WORKING PAPER NO.283

Exploring the Strategic Edge of Corporate Social Responsibility: A Process Model to Uncover the Missing Links

By

Saroj Kumar Pani

March 2009

Please address all your correspondence to:

Saroj Kumar Pani
Doctoral Student (Corporate Strategy & Policy)
Indian Institute of Management Bangalore
Bannerghatta Road
Bangalore – 560 076
e-mail:

EXPLORING THE STRATEGIC EDGE OF CORPORATE SOCIAL RESPONSIBILITY: A PROCESS MODEL TO UNCOVER THE MISSING LINKS

Saroj Kumar Pani

Doctoral Student (Corporate Strategy & Policy)

Indian Institute of management, Bangalore

e-mail: sarojk05@iimb.ernet.in

EXPLORING THE STRATEGIC EDGE OF CORPORATE SOCIAL RESPONSIBILITY: A PROCESS MODEL TO UNCOVER THE MISSING LINKS

ABSTRACT

Concern of researchers and reviewers on incongruent theoretical exposition and inconclusive empirical results linking corporate social responsible (CSR) actions and firm performance, drives this paper to come up with a three-stage process model which explains how strategic CSR actions contribute to firm performance. This paper also addresses the concern of critics regarding the business value of CSR by espousing a multidisciplinary theoretical approach which covers literature from CSR, social capital and resource based view. Such a theoretical exposition and the exploratory process model - a result of synthesis of fifty-four published business cases- uncover that the relation between CSR actions and firm performance is far from simple and is affected by numerous socio-economic and organizational variables. Recognizing the inter relationship among these dimensions and variables might enrich our understanding of the strategic nature of CSR and might lead to a rich research agenda that links CSR actions with firm performance.

Keywords: Corporate Social Responsibility, Firm Performance, CSR process.

EXPLORING THE STRATEGIC EDGE OF CORPORATE SOCIAL RESPONSIBILITY: A PROCESS MODEL TO UNCOVER THE MISSING LINKS

It was not long ago when academic world was a frequent witness to the arguments of luminaries convinced that profit motive and social responsibility of business organizations were antithetical. This perceived contravention has resulted in a huge variant of literature propelling arguments in both directions of the divide (for example Carroll, 1979; Friedman 1962). Nevertheless, practitioners and researchers often point out that a fusion of these so-called polar objectives does exist, and it is possible to establish a causal link between social responsible actions of business firms and their financial performance. However empirical findings have found varied conclusions regarding the above stated linkage. Though a number of empirical findings point towards a positive relation between corporation's social responsible behavior and firm performance, the results at best can be described as inconsistence due to presence of empirical findings to the contrary (for an overview of published papers both in favor and against the mentioned relation, see Margolis and Walsh, 2003; Orlitzky, Schmidt, and Rynes, 2003). This discomforting situation forces us to rethink the theoretical conceptualization as well as the research approach followed by researchers. The dominant theoretical conceptualization of establishing direct relation between corporate social responsibility (CSR) and firm performance is criticized for its flaw in theoretical and operational construct (Rowley and Berman, 2000), highly skewed variable choice (Margolis and Walsh, 2003) and for lack of multi disciplinary and multi contextual approach (Griffin, 2000). This paper agrees that skewed pattern such as this; overemphasis on a direct relationship between corporate social actions and financial performance and absence of alternative theoretical explanations of firm's indulgence in such activities has contributed to the incongruent results.

In such a context this paper suggests that traditional research questions linking CSR actions directly with financial performance or profit potential of firm is too simplistic a conceptualization to address the above-mentioned concerns. Hence, this paper calls for exploration of the missing link that might have answer to the questions such as; (1) what is the reason, while some business organizations gain from social responsible actions, others don't? (2) Does increased profit potential is one of the direct end products of social responsible actions or is it the tangible component of some other intermediates, resulting from social responsible actions? (3) Does indulgence in CSR activities ensures competitive advantage or competitive advantage is process dependant? To answer such concerns, this paper explores and synthesizes literature from different but relevant areas such as literature pertaining to CSR, social capital and resource based view (RBV) resulting in an alternative view of CSR actions which is leveled as strategic view of CSR. To substantiate and further such a conceptualization this paper presents a three-stage exploratory process model by analyzing and synthesizing fifty-four published CSR business cases from 2001 to 2007. The process model illustrates how the link between CSR actions and competitive advantage, leading to positive financial performance, is a complex one and includes many sub-processes. Consequently it shows that mere indulgence in CSR actions do not automatically translate into good financial performance but it is contingent upon various social and organizational factors affecting strategic CSR actions which create social capital for the organization. The exploration of the above-mentioned literature to find a convergence reveals the process link between CSR actions, generation of social capital as a result of CSR actions and possible effect of that social capital on financial performance and profit potential of business firm. The synthesis of diverse literature and subsequent process model also throws interesting research questions which expands the scope for both qualitative and quantitative empirical research. It also provides interesting insights to practitioners to help them institutionalize a strategic CSR process, which has the potential to help them gaining competitive advantage.

I begin this paper with a brief review of CSR literature which delves into the core philosophical and theoretical arguments against CSR. Subsequently deriving from existing literature, especially from the contentions against CSR, I argue in favour of strategic view of CSR and the need for such a view. This section also synthesises and establishes link between CSR, social capital and resource based view and presents the 'CSR chain' which essentially shows how strategic CSR initiatives do add value and has the potential to affect long term financial performance of business firms. The next section presents a three-stage process model developed by synthesising fifty-four published cases to illustrate the point. This section will also briefly describe each stage of the three-stage causal process model and will enumerate how CSR activities can be institutionalized and integrated with core activities of firm so that it contributes to the competitive advantage, hence towards its profit potential. The paper ends with a brief discussion on implication of such a model for research and practice

CORPORATE SOCIAL RESPONSIBILITY: A BRIEF REVIEW

The need for social responsibility among business is not a new concept even though the term CSR was coined in USA in 1950s by popular business press. Ancient Indian, Chinese, and

Egyptian writings delineated rules to facilitate commercial and social interest simultaneously (Werther and Chandler, 2006). Modern evidence of social activism in response to organizational actions also stretches back across centuries. England has seen first large-scale consumer boycott as early as 1790 over slave-harvested sugar (ibid). However, the latest interest in CSR has grown significantly during the last two decades and the issue has not only become commonplace in business press and among political leaders but also a body of academic literature has emerged around it. Nevertheless, the other more diverse phenomena than the diverse groups attached to the cause, is the understanding of CSR itself. Broadly it is being used as an expression to describe what is being perceived as a business firm's obligation to be sensitive to the needs of all of its stakeholders in its business operations. The principle is closely linked with the imperative of ensuring that business operations are sustainable and it considers not only the financial and economic dimension in decision-making but also their social and environmental consequences. This holistic approach to business regards organizations as being full partners in their communities; not limited to the business need of making profits and serving shareholders. However, this holistic approach and the expected larger scope make it difficult to define corporate social responsibility precisely.

The language surrounding the concept of CSR is still evolving and can be confusing, especially when reduced to acronyms. For example, CSR is linked to (and in some cases used interchangeably with) related terms and ideas such as corporate sustainability (CS), corporate citizenship (CC), corporate social investment (CSI), the triple bottom line (TBL), socially responsible investment (SRI), business sustainability and corporate governance. Very broadly CSR initiatives encompass issues related to workplace such as training and equal opportunities, human rights, business' impact on immediate community, reputation, branding and marketing, ethical investment, environment and corporate governance including organizational ethics (ibid).As a result, a wide variety of definitions of CSR have been proposed in the literature. While these definitions vary in detail, 'many focus on voluntary firm actions designed to improve social or/and environmental conditions' (Wan Jan, 2005). Without going into the detailed intricacies of various definitions, this paper subscribes to Wan Jan's view of CSR.

Understanding the CSR Controversy

The advent of the idea of CSR is not without its own share of controversy and is often questioned for what its detractor call as silly and waste of worth. The central philosophical question in this controversy remains the same today as it was in 1932, when Berle and Dodd, among the pre-eminent scholars of their day, debated it in the Harvard Law Review to the question 'Does the firm exist solely to maximize the profits it returns to its owners or do firms and managers have a broader responsibility to society at large?'. From then onwards the arguments related to the basic philosophy more or less revolves around the same question. The assumption that is primary, if not sole, for the opponents of CSR is that, the purpose of firm's existence is to maximize profit and shareholder's value and by maximizing this the corporations are more than enough socially responsible. As Campbell (2007) suggests, this kind of argument finds it's genesis from the neoclassical economic perspective of firm. Margolis and Walsh (2003) opine 'this contractarian view of firm challenges the legitimacy and value of corporate responses to social misery' and suggest that, the specific challenges to corporate participation in social causes come in three distinguishable forms of economic contractarianism: *One*, the contention that firms optimize social welfare by maximizing profit (Jenson, 2002), *Two*, assuming that freely elected governments are the only legitimate actors to address societal problems (Friedman, 1970), and *Three*, Cautioning that in case, firm indulge in social responsible actions, managers must warn their constituencies (read shareholders) so that they can protect themselves from potential corporate misadventures (Easterbrook and Fischel, 1991).

Although social objectives may come in many forms (others objectives may include psychological satisfaction, empire building, advancing national interest), those who subscribe to Jenson's (2002) view believe that social welfare is maximized if shareholder wealth is maximized. The second form of criticism, as mentioned above, is epitomized by Friedman's (1962) well-known perspective where he opined any cost incurred by firm for social cause, as 'theft and political subversion'. Friedman's stance is that, the activities not directly associated with the business incur additional costs which consumers must bear or which reduce profits for shareholders. He suggests neither shareholders nor consumers should incur such costs, and that they can decide for themselves which social needs they want to contribute to and to what extent. However, Friedman without denying the existence of social problems; suggests that it is the elected government's role to address such problems. In his view corporations can contribute best to society if they do what they are supposed to do best i.e. employ a workforce to provide goods and services to the marketplace and, in so doing, fulfill people's needs and create wealth. The third argument against CSR, as suggested by Margolis and Walsh (2003), considers CSR actions as 'dubious but, provided they are disclosed, is unobjectionable'. This argument considers that, the stakeholders of the firm and the market will decide whether indulgence in CSR activities is in the best interest of the firm or not; provided there is free flow of information (c.f. Easterbrook and Fischel, 1991)

Exploration of management literature provides four fundamental arguments that stand out against CSR. (1) The first argument of profit maximization and free choice is a summation of above-mentioned three views of contractarianism, where it is contended that maximization of profits is the only social responsibility of business. Providing employment, paying taxes and complying with all relevant legislation and regulation is seen as enough social responsibility. In addition, profit is seen as a key measure of managerial effectiveness as well as a guard against the agency costs associated with employing professional managers to run an enterprise, in which they do not have an ownership interest. (2) The second argument is related to the issues pertaining to costs of CSR that might contribute to competitive disadvantage and encourage free-rider issue. The free-rider problem relates to the fact that companies who do not engage in CSR obviously do not bear the costs of CSR. Yet they still reap the societal benefits accruing from CSR activities of others. With the benefits shared disproportionately, those that do incur CSR costs are at a competitive disadvantage to those that do not. However the implicit assumption of such argument is that, all CSR activities will result in creating public good and it is not possible to have exclusive right to use the benefit of CSR actions that the corporation might take. (3) The third argument raises the issue of lack of requisite skills among business people assuming that business people lack the skill of solving social problems as this is not their domain. Therefore, it is argued, business people do not have the requisite skills to deliver on social issues regardless of their success in the field of business. However, this argument makes the implicit assumption that business organizations prefer people having pure business sense even if they are proscribed of social sense! (4) The last argument is related to the lack of accountability, where it is argued that business already wields significant power in society. So to willingly grant business people more power would be ludicrous. Put simply, business people who are not elected by the citizens and who have no accountability to the public should not be entrusted with the power to decide which social issues should get priority. However the argument that elected representatives have exclusive right for social actions and business people's involvement in social responsible action provides power in wrong hand doesn't make a strong case. Hence, the strongest case against CSR actions come from the first two arguments those stand on basically two fundamental arguments, profit maximization is the sole aim of business and any cost incurred for social causes doesn't contribute to firm profitability. In other words, these arguments boil down to a single contention: the marginal benefit of CSR actions doesn't justify the marginal cost incurred for such actions.

A STRATEGIC VIEW OF CSR: DISPELLING THE MYTH

So far the arguments against the firm's involvement in social causes revolve around one tacit assumption, which I call philanthropic view of CSR, based on the concept of altruism. As the arguments in the above section points, the basic concern of critics revolve around the assumption that involvement in CSR activities add no hard value to the cause of profit maximization. In other words, the marginal benefit that firm gets from involvement in CSR activities is out weighted by the marginal cost of that involvement. The arguments of free rider problem and lack of managerial skill to solve social problem can be seen as corollary to such philanthropic view of CSR. In such a context, this paper suggests an alternative view of CSR, which I level as Strategic view to CSR. The concept of strategic view to CSR is not new. Husted and Salazar (2006) advocated such a view and did a theoretical comparative analysis where they analyzed business sense of CSR activities in cases such as altruism, coerced egoism and strategic investment by firms and opined that it is wiser for a firm to act strategically than to be coerced in making investment in social responsible causes. The primary assumption of this view is that, involvement of corporations in CSR activities does add to the objective of profit maximization and if CSR actions are planned and implemented strategically the marginal profit of such involvement will out weight the marginal cost.

Analysis of literature also points towards a fine distinction between two aspects of the strategic view of CSR. One view is of the opinion that CSR activities act as a preventive measure to adverse regulation and public opinion, thus guarding against depletion in profit potential, which may arise from such regulations. This view supports Campbell's (2007) assertion that under conditions such as tighter institutional and regulatory control, intense competition, and increased social activism, corporations tend to behave in a social responsible way, either to differentiate them from competition or to avoid any unforeseen negative consequences. I will call such view as reactive view of CSR. The reactive view also includes fulfilling the demand of stakeholders if any dissatisfaction arising from unfulfilled demand may negatively affect firm performance. The other view named as proactive view, in the contrary, believe in proactive participation of firms in social causes to extend the scope of business to maximize long-term interest of stakeholders including shareholders. This alternative view takes a different path from the traditional business and society approach and subscribes to the assertion of Husted and Salazar (2006) by seeking to examine the conditions under which profit maximization and social performance are congruent. This view essentially assumes that, it is possible for a firm to achieve congruency between its profit motive and social cause by utilizing available resources and engaging the stakeholders strategically. Most of the empirical papers in this subject, which try to find a relation between CSR activities and corporate performance, covertly either refute or establish this mentioned congruency; hence subscribe to the theoretical underpinning of the Strategic view of CSR, more often than not to the proactive view.

Need for Strategic View: Addressing the Enigma of Conflicting Results

The strategic view of CSR considers business firms as embedded entities in the larger socio-economic structure. Hence it analyzes firms' actions and consequences such as performance in the context of such a structure, contrary to the atomized classical economic analysis. It suggests that corporations while participating in social responsible actions need not forgo profitable opportunities; on the other hand, lack of engagement with stakeholders would damage shareholder value in the long term. The strategic view of CSR analyzes the rationale for CSR from an economic perspective and opines that it is mistaken to suggest social responsibility and profitability are mutually exclusive as CSR actions do add to the financial performance of the firm.

This view accepts that, the firm as an economic agent has legitimate and desirable primary objective of maximization of its profits. In order to achieve this goal, it takes resources from its environment and society such as land, labor, and capital. The form in which the firm uses these resources and administers them determines the scope of its primary objective because its subsistence and growth is conditioned by the society in which it operates. This means that the firm's economic actions and the resultant consequence is affected and determined by the socio-economic structure in which it is embedded. Hence, its actions such as economic activities, either reactive or proactive, create positive or negative externalities for the firm. In such a case, its economic activities which have positive or negative externalities also affect the welfare of third parties, such as stakeholders other than shareholders. In presence of such externalities, the firm has two options of coping with the possible consequences, *one*, a defensive approach with the intention of avoiding loss or damage, in case of negative externalities and the *other*, using a proactive and strategic approach to generate positive externalities which helps the firm to maximize returns. This is precisely the economic argument that I make why a strategic view to CSR is needed. As in the latter part of the paper, the process model derived from synthesizing fifty-four case studies suggests, in the reactive stage the firm is forced by concerned stakeholders to invest in CSR while in the proactive case, it adopts CSR initiatives as part of its core strategy.

In presence of such unavoidable externalities, the paper asserts, firms taking a proactive strategic approach to CSR obtain additional benefit (good reputation, differentiated products that extract a premium, more highly qualified personnel) by design and thus obtains greater profitability. Such design may involve either the positioning of the firm vis-à-vis its competitors (Porter, 1980; Porter and Kramer, 2002) or the leveraging of distinctive resources and competences (Barney, 1991; Prahalad and Hamel, 1990). Burke and Logsdon (1996) argue that CSR programs can translate into economic benefits when such programs are central to the firm mission, highly specific, proactive, visible, and voluntary. Reinhardt (1999) suggests that there are at least three circumstances under which a firm may engage in activities that benefit the environment or society and also increase the expected value of the firm, *one* where the possibility exists of strategic interaction based on governmental intervention; *two* where opportunities exist to differentiate products; and *three* where cost reduction may occur within the firm. In such cases strategic interaction is particularly relevant because many social and environmental innovations increase costs relative to competitors. Governmental regulation can significantly help firms with cost advantages in complying with regulation to compete against rivals that do not enjoy such advantages (Shaffer, 1995). It should be noted that the same social investment of the firm produces a greater benefit for the firm in the strategic and proactive case when compared to the benefits derived from reactive CSR actions. For this reason, strategic and proactive CSR action has a strong business case to follow.

Many researchers and practitioners have found out support for this claim that CSR actions have positive affect on business and hence social responsible actions may actually favorably affect profitability. For example, Robert, Keeble and Brown (2002) in their report submitted to the consultancy firm Arthur D. Little, strongly advocate the business case of CSR actions and identified business benefits of CSR in eight areas such as; reputation management, risk profile and risk management, employee recruitment, motivation, and retention, investor relations and access to capital, learning and innovation, competitiveness and market positioning, operational efficiency and license to operate. Researchers list several benefits of CSR actions for business firms that positively affect their financial performance such as consumer preference to the products of such firms (Luo and Bhattacharya, 2006), increased customer loyalty, productivity gains, and new market opportunities (Burke and Logsdon, 1996), using CSR as a marketing instrument, externally towards customers and internally towards employees (Maignan and Ferrell ,2001). Margolis and Walsh (2003) list fifty-four empirical studies showing positive relationship between CSR actions and financial performance. A meta-analysis by Orlitzky, Schmidt, and Rynes (2003) of 52 studies pertaining to CSR action and corporate financial performance reached the conclusion that more evidence is present for a positive association, and very little evidence of a negative association, though the choice of the nature of dependant and independent variable may reverse the effect of causation . Despite the vast literature supporting CSR actions the fact can't be overruled that empirical results to the contrary is also present, disputing the envisioned causal link between CSR actions and financial performance hence rendering the arguments towards inconclusiveness (ibid). As a result, the research in the field of CSR is having an unintentional consequence and adds to the mystery and tension surrounding the relationship between CSR actions and firm performance.

The reason for this inconclusive result may be manifold. One extreme possibility is, there may actually be no link between CSR actions, and financial performance of a firm and the CSR advocacy is nothing but propaganda. However such an argument doesn't fit well with the business reality where more and more corporations are indulging in CSR activities with every passing day. The second reason for inconclusive result pertains to the questions regarding the theorization of the relationship where most of the authors have conceptualized a direct and simple causal link between CSR actions and financial performance in their empirical studies. Published review papers (Pava and Krausz, 1996; Griffin and Mahon, 1997; Roman, Hayibor, and Agle, 1999; Margolis and Walsh, 2001 to name a few) report many methodological as well as theoretical shortcomings in such studies ranging from sampling error, reliability and validity concerns, to inadequate modeling conditions and lack of causal theoretical link. Many reviewers have questioned the conceptualization of a direct link between these two variables which do not consider other possible intermediate and environmental factors those may dilute or strengthen the effect of CSR actions on financial performance. These reviewers call for alternative theorization to explore such links. For example, Margolish and Walsh (2003) suggest a normative research method based on stakeholder theory, Campbell (2007) suggests exploring the effect of intermediaries from the perspective of institutional theory to provide an alternative theoretical background to explore the link between CSR actions and financial performance (See also the special issue of AMR 32[3], 2007 for a few alternative theoretical explorations).

Assuming that it will be naïve to dismiss the contemporary business reality - especially so when no apparent academic or practical proof of CSR actions eroding profitability exists (Campbell, 2007) - this paper follows the second cause that might be coming in the way of establishing a causal or direct link between CSR actions and firm performance. I surmise therefore, that the simplistic conceptualization of the link between CSR actions and performance need to be revisited as it might not be capturing the entire gamut of actions around CSR activities. It is possible that, contemporary CSR action is not about philanthropy but it is a strategic choice made consciously by business leaders which has both direct and indirect benefits with associated risk, like any other business decision. Hence, like any other strategic move which can not be directly and causally co-related with profitability without taking into account all other related strategic moves and other mediating variable; strategic CSR actions and its effect on performance should also be studied in presence of other mediating variables and in the context of related strategic moves that the firm makes. I contend that, in case of such strategic character of CSR actions, which might range from appeasing potential stakeholders to increasing the scope of business, to enhancing the brand name; simplistic models to establish a causal and direct link may not be a good idea to follow. In such a scenario even assuming that quantification of profit maximization means measuring short-term financial profit or profitability may be too myopic a concept to subscribe.

In such a context, this paper reasons that the link between corporate social actions and financial performance is relatively complex and further exploration of diverse but related streams of literature is required to establish the theoretical linkage between CSR actions and financial performance. With such an objective this paper subsequently synthesizes the literature of social capital and resourced based view with CSR literature to explore the scope for further research and alternative conceptualization of the mentioned relation. The basic argument (Refer Fig 1) behind this exploration is the contention that proactive strategic CSR activities build up social capital for a firm (Mohr and Webb, 2005), which can be used as an value enhancing system resource and a tradable asset stock (Black and Boal, 1994) and can be mobilized by the firm to create competitive advantage in different ways such as enhanced brand image, improved productivity, innovation, reduced costs, to name a few.

Insert Figure 1 about here

As the figure above suggests CSR actions doesn't automatically ensure favorable financial performance thus a direct link between CSR actions and financial performance may always not be the case, as envisioned by earlier theorists. The figure also suggests that while choosing and implementing CSR actions the firm has to be strategic, in the sense that, the chosen actions should ensure positive social capital for the firm which can be used as resources. Only then long-term financial performance can be assured from those planned CSR actions. The tacit assumption made for such an argument subscribes to the very basis of social capital theory which suggests, organizations as a social entity can't be proscribed of the context and social structure in which it operates. This social structure includes both internal as well as external stakeholder of the firm who directly or indirectly affect its performance. The action of the firm and its consequence affects and is affected by this social structure which resultantly creates both tangible (e.g. human resource, natural resource) and intangible asset (e.g. reputation, brand name) at disposal of the organization. This asset is either positive or negative based on organizational action and the acceptability of such actions in the social structure. This view fits well with this paper's earlier economic argument that organizational action has both positive and negative externalities. With positive and proactive strategic action the resultant social capital acts as a value enhancing system resource and a tradable asset stock (ibid) and can be mobilized to facilitate socio-economic gain.

Social Capital as a Resource: A Few Relevant Questions

The concept of social capital, like the concept of CSR, is not new[1] and the modern literature dates back to Weber (1922) who argued that individual's standard of living can

[1] Fables in *Panchatantra,*(300 BC) describe the virtue of having good friends, good social circle which helps an individual in creating political, economic and reputational resources and facilitates socio-economic transactions. *Arthashastra* (200 BC*)* prominently discusses the social capital of State and opines that it affects and is affected by the conduct and capability of the ruler and its citizens which not only facilitates well being of the state but also enhances performance of institutions in the state.

improve with three types of resources: economic, political, and symbolic, where the latter two resources are subject to the quantity and quality of social interaction. Since then, the concept of social capital has given rise to a huge body of literature and various researchers has studied it's affect on performance and success at individual, organizational and inter-organizational level in the field of sociology, behavioral economics, strategy, marketing, organization studies and industrial organization studies. In the context of business firms, the positive effect of social capital on resource allocation, innovation and learning, it's effect on availability of human resource and attrition, as a facilitating function to strengthen relation with members of value chain (for overview of the breadth of social capital literature in the context of business organization, see the review paper by Adler and Kwon, 2002), to explain longevity and economic performance of firms including prospect of start-ups (Ingram and Baum, 1997; Maurer and Ebers 2006), relation between investment in social capital and economic growth of firm (Westlund and Nilsson,2005; Wu and Leung, 2005); effect on pre-investment behavior (Sorheim, 2003) has been investigated, to name a few. Most of the researchers mentioned above and as the name suggests, has explored the effect of social capital on variables those have direct impact on firm performance and profitability. Though description of the detail of the results is out of scope of this paper, the literature in social capital fairly establishes that there is a positive relationship between increase in social capital and firm performance (Adler and Kwon, 2002).

In most of the research works mentioned above, organizational social capital which is social capital available to the organization as a whole resulting from it's interaction with its stakeholders, is broadly considered to have three primary benefits. Theses are (i) Information; where it is argued that social capital give access to information, improves it's quality and reduces time gap; (ii) Influence, reputation, control and power (iii) Solidarity, abidance to norms and beliefs (Adler and Kwon, 2002). While Most of the studies mentioned above focuses on information flow and the benefit accrue to the firm (in some cases individuals in the firm) there of, very few studies have focused on the benefits it provide by enhancing solidarity, increasing influence, reputation and power on stakeholders and other members of the society (c.f. ibid). Research is also scarce about how such organizational social capital is created that provide power of influence, reputation and control to business firms, those resultantly affect firm performance. This gap leads us to another possibility that is of great interest not only to social capital researchers but also to CSR researchers. If we ask the questions such as: what leads to (which actions lead to) creation of social capital so that organizations enjoy power of control, reputation and influence over those stakeholders who directly or indirectly affect firm performance? Which actions of firm will lead to creation of social capital that will ensure sustained competitive advantage for firm?; then the link between the unexplored area of social capital research and ignored result of strategic social actions are highlighted. Figure-1 in the previous section and subsequent discussion which suggests strategic CSR actions may lead to creation of organizational social capital having benefits such as power, control, reputation, and influence, raise another intermediate but critical question. It is, if such benefits and other similar results that constitute social capital for an organization and ensures competitive advantage for the firm resulting in higher profit potential do qualify as resources? To put it simply, the question is: if at all the social capital espoused as consequent of strategic CSR actions qualify as resource at all, so that it is worthy of further research. The answer to these questions will help in establishing relationship between strategic CSR actions and sustained competitive advantage through the root of social capital.

To achieve sustained competitive advantage the resource or combination of resources should have four needed characteristics, namely value, rarity, inimitability and the match with organization setting (Barney, 2002). Literature suggests the value of a resource will be dependant upon the fit of resources as a factor to strategy combined with the fit of the strategy to external environment (Black and Boal, 1994). This integration enables a firm; directly or indirectly, either to exploit environmental opportunities or neutralize environmental threats or both (Barney, 2002) which facilitate gain such as increased revenue, reduced costs and more efficient completion of assignments. Thus in case of social actions the value is derived from the facilitating process that ensures the above mentioned integration. The rareness of a specific resource depends upon the combination of physical rareness in the factor market and/or the rareness of the perceived value of the resources due to the firms particular resource combination (Black and Boal, 1994).This combination or the perceived value of the combination shouldn't be enjoyed by numerous firms in that specific market. Thus the question of rarity boils down to the question of how many competing firms already possess that particular valuable resource and capability. Social capital generated by strategic CSR activities being path dependant and organization specific, by its very nature is different for different firms in the same market. The perceived value of CSR and the nature of building social capital become unique; partly because of unique position of the firm, competitors, and the stakeholder involved in a given market and partly because of the difference in time period. For this reason even if the intended CSR activities by a firm might not be an unique action, the perceived outcome of that action by relevant stakeholders as well as the resultant social capital becomes unique and rare in a specified market , in a specific timeframe. The third criteria, inimitability is the continuation of imperfect factor markets via restricted information and/or higher cost of recreation or the synergistic result of the two (ibid).Thus the combination can be inimitable if firms without the resource or capability either face a cost disadvantage in obtaining it compared to firms that already posses it or the resource cant be created at all, at least to a comparable level because of the changing nature of market. In this sense social capital produced by specific CSR actions is neither imitable nor substitutable because of context specificity of actions and path dependency of the generated social capital.

The question of organization fit is related to the organization's capability to create, utilize, and derive benefit from the available resources such as man and money. In order to cultivate intangible but valuable resources like social capital the orientation and established processes of organization is of foremost importance. This can be the most challenging prospect to deal with as it highlights the need for the management to foster a culture that allows suitable resources to be developed from identified actions. To do so the organization needs to institutionalize a process and ensure devoted resources to that process so that social capital is created continuously. Because social capital decays with inaction, the only way to ensure its availability is to create it continuously. Hence a resource like social capital gained from CSR activities, though has the potential to provide sustained competitive advantage to an organization, needs a process of institutionalization, active participation of the organization, identification of the core areas of capability building, strategic action and stakeholders' involvement. On the other hand it also suggests that any mismanagement in any/some of the above-mentioned actions (i.e. process of institutionalization, active participation of the organization, identification of the core areas of capability building, strategic action, and stakeholders' involvement) may lead to a scenario of no benefit from CSR actions or in extreme cases loss of benefit for the organization. This also hints towards one of the possible reasons why such ambiguous and unconvincing causal relation between CSR actions and financial performance is found in empirical literature. This paper opines that without visualizing the process by which CSR action transforms itself to positive organizational social capital and without taking into account the variables those affect the above-mentioned actions, establishing relation between CSR action and firm performance can lead to ambiguous results. The process of this transformation - of CSR actions to social capital for enhancing competitive advantage of firm which resultantly leads to increased financial performance - also emphasizes the fact that any lacuna in any of the sub processes will be disruptive to the potential positive link between CSR actions and firm performance. This same argument also opens up a vast area of research pertaining to the anterior situation, catalysts and posterior effect of strategic CSR actions, the role of intermediate processes and the effect of intermediaries.

To explain these arguments and highlight the scope of inquiry, the next section depicts a causal model of the mentioned process by synthesizing fifty-four published business cases of CSR activities. Thereafter it poses some relevant questions related to each intermediate process to facilitate further research.

FINDING THE MISSING LINKS: THE PROCESS MODEL

As discussed in previous sections, exploring and establishing link between CSR actions and firm performance have been investigated with different research lenses. Typically researches conceptualize a direct relationship between a few variables representing CSR activities with variables indicating firm performance, such as profitability measures. In most of the cases the research approach is nomothetic in nature either relying on survey data or secondary quantitative data. However, this nomothetic research design, more often than not excludes the inclusion of organizational process and also the interpretive advantage of an idiographic design (Larson and Lubatkin, 2001).This is the reason why many researchers, though tried to establish link between CSR actions and firm performance, have not come up with a causal process model that describes how CSR activities can be institutionalized and integrated with core activities so that it contributes to the competitiveness of firm (A recent paper by Basu and Palazzo, 2008 do propose a process model. However it focuses on organizational sense making of CSR and doesn't address the issue raised here). The focus of this section is to develop such a causal process model by synthesizing published literature and business cases pertaining to CSR. This causal process model depicts apriori conditions those lead to strategic CSR actions leading to creation of social capital and subsequently describes how strategic CSR initiatives may lead to sustained competitive advantage. To achieve this objective I relied on the established method of grounded theory approach which ensured qualitative inductive analysis to come up with the desired process model. This qualitative associational approach ensured systematic analysis and synthesis of multiple published business cases related to CSR. Lansisalmi, Peiro and Kivmaki (2004) suggest that one of the limitations of grounded approach while doing such analysis comes to fore when researcher 'is more focused on generating hypothesis instead of trying to generate a coherent theory about the social process producing the phenomena'. To avoid such an issue; the above-mentioned descriptive process model while attempting to build an alternative comprehensive theory, focuses on the social and organizational process and the variables affecting such process. To be fair to this process oriented focus, the paper avoids building hypothesis for each component of the model and leaves it for future researchers to come up with testable hypothesis concerning any specific link or part of the model.

When constructing the initial sample of cases, I followed the 'wide net' approach suggested by Bullock and Tubbs (1987) so that premature exclusion of case studies based on apriori judgment is avoided. My search included CSR case catalogs, reference lists, computer database search, and bibliographies search which yielded 127 cases published between 1994 and 2007. Subsequently I relied on theoretical sampling of cases, as suggested by Eisenhardt and Graebner (2007) which is suitable where the primary objective of such exercise is 'to illuminate and extend relationships and logics among related but divergent constructs to build an inter-domain model'. As a result only 58 cases were unanimously adjudged as relevant by two raters including the author. The cases were scrutinized primarily on basis of (1) relevance of the content and completeness of the case (2) description of strategic or/and organizational issues pertaining to CSR actions of a business firm. We also deleted cases published prior to the year 2001 to have an equal distribution of cases in the remaining seven years. This was necessary as more than eighty percent of the relevant cases were published in 2001 and afterwards. Six raters, all having research or academic experience on issues related to CSR participated in the analysis and codification process, having at least two raters per case. Multiple and experienced raters were necessary to enhance the reliability and validity of the process and minimize single researcher bias, which is a concern when grounded theory approach is followed (Lansisalmi et al, 2004). Unanimous decision, whenever required, was followed to identify the relevant variables and the association among them and iterative process was followed to come-up with the final generalized process model (Fig-2).

Managing the CSR Process: Road to Competitive Advantage

Insert Figure 2 about here

This three-phase process model first describes the prevalent conditions for an organization that force it to seek active participation of stakeholders. Then it deals with industry level, firm level and economy level triggers of change, which provide enough momentum to the organization for a course correction. Subsequently the model describes the process of creating social capital by institutionalizing the stakeholder participation, subscribing to the changed value system, and adhering to strategic CSR actions. The process model implicitly follows the CSR chain model (Fig-1) discussed in previous section where it is argued that CSR initiatives taken strategically will create social capital for the organization which can be mobilized to facilitate socio-economic gain. One important assumption of the model is that, social-economic investment decisions in the nemesis of CSR actions; like any other strategic investment decisions, go through cost benefit analysis and explanation of detailed intricacies regarding scope of investment and process of operation. This assumption subscribes to my earlier description of the characteristic of strategic CSR action where it is argued that such actions add value to organization because the marginal benefit of such actions out do the marginal cost associated with them. However, to ensure such a result, it is necessary for business organizations to know the prevalent conditions that call for social investment and the process by which CSR activities can be integrated to traditional core activities of the business. The following part of this paper includes a very brief description of the model and a few potential research questions emanating from the model, which if pursued further, will clarify the ambiguity in the prevalent CSR research and will facilitate empirical research to establish a causal link between strategic CSR actions and firm performance.

The sporadic involvement phase: The first phase of the model shows that in initial stages the firm indulges in sporadic CSR actions primarily resulting from philanthropic motive of some or any of the authorities in the organization and/or legal, business compulsion of the organization's operation. Evidence from the case studies suggests that two broad factors affect and influence the organization in this phase. They are 'inherent business characteristic' and 'prevalent corporate value' of the concerned organization. Inherent business characteristics include factors such as legal requirements for a particular industry, change in macro economic environment, importance of stakeholders in decision making. For example companies working in mines and metal sector have to adhere to certain environmental norms such as forestation, compulsory legal limit of pollution and contribution to local infrastructure development such as opening of school, hospital etc. Macro economic compulsions include pressure from globalization for betterment of working environment, attaining competitive parity in community involvement etc. Importance of stakeholders in decision making also affects the corporate action. For example the involvement or influence of local administration or politicians in board of governors (it is especially true in case of public sector companies) and occasional pressure of non-government organizations working for community service forces the organization to meet demands of the community. The other intra-organization factor that affects the involvement in social responsible actions is the corporate value. In absence of any strategic vision and defined area of CSR actions, the corporate initiative depends on whim and personal interest of some senior executives of organization. Even in those circumstances the action is seen by the stakeholders as reactive and compulsive rather than having any genuine interest to the society. Depending upon the fit between above described business characteristics and internal value system, the corporation involves itself in sporadic community activities such as intermittent donations or sponsoring some philanthropic event, generally without active organizational involvement which results in very little social capital in form of goodwill. More often than not, these community involvements are reactive in nature and cater to the demand made by local community leaders or political forces. In such a scenario the effect of the corporate action directly depends on the relevance of the leader's demand to the need of larger section of the society, thus making the organization's action vulnerable to local politics. This kind of sporadic involvement at best creates volatile social capital and fails to project the corporation as a social beneficial entity, hence fails to create sustainable competitive advantage.

The phase of change: The second phase is characterized by change in the business environment triggered by micro and macro variables coupled with the change in value system of organization. Micro variables of change include employee dissatisfaction, protest from the community or visible dissatisfaction of important stakeholders. Even an unfortunate accident that shows a loose end of corporation might act as a trigger for change. Macro triggers of change include permanent change in competitive structure which in one hand forces the corporations to care for the community and on the other hand increases the pressure on the cost of CSR actions. This magnifies the need for cost-effective and efficient social actions that can show tangible benefit for the society with the lowest possible cost incurred. The other macro changes include legal changes, increased community / NGO activism, and political changes. These changes force the management to consider CSR activities not as a peripheral social cost but as a proactive social investment to cope with potential change in environment; not for philanthropic needs but for business needs. The increased interest of the business firms to serve the bottom of the pyramid is an offshoot of such a business need. These micro and macro changes also trigger a rethink on the corporate value system that the organization adheres. Coupled with a change in corporate intention such as increased interest and availability of fund for CSR actions, the positive value system takes the cue from the change triggers and follows the path of course correction. In most cases this initiates the institutionalization process of CSR activities. For example, in one of the cases related to a top paper company in Asia, protest from employees and community forced the management to realize that, it is high time for the company to look forward community issues in a professional manner. Worst, they realized that the cost of reactive CSR actions - even if it failed to generate any long-term social capital for the company - is more than the potential proactive actions. This realization started the process of formalizing the CSR function with the company.

Process of institutionalization and capability development: This phase, the third one, includes establishing a formal process to initiate proactive stakeholder involvement and institutionalization of the same. It also includes cultivating a value system in organization to reinforce the belief of stakeholder engagement both by action and by showcasing the consequences there of. As explained in the preceding paragraph, the triggers of change coupled with the changing value system, either by compulsion or by a visionary leader, realize that integration of CSR issues with core strategic objective and business process is necessary to harness stakeholder's support and to change the CSR function from a compulsion derived reactive action to a proactive strategic action. The institutionalization is also required to attain the efficiency in implementation given the limited resources available in case of competitive pressure and to ensure that organization is deriving observable benefits from its social action. This realization of the top management initiates reevaluation and integration of CSR functions with core processes, modifying vision and mission statements and in some cases result in creating an altogether different department that looks after company's CSR initiatives.

The second step of the process is to define the scope and content of the activity that a firm wishes to take. This step is significant because each organization caters to different stakeholders depending on its business activity, geographical location, and prevalent socio-economic situation. It is also important that the CSR action should directly or indirectly help the business interest of the company. With limited fund available for CSR activities, it is also important that, the company should serve its most important and primary stakeholders effectively to derive maximum benefit. This depends on the capability of the firm and need of primary stakeholders where both of them are dynamic in nature. In view of these constraints, a firm has to objectively define what exact actions it wants to take for a specific group of stakeholders and what are the deliverables after the action is taken. After clearly defining the scope and area of action following cost benefit analysis, the next step is to take strategic initiatives. It includes active involvement of community with in-house CSR department, establishing channels of operation, developing capability for CSR action, otherwise seeking NGO help who has capability in the specific segment. These initiatives should be monitored continuously to ensure desired result. If necessary, further adaptation and change should be initiated after getting feedback on the implementation and effect of those strategic CSR actions.

Implication for Research and Practice: The Questions We Should Ask

The three-stage process model points out the fact that path to creation of social capital is not a straight one but is ancillary to successful combination and implementation of many strategic initiatives and sub processes. It also points out that mere indulgence in CSR actions do not automatically translate into financial performance but it needs careful planning, prioritization of objectives and managements of each sub process to generate social capital from the CSR actions to facilitate socio-economic gain. From researcher's point of view; this multi stage conceptualization, which questions earlier theorist's treatment of establishing a direct link between CSR action and firm performance, throws some important questions and expands the scope for both qualitative as well as quantitative empirical research. For example, exploring the role of top management to convert a reactive social responsible firm to a proactive one will further our understanding of the mentioned process. The relation between type of industry, industry structure with that of CSR actions and the role of various other government as well as social institutions who collectively define the 'industry condition' is another interesting area to explore. As the model suggests some industries are expected by society to be more social active than others are. In this background having a comparative analysis of firms to judge the effect of lack of CSR actions on firm performance will give vital clue regarding the economic value of social inaction.

The other vital question is; how firms, if convinced to take proactive and strategic CSR actions, will be successful in transforming their organization and successfully co-ordinate all the sub-processes explained in the model. Subsequently studying the organizational change process in case of direct involvement of employees or in case of outsourcing to NGOs will throw light on organization adaptation process. Addressing these questions will help establishing the relative importance of various sub-processes, identifying the primary stakeholders to be involved and their economic significance to the organization. The effect of institutionalization of CSR actions on social capital creation will be another area of interest to researchers. Studying the types and quantity of economic benefits to firm as a result of creation of positive social capital is one important area where study is scarce. As discussed in preceding section, research is also scarce on the effect of strategic CSR actions on creating social capital and subsequent benefits for business firms such as power of influence and control, reputation, harnessing sense of solidarity, which resultantly affect firm performance. These broad questions, which are often multidisciplinary in nature, not only show the potential scope of CSR research but also provide a structure to conceptualize the complexity of the broad gamut of things revolving around strategic corporate social responsibility.

The paper and the subsequent model also have important lessons for corporations. It underlines the fact that while defining the content and scope of CSR actions and taking initiatives, firm should prioritize those actions which simultaneously contribute to the society and facilitates business operation either directly or indirectly. In this way strategic CSR actions will have a synergetic effect with business and change the CSR cost to CSR investment. The model also suggests the importance of reliable feedback system, so that posterior to the action taken, the firm should be able to map the benefits accrued to the targeted stakeholders and to self. This will ensure periodic audit of social actions, efficient use of funds and convergence of business interest to that of societal interest. The feedback is also one of the most important sub-processes as it is the starting point to manage changing expectations of the stakeholders. Often corporations relying heavily on third parties for implementing CSR actions tend to forget this loop, hence compromise on optimal use of their funds. At this stage it is relevant to note that matching expectations is not related to the amount of money spent but related to the cause and result of spent money and it is only possible by constantly monitoring the CSR actions. While it is important to match the community expectation it is also important to control the community expectation so that it doesn't go beyond the realm of rationality. Ensuring this requires continues interaction with the targeted stakeholders including customers and making them understand the CSR actions and their objectives with complete transparency. This process of continuous and constant matching of expectations and action, both by controlling expectation and raising the level of CSR action, will enhance stakeholder satisfaction, empower the immediate community, will help in brand building, will enhance employee moral and facilitate innovation and creativity which will ultimately enhance business sustainability and generate competitive advantage.

Conclusion

With increasing popularity of CSR among business community, it is becoming important to view CSR not as a philanthropic infatuation but as a strategic tool to cultivate social capital for the organization while serving the society. In this context this paper reviews the prevalent literature, both from theoretical as well as empirical perspective, and highlights the merit of arguments of its proponents as well as opponents. The review of literature leads us to an alternate conceptualization of CSR leveled as strategic CSR which is different from the realm of philanthropic view. There after this paper synthesizes the literature of social capital and resource based view (RBV) to the merit of such a conceptualization and endorses the need for strategic

CSR actions. It opines that such actions should be in accordance to the socio-economic needs of important stakeholders and should be relevant to the organization's business operation. The paper also hints at possible epistemological fault in designing empirical research which traditionally follows a causal and direct relation between CSR actions and firm performance. Resultantly the paper follows qualitative associational approach to synthesize fifty-four published business cases in this area and proposes a process model to facilitate an alternative epistemological design and to enhance the scope for further empirical research. This process model integrates firm's social responsible action to that of its profit motif. It shows how CSR actions can be institutionalized to maximize the utility of resources and how it serves to the best interest of business as a strategic tool to gain competitive advantage. Subsequently the paper explains the process of institutionalization and explores the scope available for multi-disciplinary research around the theme of CSR. It delineates some relevant and practical suggestions to practitioners so that they can decipher the signals from their respective business environments and will successfully transform the organization's action from passive philanthropic CSR to that of proactive and strategic CSR.

REFERENCES

Adler, P. S., & Kwon, S. W. 2002. Social capital: Prospects for a new concept. ***The Academy of Management review***, 27(1): 17-40.

Barney, J. 1991. Firm Resources and Sustained Competitive Advantage. ***Journal of Management***, 17(1): 99.

Barney, J. B. 2002. Gaining and Sustaining Competitive Advantage edu: Saddle River, NJ: Prentice-Hall.

Basu, K.,& Palazzo, G. 2008. Corporate social responsibility: A process model of sense making. ***Academy of Management Review***, 33(1): 122-136.

Berle Jr, A. A. 1932. For Whom Corporate Managers Are Trustees: A Note. ***Harvard Law Review***, 45(8): 1365-1372.

Black, J. A., & Boal, K. B. 1994. Strategic Resources: Traits, Configurations and Paths to Sustainable Competitive Advantage. ***Strategic Management Journal***, 15: 131-148.

Bullock, R. J., & Tubbs, M. E. 1987. The case meta-analysis method for OD. ***Research in Organizational Change and Development***, 1: 171-228.

Burke, L., & Logsdon, J. M. 1996. How Corporate Social Responsibility Pays Off. ***Long Range Planning***, 29(4):495-502

Campbell, J. L. 2007. Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. ***Academy of Management Review***, 32(3): 946-967.

Carrol, A. B. 1979. A Three-Dimensional Conceptual Model of Corporate Social Performance. ***Academy of Management Review***, 4(4): 497-505.

Dodd Jr, E. M. 1932. For Whom Are Corporate Managers Trustees? ***Harvard Law Review***, 45(7): 1145-1163.

Easterbrook, F. H., & Fischel, D. R. 1991. ***The economic structure of corporate law***: Harvard University Press.

Eisenhardt, K. M., & Graebner, M. E. 2007. Theory Building From Cases: Opportunities and Challenges. ***The Academy of Management Journal (AMJ)***, 50(1): 25-32.

Friedman, M., & Friedman, R. D. 1962. ***Capitalism and freedom***: University of Chicago Press Chicago.

Friedman, M. 1970. The social responsibility of business is to increase its profits. ***New York Times Magazine***, 13(1970): 32–33.

Griffin, J. J., & Mahon, J. F. 1997. The Corporate Social Performance and Corporate Financial Performance Debate: Twenty-Five Years of Incomparable Research. ***Business & Society***, 36(1): 5.

Griffin, J. J. 2000. Corporate Social Performance: Research Directions for the 21st Century. ***Business & Society***, 39(4): 479.

Husted, B. W., & de Jesus Salazar, J. 2006. Taking Friedman Seriously: Maximizing Profits and Social Performance. ***Journal of Management Studies***, 43(1): 75-91.

Jensen, M. 2002. ``Value maximization, stakeholder theory, and the corporate objective function''. ***Business Ethics Quarterly***, 12: 235-256.

Ingram, P., & Baum, J. A. C. 1997. Chain Affiliation and the Failure of Manhattan Hotels, 1898-1980. ***Administrative Science Quarterly***, 42(1).

Lansiselmi, H., Peiro, J. M., & Kivimaki, M. 2004. Grounded Theory in Organizational Research. ***Essential Guide to Qualitative Methods in Organizational Research***.

Larsson, R., & Lubatkin, M. 2001. Achieving acculturation in mergers and acquisitions: An international case survey. ***Human Relations***, 54(12): 1573.

Luo, X., & Bhattacharya, C. B. 2006. Corporate Social Responsibility, Customer Satisfaction, and Market Value. ***Journal of Marketing***, 70: 1-18.

Maignan, I., & Ferrell, O. C. 2001. Corporate citizenship as a marketing instrument. ***European Journal of Marketing***, 35(3/4): 457-484.

Margolis, J. D., & Walsh, J. P. 2001. ***People and Profits?: The Search for a Link Between a Company's Social and Financial Performance***: Lawrence Erlbaum Associates.

Margolis, J. D., & Walsh, J. P. 2003. Misery Loves Companies: Rethinking Social Initiatives by Business. ***Administrative Science Quarterly***, 48(2): 268-305.

Maurer, I., & Ebers, M. 2006. Dynamics of Social Capital and Their Performance Implications: Lessons from Biotechnology Start-ups. ***Administrative Science Quarterly***, 51:262-292

Mohr, L. A., & Webb, D. J. 2005. The effects of corporate social responsibility and price on consumer responses . ***The Journal of Consumer Affairs***, 39(1): 121.

Orlitzky, M., Schmidt, F. L., & Rynes, S. 2003. Corporate Social and Financial Performance: A Meta-analysis. ***Organization Studies***, 24(3): 403.

Pava, M. L., & Krausz, J. 1996. The association between corporate social-responsibility and financial performance: The paradox of social cost. ***Journal of Business Ethics***, 15(3): 321-357.

Porter, M. 1980. Competitive Strategies. ***Techniques for Analyzing Industries***.

Porter, M. E., & Kramer, M. R. 2002. The Competitive Advantage of Corporate Philanthropy. ***Harvard Business Review***, 80(12): 56-68.

Prahalad, C. K., & Hamel, G. 1990. The core competence of the corporation. ***Harvard Business***

Review, 68(3): 79-91.

Reinhardt, F. 1999. Bring the environment down to earth. ***Harvard Business Review on Business and the Environment. Harvard Business School Press. Cambridge, Massachusetts.***

Roberts, S., Keeble, J., & Brown, D. 2002. The Business Case for Corporate Citizenship. ***Arthur D. Little, Ltd., Cambridge, UK***: 8.

Roman, R. M., Hayibor, S., & Agle, B. R. 1999. The Relationship Between Social and Financial Performance Repainting a Portrait. ***Business & Society***, 38(1): 109.

Rowley, T., & Berman, S. 2000. A Brand New Brand of Corporate Social Performance. ***Business & Society***, 39(4): 397.

Sorheim, R. 2003. The pre-investment behaviour of business angels: a social capital approach. ***Venture Capital***, 5: 337-364.

Wan Jan, W.S. 2005. Defining corporate social responsibility. ***Middlesex University Business School***, The Burroughs, London, UK.

Weber, M. 1922.1968. ***Economy and Society***

Werther, W. B., & Chandler, D. 2006. ***Strategic corporate social responsibility: stakeholders in a global environment***: SAGE.

Westlund, H., & Nilsson, E. 2005. Measuring enterprises' investments in social capital: a pilot study. ***Regional Studies***, 39(8): 1079-1094.

Wu, W., & Leung, A. 2005. Does a Micro-Macro Link Exist Between Managerial Value of Reciprocity, Social Capital and Firm Performance? The Case of SMEs in China. ***Asia Pacific Journal of Management***, 22(4): 445-463.

FIGURE 1
The CSR Chain

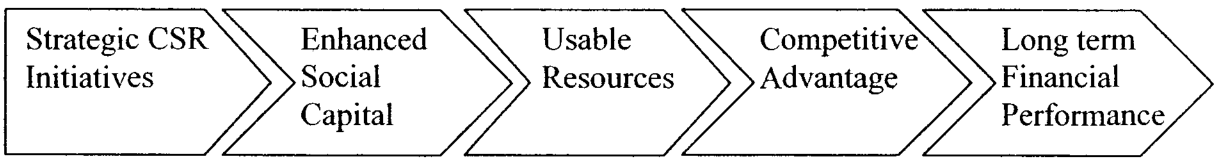

FIGURE 2
The CSR Process Model