

Chapter 8

The Indicators of the Corporate Social Responsibility: A Search for Efficiency or a Concern for Legitimacy Towards Stakeholders? A Proposed Explanatory Model

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ABSTRACT

The objective of the present paper is to propose an explanatory model identifying the determinants of the recourse to the CSR indicators and spotting the real motivation of companies to use them: for efficiency or a concern for legitimacy towards stakeholders? To carry out this research, the researchers have chosen a qualitative methodology by analysing eight cases of companies labelled CSR. The researchers try to show that the use of CSR indicators obeys to two different but complementary theoretical frameworks. The contingent theory explains the architecture of management control systems according to the “technical environment” of the company that seeks greater efficiency. Whereas in the neo-institutional perspective, the use of CSR indicators can be explained by the “social and institutional environment” in which the enterprise, seeking greater legitimacy, evolves. Through the combination of these two theoretical frameworks, this paper provides an academic basis for future studies which envisage testing the model through a quantitative study.

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1. INTRODUCTION

According to Nidumolu et al., (2009): “There’s no alternative to sustainable development”. In the same logic, it is also possible to say: “There’s no alternative to Corporate Social Responsibility (CSR)”. The CSR is concerned with the application of sustainable development principles to companies. It invites them to consider, beyond the economic and financial aspects, the social and environmental dimensions of their activities. The CSR reflects the company’s obligation to all stakeholders. This leads the company to seek a new business model in which economic, social and ecological criteria of performance are likely to be integrated, leading to a global performance

To pilot their global performance, companies developed the indicators of CSR to use them as new criteria of sustainability. Many organizations have integrated the CSR indicators in their external reporting and their mission statements (Newton and Harte, 1997). These reports may serve as a ‘veil’ which hides the company’s activities (Deegan, 2002) whose sole purpose is to seek more legitimacy (Banerjee, 2008; Gond et al., 2009). The CSR indicators had, initially, an external communication role through reporting. However, gradually, they have become a management tool which facilitates the integration of sustainability within strategy (Gond et al, 2012; Kober et al., 2007; Langfield-Smith, 1997; Ahrens and Chapman, 2007).

The tools of control are, often, mobilized by companies to seek more efficiency. However, the roles posted by the control tools should not be confused with the real reasons which motivate the managers to utilize them (Burchell and al., 1980). The current evaluation devices of the global performance are related to stakeholder’s expectations, and are measured by rating agencies outside the company (Capron and Quairel, 2006). Little is known about the roles and uses of management control systems (Gond et al, 2012), and especially CSR indicators in the integration of sustainability within organizational strategy. It would be interesting to study management control systems through the particular case of CSR indicators.

Through an exploratory qualitative study, this paper seeks to propose a conceptual model which identifies the determinants of the use of CSR indicators, and clarifies the real motivation of the company to integrate them into its management control systems: Do the CSR indicators translate the rationality of the company or the reflection of an illusory rationality? In other words, what purpose do CSR indicators serve: a search for efficiency or a concern of legitimacy to stakeholders?

The rest of the paper is structured as follows. Section 2 presents the CSR indicators as a new management control tool. Section 3 describes the data and the methodological approach. Section 4 presents empirical findings. Section 5 discusses the results and presents the explanatory model. Finally, some conclusions are drawn in the last section.

2. THE CSR INDICATORS: A NEW MANAGEMENT CONTROL TOOL

Within a sustainable development context, the performance measurement can only be done on the basis of accounting and financial information (Depoers et al., 2003). The use of non-financial indicators appears to be a necessity for driving a performance whose content and contours have widened. The literature does not give a synthetic definition of the notion of non-financial indicators (Évelyne and Grégory, 2005); however, they are most often apprehended as opposed to financial indicators. They are non-financial because they do not directly reflect the financial purpose as can the economic indicators derived from the company’s financial statements. Kaplan and Norton (2003) argue that non-financial

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