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Authors: Sandra A. Waddock, Pietra Rivoli

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"First They Ignore You…": The Time-Context Dynamic and Corporate Responsibility

Pietra Rivoli
Sandra Waddock

"First they ignore you, then they laugh at you, then they fight you, then you win."—Mahatma Gandhi

After nearly 30 years of research, three issues related to corporate social responsibility (CSR or in its more updated version, corporate responsibility, CR) remain unsettled.[1] First, we still lack an agreed-upon definition of CR, with the result that the concept often remains "vague and ambiguous"[2] or even "tortured."[3] Second, the causal and empirical link between firm profitability and CR remains unsettled as well, though the literature now boasts some 170 related empirical studies. Finally, the debate continues over the appropriate role of regulations and laws versus voluntary CR programs in inducing certain corporate behaviors.

One of the reasons that these questions have remained intractable is that what is considered to be responsible behavior by corporations shifts and becomes normalized through institutionalization processes[4] over time, making it time and context dependent. Because public expectations shift,[5] the baseline of acceptable corporate practice also shifts and expectations become institutionalized into norms of behavior as well as laws and regulations, so that corporate activities that are considered to be "unheard of" at one point are considered to be "responsible" at another point in time, "expected" at a third, and "required" at a fourth.

This temporal dynamism, which follows a version of the public issue life cycle, suggests that there is a ratcheting quality to CR over time that makes

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explicit understanding of what is and is not responsible corporate practice time- and context-dependent rather than generalizable. Although the notion that CR shifts over time is well understood, the implications of this time dynamic have not been fully articulated.

If the argument we make about the time- and context-dependency of the concept of CR is correct, the relationship between firm profitability and CR cannot be examined in a static context because the CR time dynamic actually *changes* what is profitable. First, as new norms become accepted practice because they have become institutionalized or legally required, the costs of meeting these standards become shared among competitors, and industry-wide capabilities and institutions are developed which lower the costs associated with certain CR practices. Second, because the playing field becomes level regarding these practices, a competitive advantage in the "market for virtue"[6] is no longer conferred upon early adopters once the behavior is widespread. Finally, the penalties associated with failing to adopt the CR practice will increase over time as either the behavior becomes a new norm (ratcheting up expectations and making it increasingly costly for laggard firms to fail to comply) or as new regulations force companies to adapt their behavior. As a result, the business case is strengthened for the particular CR behavior. However, as shifting norms and requirements strengthen the business case for a certain CR behavior, the shifting norms and requirements also mean that at some point these very practices are no longer considered to be "socially responsible" and instead are understood as simply the "normal" or required way to do business. Thus, as a certain CR behavior becomes more profitable (or less costly) and normalized, it is no longer considered to be CR. At the same time, firms become subject to pressure to adopt other, more leading-edge CR practices, and these new practices can create new costs, especially for first movers.

The debate about the efficacy of voluntary CR programs versus regulations in inducing certain behaviors is also illuminated by viewing CR in a time-dynamic context. As the time dynamic ratchets up expectations regarding corporate behavior, public policies often respond to emerging corporate behavior, rather than the reverse. For example, regulations concerning child labor, civil rights, and other issues followed and were facilitated by the prior implementation of CR programs. To use a present-day example, many companies voluntarily produce multiple bottom line or sustainability reports to demonstrate their CR, and some are using the Global Reporting Initiative's more rigorous but still voluntary reporting framework to do so. However, sustainability or so-called ESG (environmental, social, and governance) reporting is no longer voluntary in, for instance, France, where listed companies have to disclose their practices in these areas. It is reasonable to conclude that the widespread voluntary adoption of social and environmental reporting facilitated the development of the French regulations.

Pietra Rivoli is a Professor at the McDonough School of Business at Georgetown University.

Sandra Waddock is the Galligan Chair of Strategy and Professor of Management at Boston College and writes extensively on corporate responsibility.

The Logical Trap: What is Corporate Responsibility? And is It Profitable?

In 2008, Martin Wolf of the *Financial Times* spoke on the topic of CR at the Harvard Business School:

> The notion of corporate social responsibility is intensely confused. In particular, it mixes up three quite distinct ideas: intelligent operation of a business; charity; and bearing of costly burdens for the benefit of society at large. The first is essential; the second is optional; and the third is impossible, unless those obligations are imposed on competitors.[7]

Embedded in this comment is the logical trap to which CSR discussions often fall prey: If CSR activities are a profitable activity, then they are best described as "intelligent operation of the business" rather than as "responsible" behavior. If CSR activities are not profitable, then they cannot be undertaken voluntarily in a competitive market, and so must be imposed on all competitors using laws or regulations, in which case such activities are no longer "CSR." Wolf concludes that CSR is "intensely confused" because in either case the term "corporate social responsibility" is not a useful construct.

The perspective that we develop in this article is one way out of the logical trap because we argue that there is a middle ground—or time period—in which progressive firms are adopting certain practices that ultimately become either required by law or accepted practice and hence a new norm for doing business. We can move forward on the issues of: what CR is and is not; and whether it is profitable; and the relationship between legal requirements and voluntary activities if we explicitly move from a static "point in time" method of analysis to understanding CR in a more dynamic, time- and context-dependent manner. This approach can help to determine when different types of activity are considered to be part of corporate responsibility—and when they are not. If we are to understand the role of CR in the global corporation, we have to develop a better understanding of a number of dynamic and institutionalization processes that take place over time and place. The static "point in time" analysis is limiting and leads to the common logical trap.

Time and Context Dynamics of CR

The time-dynamic process associated with social change is aptly described in this article's opening quote by Mahatma Gandhi. In describing the reaction of the establishment to social activism, Gandhi clearly sees the temporal element as central: "First they ignore you, then they laugh at you, then they fight you, then you win."[8]

By what mechanisms do widespread changes in corporate behavior occur? This temporal pattern resembles the public issue life cycle.[9] The general life cycle describes how public issues are put forward by activists (or opinion leaders), which then gain media attention so that the general public becomes aware of them. Such issues can be resolved by being codified or institutionalized[10] into regulations or codes of practice (the legislative outcome) or by becoming norms and expectations (a social or industry expectation outcome); or they can fall into a public opinion black hole, possibly to rise again at a future date when new problems arise.[11]

First They Ignore You: The Role of Early Activists

The first phase of the change process outlined by Gandhi is that "they ignore you." Similarly, as scholar James Post has noted,[12] the initial stage of the evolution of a public issue involves early or pioneering activists seeing a gap between desired and actual practice. During this early stage, little attention is being paid to the issue, at least until the activists begin their agitation, beginning the process of raising awareness about the issue among other early followers.

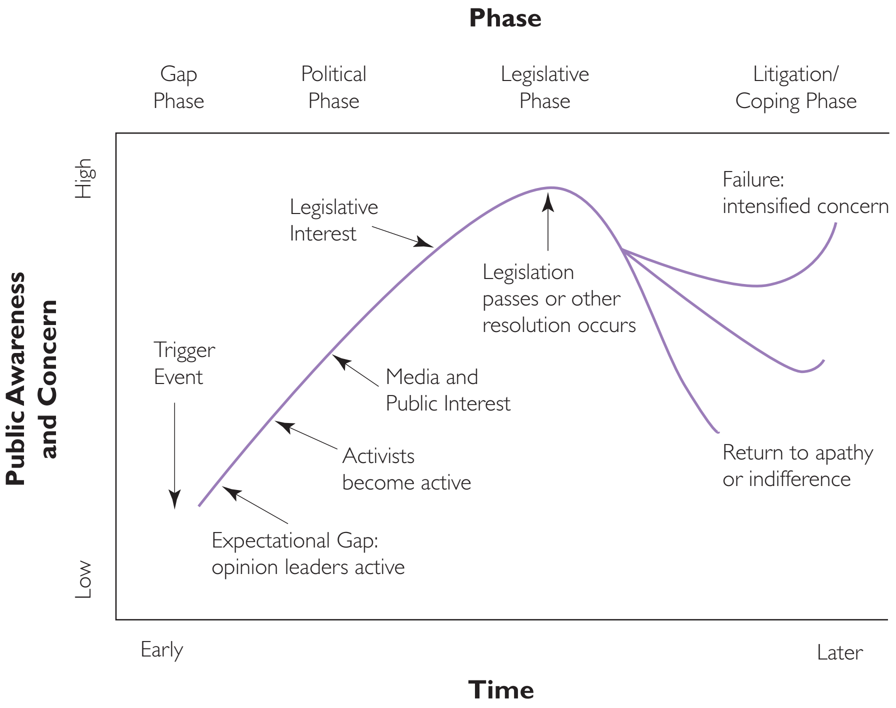
In this early phase, the notion of CR around an issue is unlikely to be raised because few people other than the ones who raise the flag have been thinking about the issue at all, and corporations can easily ignore demands by a small number of "fringe" activists whose views are not widely shared and who are without power. At this stage, there is little knowledge about the issue, the actors involved in it, or what might be done about it. The "ignore" stage is characterized by general public ignorance or indifference to the issue, and by the corporate response that the "fringe" activists can be safely ignored.

In the late-1980s, for example, activist Jeff Ballinger attempted to raise awareness of labor conditions in Asian factories, but because the "sweatshop" issue was not yet in the public consciousness and because Ballinger alone was not a credible stakeholder, his demands could be safely ignored. Similarly, in the 1960s, a small number of religiously affiliated shareholders and others began to raise the issue of corporate involvement in South Africa, long before apartheid was a well-known public issue. They too were initially ignored. A decade later, early gay rights activists who raised the issue of domestic partnership employee benefits were also ignored. In terms of the issue life cycle (see Figure 1), this stage represents a starting point, where ignorance begins to shift when a trigger event happens that draws public attention to the issue, moving it into the next phase.

Then They Laugh at You

The trigger event[13] (or institutional "jolt")[14] is an event that draws public attention to a given issue, thereby activating the issue life cycle. (We would note that not all issues follow the same trajectory, nor are all, as Tombari pointed out, resolved through the public policy or legislative process implied by the public issue life cycle.)[15] Examples of trigger events include Union Carbide's 1984 industrial accident in Bhopal, India, and Royal Dutch Shell's efforts to dispose of its Brent Spar oil rig in the North Sea in 1995. Similarly, in the mid-1990s, the sweatshop issue generated a number of journalistic exposés into working conditions in Asian factories; while in the early 1980s, violence in South Africa and

FIGURE 1. Public Issue Life Cycle


Phase
Gap Phase
Political Phase
Legislative Phase
Litigation/ Coping Phase
Public Awareness and Concern
High
Low
Legislative Interest
Failure: intensified concern
Legislation passes or other resolution occurs
Trigger Event
Media and Public Interest
Activists become active
Return to apathy or indifference
Expectational Gap: opinion leaders active
Early
Later
Time

Source: Adapted from J.E. Post, *Corporate Behavior and Social Change* (Reston, VA: Reston, 1978); H.A. Tombari, *Business and Society: Strategies for the Environment and Public Policy* (New York, NY: Dryden Press, 1984).

student activism related to corporate involvement in the country began to garner public attention.

The trigger can also be something more subtle and less spectacular that brings an issue onto the table for discussion, such as has happened for some companies with respect to human rights after they signed the UN Global Compact and found that new issues and expectations are associated with signing on.[16] Note that in all of these situations, the trigger event begins to raise public awareness and change expectations for companies (see Figure 1). As the issue attracts increasing attention, "ignore" is no longer a viable corporate response.

In this phase, activists begin to attract the support of more "mainstream" citizens and organizations, and these voices become too loud to ignore. These public and stakeholder concerns highlight the fact that there is a gap between ideal practice and what is actually happening.[17] Activists may be "laughed at" in the sense of not being taken seriously. The issue simply may not have been on the corporate agenda; or if it has, it has been given low priority. Thus, companies' leaders may dismiss these early efforts as insignificant or unimportant during this phase, for there are few institutional processes that bring these issues to the fore either within companies or externally.[18]

For example, in the early 1980s, most corporations with investments in South Africa initially rejected divestment as a feasible response.[19] Similarly, Nike's founder and then CEO Phil Knight's initial response to the sweatshop charges was dismissive of the importance of supplier labor issues for Nike. The notion that large multinationals could be (or should be) responsible for the working conditions in their suppliers' factories was "laughable," because it was so at odds with the accepted corporate practice of arm's-length supply chain practices.[20]

As activism continues, the media tends to take more notice, at least until the public becomes "saturated" with the issue,[21] raising it in public awareness and increasing the likelihood that institutional processes will be put in place that demand change (see Figure 1). For example, the number of articles in major newspapers on the subject of "sweatshops" was 10 times higher in 1996 than it had been in 1990,[22] while references to "apartheid" similarly increased eleven-fold from 1980 to 1985.[23] Thus, the issue is propelled into the next phase, which is where issues of corporate responsibility come to prominence.

Then They Fight You

As Figure 1 suggests, issues evolve and gain in public attention until they are resolved, displaced, or public attention wanes or reaches a saturation point and the issue "dies" as a current public topic.[24] It is during this increasing public awareness phase that attention is drawn to an issue, and when corporate responsibility for the issue is likely to become a prominent topic for discussion. As Lamertz and his colleagues suggest, key actors play important roles in actively "constructing" or framing the issue in ways that point attention in certain directions, e.g., towards corporations as actors with responsibility for improving the situation.[25]

The process during this phase is one of negotiation for the dominant framing,[26] the meaning of the issue as perceived by different actors,[27] or the appropriate paradigm with assumptions that will later guide action.[28] Framing is an important part of the process of institutionalization, as institutional theorists argue, because ideas facilitate or constrain the policy and other behavioral choices that are later made by providing rationales for action (or inaction).[29] Greenwood and his colleagues characterize this interactive framing process as "theorization,"[30] a process that helps explain the causes and effects, as well as why an issue has taken the shape that it has.

For example, in the 1950s South, it was unheard of (and in some states illegal) for whites and blacks to work side by side in textile factories; 40 years later, the idea that a global apparel company could take responsibility for conditions in its supplier factories was also at first unheard of and thought to be ridiculous ("then they laugh at you"). In both of these cases, companies were initially hostile to change and fought against supplier codes of conduct in the 1980s and workplace integration in the 1960s by saying that these practices were unworkable and inconsistent with responsible business practice.[31] Factory owners in 18th century Britain said much the same thing about child labor restrictions.

In the "then they fight you" stage, corporations often argue that activists "don't understand the business" and that adopting the requested behavior would lead to the decline of firms and industries. For example, one common response by apparel firms to the demand for factory disclosure was that disclosing factory names and addresses would not only be practically impossible, but also tantamount to giving away trade secrets.[32] Southern textile factory owners until the 1960s similarly argued that integration was unworkable from a business perspective.

Substantive debate about corporate responsibility begins during this negotiation process, because activists and corporations are using selected framings and paradigms to shape proposals for action. Of course, the fight stage is reached because the activists have had at least some success in framing the issue in the earlier stages and because there were some pioneering companies willing to take steps toward greater responsibility earlier than others (as Levi Strauss did with respect to its supplier code of conduct in the early 1990s, as well as with its early adoption of an integrated workforce).

The "then they fight you" stage is characterized by debate and compromise. For example, in response to demands from religious shareholders, civil rights groups, and student activists to withdraw from the country, U.S. banks operating in early-1980s South Africa at first responded by adapting their lending practices so as to more clearly benefit the black population, while other firms refused to divest but did agree to comply with the Sullivan principles (and, of course, some firms refused to act on the issue at all).[33] Similarly, in response to demands for monitoring of supplier factories in the late-1990s, U.S. apparel firms first responded by employing consulting firms to monitor labor conditions in the factories, or by assigning their own employees to the task. A third illustrative example is the migration of many corporations from the Global Climate Coalition (which had a more "business as usual" or "denial" position) to the Pew Center on Global Climate Change (which accepted most global warming studies and argued for corporate involvement in solutions).[34]

While each of these responses was indeed a compromise from the prior practice of "ignore," activists continued to fight because they did not believe that the corporate response had been sufficient. At any point in time during the fight, different companies will occupy different points on the CR spectrum with regard to particular issues, and the specific topics of the most significant fights will vary across industries and firms. Many examples for this dynamic are evident in the area of sustainability. For instance, during the early 2000s, concerns were increasingly raised about the environmental impacts of electronic waste. The early responses to this issue by electronics companies typically involved corporate recycling programs while subsequent responses included proactive "life cycle engineering" design (which attempted to minimize the lifetime environmental impact of the product's manufacture, use, and disposal). Today, a leading-edge response to the issue is to manage these impacts from the perspective of the entire supply chain. However, some companies (e.g., Hewlett-Packard) took the early lead on this issue by offering free pick-up and recycling of discarded equipment, the construction of their own recycling centers, and auditing suppliers for environmental impact. Other companies (e.g., Acer) were "followers" and had a more limited initial response. For example, Acer even today simply provides information to consumers about how they can recycle equipment themselves.[35]

Similarly, several of the largest apparel companies (e.g., Nike and GAP) had by the early 2000s acquiesced to activist demands for independent monitoring and factory disclosure; and, because of the dynamics of the "market for virtue,"[36] these firms are further along the spectrum than many other firms. For example, for Nike, the fight is finished for "middle ground" practices such as factory disclosure, but the fight continues on the specifics of long-term supplier contracts or living wage provisions. For other firms, the fight over factory disclosure is still ongoing. Firms whose only response to global supply chain issues is to have a code of conduct are considered "behind the curve" today (e.g., a KPMG report finds that 92% of the world's largest 250 corporations now have codes of conduct in place)[37] but would have been considered "responsible" in the mid-1990s. In sum, different companies are resistant over different issues at a single point in time. Put another way, the fight stage reveals a moving CR target, and different companies move at different speeds towards these targets.

All of these actions, however, are responses to an emerging infrastructure around corporate responsibility. Notably, it is in this phase of the emergence of an issue that conversations about corporate responsibility most dominate, since the standards and expectations themselves are changing and company practices are also in flux. Importantly, it is in this phase that early movers can take strategic initiatives that distinguish themselves from other companies.

The time dynamic also illuminates the often complex relationship between corporations and their critics, particularly NGOs. Argenti has categorized NGOs by the "degree of intended disruption"[38] with some NGOs utilizing disruptive, confrontational, and antagonistic approaches, while others use a more collaborative and cooperative approach. While this classification is useful in some settings, it is also the case that confrontation ("then they fight you") *over time* often evolves into collaboration as the issue reaches the next stage in the cycle. For example, on issues such as climate change and factory monitoring, the relationship between "progressive" companies and various NGOs has recently evolved from confrontational to collaborative.

Then You Win

Advocates for a certain CR practice may ultimately "win" in one of two ways. First, the behavior may spread and become common or accepted practice, even though it is not legally required. Second, the new behavior may become compulsory through a change in laws or regulations. Often, a behavior first becomes accepted practice, and *then* become legally required. Of course, not all issues survive this process to the win stage either because they never attract sufficient attention (perhaps because there is no significant trigger) or because the corporations instead win in the fight stage. In addition, the stages might be very brief or seemingly concurrent (e.g., the phthalates issue, see below) or they might be decades long (e.g., child labor).

A critical point, however, is that once the win stage is reached, the behavior no longer “counts” as CR. Interestingly, once a responsible behavior is sufficiently widespread—either because it is legally required or because it is widely accepted practice—it is no longer distinguished as responsible. As DiMaggio and Powell write in another context, “As an innovation spreads, a threshold is reached beyond which adoption provides legitimacy rather than performance.”[39] When a CR practice becomes either the norm or a legal requirement, it provides legitimacy but no longer distinguishes the firm as “responsible.”

Widespread Voluntary Adoption of CR Practices

Given the general “ratcheting” dynamic we have described, the processes associated with institutionalization described by DiMaggio and Powell help to explain how what was once considered to be deliberately responsible corporate practice becomes expected or normal practice in the “then you win” phase.[40] They also illustrate why the definition of responsible corporate practice shifts over time. DiMaggio and Powell argued that voluntary changes (and convergence) in behavior and practices occur through *mimetic* processes (imitation drives change) and *normative* processes (professionalization drives change).

In mimesis, companies adopt the practices of other companies in what Peters and Pierre called a “contagion.”[41] This contagion is often the result of companies wishing to adopt best practices or to emulate the behavior of leaders. For example, membership in the UN Global Compact (an agreement by signatory firms to uphold certain standards of CR behavior) grew from 40 companies in 2000 to more than 7,700 in 2011.[42] At a recent “leading companies retreat” for the UN Global Compact, companies admitted that they initially had signed on because they wanted to gain the advantage that could potentially come from being in the company of the leaders, which was considered important both from a learning and reputational perspective.[43] Other recent examples of mimetic pressures are the adoption of the EcoIndex tool for measuring lifetime environmental impact in apparel and shoe production, which 100 “leading” companies are embracing,[44] and the extension of same-sex benefits and related family policies. According to the Human Rights Campaign, the number of large companies with highly progressive polices towards lesbians and gays increased from 13 in 2002 to 305 in 2010, with companies in various industries often “following the leader.”[45]

Normative pressures also induce institutionalization processes. Normative pressures foster the spread of practices through the professionalization of corporate activities, which in the case of CR typically occurs as professional and trade associations emerge around a CR issue. As these associations attract increasing membership, practices spread among members. For example, during the past 15 years, a professional network of associations and conferences has emerged around the subject of "life cycle engineering" designed to reduce the environmental impact of product manufacture, use, and disposal. Standards and organizations such as ISO, the Fair Labor Association, and the Global Reporting Initiative facilitate communication across firms and the adoption of common practices. While first movers on a given CR issue do not have the benefit of these professional networks, as these networks emerge, norms and standards converge because of the interaction of professionals.

Of course, as DiMaggio and Powell note, it is common for mimetic and normative processes to be at work simultaneously. For example, the adoption of corporate responsibility reporting has aspects of imitation as well as a normative component. Early adopters of these reports—variously called triple bottom line (for environmental, social, and economic), sustainability, or ESG (for environmental, social, and governance) reports—enjoyed "credit" for corporate responsibility when they published their reports. They were looked to as corporate responsibility models by the NGOs demanding such reporting and by other CR activists, who then sought such reports from other companies. By the time of the 2008 KPMG study, however, nearly 80% of the global 250 issued separate reports, another 4% integrated this material into their annual reports, and 45% of the largest companies in the 22 countries studied produced such a report. This diffusion of practice was induced by imitation (mimetic process) but was facilitated by the emergence of a variety of professional organizations and networks such as the Global Reporting Initiative (normative processes).

Changes in Laws and Regulations

A second mechanism by which a new CR behavior becomes widely adopted—the coercive process[46]—is typically found in the laws and regulatory actions taken by states. In 1975, Shanklin pointed out that:

> A plethora of laws and regulations, at all levels of government, has put many of the major corporate social responsibilities beyond voluntary action. Standards set for pollution control, equal opportunity employment, and product safety are notable examples. Chief executives generally have reacted to legal requirements by institutionalizing the programs needed to ensure corporate compliance, thereby making societal considerations unavoidable inputs into managerial decision making.[47]

Consider child labor as an example of how what is considered responsible shifts to what is required as a result of laws, regulations, and rulings that are both time and context dependent. In the U.S. in the late 1800s, there was considerable public attention to the issue of child labor, which resulted in the formation of the National Consumers' League in 1899. By 1912, a Children's Bureau had been formed in the Department of Commerce and the Department of Labor had been formed, both of which dealt with employment issues. After several failed efforts, the Walsh-Healey Public Contracts Act was passed in 1936, and it provided for a minimum wage and prohibited employment of youth under 16 on federal contracts. In 1938, the Fair Labor Standards Act passed, which provided for minimum age and wage restrictions, occupational and hours of work restrictions, prohibited certain occupations for youth (liquor and lottery sales), and required children to have work permits.[48] During the long history of this issue, it became increasingly common for "responsible" companies to address the problem voluntarily. Once legislation was in place, however, companies that had been progressive in not employing children and had been considered to be more responsible than their counterparts were now simply complying with the law, at least in the United States.

A variety of other examples highlight the dynamic by which practices that are considered progressive and responsible lose this status as they became legally required. While firms that provided benefits to domestic partners in the 1990s were considered to be "responsible," by 2010, five states had legalized same-sex marriage and the extension of these benefits, therefore became legally mandated in these states. Similarly, in the case of apartheid, the growing number of progressive firms who chose to divest were no longer distinguished by their responsible behavior once divestment became more common. In the realm of sustainability, the EU recently introduced regulations directed at the recycling of electronics waste that will compel all firms to follow practices that had been adopted only by some. The state of California now has similar regulations, although California's law has less scope than the EU's directive. Among the most significant examples of this dynamic in the 20th century is the Civil Rights Act, which rapidly resulted in workplace integration and meant that the progressive firms that had voluntarily integrated no longer held a special position.

Whether the "then you win" stage is reached because a voluntary CR behavior becomes widespread or because it becomes compulsory, it is common for corporations to communicate that the new behavior was "a good idea after all," even though the firms had initially raised objections during the fight stage. For example, after Nike and Levi Strauss agreed in 2005 to factory disclosure following their earlier objections, the companies were unable to identify negative business effects from the change, and instead they pointed to multiple "business case" benefits.[49] Similarly, two generations after the Civil Rights Act was passed, virtually all public companies communicate the "business case" case related to racial diversity and inclusiveness.

Importantly, once a CR behavior becomes common practice or legally required, it loses its "status" as CR and becomes simply the accepted (or required) way to do business. This temporal change in our understanding of what constitutes CR is significant for a number of debates. Of course, there are cases where legislation has yet to pass, despite considerable activist pressure. One notable example in the U.S. is that of climate change, for which Congress has yet to enact significant legislation. Despite that legislative gap, however, many companies, including significant players in the chemical industry such as DuPont and Dow in the U.S. have voluntarily undertaken major sustainability initiative.

Discussion: Re-Envisioning Corporate Responsibility within the Time-Context Dynamic

What is Corporate Responsibility?

We have argued that there is a combination of coercive, mimetic, and normative pressures in the institutionalization process that moves an issue from being a centerpiece of corporate responsibility to being an accepted and standard operating procedure that is simply how business is done. The specific pressures are both time and context dependent. For example, early on, it was acceptable for U.S. domestic law to institutionalize norms and standards around child labor because most business was done domestically. When the issue reared its head again in the late 1990s, however, it took on a global scope because the world had changed to a multinational context in which global supply chains had become standard practice. As the issue life cycle suggests, the rise in public awareness in part drove the processes of institutionalization that have resulted in far greater attention to child labor by MNCs.

A more recent example relates to the use of phthalates (plastic softeners) in children's products. Following research in the early 2000s that suggested that these substances were harmful, activists pressured companies to cease using the compounds. Regulatory bodies (the Consumer Product Safety Commission), industry associations, and companies first ignored the protests and then argued that the substances were safe ("then they laugh at you"). However, the activists began to have some success at the state level, as Washington, California, and several other states restricted the sale of children's products containing phthalates. Predictably, the companies and industry associations fought these initiatives ("they then fight you"). However, at the same time, several companies, including Toys 'R Us, voluntarily withdrew the products from their shelves, a move best understood as "CR." Following these voluntary corporate initiatives, Congress finally acted to ban several of the substances from children's products,[50] and the issue life cycle was complete.

Knowing that this process of institutionalization is time and context dependent helps us come to a new understanding of corporate responsibility: *Corporate responsibility, viewed as a temporal process, represents the ongoing tension gap between societal expectations expressed legally or through norms and company behavior*.[51]

Of course, our approach also suggests that as one issue completes its life cycle, another emerges. For example, labor conditions in global apparel supply chains have been a topic of interest for approximately 20 years. However, under the broad heading of "labor conditions," the dominant CR issue has changed during this period. For example, in 2008, a prominent CR issue was the extent to which factory monitoring reports should be made public. However, in the late-1990s the prominent fight issue was whether there would be supplier codes of conduct at all. By the mid-1990s, however, many firms had adopted codes of conduct (at least on paper) and attention turned to other CR behaviors.

Today, simply having a code of conduct in place no longer "counts" as CR, and the more progressive firms are designing long-term, collaborative (rather than compliance-based) labor relations programs with their suppliers and with NGOs. Discussions both in Lim and Philips and in Frenkel and Scott suggest that the code of conduct compliance model was a baseline model from which the more encompassing relational and collaborative approaches that now count as CR developed.[52] The fights concerning labor issues continue, but the topic changes. As the "then you win" stage is reached on some issues and certain behaviors become simply "doing business," pressures emerge for new CR behaviors.

A similar dynamic is at work with sustainability reporting. While regulations regarding environmental reporting have been increasing for decades, during the late-1990s and early-2000s, voluntary sustainability reports became common. At the leading edge, however, some companies are now reporting emissions and other environmental data not only for their own operations, but for that of their supply chains as well. While a standard "sustainability report" might no longer "count" as CR, because the "then you win" stage has been reached, comprehensive reports that include supply chain impacts have become the new standard for CR in sustainability reporting.

Is CR Profitable?

Our analysis also offers insight into the "Is CR profitable?" debate. The reality of globalization means that especially for multinational corporations, the societal expectations that they face are increasingly those of global standardization with expectations defined by multiple external stakeholders. The evolution of a CR-related infrastructure that pressures companies for new kinds of action (e.g., socially responsible investment organizations, peer associations, and social activists) is part of the process of institutionalization that changes what corporate responsibility is considered to be. It also alters what is profitable, since whatever costs are involved in meeting new expectations, standards, or norms become incorporated into the business model, especially as more companies adopt them and initial investments in this infrastructure begin to pay dividends.

For example, during the late-1990s, Social Accountability International (SAI) put forward its SA 8000 labor standards and began training specialists to go into factories to ensure that conditions were acceptable. Therefore, this early investment in the development of codes of conduct and monitoring organizations and capabilities means that infrastructure and models are now in place. Today, a new firm in the industry benefits from these "templates" and faces lower costs in implementing basic codes and monitoring activities than did firms in the industry a decade ago, since there is much more knowledge and precedent to follow. In addition, shifting public expectations and the resulting reputational and "name and shame" costs make it increasingly costly not to comply with the new norms.

As a result, the business case for adopting a code of conduct strengthens, and this *particular* CR behavior becomes more profitable (or less costly) over time. This does not allow us to conclude, however, either that CR is profitable or that CR is becoming more profitable over time. Indeed, because the definition of CR shifts over time, as one behavior (such as domestic partner benefits or codes of conduct) becomes normalized and relatively less costly, other CR behaviors (such as designated supplier programs or life cycle engineering) enter the issue life cycle and demand (costly) corporate responses or resources. The "ratcheting up" of societal demands thus results in higher costs from these new CR demands even as the costs associated with meeting the "old" demands are falling. Of course, this analysis suggests that early movers incur more costs than do late movers in adopting progressive CR strategies, raising the legitimate question of why any company would do so. We would argue that the role of reputation and corporate brand management today—along with the transparency around corporate activities provided by the internet and the attention of activists, NGOS, and other stakeholders—makes taking the risks of being a first mover in CR worthwhile. In other words, in the language of DiMaggio and Powell, before an innovation becomes widespread it may confer "performance" on early movers, while after it is widespread it confers only "legitimacy."

This discussion suggests that rather than continuing to ask whether corporate responsibility is profitable, we should instead begin to examine how the time dynamic we have described actually *changes* what is profitable. The time dynamic context suggests that contradictory forces are at play, which may explain a recent meta-study that finds a neutral relationship.[53] Some CR behaviors become less costly (and indeed become normal business practices rather than CR) over time, while at the same time demands for newer more progressive behaviors suggest higher costs. This complex time dynamic may explain the conflicting results of many static empirical examinations of the link between profits and CR.

The notion that CR behavior changes what is profitable behavior presents an interesting extension of Vogel's "market for virtue" analysis.[54] Consider a particular CR behavior, such as, for example, independent factory monitoring or the extension of same sex partner benefits to employees. Initially, there is minimal supply or demand for the behavior in the "ignore" phase. If trigger events, shifting public expectations and awareness, and other exogenous pressures move this behavior along the issue life cycle to either a mandated or normative practice, the demand for this behavior will then increase at each price. At the same time, the costs associated with adopting the new behavior are falling as the related infrastructure is put in place and competitors adopt the CR behavior as well. This decrease in costs results in an increase in the supply of the CR behavior. The result, in moving through time from the "ignore" to "win" stage, is widespread adoption driven by outward demand and supply shifts in the market for virtue. This is consistent with interview data suggesting that apparel companies perceived lower costs, lower risks, and greater benefits over time as discussions regarding their CR practices related to labor issues continued.[55] Similar dynamics are at work for all manner of CR behaviors, so the life cycle framework illuminates the time dynamic of the market for virtue.

Laws or Corporate Responsibility?

The time and context dynamic approach speaks also to the debate regarding the role of laws and regulations vis-à-vis voluntary CR activities. Many critics of CR say that if society wants firms to behave a certain way, then we should have laws in place so that the rules apply to all firms—this point is embedded in Martin Wolf's comment, as well as in Milton Friedman's classic critique of CR (see also Karnani's article in this issue). More recently and from a different perspective, Robert Reich has argued that society should enforce rules and laws to induce responsible behavior instead of trying to coax firms voluntarily to adopt certain practices.[56]

This debate has been constrained by the static "point in time" analysis often implicit in these arguments. Laws and regulations as well as norms of behavior are developed in a complex, time-dynamic manner that references both institutionalization processes and the issue life cycle. The typical early activist will not be able to get laws passed because of the opposition of the establishment, however defined. The establishment has to be brought on board—or at least some members have to be brought on board—in order for any type of change in public policy to occur. This "bringing on board" process requires raising public awareness as well as the development of coercive, mimetic, and normative processes that create pressure for change.

Some of this change will involve legislation, while new normalized practices (such as multiple bottom-line reporting) will evolve because this "bringing on board" is exactly what CR, seen as a movement, is. While Reich (and Karnani, in this issue) might argue that if society wants CR we must pass relevant laws,[57] in fact, in actual practice laws often evolve from CR standards. In some respects, it is the buy-in from first movers that enables legislation to ultimately be passed, if the issue takes full course in the public policy process, especially because companies incurring extra costs to adopt progressive practices have an incentive to have these costs applied to their competitors.

In many cases throughout industrial history, legislation has been facilitated by CR. In early industrial Britain, child labor restrictions followed from the reports of factory owners who had successfully instituted their own CR policies regarding child labor;[58] and in the early-2000s, labor and environmental clauses began to be inserted into U.S. trade agreements, following the "institutionalization" of the corporate involvement in labor issues in their supply chains. The phthalates example above reflects the same dynamic. Legislation and regulations do not originate in a vacuum, but are instead the result of the organic and time-dynamic process that we have described. Legislation may be considered to be not only a competing alternative to CR at a point in time, but may instead be understood as another outcome in the "then you win" phase, which typically follows the CR stage in time.

Summary and Conclusion

Mahatma Gandhi's quote describing the time dynamic of social activism applies well to CR. Examining CR in a time- and context-dependent setting illuminates several historically intractable issues.

First, it is common for CR activities to shift over time from being unheard of or radical to responsible and then to expected or required. When Levi Strauss first introduced a code of conduct for its overseas suppliers in 1991, the practice was unheard of, and Levi's and other early adopters were considered to be "responsible" corporate citizens. Today, however, supplier codes of conduct are standard and expected practice in virtually all industries with global supply chains, and codes of conduct are considered not CR but simply normal business practice. We have observed the same dynamic with triple bottom line reporting and domestic partner employee benefits. What is considered to be "CR" shifts over time and is best understood as a "mid-point" in the issue life cycle.

Second, the time dynamic illuminates the discussion regarding whether CR is profitable. Over time, CR practices *change* what is profitable—through the effect of shifting public expectations, through the development of "public goods," through institutions that lower the costs of adopting certain practices, and by leveling the competitive landscape. CR behavior by some firms in earlier stages lowers the costs of the behavior for later adopters, while at the same time demands for new CR behaviors results in higher costs for new early movers. The question "Is CR profitable?" obscures this time dynamic.

Third, the time dynamic shifts the debate of the relative efficacy of legal versus voluntary standards: laws and regulations are often the *end* point of the issue life cycle. Widespread adoption of a certain behavior may also be "a win" or end point, or it can precede a regulatory response. Laws and regulations emerge not in a vacuum, but often after some degree of "buy in" by firms as CR practices become an expected and standardized part of the societal ethos.

Ironically, each of these three issues raised by the time dynamic leads both independently and collectively to the demise of CR programs, at least in their labeling. As particular CR practices move over time along the issue life cycle the demand and the supply of the behavior increases as it becomes: expected and normal; less costly (in relative and absolute terms); and sometimes legally required. Once this "win" stage has been reached, the practice no longer counts as corporate responsibility, even though the ultimate goals of the early struggle—be it codes of conduct, triple bottom line reporting, or workplace integration—have been achieved. At the same time, however, triggers for other issues and behaviors occur and the cycle begins anew.

Notes

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