consistent with other reviews most of which acknowledge the need to address both the organisational causes of work stress and their effects on individuals to gain most positive outcomes (Giga et al. 2003a).

Bridging the gap between research and practice

Low frequency of systemic prevention

There is a clear agreement amongst these researchers about the paucity of organisational and systemic interventions reported in the literature, in comparison with the individual approaches.

The findings of the analysis presented in Table 2, above have shown that out of 300 sources studies only some 60 (20%) have had an organisational or primary focus. The most comprehensive meta-study in Australia conducted by Vichealth found almost 30% of the source studies were classified as "high systems" (LaMontagne et al. 2006). Very few studies reported systemic approaches aimed at addressing the sources of stress within the risk management framework. A British "Beacons of Excellence" HSE Study (Jordan et al. 2003) reported only 9 out 74 studies (12%) fulfilled highly systemic criteria. The most recent meta analysis (Richardson & Rothstein 2008) reported 9 primary intervention studies out of 36 reported source articles (25%).

This analysis indicates that organisational, systemic approaches to stress intervention are adopted at a frequency of between 10-30% of all interventions, on the basis of the evaluations conducted with high validity methodologies.

Management beliefs about stress and responsibility

As the majority of stress interventions are focused on managing the individual's responses to their environment (Caulfield et al. 2004) within organisations, it can be concluded that the responsibility for its management, and therefore primary causation for this response, are vested in the individual worker.

This predominant approach to dealing with stress in organisations, in practice, appears to be in conflict with the mounting body of research pointing to certain aspects of work having clear links to the individual stress responses. This overwhelming preference for managing stress at the individual worker level is also in contrast with the evidence that organisation-level interventions are superior (Cooper 2001).

The underlying reasons for this incongruence, it is proposed, can be found in the beliefs about stress amongst the decision makers. While the majority of managers believe workplace stress has adverse impact on employees and their performance at work, they do not favour organisational responses to managing stress. Managers tend to hold an individualised concept of stress and emphasize internal factors or individual failings and the individual approach to its management (Barley & Knight 1992; Sharpley & Gardner 2001; Dewe & O'Driscoll 2002).

In the United States, researchers report that there remains a prevalent belief amongst employers that stress is personal, rather than a work-related problem which leads to their focus on individual stress management programs. Such programs also tap into the popular belief that stress is idiosyncratic and can be a positive for one person and a negative for another (Murphy & Sauter 2003).

A recent Vichealth study involving in-depth interviews with 41 people in 29 organisations confirmed that stress was primarily seen as an individual issue, with most participants defining stress in terms of how it affected individuals. Organisational factors were mentioned only when participants were questioned further, mostly relying on their own experiences of stress (LaMontagne et al. 2006).

By way of contrast, Kinman and Jones (2005) found the predominant view was that perceived causes of workplace stress were of organisational nature and yet coupled with the belief that it was the individual's responsibility to deal with it. Their research points to the discrepancy between the known and perceived effectiveness of organisational strategies and the reality of the workplace favouring individual stress management approaches.

One reason for this gap between research and practice could be the lack of effective exchange of knowledge between the academic sphere and the real world of business. During the last 30 years that saw over 7800 refereed articles related to "occupational stress" published in research journals (as reported above), but there were only 320 published in the business related journals using the same key words (searched through EBSCOhost including the Business Source and Blackwell Encyclopedia of Business Library Complete).

It appears that the mounting evidence that work environment can have harmful effects on the employees' psychological health, has been by and large ignored by those in control of workplaces, despite their ethical and, in most developed countries, legal duty of care for creating risk-free workplaces for their workforce.

Call for systemic action on stress prevention

It seems that before systems interventions are more widely accepted in the workplace there is a need to align the decision makers' beliefs about stress, its causes and the responsibility for its management with the current research evidence. It is suggested that this can be achieved through two approaches: educational and evaluative. Greater awareness and education of managers about stress, particularly focusing on the roles of organisational personal versus organisational factors on stress processes will lead to changes of their beliefs and behaviour. More cases of systems approaches to stress intervention need to published and evaluated using organisational variables through well designed research studies.

The currently required shift in the managers' thinking is analogous to that achieved in the traditional field of Occupational Health and Safety (OHS) and road safety during the last 25 years or so, at least in Australia.

The OHS has become accepted as an integral part of the modern workplace. The responsibility for providing a risk-free environment is taken seriously by employers. Appropriate budgets are allocated, staff are trained, systems created and implemented. As hazards are routinely identified, risks assessed, some risk controls include redesigning the systems of work to eliminate or reduce the risk of harm. There are punitive sanctions for any departure from the OHS laws and regulations. And yet, some time ago, different views and beliefs were held and it was the individuals who were responsible in the main for their own safety. Although some employers may still hold the view that OHS laws have gone too far in holding them responsible for their employees' safety behaviours, the social and economic benefit has been incalculable. Reporting on health and safety performance as part of corporate governance has become accepted as a norm for most organisations. What is missing from these reports, however, are the data on prevention of psychological ill-health.

To take another area of change in decision makers' beliefs and attitudes, it is also useful to consider the approach taken to prevention of motor vehicle accidents and improving road safety in the State of Victoria. The results of this approach have been publicly and easily measured by the road toll which stood at over 1000 in 1970 and gradually reduced to under 300 in 2009, while at the same time, the number of vehicle kilometres travelled increased dramatically.

If the beliefs that the individual drivers were solely responsible for their safety on the roads prevailed, it is unlikely that these reductions would have been achieved. To some extent it is still true that the individual's own behaviour and personality factors impact on the probability of their involvement in a motor vehicle accident. However, the focus of policy makers in the last few decades has been on improvements to all the components of the road user system: from mandating car safety features, road engineering, driver education, increasing penalties, to name a few.

Each of these changes was comprehensively evaluated and further adjustments made to the approach as more evidence became available. This is an example of a systems approach to a societal health and economic problem as a result of the new conceptualisation of the problem as an interaction between the individual and the environment. If the costs of workplace stress are to reduce, there needs to be a similar paradigm shift in beliefs amongst all of the significant stakeholders, and in particular, amongst organisational decision makers and those responsible for their corporate governance.

Discussion and Conclusions

Work stress is a costly phenomenon that has been increasingly recognised as a serious organisational and health issue internationally. There is a growing body of research evidence that some aspects of the work environment are hazardous to employee's health through a stress response that can lead to long-term poor health outcomes.

The evidence for the causal relationships between stress and poor health outcomes is overwhelmingly convincing and has been gathered over decades of research through work-based observations, and studies of biological pathways and epidemiological evidence.

There is a converging agreement on the definition of work stress as well as its theoretical process after many years of confusing and multiple definitions and frameworks. The consensus regarding its negative effects on individuals extends to organisations. However, there is a widening divergence between the known research and managers' beliefs about the causes of stress. While research points increasingly to organisational factors, the predominant belief in organisations is that it is a personal and individual issue.

The assumption that the worker is responsible for dealing with stress stems from these beliefs and the lack of acceptance of work factors as a causation of stress. While the organisations recognise the negative effects of work stress they predominantly respond to it by implementing stress intervention programs that are individually rather than organisationally and preventively focused.

Although there are few studies of organisational interventions with robust research designs, there are clear indicators that systemic and comprehensive prevention programs have a significant and positive effect on the individual and organisational health.

Issues need to be addressed concerning the organisational responsibility for preventing and managing stress within the ethical framework of corporate responsibility for providing a risk-free environment for employees. The approach by governments to treat the issue of work stress as a health and safety aspect of organisational life has emphasized the Board's moral and legal obligation to ensure it is managed at the organisational level.

The evidence clearly points to the need for more systemic and preventive approaches to managing stress in the workplace as these can be more valuable for both organisations and their employees. There is also a potential for organisations to benefit significantly from a healthier work environment created by focusing on those aspects of work that reduce employee distress and increase wellbeing within a specific context.

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