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Corporate Social Responsibility and Dimensions of Organizational Structure

The Impact of Structural Implementation of Corporate Social Responsibility on Organizational Design Variables

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Danksagung

Danke meine Eltern, die mir immer den Rücken gestärkt und während der Verfassung meiner Diplomarbeit stets die nötige Geduld aufgebracht haben.

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Man did not weave the web of life;
he is merely a strand of it.
Whatever he does to the web, he does to himself.

Chief Seattle (Digby, 2000, p. 234)

Abstract

The relationship between business and society, which has been intensively debated over the past decades, is one of the most important economic issues of the 21st century. Governments, ethical groups, non-governmental organizations and other stakeholders are watching, evaluating, and judging each business activity of companies, while shareholders and business leaders are putting pressure on corporations to grow continuously and maximize their financial returns. In this vast area between different interest groups, the term corporate social responsibility (CSR) arose in business literature - the entitled concept of reconciling social, environmental, economic, and corporate business issues.

The first part of the thesis deals with the definition of CSR and gives an overview of current research trends on corporate integration and measurement of CSR efforts. The findings should illustrate the existing problems and discrepancies in literature, whereas common approaches are identified in order to elaborate a definitional construct of the CSR topic.

Further, the constituents, processes, and outcomes of CSR implementation are framed and analyzed. On the basis of current CSR guidelines and principles, key activities of CSR practices are highlighted, that build the fundament for further investigation on the impacts of CSR implementation on corporate strategy and structure. After a brief evaluation of the strategic aspects of CSR, the main part of the thesis discusses the interrelations between the various factors and dimensions that constitute corporate structure. The correlations between design variables are drawn and the effects of structural implementation of CSR tasks and processes on the dimensions formalization, specialization, configuration, centralization, and coordination are analyzed.

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Problem statement

“I think many people assume, wrongly, that a company exists simply to make money, […] while this is an important result of a company’s existence, we have to go deeper to find our real reason for being. A group of people get together and exist as an institution that we call a company. To do something worthwhile - they make a contribution to society. The real reason for our existence is that we provide something which is unique” (David Packard, quoted in Jacobson, 1998).

This profound statement was told by David Packard, co-founder of the Hewlett-Packard Company, during a management training session in 1960. It reflects in short the long-lasting debate on the areas of responsibility of economy in society. It is widely recognized that financial returns and a healthy financial basis constitute the most important columns for the survival of a firm in the middle- and long-term. So, what might be the drivers for companies to go beyond “making money” and advocate social well-being? In what extent should companies involve social and environmental issues into their corporate strategy? And most important: How should companies demonstrate and carry out their commitment to social and environmental responsibility? Most of this kind of questions can be answered by evaluating organizational environment and business cases that occurred over the past decades. Due to the evolving level of globalization, economy has to face new challenges of a more demanding socioeconomic environment: New technologic developments lead to increased transparency of markets and business activities. Numerous and more complex sets of standards for social and ethical minded business conduct force corporations to rethink their strategies and business operations. The rising number of potential competitors and product assortments let companies concentrate their resources on activities that make business more sustainable.

All of these aspects are sources of the common trend of integrating social and environmental concerns into the day-to-day business practices, broadly termed as corporate social responsibility (CSR). The main objective of CSR is anticipating possible upcoming socioeconomic threats to the organization, as well as reaching a common ground with stakeholders in order to make business sustainable. In other words, as organizational activities and financial returns are getting more and more impacted by numerous external factors, the concept of CSR deals with these factors and helps organizations in reaching their business

objectives while contributing positively to stakeholders' issues. Evidently, to accomplish organizational goals, the required actions have to be fully implemented into corporate structure and processes, being business activities themselves or CSR actions that support and accompany business activities.

Compared to the amplitude of academic literature on the strategic aspects of CSR, there is surprisingly very little to find on the actual implementation, management, and operational side of corporate responsibility (Crane, Matten, & Spencer, 2008, p. 416). The thesis presents the main constituents of the CSR concept and elaborates the activities and processes behind CSR strategy. By means of the analysis of CSR approach and activities, conclusions on the impacts on dimensions of organizational structure can be drawn. The goal of the thesis is to highlight the importance of a comprehensive structural implementation of CSR strategy, and to identify the significant impacts on the five structural dimensions formalization, specialization, configuration, centralization and coordination. On the basis of the analysis, the consequences of an extensive corporate integration of CSR efforts can be better understood and managerial implications can be drawn to set up the right "structural fit".

1. Economy and society – Cases of responsibility in business

Due to the rapid pace of globalization, people have become more aware of events across nations. In recent years, the manners and practices of international corporations have become easily and increasingly known across regions and cultures much faster through global media and the internet. Especially controversial and undesirable practices of corporations lead to increased awareness and in consequence to protests by activists against a wide range of business issues including working conditions, finance and wage policies, environmental degradation, and cultural imperialism (Batra, 2007, p. 306).

While some companies have been accused of violating national laws, they have been increasingly criticized for failing to meet social expectations. Changing social norms have been ignored over periods and corporations failed to cope with the growing social pressure on them. Industrialized nations, advanced technologies and interdependencies between locations, industries, and services have made the operations of subsidiaries and even single plants so transparent that externalities of their activities cannot be ignored (Sethi, 1975, p. 62). According to Werther & Chandler (2006, p. 44), “effective strategy results in providing businesses with a source of sustainability, competitive advantage. For any competitive advantage to be sustainable, however, the tactics must be executed in ways that are at least minimally acceptable to the societies in which they are deployed. Otherwise, social, legal, and other forces may conspire against the firm, as when lawsuits punish a manufacturer for polluting the air and water”.

The following examples of recent business cases and scandals due to failed integration and execution of corporate responsibility show an overview on the scope of the CSR topic.

The Nike case. Nike is a major sportswear and equipment supplier based in the United States. The company is the world’s leading supplier of athletic shoes and sports apparel with more than 30.000 employees worldwide (Nike, 2011). As a consequence to the growing market and product sales, Nike shifted its operations in the 1970s and 80s from Japan to cheaper Korean and Taiwanese suppliers. As production increased over time, these suppliers subcontracted to further producers in less-developed countries such as Indonesia, Thailand, China and

Vietnam. By 1999, Nike received athletic apparel from over 500 factories in 45 countries. Consequently, Nike's awareness and control over the factories decreased to a minimum and hit rock bottom in 1996 when the conditions of Nike's factories became a worldwide media topic. The company was accused for child labor, human rights abuses, violence to laborers, and hideous working conditions by several nonprofit groups. Nike's response was the set up of a task force to aggressively confront this wave of attacks ensuring ethical and legal consistency throughout the company (De Tienne & Lewis, 2005, p. 361). The Nike case illustrates the dilemma and consequences of ethical, cultural and legal misalignments in a multinational context. Furthermore, Nike managed to incorporate CSR policies and practices and strengthened its commitment to sustainable conducts for both business and society.

The IKEA case. IKEA Group is a Swedish company and sells ready-to-assemble furniture. It is the world's largest furniture retailer with approximately 127.000 employees and operates in 26 countries (IKEA Group, 2010). In the early 1980s, Greenpeace started a campaign against furniture retailers that use wood from ancient forest. IKEA started quite soon with intensified stakeholder communication, monitoring and consulting. The company worked closely with Greenpeace and further non-governmental organizations (NGOs) in partnership to align its activities with the NGOs' objectives. IKEA focused on the use of certified wood and could lever consumer loyalty by its approach to environmental management. The business case of IKEA is an example of how social and environmental issues can be integrated in corporate strategy and practices before the firm's reputation and financial results become negatively affected (Werther & Chandler, 2006, p. 284).

The Chiquita case. Headquartered in the United States, Chiquita Brands International is a global company with over 23.000 employees and operations on six continents. The company distributes a huge selection of fruits such as bananas, pineapples, grapes, melons and avocados (Chiquita Brands International, Inc., 2011). In 2002, more than 3.000 Central American banana workers were suing Chiquita Brands over the continued use of a pesticide that had been already banned in most of the United States since 1977. The main medical consequences of exposure to the chemical are sterility, cancer, and birth defects in children born to those who have been exposed. The main accusation against Chiquita Brands was that

they continued to ship the pesticide to banana plantations outside the US and allowed workers to use it without proper protection or education, although the company was aware of the dangers for humans who were exposed to the chemical. Chiquita Brands as the largest employer of unionized banana workers in Latin America has consequently been strongly affected by this issue and reacted by improving its CSR activities. The added negative publicity such cases generate should provide greater incentive for organizations to operate with the same degree of responsibility and care abroad that they would use at home (Werther & Chandler, 2006, pp. 246-247).

The business cases above show examples of negative and favorable consequences of legal, social, and environmental management. The ability to persuade executives and business leaders that CSR offers strategic and economic benefits is the key to the practical impact of CSR. By utilizing strategies and actions that address the needs of stakeholders, firms can sustainably maximize shareholder value (Werther & Chandler, 2006, p. 61).

2. Corporate social responsibility (CSR)

From the middle of the twentieth century until now the debate on the responsibility of business passed through several phases of development. Numerous authors of studies and articles tried to investigate the phenomenon of social responsibility and sustainability, but even the denomination itself causes lots of definitional discrepancies: Corporate social responsibility – "the term is a brilliant one; it means something, but not always the same thing, to everybody.[…] Even the antonyms, socially 'irresponsible' and 'non-responsible', are subject to multiple interpretations" (Votaw, 1972, p. 25). Therefore, the following chapters deal with the questions concerning the origin, the development and the principles and practices of social responsibilities. Furthermore, universal and generic characteristics of the discussion around the CSR construct are established which create the fundamentals for further and more detailed research on this topic.

2.1. Why a "global management ethos" is necessary

In the past, many efforts were made to evaluate and justify corporate social investments. The aspects in support of CSR are mainly based on instrumental or ethical rationales, while most arguments against CSR are based on property rights or institutional function perspectives (Jones M. T., 1996, p. 8). From Friedman's (1962) point of view, the only responsibility business has is the economic responsibility towards its shareholders. On the other hand, Sethia (2005, p. 49) cited Whybrow, the director of an institute for neuroscience and human behavior, who declared that people's truest dreams are to do something meaningful with their lives and that responsible business enables people to pursue these dreams.

From one extreme viewpoint to another, the truth on CSR is supposed to be found somewhere in the middle. Following Davis (1976, p. 14), "New Conditions Require New Models of Thought". In recent decades, business has introduced more social concern into its actions, but society's prospects have increased even faster. "Social responsibility for business is

inevitable", because business' activities are too intermixed with all of society, so business cannot split its activities into just one specialty (Davis K. , 1976, p. 16). In this sense Zsolnai (2003, p. 95) introduced the term global responsibility and invoked business actions that affect the survival and fate of life conditions and natural ecosystems of present and future generations. Business has a "sustainable, pro-social and future-enhancing" responsibility in order to preserve the cultural and ecological richness of the world.

Based in the ethic philosophy of enlightened self-interest, Keim (1978, p. 33) argues that the enlightened self-interest model related to CSR is "an objective effort to rationalize corporate social investment". The model implies that companies would make investments in some ventures "for which the present value of the private benefit stream does not exceed the sum of the discounted private costs" (Keim, 1978, p. 34). The firms invest in the interest of owners of different equity holdings, because the activities by one firm my positively affect other firms that are included in the owner's portfolio. Owners "tend to hold diverse portfolios instead of interest in only one or two companies" (Keim, 1978, p. 34), so they are concerned about economic as well as environmental or social activities which will benefit a larger group of companies, or even an entire industry. As CSR is per definitionem related to corporate business interests (chapter 2.2), it is a logic consequence that boosting CSR activities in the entire business sector might influence own corporate results positively.

Clarkson (1995, p. 92) associated CSR with strategic stakeholder management and referred to a managerial stakeholder framework to determine what is and what is not a considerable social issue for a corporation. Basically, stakeholders are special interest groups that can be divided into primary and secondary stakeholders depending on their degree of influence and importance to the company. Managers always have to take into account the corporation's responsibility to its primary stakeholder groups without favoring one group excessively and at the expense of other stakeholder groups. The definition and acceptance of obligations and responsibilities to primary stakeholders as well as recognition of their legitimacy and claims are already basic principles of the CSR domain (Clarkson, 1995, p. 112).

Also in a marketing related point of view, it is getting more and more important what firms say and do regarding to their different stakeholders (Snider, Hill, & Martin, 2003, p. 186). According to a study of Maignan (2001, pp. 65-69), consumers do very well allocate economic responsibilities to business and differentiate between economic responsibilities of

corporations on the one hand, and corporate ethical, legal, and philanthropic responsibilities on the other, and they are willing to make specific efforts to buy products from responsible organizations. This conclusion might be explained by the fact that corporations' responsiveness to social concerns influences public's assessments positively, i.e. consumers assign higher reputations to companies that do more in terms of CSR than other firms (Fombrun & Shanley, 1990, p. 251). Basically, "reputations signal publics about a firm's products, jobs, strategies, and prospects compare to those of competing firms" (Fombrun & Shanley, 1990, p. 233). Favorable reputations can increment returns for companies by constraining the mobility of competing firms in an industry. Therefore, a firm's reputation is "a primary factor in all its business relationships" (Wiley, 1995, p. 22).

As further discussed in chapter 2.7, there are lots of investigations concerning companies' attitudes towards CSR and their financial performance which do not clearly present a positive or negative correlation between these two factors. Nevertheless, Feltmate and Schofield (1999, pp. 20-24) declared that historically well founded financial analysis are no longer valid today. The authors highlight a significant positive relationship between firms who follow practices on sustainable development and their annual returns in share price. Moreover, "sustainable development offers an objective means to identify good companies with superior quality of management that thinks long-term", which may also "satisfy the requirements of investors interested in the performance and commitment to environmental, economic and social stewardship" (Feltmate & Schofield, 1999, pp. 20-24).

On the basis of the foregoing arguments it can be summarized that the importance of sustainability and CSR-driven business activities is supported by several points of view. Aside from the basic point stated by Jones (1996, p. 7), that the "concept and discourse of social responsibility are viable only in the absence of a historically grounded understanding of capitalist political economy", CSR is and has to be a fundamental part of the modern corporate managerial framework. Cited in Arlow & Gannon (1982, p. 236), Abouzeid & Weaver (1978) considered social responsibility as a continuous goal which can be claimed as a corporate policy. Therefore the identification, evaluation and implementation of social issues within corporate strategy and culture, and consequently the adaption of the

organizational structure are increasingly inevitable in today's economic environment (Werther & Chandler, 2006, p. 79).

2.2. Definition of CSR and development of the CSR movement

Over the past decades, the term and the concept of corporate social responsibility was and still is often in the focus of economic research and business practices. Various definitions and approaches concerning corporate responsibility as well as different critical views and statements in literature show a wide spread understanding of the meaning and the importance of CSR. By means of the subsequent overview of theoretical articles and investigations, common key attributes can be defined, which are essential for an investigation on the effective organizational integration of CSR in a strategic, structural and process-oriented way.

Especially in the middle of the 19th century the subject of the relationship between economy and society aroused the interest of theorists, researchers and practitioners (Carroll, 1999, p. 269). One of the initial definitions of CSR was set forth by Bowen (1953, p. 6), who described social responsibilities as "the obligations of the businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society".

Bowen's (1953) work represented the source literature for upcoming researches on CSR, as for instance for Davis, who was considered as the "runner-up to Bowen for the Father of CSR designation" (Carroll, 1999, p. 271). In his work Davis (1960, p. 70) defined social responsibility as a "nebulous idea" that refers to "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest". Moreover, he stressed that the "first social responsibility of businessmen is to find workable solutions regarding the nature and extent of their own social responsibilities" (Davis, 1960, p. 76).

According to Holmes (1977, p. 433), certain ethical standards have always been part of business principles, even for the earliest business communities. With the upcoming development of gobalization, economy has to face new challenges of a more demanding socioeconomic environment, i.e. more complex and vague sets of standards for ethical and social minded business conduct have to be coped with. This issue is mainly based on a multiplicity of interests and increasing interrelationships between systems (Adizes & Weston, 1973, p. 121). Because of these increasing interdependences each organization may be heavily affected by decisions made by other organizations.

Advancement was the paper by Jones (1980, pp. 59-60), who set CSR forth as "a form of self-control which involves elements of normative and moral constraint, altruistic incentive and moral imperative", and which is "the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract". Hence, there are more interest groups than just the primary group of stockholders to be involved - or at least considered - during the decision making process of corporations. Given impetus by anti-globalization protests and anti-corporate campaigns in the 1990s, CSR was often seen as a set of tactics with the goal of mitigation of the consequences of capitalism. An overarching generic statement was examined by Drucker (1984, p. 62) who concluded that "the first 'social responsibility' of business is then to make enough profit to cover the costs of the future. If this 'social responsibility' is not met, no other 'social responsibility' can be met". Social problems have to be turned into economic opportunities and economic benefit, into human competence, into productive capacity, and into wealth.

Based on the idea of integrating the interests of various stakeholder groups into the main business decisions, authors of current articles and working papers still find different and revised definitions of CSR. For instance McWilliams et al. (McWilliams, Siegel, & Wright, 2006, p. 1) characterized CSR as "situations where the firm goes beyond compliance and engages in 'actions that appear to further some social good, beyond the interest of the firm and that which is required by law'". However, the authors stated that theoretical development and measurement of CSR is difficult due to numerous and nebulous definitions of the concept.

Overall, the number of social issues and their breadth in scope, i.e. the number of stakeholders and consequently the pressure of public expectations, increased over the last decades dramatically (Pinkston & Carroll, 1996, p. 199). Therefore, an exact and universally valid definition of CSR is elusive "since beliefs and attitudes regarding the nature of this association fluctuate with the relevant issues of the day" (Snider, Hill, & Martin, 2003, p. 175).

Nonetheless, in his article *A Three-Dimensional Conceptual Model of Corporate Performance*, Carroll (1979, pp. 499-451) elaborated four basic expectations concerning the definition of CSR that still claim validity. To approach the entire range of responsibilities business has to society, the definition of corporate responsibility "must embody the economic, legal, ethical, and discretionary categories of business performance" (Carroll, 1979, p. 499). These categories are not mutual exclusive, but Carroll suggests a stronger emphasis on economic and legal concerns, followed by ethical and discretionary aspects. Consequently, a firm's actions and motives can be allocated to one of the four categories:

Economic responsibilities mean that business institutions have the primary obligation to produce services and goods and to sell them with profit. This is the fundamental category all others are predicted on.

Legal responsibilities comprise the fulfillment of the "social contract", i.e. the abidance by the laws and regulations under which business is expected to operate.

Ethical responsibilities are given by society's members and are not necessarily established by legal constraints. They implicate that business' expectations lie over and above legal requirements.

Discretionary (volitional) responsibilities are "those about which society has no clear-cut message for business" (Carroll, 1979, p. 500). These aspects of corporate responsibilities are purely voluntary and are left to firms' individual choice and judgment, for instance philanthropic contributions, or day-care centers for working mothers.

Carroll's four responsibility categories mentioned above refer to the total responsibilities of a company, whereas some other researchers embed mainly discretionary responsibilities in their CSR definition. However, companies are responsible for solving problems they have caused, and they are also responsible for helping to solve social issues and problems related to their business interests and operations (Wood, 1991, p. 695).

Köppl & Neureiter (2004, p. 19) described the main idea of CSR as the strategic and benevolent corporate conduct regarding a firm's stakeholders, over and above legal and ethical regulations. This means CSR is a multidisciplinary construct that also includes for instance financial transparency and cooperation with legal institutions.

In conclusion, the generally admitted definition of CSR must highlight its discretionary aspects of actions beyond compliance, and simultaneously comprise the congruence of CSR activities with organization strategy and objectives. The following definition of CSR is based on the definition by Kotler & Lee (2005, p. 3) and complemented with the business-related aspects alluded by Wood (1991, p. 695):

Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources related to the corporation's business operations and interests.

According to the definition above, in this thesis the term CSR is not referring to business activities that are mandated by law or that are ethical or moral in nature and perhaps therefore expected. CSR is rather a voluntary commitment a business makes in choosing and implementing these practices. The term community well-being in this definition includes environmental issues as well as human conditions, so the focus of CSR lies clearly on discretionary business practices and contributions in environmental and philanthropic areas aligned with the organizational objectives and interests.

2.3. CSR guidelines and principles – An overview of current standards

Beside the area of scientific research and legal concerns in the field of CSR, numerous organizations and NGOs developed certain ethical, social, and environmental norms and standards that amend legal constraints and might serve as guidelines to foster responsible business conduct. Especially the World Wide Web is a common and often used platform for organizations to share and present their experiences, recommendations and philosophy on social responsibility. In order to provide a sound basement for practical managerial implications, certain CSR codes and guidelines – selected by their popularity and importance concerning the number of member organizations – are briefly represented and summarized in the following. A short overview on common emphases and focal points treated by the various initiatives will conclude this chapter.

The *United Nations Global Compact* is a strategic policy initiative for businesses offering a leadership platform for participants to advance their commitments to corporate citizenship and sustainability. Moreover, in 2008 the Global Compact is the largest sustainability and corporate citizenship initiative in the world with over 5500 stakeholders and corporate participants from over 130 countries (UN Global Compact, 2011a). Beside its voluntary character, the Global Compact intends to advance CSR efforts globally and engages the private sector to work directly in partnership with the UN, international labor and NGOs, in order to identify and promote good corporate practices based on ten universal principles (Ruggie, 2002, p. 31). These ten principles are international codes of business conduct and are subordinated to four main categories: human rights, labor standards, environment and anti-corruption (UN Global Compact, 2011b).

The Organization for Economic Cooperation and Development (OECD), an organization that collects, monitors, analyses and forecasts data concerning trends in economic developments and social changes, published the *OECD Guidelines for Multinational Enterprises*. OECD works together with various governments and tries among others to support sustainable economic growth, to raise living standard, to boost employment, to maintain financial

stability, and to contribute to growth in world trade (OECD, 2011). In its working papers, the OECD described the OECD Guidelines as "recommendations to enterprises from OECD governments to help ensure that multinational businesses operate in harmony with the policies of the countries where they operate" (OECD, 1997, p. 5). Furthermore, they provide voluntary principles and standards for responsible business conduct consistent with applicable laws (OECD, 2008, p. 15). The OECD guidelines (OECD, 2008) are mainly based on employment and industrial relations, environmental concerns, combating bribery, consumer interests, science and technology, competition and taxation.

The *Global Reporting Initiative* is a voluntary social accounting guideline that has been developed relatively recently. It separates corporate performance into social, environmental and economic indicators, and provides a framework for a company's social issue reporting (Cooper, 2004, p. 11). Due to the GRI framework, the sustainability of organizational activities can be demonstrated transparently, which is of interest to a diverse range of stakeholders. Among other standard disclosures as for instance company profile and economic performance, environmental, social, labor practices, human rights, society, as well as product responsibility are important parts of sustainability reporting (Global Reporting Initiative, 2008). Consequently, these disclosures are also the most important sustainability operating fields for a company.

Increasing environmental problems in the last two decades were the main catalyst for the development of the environmental management *ISO 14000 standards*. Published in 1996 by the International Organization of Standardization, it is a set of total quality environmental management tools that aims to improve quality and efficiency by developing, implementing, maintaining and evaluating environmental objectives and policies (Proto & Supino, 2000, pp. 767-768). By now, the ISO 14000 standards are designated "as the victor in the battle for supremacy among environmental management standards in Europe" (Scott, 1997, p. 84). These standards can be used to meet internal as well as external objectives. Internal objectives for instance are the "assurance to management that it is in control of the organizational processes and activities having an impact on the environment" and the assurance to employees "that they are working for an environmentally responsible organization". External

objectives would be to “provide assurance on environmental issues to external stakeholders”, to “comply with environmental regulations”, the support to “the organization’s claims and communication about its own environmental policies, plans and actions”, and providing a framework for demonstrating declarations, assessment and certification of conformity “by an independent certification body” (International Standardisation Organization, 2008).

In addition to the organizations mentioned above, there is an immense number of global and regional initiatives and organizations that have chosen CSR as the main purpose of their business: The organization *Business for Social Responsibility* is a cooperation of over 250 enterprises all over the world, for instance General Electric, IKEA Group, Levi Strauss, etc, and develops sustainable business strategies and solutions (Business for Social Responsibility, 2011). The *European Academy of Business in Society* is a leading European business network for CSR with about 70 multinational partner corporations (CSR Europe, 2011). On a national basis, the Austrian business council *respACT* is a leader platform with over 100 member organizations and engages for all questions, queries and concepts regarding CSR and sustainable development (respACT, 2011). The bottom line is a common emphasis between these organizations and initiatives on a similar range of issues. Depending on scope of business, stakeholders, culture, economic climate, and other factors, CSR issues are varying and actions have to be adjusted to these environmental factors and organizational competencies, as further discussed in chapter 7.

2.4. Predominant fields of CSR activities

In chapter 2.3, various guidelines and principles were presented that focus on distinctive aspects of CSR. Nevertheless, there can be determined common CSR areas represented throughout the most important CSR guidelines, which are in some aspects similar to the CSR categories elaborated by Carroll (1979), reviewed in chapter 2.8, and which can be used for further research:

Economic concerns are primarily related to shareholders and executives to guarantee liquidity to creditors, to safeguard employment, and to secure the company's survival in the medium run. The economic responsibility, i.e. economic efficiency, of a company is an inevitable fundamental principle of an organization which does not primarily belong to the specific matters of social responsibility, as it is a basic condition to secure the survival of the organization in the medium and long run.

Legal concerns and human rights have to be accomplished and respected in all occurrences to fulfill the prerequisites imposed by governments, workers' councils and economic associations.

Environmental issues due to business activities are for instance climate change, land degradation, anoxic waters, energy conservation, resource depletion, etc. Green supply chain systems, emission control, and prevention of environment exploitation are some examples of processes that have to be implemented and standardized.

Ethic, social, and philanthropic issues are the generic terms for an amount of various CSR activities that pertain to internal and external actions. Product responsibility, labor practices and training, support to NGOs, as well as beneficial actions belong to that CSR category.

The four categories listed above are the main topics of social issues a company has to consider in its CSR strategy, whereas economic concerns do not directly constitute a part of CSR per definitionem. Corporate responsibility has traditionally been seen more in terms of issues pertaining to legal, environmental, and philanthropic orientations (Acar, Aupperle, & Lowy, 2001, p. 39). In chapter 2.6 the key activities a firm has to proceed during the implementation and the day-to-day management of the issues within these categories based on the findings in the previous chapters of the thesis are discussed.

2.5. The implementation of CSR: aspects in literature

As revealed in chapter 2.2, neither the concept of CSR can be easily defined in a common, generally accepted and standardized way, nor are the indications for practical transformation and implementation of the theoretical construct of CSR clearly illustrated in business literature. A brief examination of current research trends on the implementation of CSR will give an overview on the state-of-the-art and provide the basis for further discussion in the following chapters.

Even though literature presents several definitions and conceptualizations of CSR, the importance of strategic, structural and process-oriented implementation is beyond all questions. Concerning the strategic aspects of CSR, McWilliams et al. (2006, p. 4) explained that the company's perspective on corporate responsibility can be a holistic part of a company's business and corporate-level differentiation strategy, which implies that CSR should be considered as a form of strategic investment. A considerable statement purports Galbreath (2006, pp. 175-176): "CSR can not be separated from corporate strategy". Ignoring a firm's social responsibilities might have a deep negative financial impact, and companies need to decide which type of CSR strategies they will pursue.

Aside from involving corporate responsibility into corporate strategy, the structural integration of the corporate social policy is another essential part of CSR implementation. In their paper Carroll & Hoy (1984, pp. 49-50) proposed the full integration of CSR into the goal-settings of corporate structure. CSR levels can further be distinguished using the criteria of level of managerial decision making, scope of goals, conceptualization versus operationalization, level of risk, and time horizon. Holmes (1978, p. 53) affirmed that permanent structural arrangements seem to be the trend particularly for the largest firms. A lot of large corporations turn up to formalize social objectives and programs for meeting those goals as well as organizational arrangements to administer actions of the social program.

Deducting from the fact that social responsibility is virtually impossible to define in terms of specific decisions within an organization, Jones (1980, p. 65) draws the conclusion that CSR should not be seen as a set of ends, but as a set of means that incorporate social concerns into the general decision-making process. The means by which this might be done are diverse. For instance, some firms might hire outside consultants, others might institute CSR staff or

special purpose directors. Regardless of the method chosen, “the important concern is that the social impact of corporate decisions be given full consideration in the process itself” (Jones T. M., 1980, p. 65).

Summarized, it can be pointed out that the implementation of CSR comprises strategic, structural and process oriented aspects. In the subsequent chapter, these aspects are investigated and discussed in detail.

2.6. Identification of key CSR implementation steps

CSR is a broad and for many corporations relatively new field of activities. Crane, Matten & Spencer (2008, p. 417) stated that the implementation of CSR is often seen as a kind of project management with the typical steps of a planning phase, an implementation phase, an evaluation phase, and with the final phase of a feedback loop to learn from mistakes and to build on success. For a company it is essential to define and to scrutinize each of these steps in detail. Due to the definition of the specific elements of each phase, a company is able to allocate the duties and responsibilities of management in all stages of the CSR implementation. Furthermore, impacts on organizational structure can be pointed out and evaluated on the basis of the identified managerial tasks and processes (chapter 8). According to Crane, Matten & Spencer (2008, p. 417), the main steps and subordinated elements are listed and discussed below.

Setting goals for CSR is the first stage in implementing corporate responsibility. In this phase management has to provide a cultural leadership to assure ethic and cultural consistency throughout the company, i.e. verbalizing the culture in the form of a mission statement, set of values, and code of conduct (Verschoor, 2001, p. 18). Researchers suggest that organizations are structured and controlled by norms, values, and social pressures, which can be influenced and manipulated to obtain a differentiating advantage (Walsh, 2004, p. 305). As managers and employees view constituted policies and practices “through the prism of their personal

values" (Sturdivant, 1977, p. 38), CSR has to be a fundamental part of the norms and values within the corporation, i.e. within corporate culture. Regarding CSR business practices and contributions of corporate resources, management has to define specific targets and how to progress towards them in a concrete mission statement, which needs to be supported by a strong commitment of CEO and top management (Weaver, Treviño, & Cochran, 1999, p. 291).

The second step is *Designing CSR strategies* and involves the accurate consideration how to set the direction of a company to achieve its CSR goals (Crane, Matten, & Spencer, 2008, p. 417). Mees & Bonham (2004, p. 11) argued "where a company houses its CSR responsibilities within its structure is often telling of how that company views CSR". A firm would ideally have a senior executive who is solely charged with the management of corporate responsibility, and if there is no engagement of employees in CSR, it would just become an exercise in public relations. Weaver, Treviño & Cochran (1999, p. 283) affirmed "a high degree of corporate adoption of ethics policies, but wide variability in the extent to which these policies are implemented by various supporting structures and managerial activities". Therefore, management has to make sure that the aligned corporate responsibility strategy is backed up by a clearly defined and well adopted corporate structure. Moreover, efforts have to be made in order to ascertain that established policies and codes are put into practice by organizational members. Deeper insights on strategic aspects concerning CSR are represented in chapter 3.2. The integration of CSR into corporate structure is discussed in chapters 6 and 8.

Implementing CSR tools is the next important phase of managing CSR. This stage involves adding new CSR criteria to common tasks as well as doing things differently from scratch. There are various CSR techniques that can be allocated to a particular CSR area, such as cause related marketing and green supply chain management, while other tools cut across two or more areas, for instance risk management, codes of conduct, and stakeholder management (Crane, Matten, & Spencer, 2008, p. 417). Basically, the responsible executives and the introduced organizational CSR unit have to implement CSR tools and management processes that help to achieve the particular set CSR goals. Miles, Munilla & Darroch (2006, p. 203) underlined that the understanding of the preferences and concerns of important stakeholder groups examined through an open and public strategic conversation process would also enhance the strategy realization process. Therefore, the dialogue with and the integration of

stakeholders as later discussed in chapter 7 should be a continuous process during the design and the ongoing adaption of the CSR strategy.

Finally, the fourth step *Assessing the outcomes of CSR* has an information reporting and evaluation function. Citing Crane, Matten & Spencer (2008, p. 417), "CSR auditing and reporting are the key tools that help companies to assess their social performance and communicate it to audiences inside and outside the company". According to Clarkson (1995, p. 108), the main problem of evaluating performances is to obtain the data required. There are several systems and methodologies that help to measure performance in various ways, for instance stakeholder management approaches, but the difficulty lies in gathering appropriate and valid data. The goal of sustainable development is the simultaneous consideration of economic growth, social equity, and environmental protection in business planning and decision making, whereas companies might use a combination of internal reporting and monitoring and external organizations for social auditing (Rondinelli, 2006, p. 1 & 20). Chapter 2.7 represents an overview of prevalent aspects and investigations in literature concerning the measurement of CSR.

Figure 1 summarizes the main steps of the CSR implementation process discussed above, the underlying tasks and processes, as well as the responsible taskforce involved.

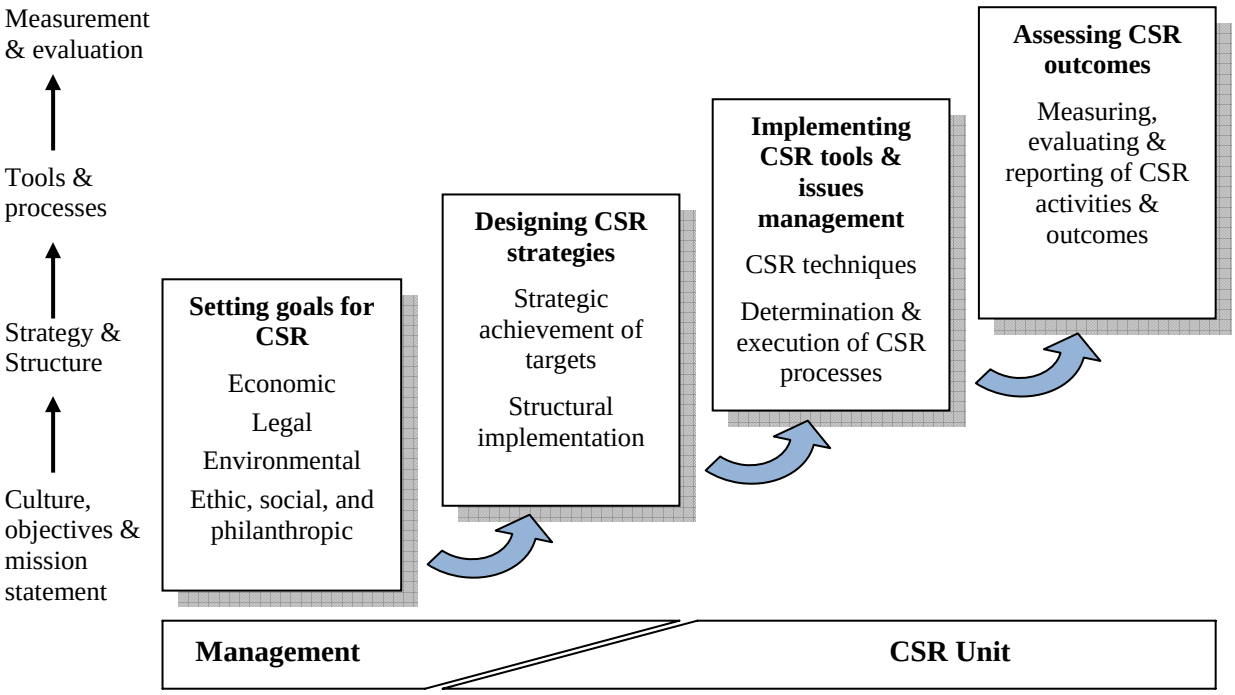


Figure 1: Main steps of CSR implementation (Crane, Matten, & Spencer, 2008, p. 417).

After setting the goals in the various CSR fields, the top management team has to define a strategic approach regarding the achievement of these objectives. In this phase of the implementation process, the setup of a CSR taskforce has to be followed by the integration of the taskforce into corporate structure. As a matter of course, management has to play a supervisor role during all stages of the CSR procedure, but at first instance the created CSR taskforce is charged with the planning and execution of strategic, tactic, and operative CSR activities. As mentioned above, the taskforce has to report continuously to the management team. After implementing the required CSR tools and techniques, a permanent assessment and evaluation of the outcomes and day-to-day routines is essential. The results of the analysis are consequently influencing goal setting and strategy design again.

Concrete steps and a detailed approach on practical implementation of CSR processes into the organizational framework are represented in Figure 1. It is based on the implications given by the corporate social performance model and shows clearly the inevitable top-down link between strategy, structure, and processes. On the condition of an explicit allocation of the different duties and responsibilities between management team and CSR unit during the CSR implementation phase and the ongoing CSR activities, the precedent considerations in the organizational strategy phase (chapter 3), as well as the impacts on structure (chapters 5 and 6) and finally on organizational design variables (chapter 8) can be analyzed and discussed. As CSR is not only a strategic approach influencing structure but also an action-oriented organizational commitment, chapter 7 examines the procedures and processes carried out by the designated CSR unit. As organizational structure is not just routed by strategy but also influenced by the processes proceeded on the operative level, it is crucial to take these CSR practices into account when the right structure is to be established.

2.7. A literary approach to the measurement of CSR

Just as the definition and the mission statement of CSR has to be aligned with the particular internal and external environment of each corporation (Robin & Reidenbach, 1987, p. 53), the measurement of the efficiency of corporate social investment does not depend on generalized

factors. As financial performance is a key indicator for business activities in general, CSR efforts are in the first instance also implicated in the financial performance of the firm. Numerous investigations on the relationship between corporate financial performance and CSR efforts were conducted during the last decades providing different outcomes and conclusions. The aspects in these investigations on profitability & CSR efforts vary from ethical and moral points of view to a clear financial perspective.

Adizes & Weston (1973, p. 122) represented alternative systems and models for corporate responsibility and stated that “we will have to learn how to appraise and reward leadership which does not necessarily result in higher profits, but rather contributes to a better quality of life”.

On a more economically based perspective Moyer (1974, pp. 7-11) tried to evaluate corporate investment proposals by including not only private costs and returns, but also by observing estimates of benefits and external costs associated with a firm’s investment. According to the findings, the relationship between a company’s various alternatives for social investments and long-run profits has to be specified more clearly, i.e. significant improvements remain to be made in the field of social accounting.

The direct interrelation between CSR and profitability was investigated for instance by Cochran & Wood (1984), Aupperle et al. (1985) and McGuire et al. (1988), who indicated consistently that there is still “a weak support for a link between CSR and financial performance” (Cochran & Wood, 1984, p. 55). As the findings of most studies are limited, “it could very well be that the intangible benefits of corporate social responsibility tend to evade scientific enquiry” (Aupperle, Carroll, & Hatfield, 1985, p. 462) and that it will never be resolved completely, whether CSR is directly related to profitability.

2.8. The corporate social performance (CSP) model

In the course of publications and investigations regarding stakeholder conditions and environment, the term corporate social performance (CSP) was introduced (Sethi, 1975;

Wartick & Cochran, 1985). Particular interpretations of the term CSP lead to a better understanding how to implement and translate theoretical aspects on stakeholders and environment into feasible applications and processes. Based on the definition by Wood (1991, p. 693), the CSP model refers to "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships".

Thus CSP can be constituted as in integrative model that combines three elements: *corporate social responsibility*, *corporate social responsiveness*, and *corporate social behaviour*, i.e. the observable processes and outcomes a company undertakes explicitly in order to manage its social impacts. The CSP framework is reconstructed in Figure 2 and contains the main characteristics elaborated by Carroll (1979), Wartick & Cochran (1985), and Wood (1991)[1].

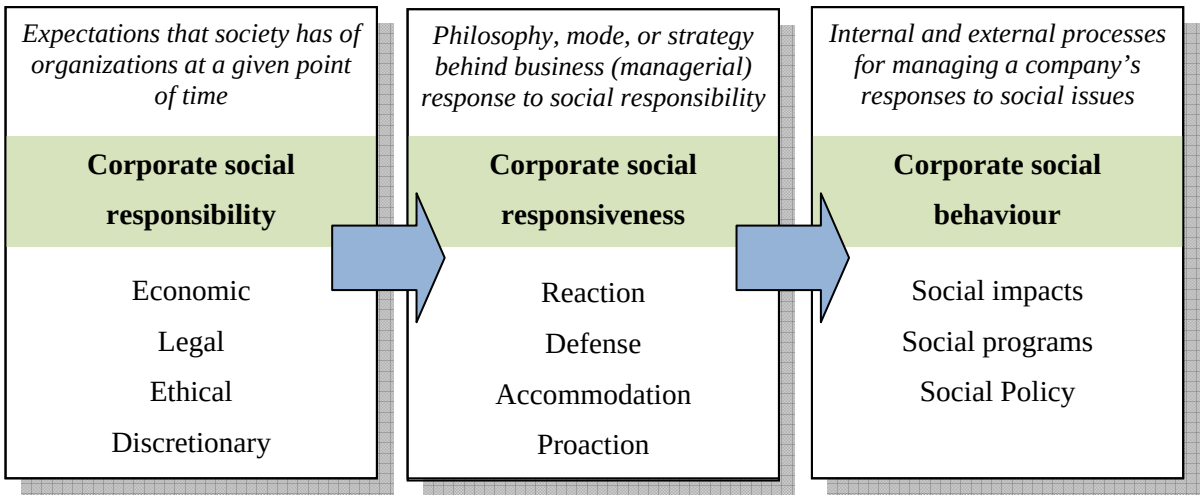


Figure 2: The three elements and main characteristics of the CSP model according to Carroll (1979), Wartick & Cochran (1985), and Wood (1991).

As elaborated in chapter 2.2, ***corporate social responsibility*** refers in general terms to the expectations that society has of an organization and embodies the four categories economic, legal, ethical, and discretionary responsibilities, whereas further interpretation of CSR in this

[1] As in chapter 2.2 alluded, Wood (1991, p. 695) established three principles of CSR which are not incorporated further in the diploma thesis.

thesis is refined on discretionary business practices and contributions in environmental and philanthropic areas aligned with the organizational objectives and interests.

Corporate social responsiveness can be seen as "the action phase of management responding in the social sphere" (Carroll, 1979, p. 502). It refers to the managerial processes of response and addresses the philosophy, strategy, or mode behind business managerial response to social responsibilities and issues (Carroll, 1979, p. 501). The type of action regarding social responsiveness can range from no response to a proactive response. The assumption is that corporate social responsiveness does not refer to management accepting a social obligation but on the capacity of an organization to respond to social pressures.

Broadly defined, the term process refers to "an identifiable flow of information through interrelated stages of analysis directed toward the achievement of an objective" (Pearce, 1981, p. 45). The corporate social responsiveness process is similar to the strategic management process and "pertains to the historical, current and forecasting data on the business, its operations and environment, which is evaluated in the light of stakeholder values and priorities" (Pearce, 1981, p. 45).

While activities related to social responsibility are prescriptive in nature, social-responsiveness-related activities should have the objective to be preventive and anticipatory in nature (Sethi, 1975, p. 62). According to this definition, corporate social responsiveness might be seen as a complement to social responsibility (Wartick & Cochran, 1985, pp. 762-763) and deals on the one hand with the ability to respond to stakeholders' pressure, and on the other with the efficiency of the managerial processes to cope with that pressure. Clarifying the definitional discrepancy between responsiveness and action-orientation, Carroll (1979, p. 502) highlighted that "being responsive enables organizations to act on their social responsibilities without getting bogged down in the quagmire of definitional problems that can so easily occur of organizations try to get a precise fix on what their true responsibilities are before acting".

Analyzing corporate social responsiveness, Wood (1991, pp. 704-706) identified three specific responsive processes: environmental assessment, stakeholder management and issues

management. These three processes contribute an action dimension and are the channels through which the firms accomplish their involvements with the external environment:

Environmental Assessment is based on the fact that "the objective external environment and its variability are the source of the firm's opportunities and risks and as such must be accounted for when strategies are made and executed" (Bourgeois, 1980, p. 36). Therefore, the concept of environmental assessment is an information framework that involves environmental scanning in order to get knowledge about the social, economic, political and technical environments (Wood, 1991, p. 704).

Stakeholder management in a wider sense implicates that "strategies need to account for those groups who can affect the achievement of the firm's objectives" (Freeman, 1983, p. 91). In other words, the company has to "understand how the relationships between an organization and its stakeholders would change given the implementation of certain policies" (Freeman, 1983, p. 92). For detailed insights on the research on stakeholder theory and corporate performance see Freeman (1983) and Harrison & Freeman (1999).

Issues Management is "the process by which the corporation can identify, evaluate and respond to those social and political issues which may impact significantly upon it" (Johnson, 1983, p. 22), i.e. an anticipation of and a proactive approach towards socio-political issues and not a reaction to environmental turbulence with the purpose of minimizing "surprises" (Wartick & Cochran, 1985, p. 766). Typical steps of the issues management process are: monitoring of actions of interest groups and opinion leaders, identification and prioritization of issues that impact on the company, analysis of those issues, strategic decision making to take advantage out of those issues or to escape harmful effects, implementation of policies and programs according to the strategy, and evaluation of the success of these policies and programs (Johnson, 1983, p. 23). Issues management is further discussed in chapter 7.

The facet of observable outcomes with regard to ***corporate social behaviour*** is of obvious and direct interest in the assessment of CSP: it includes the *social impacts* of corporate behavior, i.e. positive and negative impacts on society as for instance wealth creation, technical innovation, toxic wastes and factory disasters, the investment in *social programs* to reach

specific goals, and the establishment of *social policies* to institutionalize CSR-motives and –processes (Wood, 1991, p. 709).

3. Organizational strategy and CSR

As in many companies the multidisciplinary corporate responsibility approach as a whole is not rooted in strategic development, the CSR concept does not capture the specific social issues and their potential importance to corporations in different business environments: “One of the compounding problems is that many companies have chosen to root their CSR functions too narrowly within their public- or corporate-affairs departments. Though playing an important tactical role, such departments are often geared towards rebutting criticism, and tend to operate at a distance from strategic decision-making within the company” (Davis I. , 2005, p. 87). Hence organizations need to map long-term, i.e. strategic, options and responses to upcoming social pressures.

Inversely, as illustrated in chapter 1, organizational methods and strategies can create unintended and undesired consequences for its stakeholders. Therefore, it is essential to understand CSR in a strategic context (Werther & Chandler, 2006, p. 43), which means to anticipate, identify and evaluate social needs and expectations and to develop a strategic and structural fit between the business-level strategy and the CSR policy based on social issues a firm has to cope with. According to Tung (1979, pp. 676-677) the success and survival of an organization is indeed dependent on the choice and implementation of structures and strategies that are suitable for the particular situation with which the organization is confronted. Thus, the strategy and the structure of internal components need to be adopted in order deal with perceived environmental conditions, so that the acquisition and dispersion of information needed to make decisions would be facilitated.

The CSR implementation process discussed in chapter 2.6 shows the steps CSR goal setting and strategy design as fundamental parts for further CSR activities. Figure 3 illustrates the first two steps related to an organization’s mission statement and strategy.

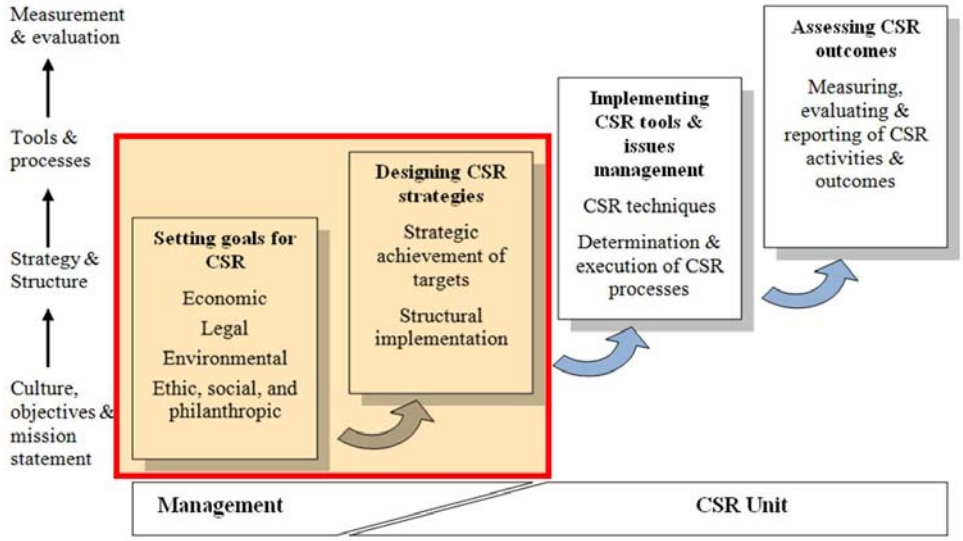


Figure 3: The steps of the CSR implementation (Crane, Matten, & Spencer, 2008, p. 417) related to the organizational mission statement and strategy.

In the following chapters organizational strategy is generally defined and the strategic CSR model which indicates the relation between strategy, structure and CSR integration is derived.

3.1. Definition of organizational strategy

The concept of organizational strategy has often been defined and interpreted in various ways by different authors. Strategy can either be defined briefly as "how an organization creates and captures value in a specific product market" (Raynor, 2007, p. 1), or in a more scientific way as "understanding an industry structure and dynamics, determining the organization's relative position in that industry, and taking action to either change the industry's structure or the organization's position to improve organizational results" (Oliver, 2001, p. 7). Nevertheless, there exist several basic and general assumptions concerning strategy. A comprehensive definition of strategy is given by Hax, who highlighted in his definition the making of decisions as a key characteristic of strategy. He described strategy as a "coherent, unifying, and integrative pattern of decisions a firm makes". It "selects the businesses the

organization is in or is considering entering", and "determines and reveals the organization's purpose in terms of its long-term objectives [i.e. its long-term sustainable advantage], action programs, and resource allocation priorities" (1990, p. 37).

An action-oriented and proactive definition is given by Daft & Marcic, who characterized strategy as *"the plan of action that describes resource allocation and activities for dealing with the environment, achieving a competitive advantage, and attaining the organization's goals"*, whereas *"competitive advantage refers to what sets the organization apart from other and provides it with a distinctive edge for meeting customer or client needs in the marketplace"* (2011, p. 160). This definition is used in the next chapter for further analysis on the integration of CSR into organizational strategy.

3.2. Strategic CSR integration

According to Werther & Chandler (2006, p. 45), both strategy and CSR are basically concerned with the relationship between a corporation and the environments it is operating in. As organization strategy deals more with competition in the marketplace, CSR addresses the impact of that strategy on primary and secondary stakeholder groups. McWilliams, Siegel & Wright (2006, p. 15) defined the strategic use of CSR as "instance where there are clear benefits to the firm for engaging in CSR". A more detailed definition on strategic CSR gave Husted & Salazar (2006, p. 81) as they considered a strategic social investor as "one who upon making a social investment also obtains an additional benefit (good reputation, differentiated products that extract a premium, more highly qualified personnel) by design and thus obtains greater profitability". Thus, a firm can produce greater profits and decrease costs by strategic implementation of CSR (Husted & Salazar, 2006, p. 86).

Addressing the motivation of firms integrating CSR into their business strategy, Baron (2001, p. 9) pointed out that the adoption of CSR does necessarily not have to be based on an altruistic conception of CSR itself, but can rather be a simple profit-maximization strategy motivated by self-interest. Whether a firm is taking CR actions to meet society's expectations

or to calm down a group of stakeholders that is threatening the corporation – the simple response to interests is from a pluralistic perspective the key to the CSR agenda. Robin & Reidenbach (1987, p. 53) affirmed that appropriate ideas for socially responsible actions can come from opportunities, threats, current corporate image and reputation building, organization history and mission, personal preferences of owners and management, and special marketing competences and resources. It does not have just to be discussed where the reasons for strategic CSR activities and implementation come from, but it has to be defined a consistent vision and mission statement on social issues to avoid a projection of a split corporate personality to a firm's stakeholders (Robin & Reidenbach, 1987, p. 54). In order to foster this consistency the relation between organizational strategy and CSR commitment has to be clarified.

Analyzing the definitions of both CSR and strategy given in chapters 2.2 and 3.1, there can be outlined a clear bottom-up relationship between organizational strategy and CSR commitment, whereas strategy determines CSR efforts. Figure 4 illustrates the relationship between organization's strategy and CSR.



Figure 4: The bottom-up relationship between organizational strategic fundamentals and the CSR commitment.

According to its definition organizational strategy is the allocation of resources and activities in order to deal with the environment, e.g. stakeholders, achieve competitive advantage and reach organizational goals. As CSR is defined as a commitment to improve community well-being through discretionary business practices and contributions of existing corporate

resources that are related to the operations and interests of the corporation, the CSR vision and mission statement and CSR efforts must be primarily built on and following the organizational strategic fundamentals. The CSR vision and mission statement has to result from the defined organizational strategy and therefore has to reflect the strategic organizational goals. In order to assure consistency throughout further organizational activities and business practices, CSR efforts have to be aligned with the organizational strategic objectives. This means, the defined organizational strategic fundamentals (dealing with the environment, achieving competitive advantage, attaining organizational goals) have to be further incorporated into the organization's CSR strategy through business practices and contributions beyond economic, legal and ethical concerns.

3.3. The strategic CSR model

Consistent with criteria for the development of organizational strategy, CSR issues and goals are dependent on many factors as for instance the industry, the current business environment, the management's attitude towards CSR, the corporate culture, the stakeholders involved, etc. (Werther & Chandler, 2006, p. 63). As an effective CSR policy, i.e. the "set of interrelated decisions […] concerning the selection of [CSR] goals and the means of achieving them within a specified situation" (Jenkins, 1978, p. 15), can be seen as a competitive differentiator and consequently as a possible competitive advantage for a company (Bagnoli & Watts, 2003, p. 420), CSR activities have to be executed proactively in order to achieve strategic objectives. The fit between external opportunities and internal competencies is one of the basic requirements for an effective CSR policy. Figure 5 shows the strategic CSR model developed by Werther & Chandler (2006, p. 60) that visualizes the interrelations between CSR, business strategy, and the affecting internal and external factors.



Figure 5: The strategic CSR model by Werther & Chandler (2006, p. 60).

The Strategic CSR Model (Figure 5) represents the fit between internal competencies and external opportunities (i.e. environmental factors and stakeholders) regarding the achievement of the firm's mission as it strives after its vision (Werther & Chandler, 2006, p. 59). As illustrated, vision and mission shape a corporation's strategy, which is additionally influenced by external environmental factors and internal competencies (Werther & Chandler, 2006, p. 46). Definitions and further information on a firm's mission, vision statement and competencies can be found in the paper by Werther & Chandler (2006). A proactively assessed CSR policy, i.e. strategic CSR imperatives and initiatives, helps the company to achieve its strategic projects and CSR objectives. Therefore, CSR is seen "as a form of brand insurance, in which the brand represents the perception of the company by each of its stakeholder groups" (Werther & Chandler, 2006, p. 59).

In addition to the strategic CSR model discussed above, CSR is also seen as a participative process (Crane, Matten, & Spencer, 2008, p. 255). With regard to CSR, "it is assumed […] that this calls for institutional governance, and that it is not served by a narrowly defined concept of management in which the public relations function of 'ethical business' is used as a means the 'selfish' organizational ends" (Crane, Matten, & Spencer, 2008, p. 256). Any practically applicable and normative theory of CSR has to concentrate on the social processes involved instead of "attempt to legislate in advance for ideal solutions to hypothetical dilemmas" (Crane, Matten, & Spencer, 2008, p. 258). With regard to the strategic CSR model, a persistent contribution of employees and other stakeholders to essential debates concerning CSR initiatives is indispensable to assess their social relevance and impacts. Hence, establishing relationships with stakeholders, including NGOs, and integrating their interests and concerns into CSR efforts is essential for a comprehensive CSR strategy (Werther & Chandler, 2006, p. 76).

According to the criteria discussed above, CSR is a multi-disciplinary approach which consists of a proactive CSR policy and a continuous participation process of various stakeholder groups. Therefore, CSR is linked to corporate operations in the strategic CSR model illustrated in Figure 5, but the inalienability of CSR integration into organizational strategy discussed in chapter 3.2 is still disregarded. Concerning this fact Werther & Chandler (2006, p. 46) described in their Environment-Strategic-Competency-Structure Framework (E.S.C.S. framework) pictured in Figure 6 the role of the sustained CSR process (the so-called "CSR filter") by means of the interrelations between external environment, internal competencies, corporate strategy and structure, whereas the arrows show that strategy is basically shaped by vision and mission. With regard to the relation between strategy and structure, strategy and consequently CSR policy influence the structural constituents of an organization. According to the authors, the range of feasible strategies has to be evaluated through a CSR filter that identifies strategies that are acceptable to key constituents in the environment, i.e. employees, communities, and other stakeholders. In other words, a competency-based strategy must be evaluated first trough a CSR filter to assess its impact on the organizational stakeholders.

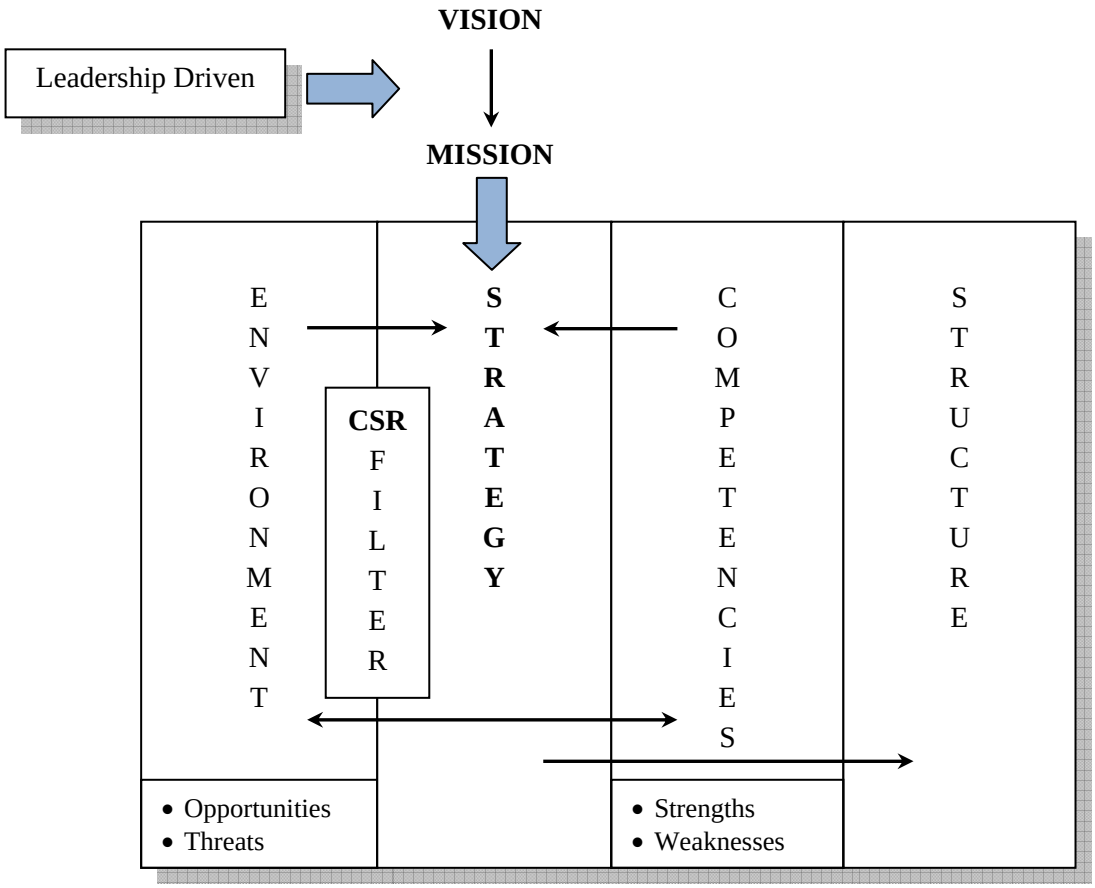


Figure 6: The Environment-Strategic-Competency-Structure framework (E.S.C.S. framework) by Werther & Chandler (2006, p. 46)

Since strategy integrates the environmental circumstances and CSR deals with opportunities and threats influencing strategy, the CSR policy and activities impact in turn organizational competencies and structure. Due to the fact that the constitution and the functionality of the E.S.C.S. framework are consistent with those of the strategic CSR model (Figure 5), Figure 6 combines the core principles of the two models and adds the strategic momentum of CSR to the framework. On the one hand, the strategic CSR model emphasizes the cross-disciplinary impact of social issue management on corporate operations, whereas on the other hand the E.S.C.S. framework highlights the importance of a screening and feedback unit, which is charged with the injection of different CSR considerations into the strategic decision making-process. The foundation characterizing this amplified model is the incorporation of CSR within the strategic agenda of the organization.

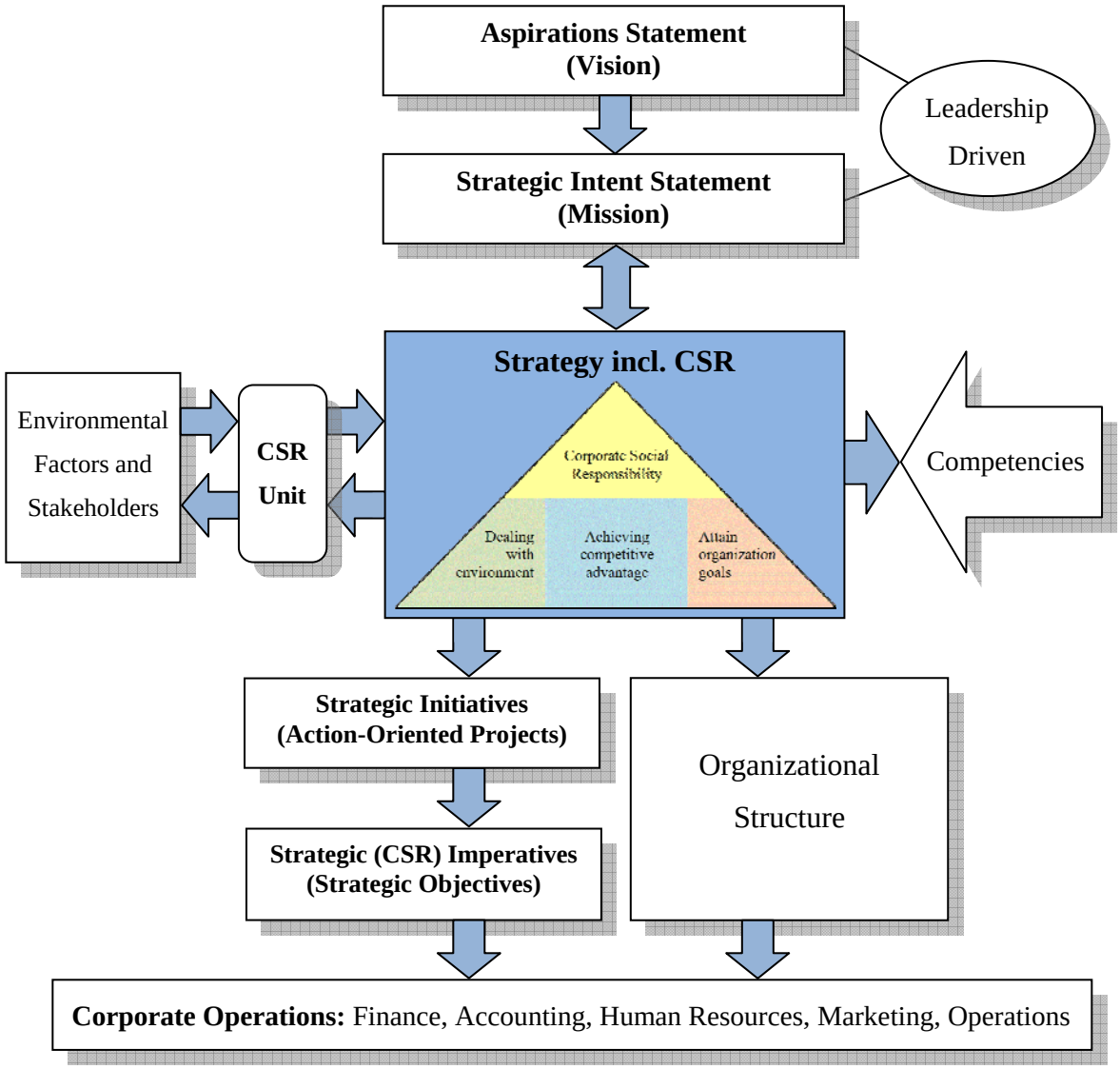


Figure 7: The Strategic CSR Model (Werther & Chandler, 2006, p. 60) and the Environment-Strategic-Competency-Structure Framework (E.S.C.S. Framework) (Werther & Chandler, 2006, p. 46) combined.

The main function of the CSR unit is the conceptual screening and examination through which strategies are assessed for their effect on a company's various stakeholders, similar to the CSR filter represented in Figure 6. The goal is to take a feasible strategy and "make it optimal for the stakeholder environment in which the strategy must be executed" (Werther & Chandler, 2006, p. 49). A mutual exchange of relevant information between the corporation

and its stakeholders, the identification of social issues as well as the screening of their impact on the environment are the core duties of the CSR unit.

Another fundamental part of the E.S.C.S. Framework is the involvement of corporate structure. As already mentioned, a firm's external environment and internal competencies are influencing strategy. In turn, organizational structure is influenced by strategy (Werther & Chandler, 2006, p. 46). According to Chandler's well-known guiding mindset "structure follows strategy", structure is the design of the organization through which strategy is administered. From that perspective and since CSR is fully integrated into the strategic action plan of the organization, the necessary structural support for CSR has to be institutionalized (Werther & Chandler, 2006, p. 75). The successive chapters discuss the basic aspects of structural implementation of CSR and the subsequent impacts on specific design variables.

4. Organizational structure

As addressed in the previous chapter and pointed out by Miles and Snow (1984, pp. 10-12), strategies of successful organizations are supported by appropriately designed structures and management processes. The essential concept is that of "fit" among a firm's strategy, structure, and managerial processes. "Fit" is a dynamic search that aims to align the organization with its environment and to arrange organizational resources internally in support to this alignment. Hence, "structure is seen as just a rational means by which inputs are translated to outputs", and as strategy changes, structure should follow (Robbins, 1990, pp. 121-122).

The organizational integration of strategic aspects and measures, e.g. social responsibility, and their participative disposition cause proactive changes in corporate strategy, which is therefore again determining corporate structure. In this chapter the key components that are affecting an organization's structure are presented and analyzed. Further, the dimensions which constitute the core pillars of organizational structures are defined and their interrelations are examined and illustrated.

4.1. Definition of organizational structure

Basically, the definition of organization structure consists of three main key components (Daft, Organization Theory and Design, 2003, p. 86):

- Structure characterizes relationships in formal reporting, i.e. number of hierarchical levels and span of control of supervisors and managers.
- Structure designates the composition of individuals in departments and of departments in the total organization.
- Structure contains the design of communication, coordination, and integration systems between departments.

The first two elements are the structural framework, i.e. the vertical hierarchy, whereas the latter component is concerned with the interactions among organizational departments and employees.

The following paragraphs give a short overview on the fundamental aspects of the contingency factors building the underlying structural framework, as well as on the core dimensions that constitute corporate structure.

4.2. The contingency framework

Corporate structure and processes within an organization are influenced by various aspects of the environment, the so-called contingency factors (Figure 8). According to Draft (2003, p. 64), the structure of an organization is among other things dependent on the five contingency factors strategy, environment, technology, size/life cycle, and culture, described in the following:



Figure 8: The five contingency factors of an organization (Daft, Organization Theory and Design, 2003, p. 17).

As in chapter 3.1 described, *strategy* relates to a corporation's vision and mission and is the coherent, unifying, and integrative pattern of decisions a firm makes.

The term *environment* includes all elements outside an organization's boundaries that are potentially influencing the organization or parts of it. Daft (2003, p. 136) mentioned ten specific environmental sectors that include similar elements: raw material, industry, human resources, financial resources, technology, market, economic conditions, socio-cultural, government, and international.

The contingency factor *technology* refers to the manufacturing and service technologies as well as information technology and control inside the organization. Manufacturing and service technologies center on the processes within an organization to facilitate and accommodate operational work (Daft, 2003, p. 245). The issue of information technology and control on the other hand tries to figure out how information technology systems are applied to operations within an organization, and how information technology can be used for decision making and control of the organization (Daft, 2003, p. 286).

The *organizational size and life cycle* model suggests that organizations pass through various stages of organizational development which follow a natural progress and are sequential in nature, beginning at the entrepreneurial stage and ending in a continued streamlining or declining maturity stage (Daft, 2003, pp. 325-326).

One of the most complex contingency factors is *corporate culture*. It is defined as “the set of values, norms, guiding beliefs, and understandings that is shared by members of an organization and thought to new members as correct” (Daft, 2003, p. 361). Identifying, managing, changing and aligning cultures with strategy are crucial questions in the topic of organizational culture.

4.3. Dimensions of organizational structure

In the prior section, the specific determining contextual factors, which create a basis for characterizing whole organizations, were explicated. In turn, organizational structure features specific organizational design dimensions. These structural dimensions are labels to describe an organization by means of internal characteristics, much the same way that physical and personality traits describe people.

Blackburn (1982, p. 59) mentioned that the number of possible responses to the question of structural dimensionality based on literary background is quite large and therefore difficult to provide. Consequently, the five primary dimensions of structure defined by Pugh et al. (1968, p. 65) are further discussed and possess the definitions and characteristics described in the following chapters: formalization, specialization, configuration, centralization and coordination mechanisms, e.g. standardization (Figure 9).

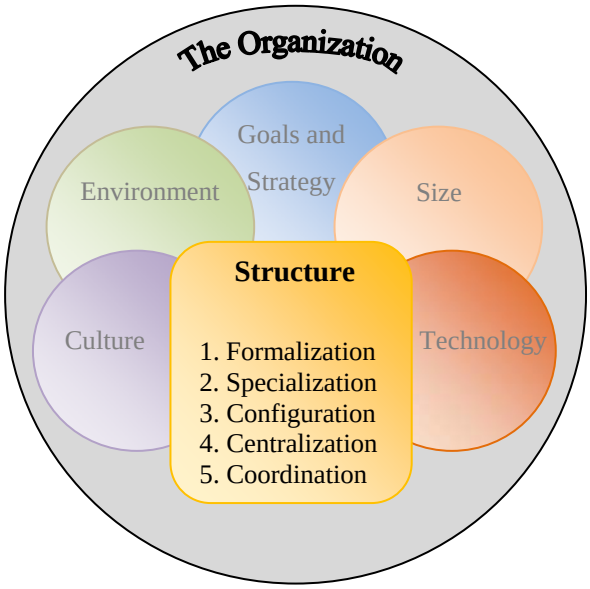


Figure 9: The structural dimensions within the set of contingency factors of an organization (Daft, Organization Theory and Design, 2003, p. 17).

4.3.1 Formalization

Formalization relates to the written documentation in an organization, which includes job descriptions, procedures, regulations, and policy manuals. This documentation describes activities and behavior, and it is often measured by "simply counting the number of pages of documentation within the organization" (Daft, Organization Theory and Design, 2003, p. 17). Examples for being high in formalization are large state universities, which tend to have several formal written rules for registration, student associations, dropping and adding classes, etc. Small, family-owned businesses, on the other hand, would be considered as informal as they may have almost little or no written rules.

Three supplementary types of definition are represented by Bodewes, who described formalization as "the extent to which procedures for behavior and outputs are documented" (Bodewes, 2002, p. 217), "the extent to which documented procedures that communicate desired outputs and behavior exist and are being used" (Bodewes, 2002, p. 219), and finally

"the extent to which documented standards are used to control social actors' behavior and outputs" (Bodewes, 2002, p. 217).

Liao (2007, p. 54) describes formalization as "the degree to which jobs within the organization are standardized. If a job is highly formalized, the job incumbent has a minimum amount of discretion over what is to be done, when it is to be done, and how he or she should do it".

In their work on the influence of formalization on the organizational commitment, Michaels et al. (1988, p. 378) stated that formalization permits the individual "to make more objective decisions whether to 'internalize' the goals and objectives of the organization as his or her own".

According to Huang & Van de Vliert (2006, p. 224), "organizations or organizational units with a high degree of formalization are thought to be less conductive to interpersonal cohesion, lateral communication, and innovation. […] As a result, highly formalized units are less conductive to fostering trust-worthy behaviors such as open employee management communications, causing employees to have lower levels of trust in management", and a high degree in formalization is assumed to be "a salient barrier to trust-building exchanges in individualistic countries" (Huang & Van de Vliert, 2006, p. 236).

Since CSR is a commitment over and above legal and ethical regulations, it is all the more challenged in non-routine situations in which organizations need to react and further to act proactively in order to fend and go against organizational threats, e.g. product-harm crisis, NGO movements against brands or business practices, etc. Committed organizational stuff is therefore inevitable to realize CSR activities in an efficient, quick and authentic way. The relationship between formalization and attitudinal outcomes was examined by Adler & Borys (1996, p. 65), who argued that "negative attitudinal outcomes attributed to formalization are often due to a misalignment of task requirements and organization/job design." Generally, a positive reaction will be given by employees both when low levels of formalization are associated with non-routine tasks, and when high levels of formalization are associated with routine tasks.

Regarding the rules that employees consider as "good" or "bad", there can be two types of formalization differentiated: enabling and coercing formalization. Coercive formalization on

the one hand is related with very low employees' commitment to the organization, because of "very little goal congruence between employees and the organization" (Meilich, 2005, p. 165). Further, "coercive procedures are designed to force reluctant compliance and to extract recalcitrant effort" (Adler & Borys, 1996, p. 69). On the other hand, under enabling formalization "procedures provide organizational memory that captures lessons learned from experience" (Adler & Borys, 1996, p. 69), and the assumption is that "employees are committed, want to do a good job, and want to cooperate with management" (Meilich, 2005, p. 165).

Summarized, in organizations with a high or low degree of formalization, positive outcomes can be expected, as long as the type of formalization is enabling. Whenever the type of formalization is coercing, negative (attitudinal) outcomes can be expected in organizations with a high or low degree of (technically required) formalization (Adler & Borys, 1996, pp. 77-78).

4.3.2 Specialization

The term specialization pertains to "the degree to which organizational tasks are subdivided into separate jobs" (Daft, 2003, p. 17). In the case of low specialization, each employee performs a wide range of tasks. If specialization is extensive, employees perform only a narrow range of tasks in their jobs. Measures for the degree of specialization are work descriptions and the actual work performed. Examples for high specialized forms of organization are dedicated project teams or task forces, whereas professional agencies and elementary units are assumed to be low specialized (Tyler, 1973, p. 384).

Graham (1996, p. 11) identified the tendency that jobs in organizations which grow in size become more specialized. Beside this greater specialization bringing greater expertise into the organization, gaps tend to appear over time. These gaps are mainly caused by insufficient and misleading distribution of information which leads to key activities being duplicated or not executed at all.

The specialization of tasks is positively related to the level of complexity within an organization. A high level of complexity increases for instance the salience of individual goals and makes it more difficult for organization-level goals to have impact on decision making. Members in an organization with a high degree of specialization and a complex structure are expected to have difficulty agreeing on goals, and the decision making process is assumed to be more political and iterative (Fredrickson, 1986, p. 289).

Moreover, as complexity in the external environment and specialization within the firm increase, so does the number of departments and positions within the organization (Daft, 2009, p. 149). According to Daft, Murphy & Wollmitt (2010, pp. 105-107) departmental grouping is the way that differentiated jobs are grouped together into departments, corresponding to the degree and nature of specialization. It affects employees because they share common resources and a common supervisor, tend to collaborate and identify with one another, and are jointly responsible for performance. In the following, options for departmental grouping are briefly explicated:

Functional grouping means employees are performing similar work processes or functions or are bringing similar kinds of specialization, i.e. similar knowledge and skills, to bear. For example, all manufacturing people work together under the same supervisor, as to marketing and engineering people. All other employees may be grouped in different departments because they represent different disciplines.

Divisional grouping places together employees who are organized according to what the organization produces. All people required producing a certain product – including personnel in manufacturing, marketing, and sales – are grouped together under one executive.

Multifocused grouping, also called *matrix* or *hybrid grouping*, means a firm incorporates two structural grouping alternatives simultaneously. Under certain circumstances, an organization may need to group by product division and geography or perhaps by function and product division simultaneously.

Horizontal grouping means people are organized around core work processes. All the employees who work on a process are grouped together rather than being separated into

functional departments. For example, frequently, new product development may be organized through horizontal and/or cross functional groups, ensuring for instance that product design takes into account manufacturing challenges.

Virtual network grouping, the most recent departmental approach, means that departments are separate organizations that are electronically connected for information sharing and task completion. Therefore, departments can be spread all over the world and do not have to be located together in one geographical location. Due to the reengineering of business processes, this type of organizational structure has been rapidly increasing in recent years.

4.3.3 Configuration

Ketchen et al. (1993, S. 1278) defined an organization's configuration broadly as "commonly occurring clusters of attributes of organizational strategies, structures, and processes".

These attributes include two core features related to an organization's structure: "the decomposition of an overall objective into subtasks, and the integration of these subtasks to achieve an effective organizational performance" (Dow, 1988, p. 53).

Daft (2003, p. 17) declared the attributes *hierarchy of authority* and *personnel ratios* as main properties of organizational configuration. *Hierarchy of authority* describes the span of control of each manager, i.e. the number of employees reporting to a supervisor, and who reports to whom. When spans of control are wide, the hierarchy tends to be short. When spans of control are narrow, the hierarchy will be taller. The deployment of employees to various departments and functions is termed *personnel ratios*, including administrative ratio, professional staff ratio, clerical ratio, and the ratio of direct to indirect labor employees. To measure a personnel ratio, the number of employees in a classification is divided by the number of total organizational employees.

Considering the micro organizational level, there are a number of different departmental configurations within an organizational configuration (Duberley & Burns, 1993, p. 27). These

departmental configurations have to be consistent individual subunits as well as fitting with each other and the whole organization. An organization would be considered to be well differentiated when each of the departments owns suitable organization and management mechanisms to match its relevant tasks and subenvironment. Successful organizations in a dynamic environment are in fact associated with a high level of differentiation, but highly differentiated organizations also have to face the problem of suboptimization. Therefore, organizational entities must be configured to solve and coordinate problems associated with different tasks and with different levels of task interdependence, all in line with the overall organizational goals (Tushman & Nadler, 1978, p. 614).

4.3.4 Centralization

Centralization specifies the hierarchical level with the authority to make a decision. An organization is centralized, when the top level has the decision rights. When lower organizational levels are in charge of making decisions, the organization is decentralized. Organizational decision that might be decentralized or centralized include for instance establishing goals, purchasing equipment, choosing suppliers, deciding marketing territories, and hiring employees. Decentralized structures are found in dynamic, complex environments, and are often associated with automated and highly sophisticated technical systems (Mintzberg, 1980, p. 322).

Regarding the level of hierarchy, Liao (2007, p. 54) defines centralization in a more generic way as “the degree to which the formal authority to make discretionary choices is concentrated in an individual, unit, or level (usually high in the organization), thus permitting employees (usually low in the organization) minimum input into their work”.

A continuative explanation of centralization and of the related term delegation is given by Khandwalla (1973, p. 286): “[…] centralization of authority is an integrative, coordinative device, delegation of authority is facilitative of requisite organizational differentiation. […] The delegation of formal authority [i.e. decentralization] permits a wider participation in

decision making. It facilitates the exercise of initiative by a larger number of executives and therefore facilitates creative responses to the multifarious, complex, and often local, problems engendered by competition". Both the use of impersonal controls and the delegation of authority are powerful tools for the adaption of organizations to their tasks environment (Khandwalla, 1973, p. 291).

4.3.5 Coordination

Coordination structures and processes are critical determinants in organizational structures. Malone (1987, p. 1319) defined coordination structure as "a pattern of decision-making and communicating among a set of actors who perform tasks in order to achieve goals". A coordination structure is therefore basically characterized by (1) having a set of goals to be achieved, (2) processors or actors to perform tasks that are necessary for achieving those goals, (3) actors who decide which processor should do the individual tasks, and (4) the instances of communication between actors (Malone & Smith, 1988, p. 422).

According to Faraj & Xiao (2006, p. 1155), the importance of coordination processes is increasing, as organizations are facing highly volatile, dynamic and continuously changing environments. They defined coordination as "the integration of organizational work under conditions of task interdependence and uncertainty" (Faraj & Xiao, 2006, p. 1156).

If the tasks for accomplishing an organizational goal are divided into two or more subgroups or units, interdependence betweens these groups is created. In order to make sure that the tasks of the different groups are executed and completed in a manner consistent with the overall goals, coordination mechanisms are needed (Ensign, 1998, p. 8). Martinez & Jarillo (1989, p. 490) defined a coordination mechanism as "any administrative tool for achieving integration among different units within an organization". Furthermore, "each coordination mechanism is endowed with a specific information-processing capability and must be

matched to the information processing demands of the environment or needs generated by the interdependence of work" (Faraj & Xiao, 2006, p. 1156).

Mintzberg (1980, p. 324) outlines six main coordination mechanisms employed within the structure of organizations:

Direct supervision. Suited to simple or predictable work, this is the simplest form of coordination. One person takes responsibility for coordinating the work of others by issuing instructions and monitoring tasks. This mechanism gives no autonomy to the operators.

Mutual adjustment. Suitable for fast-changing or complex situations, mutual adjustment achieves coordination by the simple process of informal communication and provides a fast, flexible, and responsive mechanism.

Standardization of work processes. This mechanism specifies the contents of the work to produce coordinated action and is well suited to processes that are predictable, e.g. mass assembly lines.

Standardization of skills/knowledge. Here, work is coordinated by standardizing how it is approached and done. Skilled people are trained and taught how to proceed and think about their work. This mechanism copes with the need for increased skills and enables operators to be more autonomous.

Standardization of outputs. Using this mechanism, only the results are specified and comply with performance standards. There is no concern about how the work is done, which gives operators high autonomy provided that they meet the required levels of output.

Standardization of ideology. In this coordination mechanism, people share a common set of beliefs about what is important in achieving common company goals. Work is coordinated by defining directions and key values among staff.

4.4. Interrelations between dimensions of structure

According to Mintzberg (1980, p. 322), effective organizations favor some sort of configuration of the dimensions described in chapter 4.3 “as it searches for harmony in its internal processes and consonance with its environment”. The interrelations between these structural dimensions have been important considerations and researches in organizational design literature and practice (Pugh, Hickson, Hinings, & Turner, 1968; Child, 1973; Mansfield, 1973; Grinyer & Yasai-Ardekani, 1980).

Figure 10 summarizes the findings on interdependencies between the dimensions of structure, which are investigated in detail below. The plus indicates a positive interrelation between the dimensions, whereas the minus denotes a negative interrelation. The numbers in brackets refer to the subsequent paragraphs explaining the kind of interrelation.

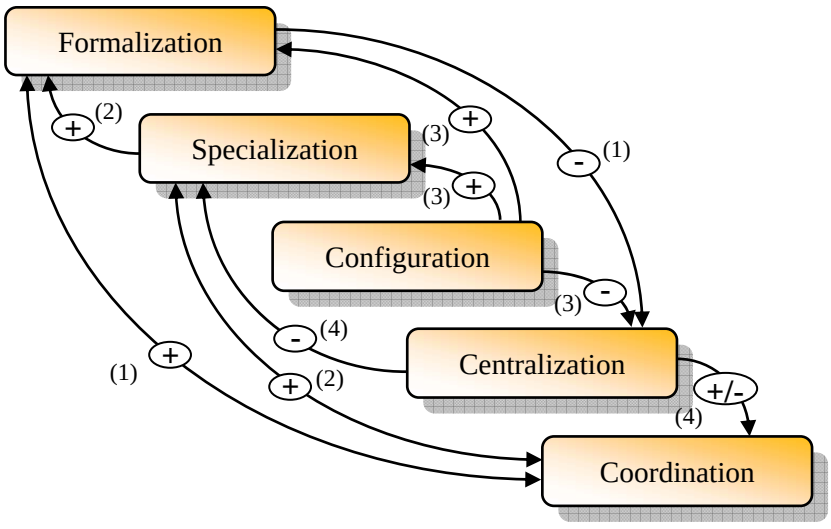


Figure 10: Interrelations between the dimensions of structure.

(1) Mansfield (1973, p. 479) outlined that “a mild negative relationship between bureaucratization [i.e. formalization] and centralization of decision making is the most probable approximation of empirical reality”.

Both formalization and the coordination mechanism standardization are closely aligned to each other and positively correlating. Formalization refers to the extent to which adequate behavior is documented and described in writing, while standardization prescribes or limits procedures and behavior of members of an organization (Dalton, 1980, p. 58).

(2) The dimension specialization has a significant positive correlation to formalization according to Miller (1987, p. 18). A positive relationship between the coordination mechanism standardization and specialization was proven by Mansfield (1973, p. 486). Pugh et al. (1968, p. 82) detected that the dimension specialization also correlates positively with standardization, i.e. the most common coordination mechanism.

(3) Regarding the dimensions centralization and configuration, Pugh et al. (1968, p. 83) identified negative correlations between vertical span/subordinate ratio and centralization of decision-making. Configuration is positively correlating with specialization and formalization according to Pugh et al. (1968, p. 83) and Miller (1987, p. 18).

(4) Centralization and the coordination mechanism standardization exhibit in some studies a negative correlation (Donaldson, Child, & Aldrich, 1975, p. 458) and in other empirical investigations a positive relationship (Holdaway, Newberry, Hickson, & Heron, 1975, p. 45). Greenwood & Hinings (1976, p. 154) stated that the relation between centralization and standardization is neither a direct negative nor a positive one: "[…] decentralization of authority over role execution is accompanied by rules and procedures, that is, standardization, of the same activities. On the other hand, the data on the personnel function, the use of resources, or management of external relations, do not confirm the hypothesis. […] Decentralization of authority over role execution is accompanied by reduced standardization of external relations".

Concerning the decision-making related dimension centralization, the relationship to specialization is strongly dependent on the contingency variable size. The overall interdependency tends to be negative (Mansfield, 1973, pp. 486-488). Miller (1987, p. 18) presented in his principal component analysis of structural variables a slightly positive correlation between centralization and specialization, but the coefficient was below the statistical level of significance.

4.5. Interactions between contingency factors and structural dimensions

In the course of his investigation on different organizational designs, Khandwalla (1973, p. 492) suggested that the particular design of an organization would depend on, among other things, uncertainty of its external environment, and size of the firm. The larger the organization, and the more uncertain the external environment, the more determinant would be the role of the configuration of the structural dimensions. Effectively performing organizations are more characterized by viable organizational designs than marginally performing organizations (Khandwalla, 1973, p. 494).

Nevertheless, some organizations will inevitably be following hybrid structures while they effect a transition from one configuration to another or as they have to react to contradictory pressures. In effect, “organizations commonly settle for structures which satisfy their current needs […] and [provide] a reasonable degree of flexibility for its future. This then is a structure that may be termed suitable rather than ideal. The theorized ideal structure acts as a guide to help business managers interpreting their situation, and to give them direction in organizing their resources” (Martinsons & Martinsons, 1994, p. 28).

In fact, effective structuring requires a close fit between contingency factors as described in chapter 4.2 and design parameters, which implicates that structure must reflect situation (Mintzberg, 1980, p. 327). Overall, both contextual factors and structural dimensions have to be examined to understand and evaluate organizations (Daft, Organization Theory and Design, 2003, p. 17). In the following sections, the relationships between contextual factors and structural dimensions are illustrated.

In Figures 11, 12, 14 and 15 the plus indicates a positive interrelation between the contingency factors and the dimensions of structure, whereas the minus denotes a negative interrelation. The numbers in brackets refer again to the subsequent paragraphs explaining the kind of interrelation.

Interrelations between size and structural dimensions

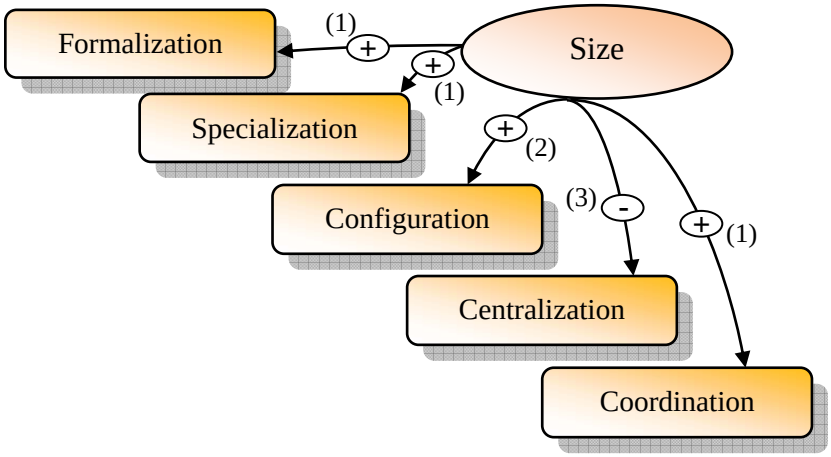


Figure 11: Interrelations between size and structural dimensions.

(1) Increases in size, i.e. the number of people participating in internal organizational processes, tend to intensify coordination, control requirements and in consequence the level of formalization within a growing organization (Ford, 1977, p. 565).

According to Dewar & Hage (1978, pp. 113-114), the relationship between size and specialization is not a clear positive one, as there is no inherent reason for an organization to increase the level of specialization except in administration. The greater number of interactions generated by increased size complicates the task of administration and leads to more specialization in this area. Specialization in other areas, e.g. specialization in production, would be clearly increased by more complex technologies. Overall, Donaldson (2001, p. 108) outlined that specialization increases at a declining rate with respect to size, i.e. a negative geometric relationship between size and specialization.

(2) Ford (1977, p. 566) analyzed studies focusing on size and personnel ratios and summarized that the number of both professional and clerical personnel increases with size at a greater rate than managerial personnel, which leads to an increase in span of control. Further, the number of hierarchical levels corresponds geometrically to increases in size. This indicates that the number of hierarchical levels is a negative geometric function of size, i.e. the curve of levels on size is positive but gets flatter as size increases (Donaldson, 2001, p. 107).

(3) As formalization positively affects decentralization, size has an indirect negative relation to centralization. In sum, size positively affects both vertical and horizontal differentiation, whereas vertical differentiation negatively affects centralization (Donaldson, 2001, p. 105).

Interrelations between environment and structural dimensions

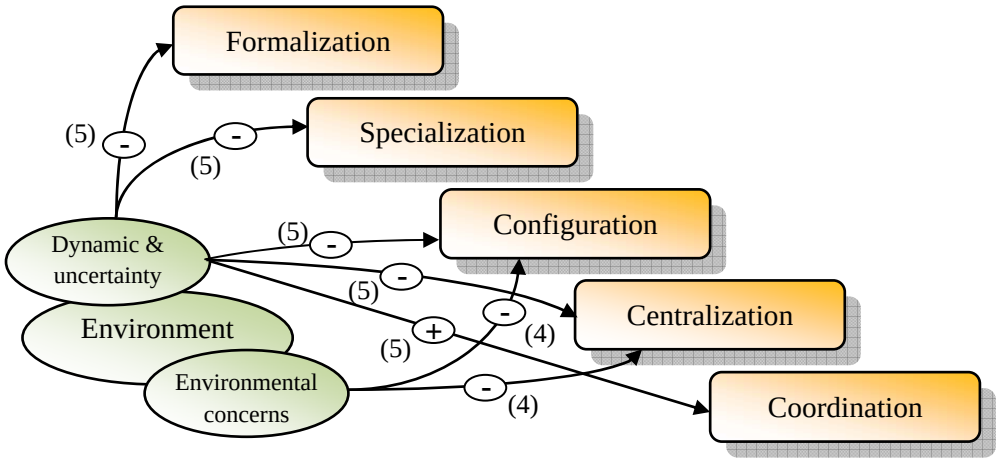


Figure 12: Interrelations between environment and structural dimensions.

(4) Hage & Aikin (1967, p. 81) suggested that the level of centralization is among others dependent on the environmental business area the organization is operating in. For instance organizations providing health, education, and welfare services are more likely to be more decentralized than organizations that provide services predestinated to greater standardization. Moreover, Ford (1977, p. 567) suggested that organizations with a greater concern for its task environment use more consultative decision-making than companies with less concern and had fewer hierarchical levels. This assumption is based on the fact that the decision-makers' perceptions of the environment are crucial.

(5) Concerning environmental uncertainty and dynamic, a stable environment is followed by greater centralization and formalization, whereas lower centralization and formalization suit better to more dynamic environments. In the case of environment uncertainty, organizations should decrease internal complexity, i.e. lower span of control, and create boundary spanning

units in order to better monitor the task environment (Ford, 1977, p. 567). Daft & Marcic (2009, p. 275) concluded when environmental uncertainty is high, lateral relationships such as horizontal projects, task forces and teams should be emphasized, and vertical structural characteristics such as centralization and specialization should be decreased. The ways in which environmental constraints influence organizational characteristics are summarized in Figure 13.

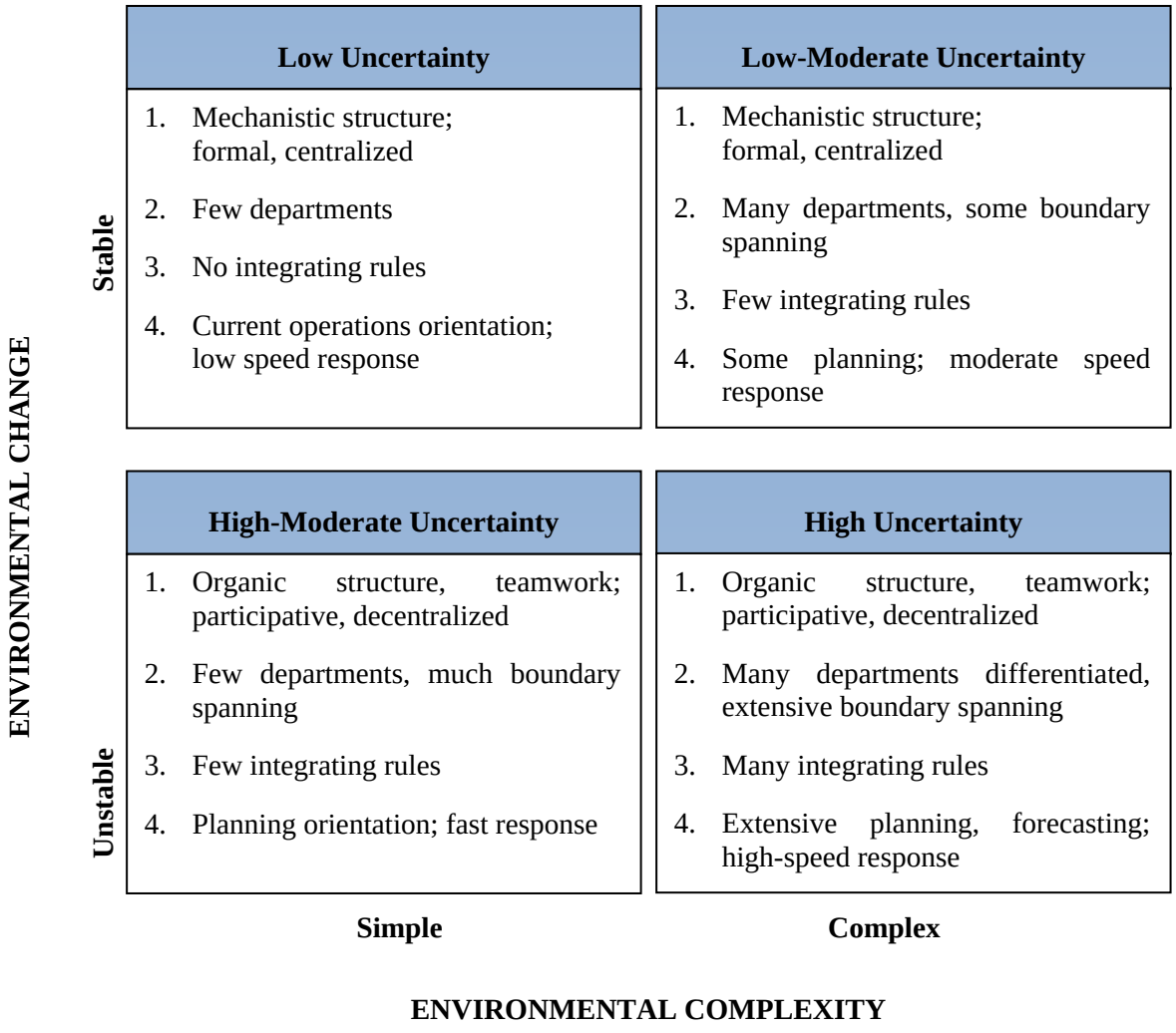


Figure 13: Contingency framework for environmental uncertainty and organizational responses (Daft, 2009, p. 157).

Environments with low uncertainty are simple and stable. Organizations in this environment can have few departments with a mechanistic structure. In low-moderate uncertainty environments, more departments with more integrating roles in order to coordinate these

departments are needed. High-moderate uncertainty environments are unstable but simple, and organizations can have organic and decentralized structures, i.e. structures that favor flexibility and quick internal change. The high uncertainty environment is the most difficult environment in a management perspective, as it is both unstable and complex. Organizations tend to be large with many departments but also organic.

With regard to coordination, in an uncertain environment organizations need to increase coordination to keep departments working together and to overcome differences in departmental orientations and goals (Daft, 2008, p. 333). Celly & Frazier (1996, p. 206) stressed that environmental uncertainty is related negatively to outcome-based coordination mechanisms and favors behavior-based coordination efforts. Behavior-based coordination efforts reflect the extent to which personal communication emphasizes the tasks and activities that are expected to lead to bottom-line results (Celly & Frazier, 1996, p. 201).

Interrelations between technology and structural dimensions

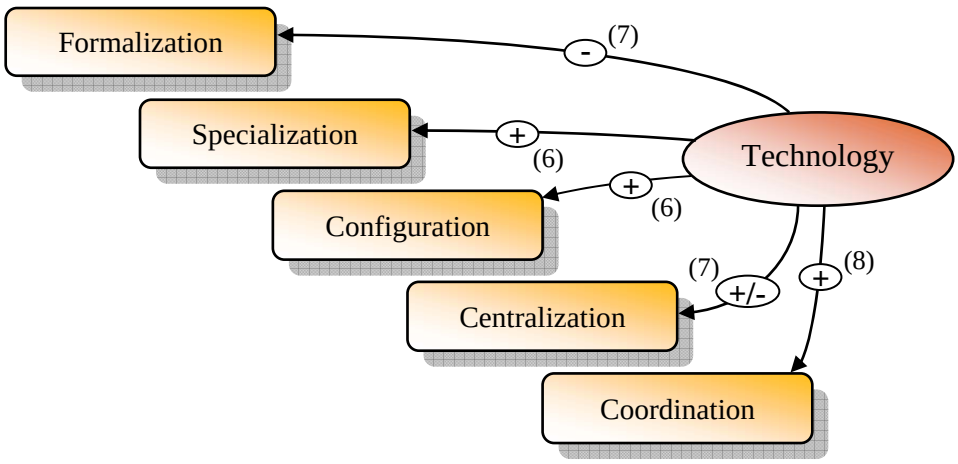


Figure 14: Interrelations between technology and structural dimensions.

(6) As technical specificity increases, both dimensions specialization and configuration (number of levels of hierarchy and personnel ratio managers/supervisors to total personnel) are influenced positively (Harvey, 1968, p. 248).

(7) The effect of specific technology on structural parameters cannot be detected univocally. According to Joia (2003, p. 66), the effects of information technology (IT) on centralization need to be examined by mitigating formalization. Centralization will increase due to IT when formalization is kept on a low level. Moreover, other contingency variables have to be detected like environment, size, strategy, etc. to draw conclusions. In fact, the characteristics of IT create the demand for sophisticated and flexible specialized personnel that are capable of doing their work without the need of supervision. In turn, low formalization is an appropriate mechanism to specialized employees who have to coordinate and communicate without formalized procedures and rules. Thus, specialized technology has a negative effect on formalization. In the same logic centralization is positively affected by technology. Nevertheless, if decision-makers are not able to cope with specialized technology and to process all information available efficiently at the same time, “structure is aligned with IT when it is decentralized, with low formalization and flexible specialized employees” (Joia, 2003, p. 67).

(8) Regarding the relationship between technology and coordination, Ensign (1998, p. 12) referred to the work by Thompson (1967) and indicated that greater interdependencies in technology require greater coordination or more resources devoted to coordination.

Interrelations between goals & strategy/culture and structural dimensions

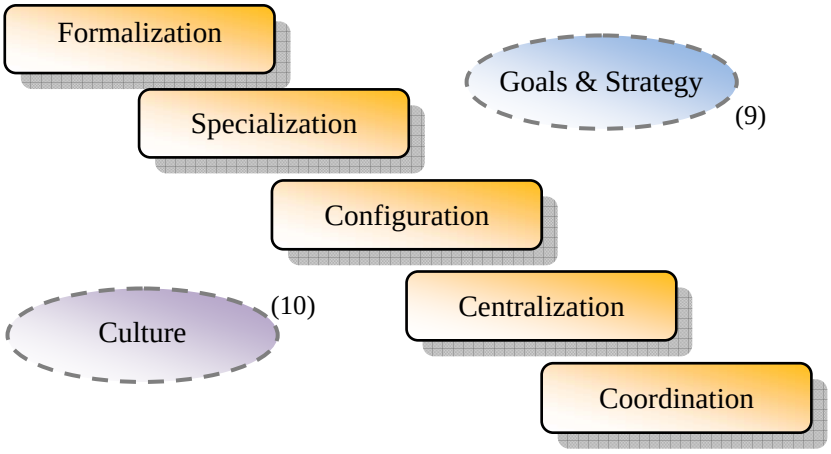


Figure 15: Interrelations between goals & strategy/culture and structural dimensions.

(9) The factors goals & strategy affect all of the five structural dimensions in a certain way and need further detailed investigation to elaborate the specific interrelations with structure. Organization strategy varies according to the settings of the specific business the company is operating in and reflects the organizational long-term objectives (chapter 3.1) Therefore, universal assumption cannot be made due to the specificity of organizational strategy influenced by several factors.

(10) Organizational culture has acquired a status similar to strategy, structure, and control (Hofstede, Neuijen, Ohayv, & Sanders, 1990, p. 286). Keyton (2005, p. 35) defined organizational culture as "the set of artifacts, values, and assumptions that emerge from the interactions of organizational members. In other words, an organization's culture is its belief system – created and managed by the organization's members". Shared perceptions of daily practices, i.e. conventions, habits, traditions, etc., are the core of an organization's culture (Hofstede, Neuijen, Ohayv, & Sanders, 1990, p. 311). The influences of corporate culture on structure vary corresponding to the specific sets of cultural values that impact management practices and structural dimensions (Head, Yaeger, & Sorensen, 2010, p. 44). Therefore, findings on the relationship between corporate culture and dimensions of structure cannot be generalized without further investigation on the constituting set of values.

5. Requisites on responsible organizational leadership and structure

Due to the fact that the CSR business case is becoming more and more important for numerous firms and organizations, it is also becoming evident that implementing corporate responsibility needs time to get mature within the organization before becoming part of all business activities. This means that when it comes to integrate and establish CSR procedures in organizational structure from scratch there is no "one fits all", and achieving routine and sustainable CSR business practices is a continuous process (Dunphy, 2003, p. 13). The speed of achieving CSR mainstreaming depends on CSR leadership development, training, and on organization's capabilities to implement CSR policies in the core operational processes.

Figure 16 shows the CSR implementation process discussed in chapter 2.6 and the steps regarding CSR strategy and structural integration of CSR practices.

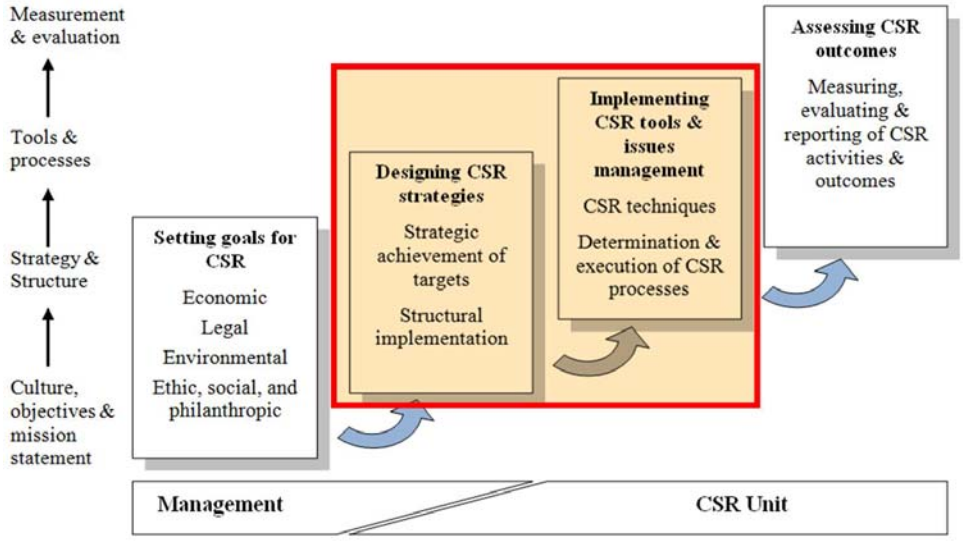


Figure 16: The CSR implementation process (Crane, Matten, & Spencer, 2008, p. 417) illustrating the steps organizational strategy and structural integration of CSR activities.

As discussed in chapter 2.2, socially responsible behavior is multi-disciplinary and related to all decisions, functions and processes in a company. The implementation of CSR implies mostly transformational or strategic change and involves significant alteration to strategy, structures, processes, and ultimately culture (Balogun & Jenkins, 2003, p. 247). Balogun & Jenkins (2003, p. 249) highlighted the management of knowledge as fundamental factor for such significant organizational change:"[…] for change to occur in organizations, the routines and their associated meanings have to evolve. This is consistent with evolving new, shared […] knowledge about the way we do things around here, and how organizational activities are co-ordinated and integrated".

Basically, Robinson et al. (2005, p. 432) defined knowledge management as "a method of exploiting, or transforming knowledge as an asset for organizational use to facilitate continuous improvement". A transition of knowledge management to CSR was pointed out by Preuss & Córdoba-Pachon (2009, pp. 520-524), who stated that the complexity and width of CSR scope makes knowledge management an important supporting part in implementing a set of coherent conducts and standards, which stakeholders within and beyond the organization can understand, compare and potentially replicate. Further, two related but distinct aspects on knowledge management regarding CSR have been outlined by the authors:

One aspect is the *static perspective* of the elements that have to be developed to enable knowledge capture. The element view emphasizes knowledge as a resource and addresses its storage and maintenance, e.g. as an electronic resource, which means an extension of organizational activities to assimilate sharing of information in relation to performance. Regarding CSR, this concerns elements of CSR knowledge that exist in internal departments such as external affairs, marketing, or human resources, as well as external elements, e.g. external CSR experts. The static elements view allows the growing amount of CSR knowledge codification and coherent standards reviewed in chapter 2.3 to be understood, compared and replicated by individuals within and beyond the organization.

The second aspect is the *dynamic process view* that facilitates effective knowledge utilization and renewal. The process oriented view on knowledge management leads to create structures supporting dialogue with the objective to enable the exchange of ideas and joint solutions to problems by individuals working across areas and beyond the formal organizational

boundaries. With regard to CSR, the more dynamic process view facilitates of working both within the organization and with external stakeholders.

Whereas the elements view can serve as an entry point for organizations into CSR, the process perspective on knowledge management encourages people to establish dialogue-based structures far beyond technical contents. The CSR implications arising from the element and process view are illustrated in Figure 17.

Dimension	***Features under the element view***	***Features under the process view***
Organizational structure	Hierarchical and closed	Team-based
Knowledge management emphasizes	Explicit knowledge	Tacit and explicit knowledge
Knowledge resources	(Electronic) documents and repositories	People
Knowledge linked to	Organizational performance	Individual experience, dialogue domains, innovation and corporate performance, which could be extended to the organizational context
Knowledge management activities	Capture, storage, distribution	Continuous interaction facilitated by dialogue spaces to enhance existing hierarchical dialogue structure
Role of the firm	Protect knowledge from imitation in order to safeguard competitive advantage	Medium for efficient integration and application of knowledge and self-development of individuals

Figure 17: CSR implications arising from the element and process views of KM (Preuss & Córdoba-Pachon, 2009, p. 519).

According to Balugon & Jenkins (2003, p. 248) explicit knowledge is defined as knowledge "easy for individuals to communicate and share via words and numbers. It can, therefore, be encoded or explained and passed on". Contrary tacit knowledge is "personal and hard to communicate with others since it is hard to formalise or write down […]. Tacit knowledge may include insight and intuition, and is 'deeply rooted in an individual's action and experience, as well as in the ideals, values or emotions he or she embraces' […]. It is context

specific. Whereas explicit knowledge is to do with ‘know what’, tacit knowledge is about ‘know how’”.

A knowledge management-based approach to CSR “would seem to offer a valid perspective on how traditional ways of running a business […] give way to a more comprehensive consideration of the role of business in society” (Preuss & Córdoba-Pachon, p. 524). In this context, Katsoulakos & Katsoulacos (2007, p. 367) defined the intellectual capital of a company as “the knowledge that can be exploited by organizations in setting and managing their competitive and responsibility strategies”, whereas the social capital of a firm consists of the “knowledge and relationships with its stakeholders”.

Wang & Ahmed (2003, p. 57) mentioned the management of knowledge as one of the biggest challenges of enterprises, raised by fast changing and complex environments. Especially regarding the dynamic process view of managing CSR knowledge, effective management of knowledge may build social competitive advantage for a company and has to comply with the following basic demands (Robinson, Carrillo, Anumba, & Al-Ghassani, 2005, p. 432):

Boundary-lessness by informal relationships and no restrictions of spatial boundaries are important requirements to enable employees to get access to necessary information without obstruction from formal control structure. Consequently, the pool of organizational knowledge can spread beyond the limitations of physical boundaries. Gilmore (2009, pp. 99-103) elaborated in her work on organizational boundary spanning, i.e. the information interchange process within organizations and between organizations and their environment (Leifer & Delbecq, 1978, p. 40), that departments can encourage cross-organizational and external collaborations by participating in organizational boundary spanning.

Organizational structure must provide *fluidity* of knowledge and allow knowledge to have an effective impact on performance. Informal relationships favor the installation of internal and external networks to enable knowledge flow.

Interactiveness in terms of cross-functional, interpersonal and interorganizational interaction is an important method to share tacit, i.e. individual and not formalized, knowledge as well as producing and codifying tacit knowledge.

Knowledge-based outcomes are also dependent on *flexibility* of organizational structure, which must allow timely and appropriate restructuring of temporary constellations of units and people to comply with organizational needs.

The exigencies boundary-lessness, fluidity, interactivity and flexibility listed above are basic preconditions for the adaptability of organizations to capture information-driven needs and opportunities in a dynamic environment, and in particular for the implementation of CSR into organizational structure. In the face of new demands and challenges, the traditional understanding of organizational structure fails to trap the essence of organizations' development and assimilation "[…] to develop and map new forms of structure, which are capable of meeting the demands of knowledge-based environments, [it] necessitates incorporating higher levels of dimensions. These higher dimensions are: informal relationships, trust-based relationships, emotionally-inclusive relationships and externally-oriented relationships" (Wang & Ahmed, 2003, p. 60). Furthermore, Wang & Ahmed (2003, p. 60) highlighted, that informal relationships play an important role in these higher levels of dimensions regarding the understanding and definition of the intrinsic nature of structural activities within an organization. Incorporating CSR, organizational structure will need to be more open than precisely defined, more interactive than integrative, more emotionally-inclusive than rationally-inclusive, more flexible, more temporal, as well as informality- and trust-based. In order to develop continuous interaction with the environment, organizations need to have flexible and flat structures to enhance the potentials that a hierarchical or rigid one has (Preuss & Córdoba-Pachon, 2009, p. 519).

Summarized, Ernst & Chrobot-Mason (2010, pp. 4-5) emphasized the challenges organizations have to face and consider by implementing appropriate structures supporting CSR: increased agility to respond to a dynamic marketplace, empowered and engaged workplace at all levels, flexible and cross-functional capabilities to adapt to change and solve

problems, more integrated social responsibility, and a global mindset with cross-regional collaboration. The realization of these challenges is an essential business reality. Therefore, a new leading approach across horizontal, vertical, stakeholder, geographic and demographic boundaries is needed. The authors called this approach boundary spanning leadership. Some of the specific actions leaders can take according to certain environmental and intra-organizational boundary dimensions are outlined in the appendix.

6. Structural design options for CSR implementation

Depending on the defined scope of CSR, the business environment, and the organizational contingency factors, CSR can be incorporated in different ways into the structural framework. Given the company's existing mission, size, culture, sector, business structure, geographic locations, risk areas and levels of commitment, the key question is which CSR structure is most likely to be effective. For instance, as the reality of large multinational corporations with headquarters located in developing countries is different from the problems faced by businesses in emerging markets or developed countries (Perera Aldama et al., 2009, p. 507), the upcoming CSR issues change with the environmental situation. Without addressing the particular strategic issues of the organizations, and without considering how the company will integrate CSR issues in its entire business fundamentals, there will not be sufficient authority assigned to the CSR manager.

Beside the consideration of CSR scope, environment and contingency factors, it is essential that the CSR strategy includes planning, strategic objectives, targets, and deadlines – everything conforming the to the firm's overall strategy. According to Perera Aldama et al. (2009, p. 508) , "the involvement of the [Corporate] Board is crucial for effectively embedding the CSR function in organizations. Having the Board supervising the integration and implementation of CSR in an organization immediately places CSR issues at the core of business strategy". As the role of the corporate boards is to govern, not to manage, the CSR responsibilities have to be delegated. This means, regardless of the structure of choice, the CSR commitment from the board must be followed by responsibilities down the hierarchical levels. The positions incorporating these responsibilities must understand and initiate changes in process designs and management practices, as well as understand and transform the governance systems and culture of the organization so that they foster and support CSR strategy and operations (Doppelt, 2003, p. 114).

Business for Social Responsibility (BSR), one of the world's leading organizations in CSR topics, developed a guide on the setup of effective CSR structures (Business for Social Responsibility, 2002). Basically, it is essential to have accountability at the board, executive and senior levels, which are also supported by specialized CSR stuff and management. In the

BSR paper *Designing a CSR Structure*, several alternatives found in practice are clearly described and still hold validity (Perera Aldama et al., 2009, p. 508). The structural design options in the following sections represent an overview on current CSR implementation practices from the top to the bottom level of an organization. None of these options are mutually exclusive, i.e. establishing option A for instance does not preclude automatically other coexistent options in the same hierarchical level.

6.1. Corporate board of directors

Companies that seek to demonstrate a strong commitment to CSR and to legitimize it internally, often choose to formalize the CSR issues on the board level in order to incorporate them in the decision making process (Business for Social Responsibility, 2002, p. 15).

The corporate board of directors is considered as one of the instruments for dealing with an organization's environment. For the company, the board is "a vehicle for dealing with problems of external interdependence and uncertainty, resulting from its exchange of resources with important external organizations" (Pfeffer, 1972, p. 219).

The size of the board of directors is among others affected by the size of the organization and by the relationships with the environment. As the size of the organization and the complexity of the environment increase, the requirement for a larger board increases consequently. Hence, board composition and size are not independent or random factors, but are rather rational organizational responses to the external environmental conditions (Pfeffer, 1972, p. 226).

Many companies have formal processes for raising CSR issues at the board level and incorporating environmental and social factors into board decisions. Figure 18 lists the typical options through which CSR responsibilities can be structured at the board level (Business for Social Responsibility, 2002, p. 15).

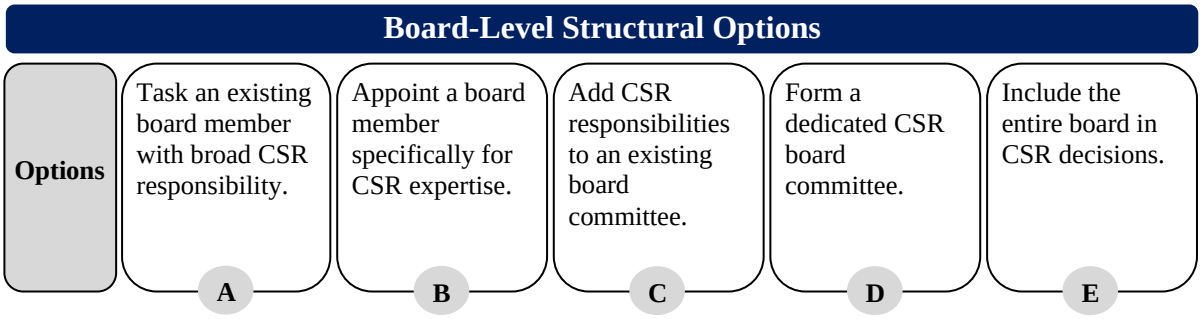


Figure 18: Structural CSR options at the board level (Business for Social Responsibility, 2002, p. 15).

Task an existing board member with broad CSR responsibilities. The designated board member with responsibilities for the company's CSR policies and activities typically receives information from the senior- and executive-level staff about CSR issues and offers guidance and counsel.

Appoint a board member specifically for CSR expertise. Based on the person's expertise in CSR issues, the appointed board member acts as an advisor offering strategic CSR counsel to the company and the board.

Add CSR responsibilities to an existing board committee. This is one of the most typical mechanisms for board-level CSR implementation and broadens the scope of a standing committee to include CSR responsibilities. This choice might include committees such as audit, environment, health & safety, and public policy.

Form a dedicated CSR board committee. In this structural option, the CSR committee is responsible for reviewing and advising the organization's practices and policies and all CSR issues such as environmental responsibility, community involvement, global sourcing, human resources and philanthropy.

Include the entire board in CSR decisions. This alternative is incorporated as CSR becomes a high-profit issue. Steps to ensure training and education of the full board on CSR issues facing the company need to be taken.

While at the beginning of the 21st century a single board member, mainly the CEO, was responsible for CSR, this has changed over time. In modern structures, more board members share CSR responsibilities and are often supported by a CSR committee. Increasingly the leadership role for CSR issues is taken by the CEO, next to other board members. Companies have learnt over the years that a separate CSR committee is the best way to support the board's work (Spitzeck, 2009, pp. 499-500). Further, Luoma (1999, p. 561) pointed out that "stakeholder representation on a board is an important way to reinforce perceived legitimacy with critical constituencies and enhance performance".

6.2. Executive-level integration

Involvement and support of CSR issues on the executive level is essential if CSR is to be completely integrated into the business. The structure options at the executive level for formalizing CSR responsibilities are quite identical to the board level alternatives. The most typical mechanisms for embedding CSR structures in the executive level are illustrated in Figure 19.

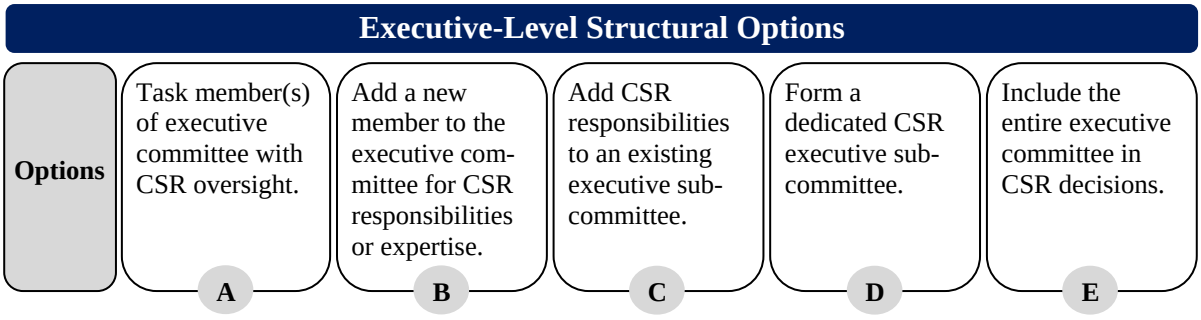


Figure 19: Structural CSR options at the executive level (Business for Social Responsibility, 2002, p. 19).

Task member(s) of executive committee with CSR oversight. At least one member of the executive team has formal oversight of the company's CSR policies and activities. The responsibilities could be divided between two or three senior leaders, but those with

executive-level must be able to leverage financial resources for CSR efforts and make the CSR case to executive peers.

Add a new member to the executive committee based on CSR responsibilities or expertise. This new member might be a senior leader who would not be a member of the executive committee based on the current reporting structure of the organization, or the appointment could be part of a larger structural change to ensure CSR representation on the executive committee.

Add CSR responsibilities to an existing executive sub-committee. In this mechanism, responsibilities on CSR issues are incorporated into the charter of a standing sub-committee focused on the environment, health & safety, philanthropy, human resources, ethics, etc.

Form a dedicated CSR executive subcommittee. This model is a strategic move to signal a strong commitment to CSR issues and to ensure there is distinction and visibility to CSR efforts.

Involve the entire executive committee in CSR decision. This alternative allows further integration of CSR into various management aspects, i.e. strategic issues that could impact the organization's overall reputation or financial success.

6.3. Senior-level implementation

CSR responsibilities assigned to positions at the senior level can be centralized into a single department, or decentralized whereby various departmental, regional or functional leaders share collective CSR responsibility (Figure 20).

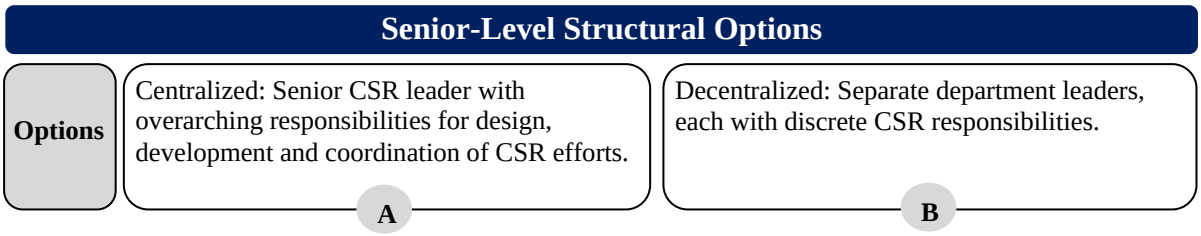


Figure 20: Structural CSR options at the senior level (Business for Social Responsibility, 2002, p. 20).

On the one hand, the primary motivation for organizations choosing a centralized structure, i.e. a single senior CSR leader, is the intention to institutionalize CSR more strategically within organizational operations. This might create greater visibility for the company's efforts on CSR issues and provide for a more consistent communication with stakeholder. On the other hand, in the decentralized CSR structure, separate department leaders hold discrete CSR responsibilities. The existing organizational structure will be levered and it allows embedding CSR responsibilities in a diversity of functions, which can provide broader accountability.

Regardless of the chosen senior-level structure, there is great diversity in how organizations implement CSR responsibilities. Some general alternatives are summarized in the following (Business for Social Responsibility, 2002, pp. 20-21):

Scope of positions can be broad or narrow. The scope of the CSR positions vary from overarching responsibility for all aspects regarding the firm's CSR policies, programs and practices, to a narrower scope focusing for instance only on implementation or communication.

Position can effectively be housed within various functions and include other responsibilities. Beside the option of designated CSR departments, companies choose to have CSR positions bundled with other responsibilities, e.g. public affairs or corporate communications.

Balance CSR expertise with knowledge of company and industry. In this model, external CSR experts are brought into the company to ensure CSR depth and experience. It is essential that these experts also have an adequate understanding of the company's operations and culture.

Several factors can influence overall success of position. As already highlighted at the beginning of this chapter, the established CSR committee or positions need executive and board support to gain the required authority and importance across all organizational levels. Further success factors are for instance vertical and cross-functional organizational influence, knowledge of the business and industry, CSR expertise, other external influences, etc.

6.4. Specialized CSR staff and management

In practice, there are a few trends apparent in which ways companies locate and define the staff involved in CSR efforts: more and more companies are establishing dedicated CSR staff at the corporate level, dedicated CSR staff is growing in numbers, and the number of staff whose descriptions are being expanded to include CSR responsibilities is increasing. However, as companies are still experimenting with different models of CSR staffing, firm conclusions about the structural options at the management and operative level are difficult to be drawn. Some companies count all employees with CSR as a primary responsibility, whereas others include only certain positions incorporating CSR issues. The number of staff involved in the CSR efforts depends on organizational culture, structure and priorities, i.e. it is for instance affected by whether the organization prefers to transfer CSR initiatives to line and business functions or to centralize corporate initiatives.

Whatever the structural choice may be, one of the most important success factors is that the assigned staff receives adequate information and training in their area of CSR specialty. If staff is directed to manage issues that are not part of their original jobs, these issues might not be fully understood because of missing knowledge and experience in the area of CSR responsibilities. Thus, continuous retraining of the CSR staff and support of additional expertise in the fields of the most important CSR issues is inevitable (Business for Social Responsibility, 2002, pp. 21-23). Some of the more common models for integrating specialized CSR staff and management are listed in Figure 21.

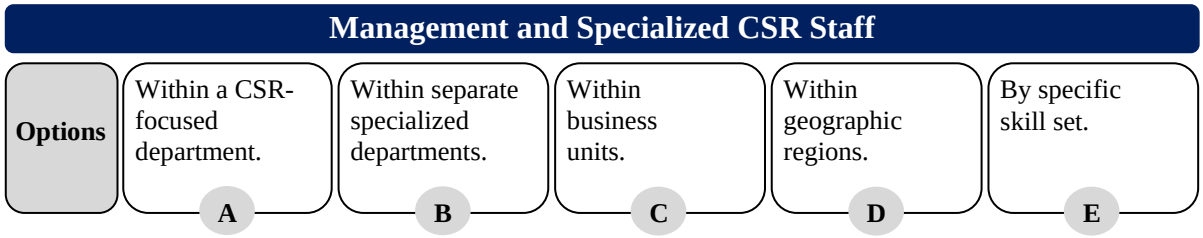


Figure 21: Structural CSR options for specialized CSR management and staff (Business for Social Responsibility, 2002, p. 23).

Within a CSR-focused department. The centralized CSR-focused department usually involves staff with CSR expertise in various areas. The focus of the staff varies depending on the specific scope and CSR issues covered by the department. Staff in other departments is not precluded from having CSR responsibilities as well.

Within separate specialized departments. In various decentralized departments, staff has collective responsibility for different areas of the organizational CSR efforts. For instance, an environment, health and safety department will likely be responsible for implementing detailed programs at the operational level, and the corporate communications department might work on CSR issues with the media, etc.

Within business units, geographic regions or by specific skill set. Depending on how a company is organized, it is reasonable to have the structure of CSR management and specialized staff mirrors the existing organizational structure. This may comprise having CSR specialists working in particular business units such as demand and supply, representing a certain region, such as CSR issues in Europe, or having experts organized by skill set, such as CSR auditors incorporated within each business unit.

As highlighted above, the options of staff involved in CSR efforts are among others dependent on the scope, i.e. the area of the CSR task or issue, and the priorities of the CSR initiatives. The subsequent chart (Figure 22) gives an overview of the favored structural CSR options for each of the CSR tasks and characteristics regarding scope, internal or external relationships, and responsibilities.

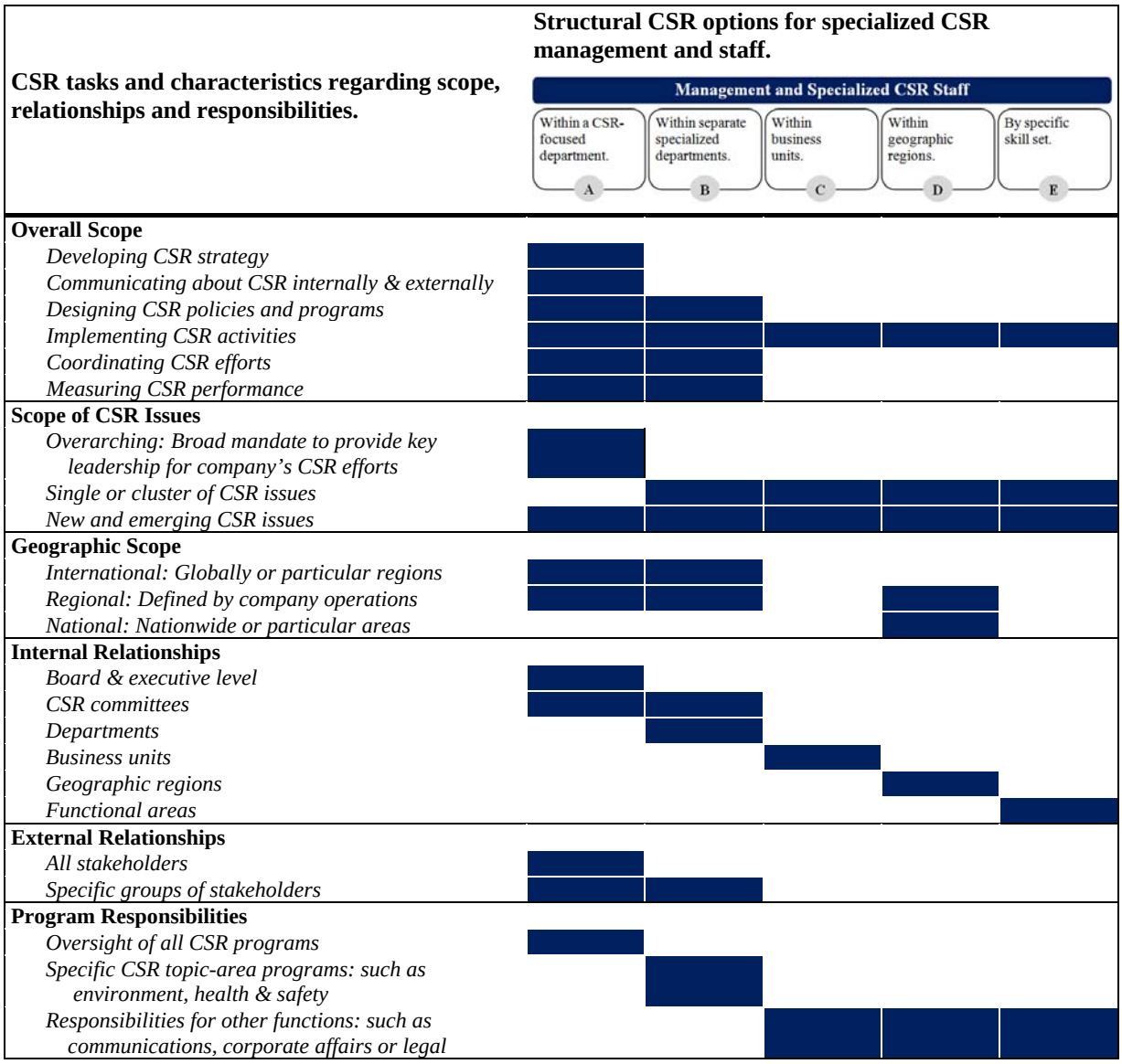


Figure 22: Possible structural CSR options for specialized CSR management and staff favored by typical CSR tasks and characteristics regarding scope, relationships and responsibilities (Business for Social Responsibility, 2002, p. 22).

If the overall scope of CSR efforts is impacting various business areas, departments or geographic regions such as the development of CSR strategy and the communication of CSR initiatives externally or internally, the structure of a CSR-focused department is favored. This option ensures a centralized and therefore consistent approach to the creation, implementation, oversight and measurement of CSR initiatives. In case CSR programs and issues are getting more and more focused and clustered, specialized CSR staff within departments, business units, geographic regions, or by specific skill set is needed. For

instance, the relationships regarding CSR efforts within specific geographic regions or functional areas has to be coordinated by specialized staff being part of these geographic regions or functional areas.

7. CSR processes and issues management

In the previous sections the steps of CSR implementation on the strategic and structural level have been discussed. As outlined in chapter 2.6, CSR is not only a strategic approach influencing structure but also an action-oriented organizational commitment. Therefore, beside the strategic implications, CSR processes and operations need to be taken into account when organizational structure is adapted. Figure 23 displays the steps regarding CSR processes and issues management introduced in chapter 2.6.

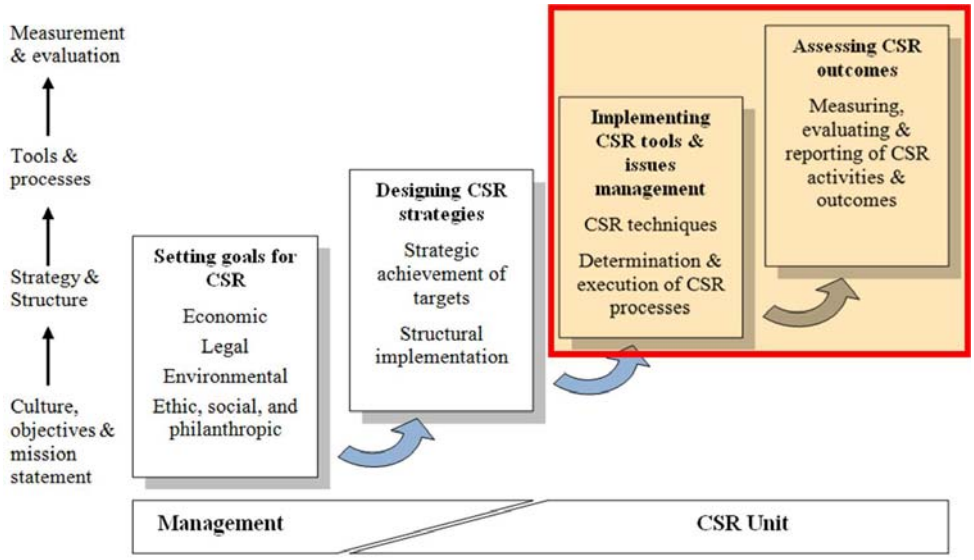


Figure 23: The implementation of CSR procedures based on the CSR implementation process (Crane, Matten, & Spencer, 2008, p. 417).

As indicated in chapters 2.3 and 2.4, a company committed to CSR has to set up principles that provide normative guidance in order to define the stakeholders deserving the greatest attention, and the most important issues that should be addressed first by the firm. The actual processes supporting CSR practices include: (1) the designation of corporate representatives in charge of CSR, i.e. the CSR unit, (2) the monitoring of stakeholder issues and satisfaction with the organization's activities, (3) the development of adequate actions, the so-called CSR techniques, to better address demands of stakeholders, (4) the training and stimulation of

employees, and (5) the communication with stakeholder groups (Maignan, Hillebrand, & Kok, 2002, p. 397).

Concerning data collection, analysis, and evaluation of the stakeholder issues an organization has to tackle, Clarkson (1995, p. 100) identified the following steps:

- It is necessary to differentiate between general social issues that do not affect and are not affected by the organization and actual stakeholder issues. Organizations manage relationships with their stakeholder groups and not with society.
- The analysis of stakeholder issues has to be conducted at the appropriate level: individual, organizational, and institutional.
- It is then possible to analyze and evaluate both the performance of corporate managers in managing the organizational responsibilities to stakeholders and the social performance of the corporation itself.

Typical practical corporate and stakeholder issues that are identified and addressed by the steps above are summarized in Figure 24.

1. Company
1.1. Company history
1.2. Industry background
1.3. Organization structure
1.4. Economic performance
1.5. Competitive environment
1.6. Mission or purpose
1.7. Corporate codes
1.8. Stakeholder and social issues management system

2. Employees
2.1. General policy
2.2. Benefits
2.3. Compensation and rewards
2.4. Training and development
2.5. Career planning
2.6. Employee assistance program
2.7. Health promotion
2.8. Absenteeism and turnover
2.9. Leaves of absence
2.10. Relationships with unions
2.11. Dismissal and appeal
2.12. Termination, layoff, and redundancy
2.13. Retirement and termination counseling
2.14. Employment equity and discrimination
2.15. Woman in management and on the board
2.16. Day care and family accommodation
2.17. Employee communication
2.18. Occupational health and safety
2.19. Part-time, temporary, or contract employees
2.20. Other employee or human resource issues

3. Shareholders
3.1. General policy

3.2.	Shareholder communications and complaints
3.3.	Shareholder advocacy
3.4.	Shareholder rights
3.5.	Other shareholder issues
4.	**Customers**
4.1.	General policy
4.2.	Customer communications
4.3.	Product safety
4.4.	Customer complaints
4.5.	Special customer services
4.6.	Other customer issues
5.	**Suppliers**
5.1.	General policy
5.2.	Relative power
5.3.	Other supplier issues
6.	**Public Stakeholders**
6.1.	Public health, safety, and protection
6.2.	Conservation of energy and materials
6.3.	Environmental assessment of capital projects
6.4.	Other environmental issues
6.5.	Public policy involvement
6.6.	Community relations
6.7.	Social investment and donations

Figure 24: Typical corporate and stakeholder issues (Clarkson, 1995, pp. 101-102).

Johnson (1983, p. 22) remarked that socio-political issues are not public affairs issues: "They are corporate issues since, by definition, they may have a significant effect on the current functioning and future interests of the entire corporation. They have operational and bottom line implications […] [and] will influence – and be influenced by – the strategic direction and operation of the company". Figure 25 lists the six stages of successful issues management, from monitoring relevant issues to the evaluation of the actions taken.

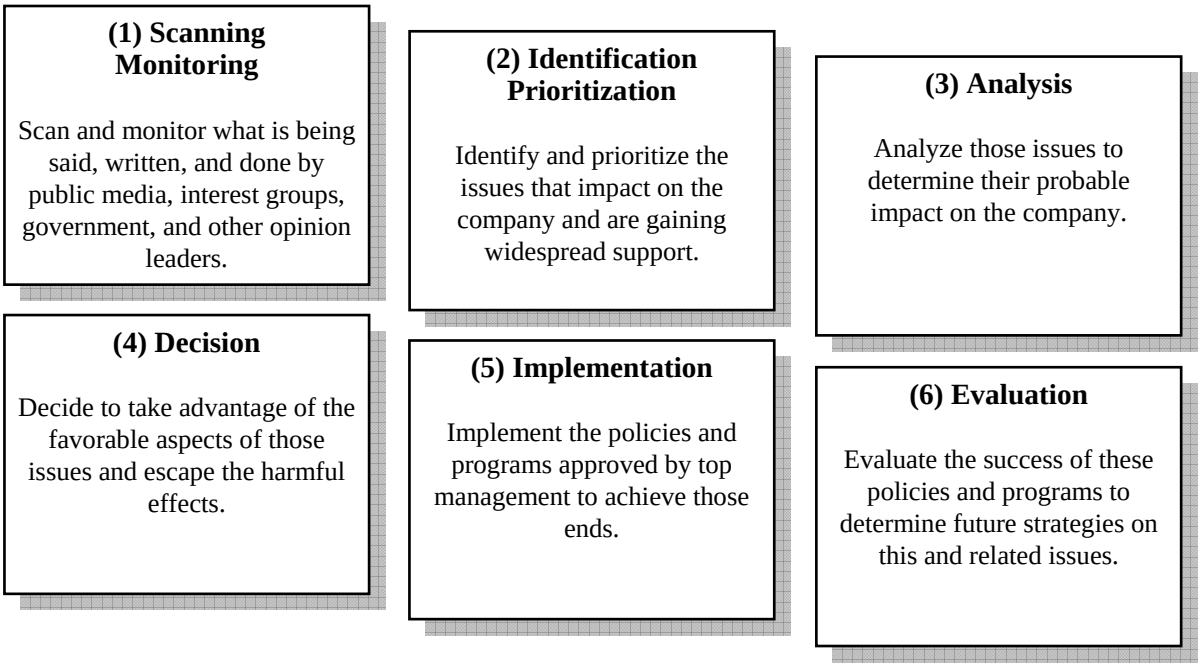


Figure 25: Six stages to successful issues management (Johnson, 1983, pp. 23-24).

Stage 1, scanning and monitoring, describes the research to identify all possible trends or issues that may affect the corporation or its departments, ideally performed by both line managers and staff as a regular part of their work. An impediment to effective scanning/monitoring could be that only a few staff departments undertake this function, and even between these departments communication mechanisms are not well established.

Stage 2 refers to the identification and prioritization of the issues and trends detected in the prior stage according to their impact on the company and departments. The evaluation of issues should be the centralized responsibility of a committee or group formed to gather and consolidate the issues monitored in stage 1. Without central coordination, only the concerns of the involved departments will be reflected.

In *stage 3*, the most important issues prioritized in the precedent stage are analyzed in some detail. Since special knowledge about the area in which prioritized issues arise is important for a sound investigation, companies practicing issues management are increasingly establishing task forces to undertake issue analysis, and to recommend strategies to senior management.

Stage 4 is the pivotal stage in the entire issues management process. Senior management has to consider recommendations on issue strategy from task forces, staff departments or other sources, and has to decide on the strategic options on important issues.

In *stage 5*, after senior management has decided on a policy towards an issue, the various divisions of the corporation must incorporate it into their business plans, decisions, and communication strategies. Different groups within the corporation have to take the necessary steps to prepare for a proactive stance on the issue, e.g. top management incorporates the position into its corporate framework, operating managers include the position into operating decisions, and communication managers develop strategies to communicate the company position to external stakeholders.

In the last *stage 6*, the measurement and evaluation of the success of policies and actions on issues are important tasks to increase the effectiveness in dealing with future issues. Although it is difficult to measure what effect a particular strategy might have had on an issue, the goal is to implement systematic procedures for evaluating the success of issue policies and programs.

In theory, the stages listed above are integrated in the corporate planning and decision making process. In practice, issue management lacks that integration. Mostly, issues management tends to be centralized and performed by public affair managers in ad hoc association with other employees and line departments. Due to the lack of integration of issue management processes, policy decisions on issues are not well implemented in communication strategies and business plans. Instead, organizations often deal with issues after they have arisen. The most important executives in dealing with issues, beside the CSR unit, are public affairs specialists, senior executives and the affected line managers.

As highlighted in this chapter, the management of issues is a CSR core activity and consequently has to be considered in CSR strategy and structure. The creation of a structure endorsing the implementation of the several issue management processes on all corporate levels is crucial for an efficient and sustainable CSR performance.

8. Implementation of CSR and impacts on dimensions of structure

As outlined in chapter 4.5, organizational effectiveness and success are generally based on the right "fit" between an organization's contingency factors and the dimensions of its structure. By matching the contingency factors, the ideal structure for a firm could be found (Martinsons & Martinsons, 1994, p. 24). This assumption implies that the "right" structure varies with the configuration of the contingency factors, i.e. among others structure is affected by norms, values, and social pressures (Walsh, 2004, p. 305). In other words, environmental factors that include stakeholders' issues and interests as well as cultural aspects within the organization are determining influences on corporate structure. Therefore, environmental externalities and cultural notions can be rationally applied in the formation of corporate structure. As CSR must be fully integrated into the strategic action plan of the organization (chapter 3.3) and because of the predominant character of strategy, environment and culture on structural considerations, sound advertence and implementation of social responsibility aspects must be fundamental parts in the development and adaption of organizational strategy and consequently of structural dimensions.

In effect, dimensions of organizational structure are levers organizations can turn to influence and improve relations and knowledge flow between organizational components, such as individuals, groups, teams and departments etc. (Wang & Ahmed, 2003, p. 52). Further, dimensions of structure have to be levered strategically by organizations for instance in dealing with external unions and employee associations (Dastmalchian & Blyton, 1992, p. 65).

Wang & Ahmed (2003, pp. 56-58) emphasized that organizational structures have evolved with increasing internal and external demands, and that newer demands are being placed on structural forms. The ability to cope with these demands and the concurrent dynamic environments has become a focus in the strategic field: "The essence of strategy does not lie in the organization's particular products and markets, but the dynamics of its behavior […] and processes […]" (Wang & Ahmed, 2003, p. 56). The permanent development of new and accurate organizational forms and structures is inevitable to maintain and advance knowledge flow and processes within and outside the organization, i.e. between organizational components and important stakeholders. Citing Werther & Chandler (2006, p. 75), "the CSR

effort must have visibility", which means that an organizational CSR structure framework is necessary, and that "CSR must be operationally integrated into the firm's day-to-day activities" (Werther & Chandler, 2006, p. 79).

As highlighted in chapter 2.6, the setup of a dedicated CSR unit within organizational structure is one of the key activities in the course of a comprehensive CSR strategy. Depending on the defined scope of CSR, the business environment and the organizational contingency factors, there are several options for an appropriate structural CSR framework represented in chapter 6. Regardless of the selected and established structural option, the requisites on organizational structure highlighted in chapter 5 have to be incorporated in order to enable the implementation of CSR activities and processes illustrated in chapter 7. An understanding of how the implementation of CSR structures and processes throughout the organization impacts the organizational design parameters enables an a priori evaluation of important consequences of transiting from one organizational design to another (Ouksel & Vyhmeister, 2000, p. 409).

In the next sections, the impacts of the implementation of CSR tasks and processes following a structural integration of a CSR unit on organizational design variables are derived and summarized.

8.1. Impacts on formalization

The dimension formalization is simply the amount of written documentation in an organization, which includes job descriptions, procedures, regulations, and policy manuals (Daft, 2003, p. 17).

CSR has to be part of the norms and values within the organization and management has to define these values, the specific targets and how to progress towards them in codes of CSR conduct and mission statements. Through all steps of CSR implementation (chapter 2.6), the

documentation of behaviors, tasks and outcomes is essential to assure knowledge management and foster assessment of CSR outcomes, which implies an increase in formalization. The informal exchange of information might support the implementation and fulfillment of CSR programs and issues management, but the overall level of written documentation will be increased due to incorporation of additional CSR strategies and operations.

Since extensive formalization is causing employees to have lower trust in management and hinders trust-building exchanges (Huang & Van de Vliert, 2006, p. 236), a well-balanced level of enabling formalization is inevitable to guarantee goal congruence between employees and the organization (Figure 26).

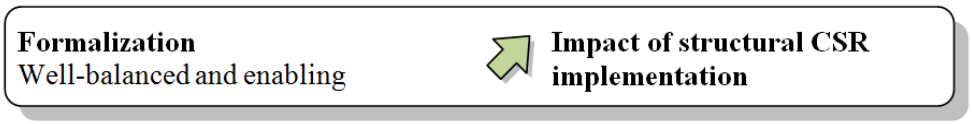


Figure 26: The impact of structural CSR implementation on the degree of formalization.

8.2. Impacts on specialization

Specialization is defined as “the degree to which organizational tasks are subdivided into separate jobs” (Daft, 2003, p. 17).

The dedicated CSR unit, i.e. the assigned executives charged with the management of CSR, has to be specialized on the CSR agenda and tasks. The created taskforce plans and executes the CSR strategy, tactics, and operative activities. Internal CSR expertise might either be acquired over time through experience with stakeholder collaboration and evaluation of CSR activities, or can be brought into the company by recruitment of external CSR specialists engaging with organizational CSR issues. In both cases, the CSR-responsible staff is specialized in the particular defined scope of CSR efforts, which can be broad, for instance with overarching responsibilities for all aspects of the CSR policies, or narrow, i.e. focusing primarily on implementation of communication.

Nevertheless, high specialization can lead to insufficient distribution of information and higher complexity, which might lead in turn to key activities being not executed. A high level of complexity also makes it more difficult for organization-level goals to have impact on decision making. Hence, CSR accountability has to be created at all employee levels to ensure information flow and goal congruence.

Summarized, the degree of specialization is dependent on the structural options established at the hierarchical levels and the allocated CSR scope. Figure 27 illustrates the impacts of the various factors on the dimension specialization.

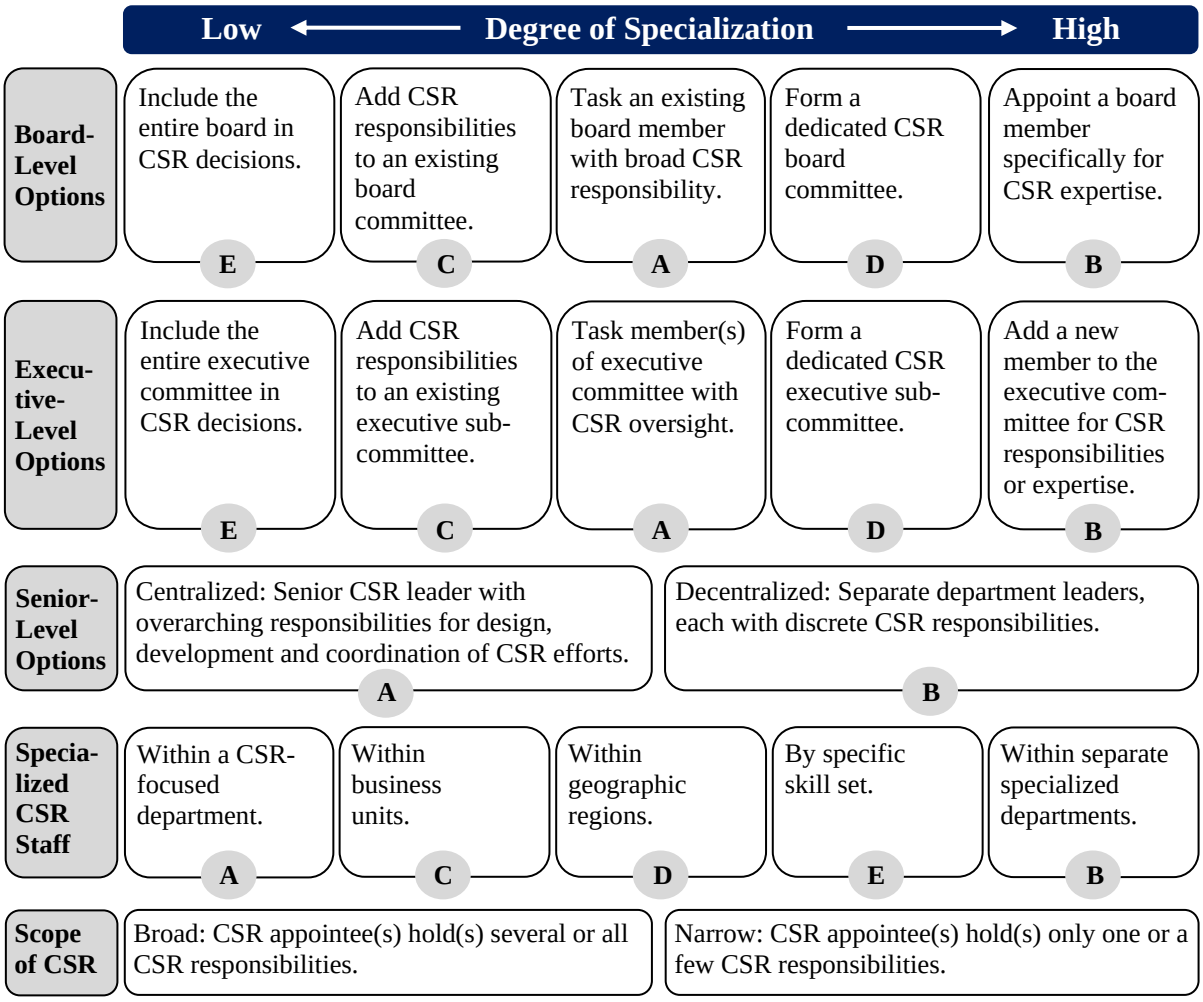


Figure 27: The impact of structural CSR implementation on the degree of specialization.

Including CSR responsibilities into existing positions widens the scope of present tasks and enhances individual complexity, but keeps the degree of specialization at a lower level. Contrary the formation of a dedicated CSR unit and separate specialized CSR staff as well as a narrow scope of CSR responsibilities increases the degree of specialization within the organization.

8.3. Impacts on configuration

As described in chapter 4.3.3, an organization's configuration consists of the levels of hierarchy, span of control, and personnel ratios.

Board-level involvement of CSR issues serves to legitimize them throughout the company. Many stakeholders expect the directors of companies to be knowledgeable about the full range of social, environmental and financial issues that affect the company. Based on the fact that the decision-makers' perceptions of the environment are even more crucial when it comes to higher stakeholder involvement, alignment procedures and systems need to be implemented that all organizational entities are working towards the overall company's CSR goals. Thus, communication and interaction through all organizational levels are critical success factors in implementing CSR, which suggests in consequence a narrow span of control.

Nonetheless, establishing additional CSR-dedicated boards and executive committees besides the existing ones may increase span of control and fosters further decentralized CSR responsibilities. The formation of specialized CSR staff and the defined scope of CSR will not influence span of control significantly as the control mechanisms will be the same for the various implementation options.

Figure 28 shows the trends on span of control depending on the structural options at the board, executive and senior level.

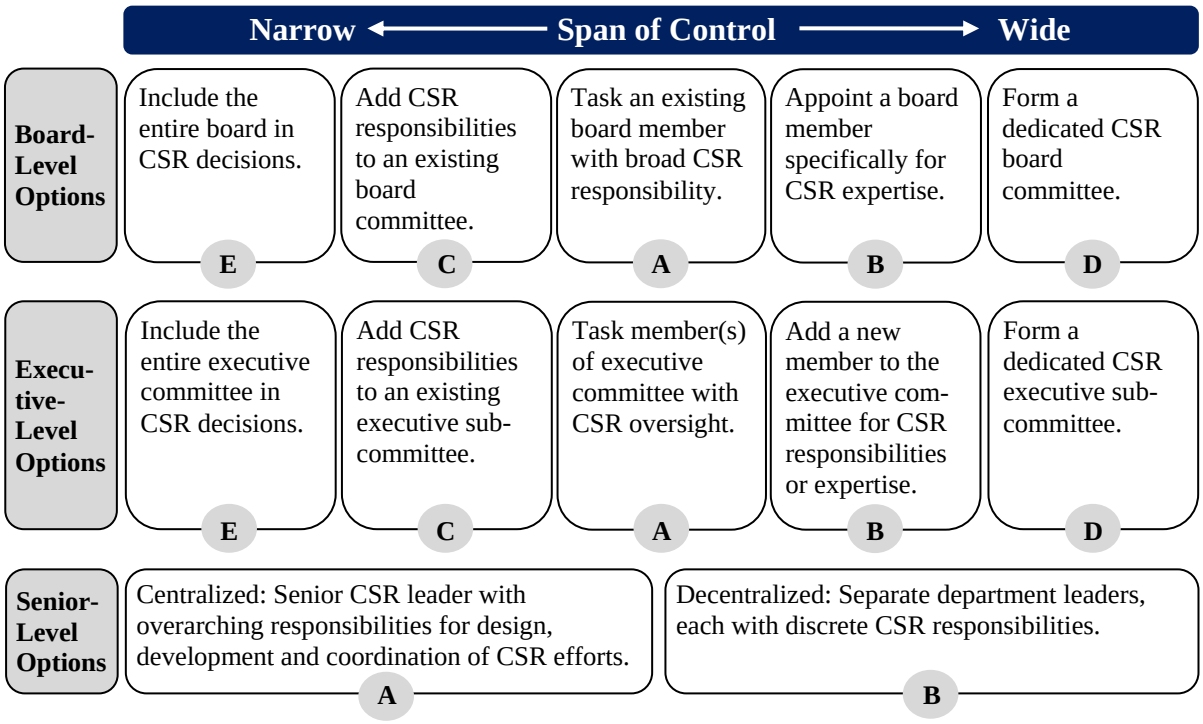


Figure 28: The impact of structural CSR implementation on span of control.

As mentioned in chapter 4.5 organizations with greater concern for its task environment are expected to use more consultative decision-making than companies with less concern, and to have fewer hierarchical levels. The impact of structural CSR implementation on span of control is dependent on the options whether existing organizational members are tasked with CSR responsibilities, or whether additional, dedicated positions are created to fulfill the CSR agenda. Assigning existing members will keep span of control at a narrow level, whereas appointing new positions to the organization will expand span of control.

The impact of structural changes on personnel ratios depends on how CSR responsibilities are allocated at the different hierarchical levels. The formation of specialized CSR staff additional to existing positions might increase the ratio of professional CSR staff and at the same time decrease the ratio of employees in other classifications.

8.4. Impacts on centralization

The level of centralization is specified by the hierarchical level with the authority to make a decision (Mintzberg, 1980, p. 322), i.e. when the top level has the decision rights, an organization is centralized. Complex and dynamic environment favor a decentralized structure, as it accelerates and facilitates the responses to multifarious and local issues.

In structures of transnational corporations for instance, decentralization and democratization are needed to provide incentives to managers to engage in socially responsible behavior (Wykle, 1992, p. 52). Moreover, the increasing communication complexity within the organization following the CSR processes will lead to possible distortion of information and time delays if decision-making processes are centralized on the top level.

Although CSR and issues management has to be centrally coordinated, a comprehensive CSR implementation requires the delegation of formal authority to realize a wider participation in decision making which means a decrease in centralization. Hence, the implementation of dedicated CSR experts and narrow CSR scopes leads basically to greater decentralization. Depending on the various structural options, the development towards centralization/decentralization is illustrated in Figure 29.

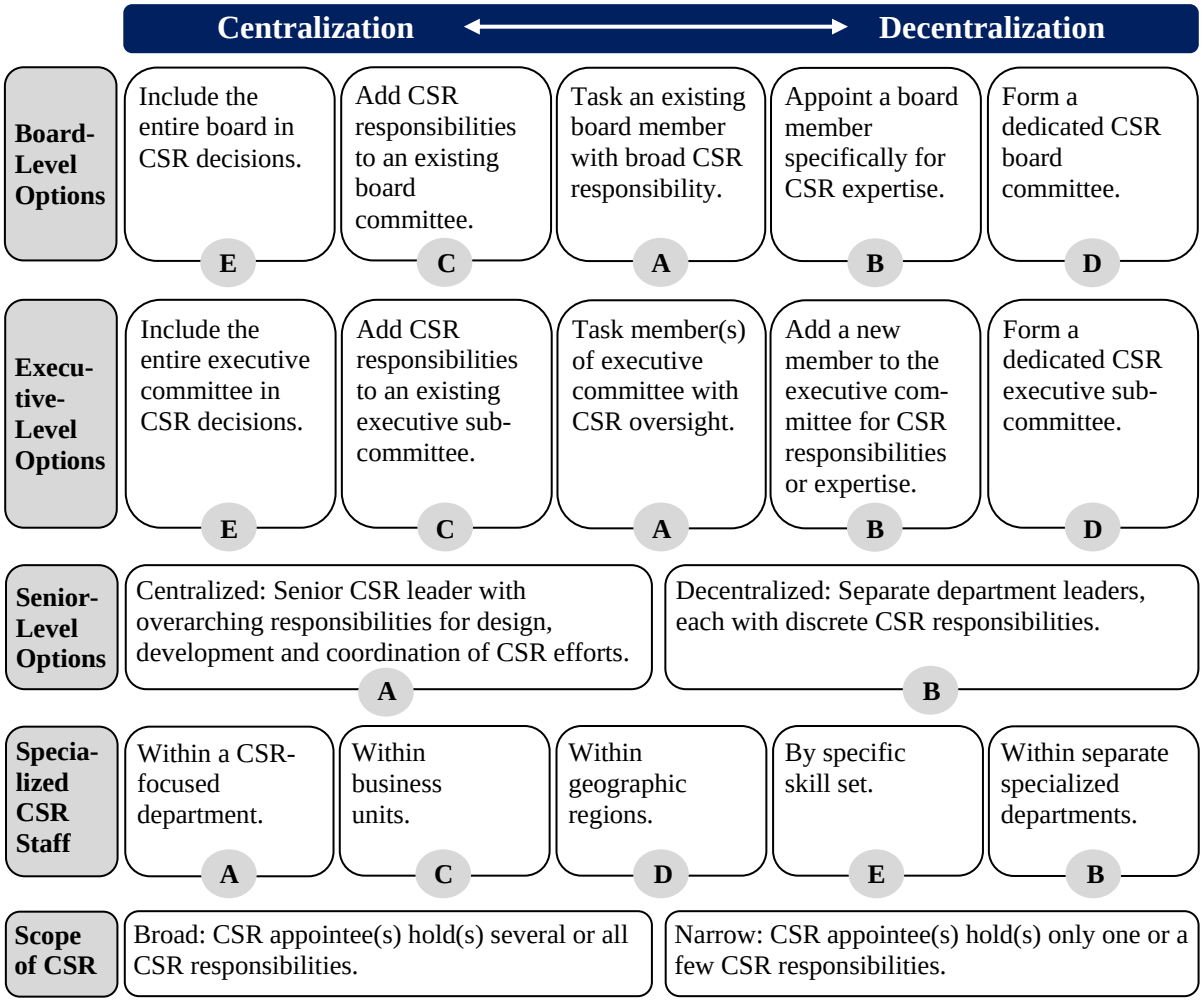


Figure 29: The impact of structural CSR implementation on centralization.

For instance, a dedicated CSR committee at board level implies that CSR efforts are delegated to the committee and are not executed by the board itself. This results in greater decentralization of tasks and responsibilities.

8.5. Impacts on coordination

Coordination refers to several coordination mechanisms in order to achieve integration among different entities within an organization (Martinez & Jarillo, 1989, p. 490). This dimension is

fundamental for information flow, task specification and goal alignment between the departments and hierarchical levels.

The accountability and consciousness for the identification, evaluation, and implementation of CSR has to be anchored within corporate strategy and culture. Economic, legal, ethical, and discretionary issues management has to be part of the norms and guiding beliefs of organizational culture, i.e. key values and directions have to be standardized among staff in order to achieve common company goals.

Standardization of knowledge about the importance of CSR and stakeholders is another important tool to coordinate CSR within an organization. Employees have to be trained and taught how to proceed and think about CSR issues to increase feedback mechanisms and organizational support.

Since the business environment is getting more and more complex and dynamic, mutual adjustment and informal communication within the company have to be fostered. Fast and flexible responsive mechanisms have to be installed in order to deal with issues before they arise, escalate and affect business negatively.

Direct supervision as coordination mechanism would prevent CSR-specialized staff and experts from acting autonomously and leads to centralized authority. Hence, this coordination mechanism is not to be fostered as CSR responsibilities should be assigned to dedicated staff and not to general authorities.

The defined CSR objectives are indeed measures through which CSR performance might be evaluated, but the commitment to CSR per se is the commitment to the concern about processes and action, and not only about outputs. Thus, coordination through standardization of outputs is not a suitable coordination mechanism.

Overall, the structural implementation of CSR impacts the coordination mechanisms positively towards standardization of knowledge and work processes such as plans and programs, lateral coordination, and operational control. The intensification of these coordination mechanisms should better align business activities with CSR objectives and foster communication and information flow throughout the organization.

Figure 30 summarizes the impacts of structural CSR implementation on coordination mechanisms.

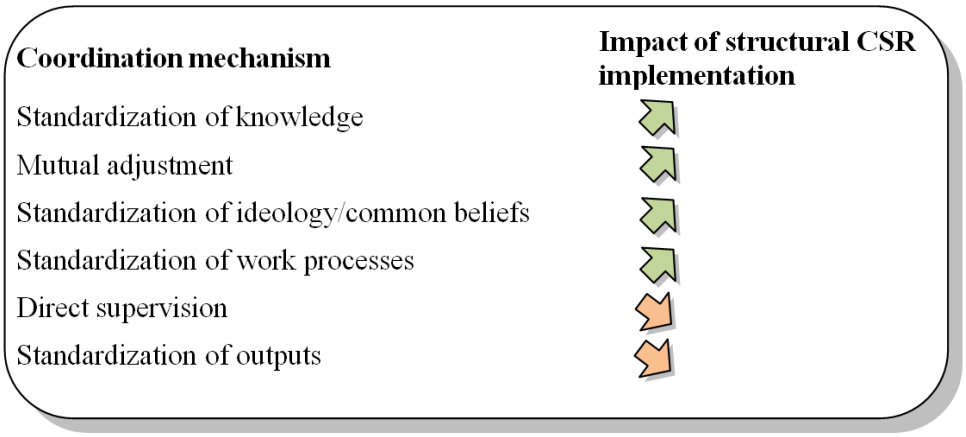


Figure 30: The impact of structural CSR implementation on coordination mechanisms.

9. Executive summary: results and limitations

9.1. Executive summary English

The objective of the thesis has been to analyze the impacts of structural implementation of corporate social responsibility on the dimensions of organizational structure. The principles of CSR and organizational strategy and structure are introduced in chapters 1 to 4. Further investigation of the specific processes following a comprehensive organizational integration of CSR strategies and operations in chapters 5 to 7 are the fundament for a better understanding of the effects on structural design variables represented in chapter 8.

Due to increased socioeconomic and environmental change during the last decades, corporations have to adapt their strategies and operations according to various stakeholder issues. Globalization, global media and the internet have brought significant transparency into business operations. Therefore, companies are forced to act instead of react to the needs, concerns, and behaviors of their stakeholders. Hence, the approach to strategic CSR responsibility is for most companies a matter of course, but the main obstacle remains to "walk the talk", i.e. the entire structural implementation of CSR policies. Companies tend to formulate CSR guidelines and codes of conduct on economic, legal, ethical and discretionary responsibilities, but the comprehensive integration into day-to-day business operations fails due to missing structural fit. The corporate social performance model illustrated in chapter 2.8 represents an overview of the elements regarding corporations and social issues: the expectations that society has of an organization (corporate social responsibility), the corporate response to relevant social responsibility issues (corporate social responsiveness), and the implementation of internal and external processes for managing a company's responses to social issues (corporate social behaviour). These three elements must be fully incorporated through the integration of CSR efforts into organizational strategy and further reflection of the strategic aspects in the corporate structural framework by assigned CSR staff or taskforces.

Organizational structure is basically influenced by the contingency factors corporate culture, environment, strategy, size, and technology. All of these factors impact a firm's structural framework and have specific effects on the organizational design variables formalization, specialization, configuration, centralization, and coordination. In turn, due to correlations,

structural dimensions have to be balanced in order to set up an efficient structural design. As structure must reflect the economic and environmental situation of the corporation, a close fit between contingency factors and design parameters is fundamental. By means of the analysis of the main steps of the CSR implementation represented in chapter 2.6, the requirements for organizational design variables can be investigated and structural design option can be derived.

Based on the analysis of structural alternatives for CSR implementation illustrated in chapter 6, implications regarding the configuration of structural design variables can be drawn. Although the characteristics of each variable have to be examined in detail to make up the individual impacts of structural CSR implementation, the results of the thesis show clear general trends on the design variables. As the introduction of CSR regulations, policy manuals and codes of conduct increase the level of written documentation the degree of formalization exhibits a general positive correlation with structural CSR efforts. The impacts on the variables specialization and span of control depend on the structural options chosen. Assigning CSR responsibilities to existing corporate positions keeps the degree of specialization and span of control at a lower level. Contrary the formation of additional, dedicated CSR units and separate specialized CSR staff increases the degree of specialization and widens span of control within the organization. Regarding decision rights, comprehensive CSR implementation requires the delegation of formal authority to assigned CSR committees and staff which leads to a decrease in centralization. Concerning the dimension coordination, the particular mechanisms of coordination have to be investigated to make up trends. In fact, standardization of knowledge, common beliefs and work processes as well as mutual adjustment are favored by CSR implementation, whereas direct supervision and standardization of outputs recede.

There are two limitations that need to be acknowledged and addressed regarding the present thesis. The first limitation concerns the proper concept of CSR. Due to the vast and still growing number of books, articles and reports regarding social responsibility as well as the fast evolution of the topic driven by society and new media like the internet, the validity of strategic and structural CSR concepts and mechanisms might change in the short term, evolve and be pushed forward by best business practices and new empirical studies. CSR and the

conceptual models are still emerging in their definitions and, therefore, studies on CSR have to be re-investigated continuously to claim validity in the medium run.

The second limitation of the thesis is related to the lack of empirical investigations concerning the implementation of CSR into corporate structure. As there is no “one fits all”-solution regarding CSR practices in structural design, companies have several structural design alternatives to incorporate social and environmental issues management as discussed in chapter 6. In order to analyze and evaluate these different structural design options regarding their application and efficiency, further empirical research needs to be done. The thesis is based on current research trends and studies, but suffers from the lack of sound analyses of best business practices on CSR implementation in literature. Therefore, a more refined and expanded research on the effects of structural adaptations to socioeconomic demands and issues is essential to prove practical validity of the concepts represented in the thesis and to make corporate responsibility actions sustainable in an economic point of view.

9.2. Executive summary German

In der Diplomarbeit werden der Einfluss und die Auswirkungen einer strukturellen Implementierung von Corporate Social Responsibility (CSR), d.h. verantwortliches unternehmerisches Handeln in der eigentlichen Geschäftstätigkeit, auf die einzelnen Variablen der Unternehmensstruktur analysiert. Die Grundlagen von CSR, Unternehmensstrategie und -struktur werden in den Kapiteln 1 bis 4 dargestellt. Die aus der umfassenden organisatorischen Integrierung von CSR Strategie und operativen Tätigkeiten resultierenden Prozesse werden in den Kapiteln 5 bis 7 erläutert und bilden die Basis für die weitere Analyse der Auswirkungen auf die Strukturvariablen in Kapitel 8.

Durch die zahlreichen sozialwirtschaftlichen und umweltbedingten Veränderungen in den letzten Jahrzehnten sind Unternehmen verstärkt gefordert, ihre Strategien und Arbeitsprozesse an die Anforderungen und Interessen ihrer Stakeholder anzupassen. Die Aktivitäten von Unternehmen unterliegen durch Globalisierung und neue Medien wie das Internet immer stärker werdender Transparenz, und dieser Transparenz muss durch proaktives Handeln und Einbindung der Stakeholder-Interessen in die Unternehmensabläufe Rechnung getragen werden. Das bloße Festlegen von Unternehmensgrundätzen und Geschäftsrichtlinien ohne eine Integrierung in die Unternehmensstruktur reicht nicht aus, um eine umfangreiche und bereichsübergreifende Implementierung von CSR-Aspekten in das Tagesgeschäft nachhaltig zu gewährleisten. Das Corporate Social Performance Modell abgebildet in Kapitel 2.8 zeigt einen Überblick der Elemente in Bezug auf Unternehmen und soziale Aspekte: die Erwartungen, welche die Gesellschaft gegenüber Unternehmen hat (Corporate Social Responsibility), die Reaktionen von Unternehmen auf diese Erwartungen (Corporate Social Responsiveness), und die Implementierung interner und externer Managementprozesse für diese Reaktionen (Corporate Social Behaviour). Die genannten drei Elemente bedürfen einer vollständigen und umfassenden Integrierung in die Unternehmensstrategie und in weiterer Folge in den strukturellen Rahmen durch dediziertes Personal.

Die Struktur eines Unternehmens wird grundlegend von den Kontingenzfaktoren Unternehmenskultur, Umwelt, Strategie, Größe und Technologie beeinflusst. Diese Faktoren haben in weiterer Folge bestimmte Auswirkungen auf die einzelnen Variablen der Unternehmensstruktur: Formalisierung, Spezialisierung, Konfiguration, Zentralisierung und

Koordination. Aufgrund von verschiedenen Korrelationen zwischen den Variablen beeinflussen sich diese wiederum gegenseitig und müssen daher für eine effiziente Unternehmensstruktur aufeinander abgestimmt werden. Durch die Untersuchung der einzelnen Implementierungsschritte von CSR wie beschrieben in Kapitel 2.6 können die Voraussetzungen an die Unternehmensvariablen aufgezeigt und die strukturellen Implikationen abgeleitet werden.

Basierend auf den strukturellen Alternativen für eine Implementierung von CSR erläutert in Kapitel 6 können die Implikationen hinsichtlich der Konfiguration der Strukturvariablen abgeleitet werden. Die Analyse jeder einzelnen Variable muss zwar im Detail und in Bezug auf die jeweiligen beeinflussenden Faktoren erfolgen um konkrete Schlussfolgerungen zu ziehen, aber es können generelle Trends bezüglich der Strukturvariablen festgestellt und aufgezeigt werden: Die Einführung von CSR Richtlinien und Verhaltensnormen erhöht die Menge an schriftlichen Unterlagen und korreliert in allen Ausprägungen der Strukturalternativen positiv mit der Variable Formalisierung. Die Variable Spezialisierung und die Leitungsspanne sind abhängig von der gewählten Strukturalternative. Werden bereits bestehende Positionen im Unternehmen mit CSR Verantwortlichkeiten beauftragt, wird der Level von Spezialisierung und Leitungsspanne nicht erhöht. Werden im Gegensatz dazu neue, spezialisierte Positionen im Unternehmen geschaffen um CSR-Tätigkeiten umzusetzen, wird sowohl der Grad der Spezialisierung erhöht als auch die Leitungsspanne erweitert. Die strukturelle Implementierung von CSR erfordert die Delegierung von formeller Autorität und Entscheidungsrechten, was zu verstärkter Dezentralisierung im Unternehmen führt. Um die Auswirkungen auf die Variable Koordination zu evaluieren, bedarf es einer Analyse der jeweiligen Koordinationsmechanismen. Die Mechanismen Standardisierung von Wissen, gemeinsamen Glaubensgrundsätzen und Arbeitsabläufen so wie die gegenseitige Anpassung werden durch CSR Implementierung verstärkt, wohingegen die direkte Aufsicht und die Standardisierung der Arbeitsergebnisse vermindert werden.

In Bezug auf die Diplomarbeit sind zwei grundsätzliche Einschränkungen zu erwähnen. Die erste Einschränkung betrifft das Konstrukt von CSR selbst. Durch die große und stetig wachsende Anzahl von Büchern und Publikationen über soziale Unternehmensverantwortung und die schnelle Weiterentwicklung dieses Themengebiets werden bestehende CSR-Konzepte

laufend überarbeitet, ergänzt und verbessert. CSR Modelle und Ansätze bedürfen daher einer kontinuierlichen Evaluierung anhand von neuen empirischen Studien und praktischen Beispielen, um deren Gültigkeit zu prüfen und die Anwendbarkeit zu bestätigen.

Die zweite Einschränkung der Diplomarbeit bezieht sich auf den mangelhaften Forschungsstand bezüglich der Implementierung von CSR in die Unternehmensstruktur. Da es keinen allgemein gültigen Lösungsansatz für strukturelle CSR-Integrierung gibt, der für alle Unternehmen angewandt werden kann, gibt es verschiedene Strukturvarianten wie beschrieben in Kapitel 6. Um diese Varianten ausführlicher in Bezug auf deren Anwendbarkeit und Effizienz zu evaluieren, müssen weitere Studien auf diesem Gebiet durchgeführt werden. Die Diplomarbeit basiert auf aktuellen Untersuchungen und Trends, aber eine fortführende und tiefere Analyse der praktischen Umsetzung von strukturellen CSR-Adaptionen ist unerlässlich, um verantwortliches unternehmerisches Handeln im sozialen und wirtschaftlichen Sinn nachhaltig zu gestalten.

Appendix

The boundary spanning leadership summary table (Ernst & Chrobot-Mason, 2010, pp. 269-270) outlines specific actions leaders can take to enact boundary spanning practices in accordance with the five boundary dimensions. Additional actions could be used, depending on the situation and on the context. The illustrated actions create the conditions for increasing intergroup collaboration, which can in turn increase the potential for developing innovative solutions, solving problems, and creating transformational change.

Managing Boundaries					
	Vertical Boundaries (Hierarchical Levels and Ranks)	**Horizontal Boundaries (Functions, Units, and Disciplines)**	**Stakeholder Boundaries (Partners, Suppliers, Customers, Communities)**	**Demographic Boundaries (Gender, Religion, Age, Culture, Ethnicity, Education, Ideology)**	**Geographic Boundaries (Locations, Regions, Languages, and Markets)**
Buffering – Monitor and protect the flow of information and resources across groups to define boundaries and build intergroup safety.	During times of organizational crisis, remind people of proper communication channels to ensure critical information flows across levels effectively and accurately.	Prepare a team "charter" of roles and responsibilities. Share it with others in the organization so they understand the amount of work your group can effectively manage.	Specify "nonnegotiables" of "rules of engagement" that specify how your team and an external team will interact during a joint venture.	Sponsor affinity groups within your organization (woman, Hispanics, etc.) so that nondominant groups have an opportunity to network and share experiences with their own group members.	Build a "buffer" between your team and headquarters if agendas are competing. Create a document that summarizes your team deliverables and get written buy-in and agreement from HQ.
Reflecting – Represent distinct perspectives and encourage knowledge exchange across groups to understand boundaries and foster intergroup respect.	Initiate a meeting with senior management so that you can advocate upward the innovative ideas generated by your employees.	Invite leaders from other units to your team meetings so they can discuss how each unit can help the other to solve pressing organizational problems.	Arrange "field trips" for your team to visit client sites or customer markets. Ask them to take photos and document what they observe as it relates to an organizational initiative or strategy.	When an issue comes up that involves race, gender, religion, consider making it a "teachable moment". Let everyone have a chance to share and learn about their differences and unique perspective.	Encourage international business travelers to add an extra day to their trip to hit the streets, experience the culture, and learn about the local market. Ask them to share their observations at a team meeting upon return.

Forging Common Ground					
	Vertical Boundaries	**Horizontal Boundaries**	**Stakeholder Boundaries**	**Demographic Boundaries**	**Geographic Boundaries**
Connecting – Link people and bridge divided groups to suspend boundaries and build intergroup trust.	Host an outdoor lunch picnic to bring people together from different levels of the organization. Ask everyone to "share a blanket" with people they don't get to spend time with regularly.	Set up some comfortable chairs and a whiteboard in the connector wing between two departments to encourage informal, collaborative conversations across functions.	Rotate meetings with a key vendor between your site and theirs. When visiting their site, request time for "putting names with faces" by having your team walk around and meet people in their organization.	Mix it up outside the office. Get people of different generations, races, or nationalities together for a sporting event.	Reserve the first 15 minutes of your bimonthly global videoconference for relationship building. Spend time sharing personal milestones, news, or updates of interest.
Mobilizing – Craft common purpose and shared identity across groups to reframe boundaries and develop intergroup community.	Establish "skip level" meetings for your staff to have conversations with your manager about higher organizational goals and strategy.	Following an organizational merger, get people from the same functions in the two organizations together – have them craft a compelling mission about a new business opportunity that everyone can rally behind.	Articulate a goal that your organization and another organization can partner around in order to beat a common competitor in the marketplace.	Identify a core set of organizational values that are inclusive and motivating for all demographic groups.	Install common organizational symbols, wall hangings, and icons in all your offices that build community and represent "your organization at its best" anywhere in the world.

Discovering New Frontiers					
	Vertical Boundaries	**Horizontal Boundaries**	**Stakeholder Boundaries**	**Demographic Boundaries**	**Geographic Boundaries**
Weaving – Draw out and integrate group differences within a larger whole to interlace boundaries and advance intergroup interdependencies.	Debrief a successful organizational accomplishment by bringing groups together across levels to discuss what factors created the "win" from their unique vantage points.	When divisions are in conflict over an issue, help them articulate the source of their differences and then explore ways to creatively reconcile them for the overall good of the organization.	Integrate the unique strength of your organization in a different sector (e.g. nonprofit, government, agency) to solve a shared problem in your community.	Bring different demographic groups together to talk about market needs and trends within their respective groups, and how the organization could create new products to serve them.	Develop "glocal" solutions – draw and integrate global best practices within your company and local market knowledge to envision new products, services, or internal processes.
Transforming – Bring multiple groups together in emergent, new directions to cross-cut boundaries and enable intergroup reinvention.	Bring members of your network together who represent vastly different levels from top to bottom. Facilitate a dialogue about "how they see things in the business" and explore an unconventional idea that arises from the conversation.	Host "alternative future conversations". Invite anyone in the organization to attend; provide no agenda other than to imagine the ideal transformed organization five years from now.	Strike a small-scale partnership with your no.1 competitor. Explore new, collaborative frontiers that could be discovered together.	Create action learning teams with "maximum diversity" (e.g. age, gender, race, culture, education, personality differences) to develop business plans of entirely new markets or services than your organization currently offers.	Get the whole system in the room. Bring together a large cross-section of key leaders from around the world once a year to envision "game-changing" opportunities.

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