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Why should firms achieve strategic CSR?

Ouidad Yousfi¹ & Nadia Loukil²

Abstract:

The current chapter shows that strategic corporate social responsibility (hereafter CSR) drives more pioneering socially responsible initiatives than responsive CSR based on “imitative” activities introduced to meet stakeholders’ basic expectations. We conclude that strategic CSR leads to more sustainable financial performance as well as more socially and environmentally responsible innovation. We show that more diversity in top management positions could be a necessary requirement to shape more strategic CSR strategies.

We present a critical survey of the literature structured in the following. First, we discuss the main features of CSR strategies and how they have evolved in the last years. Second, we shed light on the puzzled CSR-financial performance association. Then, we focus on the tools provided by strategic CSR to foster innovation potential of businesses and why we should rethink CSR to drive more sustainable innovations. Finally, the chapter discusses how hiring more diverse profiles in top positions could help to get out of the narrow CSR thinking and to go beyond stakeholders’ expectations and reports’ standards which could provide valuable opportunities to widen the innovation range in businesses through the implementation of more social, organizational and marketing innovations as well as the introduction of new products and processes.

Keywords: CSR performance, strategic CSR, Innovation, diversity

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1 Introduction

In the last years, many policy and market-makers have introduced programs to increase the firms' involvement in socially responsible activities. For instance, the French government has provided many incentives to increase CSR investments and transparency, like for example the New Economic Regulations (NER law, 2001)³, the Grenelle Environment Forum (2007 and 2010)⁴, the Energy Transition Act (2015)⁵ and the France's Due Diligence Law (2017)⁶. The main aim of these programs is to provide incentives to the firms, particularly listed ones, to get involved in more socially responsible activities.

In fact, for many years, the decision-making process has been drawn on the challenge of how to increase short-term returns, most often at the expense of long-term and sustainable development. It has been shaped by a short-term and restrictive thinking. Focusing solely on increasing shareholders' wealth is not any more the guarantee for the business' survival and legitimacy. Firms have to adopt a more inclusive holders' philosophy and to be concerned about the identification of their stakeholders and their needs. They have to increase the social performance as well as the financial one. Indeed, socially responsible projects could provide an alternative way to increase the firms' resources and connections, the effectiveness of their management, and to achieve a sustainable development (Carvalho et al., 2018). The survey of the literature on corporate governance and CSR shows that there are two main CSR approaches: strategic CSR and responsive CSR. They display different features and influential effects on social and financial performances.

In the following, we present the development of CSR strategies and their specific features.

³ <https://www.eurofound.europa.eu/publications/article/2001/new-economic-regulations-law-adopted>

⁴ <http://www.oecd.org/gov/regulatory-policy/FRA-Grenelle-Environment-Forum.pdf>

⁵ <https://www.gouvernement.fr/en/energy-transition>

⁶ <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000034290626&categorieLien=id>

Then, we address how they could benefit to businesses, and help to overcome the current challenges. The last part of this chapter discusses the moderating role of top managers, specifically the influence of their cognitive and demographic traits, on achieving more socially and environmentally responsible businesses.

2 CSR strategies

Recent studies show the presence of two forms of CSR strategies depending on the business degree on involvement in socially and environmentally responsible activities, namely strategic CSR and responsive CSR (see among others Vishwanathan et al., 2020; Bocquet et al. 2017, 2019; and Porter and Kramer, 2006).

In fact, CSR strategies have matured: firms were first developing CSR activities that are closely related to the scope of their main activities to meet reporting standards and basic expectations of stakeholders. Then they have started to initiate more pioneering and strategic CSR projects based on an active and dynamic interaction with multiple stakeholders groups. These strategies have led to the implementation of a more comprehensive and inclusive CSR thinking. These initiatives go beyond basic stakeholders' requests (Bocquet et al., 2017 and Zerbini, 2017).

The survey of CSR literature shows that despite the booming number of studies on strategic CSR, it is not yet clearly established how to define strategic CSR strategies in comparison with responsive ones. More specifically, very rare academic papers have tried to distinguish between responsive and strategic strategies of CSR. In the following, we discuss the different CSR approaches in the last years and how they led to the definition of this dichotomous approach of CSR.

2.1 Responsive CSR

2.1.1 The defensive CSR

The first CSR strategies have been influenced by the age of greed in which CSR was seen as an extension of the existing financial tools mainly serving the shareholders' interests: they are meant to increase shareholders' value. Accordingly, managers are prone to prefer CSR activities protecting financial results, specifically short-term returns, at the expense of more sustainable and less profitable socially and environmentally responsible activities. The first age of CSR is based on "defensive" initiatives: they are undertaken when they are profitable. Thinking of socially and environmentally activities to drive more returns could not lead to a sustainable development.

As defensive CSR is meant to increase shareholders' wealth, it marginalises stakeholders and therefore the opportunities they could provide to the business. Consequently, it cannot provide a good understanding of different expectations which increase agency conflicts. Also, as it focuses on actions enhancing the corporate reputation, it could be "poor vector" of innovation (Bertrand et al., 2020).

Despite the involvement in CSR activities, many large corporates such as Enron have collapsed during the financial crisis. Green models they have been promoting to enhance their market image, have been green-washing models initiated to gain customers and suppliers legitimacy. Their practices have contributed to the quick spread of the crisis (Miller, 2009). The consequences of subprime crisis pushed policy- and market- makers, and managers to think of their role on promoting more sustainable system through responsible governance and management. Enron scandal is definitely a juncture in CSR literature that serves to the introduction of the second age of CSR (Owen, 2005; Heath and Norman, 2004).

2.1.2 The charitable CSR

CSR activities cannot be reduced to improving the market image of the firm, it has to be more concerned about the society and the environment needs. In the second CSR age, CSR strategies become more associated to charitable actions: this is the philanthropic age of CSR

Investors have to raise their money in projects serving communities' interests (Carnegie, 1889). In addition to increasing shareholders wealth, CSR investments are undertaken to empower the community through an equal distribution of wealth: they are considered the "Gospel of Wealth" that drives growth.

The association of philanthropy and investments could initiate strong partnerships between universities and non-profit organizations which increase creativity and carry innovative opportunities (Marsh, 2018; Bereskin and Hsu, 2016). However, this association must be consistent with the main activities of the business to avoid wasting money and non-profitable activities. Accordingly, the undertaken CSR projects have to be profitable as much as conventional activities and to generate significant cash-flows: firms should be able to raise money in financially profitable socially responsible activities. In fact, these two conditions seem to be prominent when it comes to choosing the appropriate ones, which reduces the scope of "compliant" CSR activities. Consequently, the implemented CSR activities failed drastically to solve real social and environmental issues.

According to Burke and Logsdon (1996), binding this philanthropic condition is one of the dimensions of strategic CSR, namely the "specificity" dimension. However, in the philanthropic CSR, the specificity dimension is generic, and not strategically involved in the CSR policy of the business. Furthermore, Porter and Kramer (2006) underlined that each firm has to deal with social and environmental issues, specific to its industry. Accordingly, CSR actions must be consistent and entirely incorporated with the global business strategy. Philanthropic CSR failed to create dynamic effects able to influence the business strategy, specifically its everyday operations, competitiveness and growth.

However, very recently, De Silva and Wright (2019) pointed out that the charity aspect in CSR activities could be a necessary requirement to open innovation, particularly due to the strong connections it is able to establish between profit and non-profit structures.

2.1.3 The promotional CSR

The limits of charitable CSR lead the firm to get involved in a promotional building process where CSR activities are social activities that help the business to enhance corporate reputation and the market image. Unlike defensive CSR, the firm has to bet on public relations, specifically on the trust of the most powerful and profitable stakeholders. Accordingly, it has to identify and deal with different groups of stakeholders as their perception is going to shape the firm market image and therefore its CSR strategy. Relying on stakeholders to build a brand image conveys more dynamic exchanges in CSR projects: this is the age of social marketing. It comes also from the need of stakeholders to see businesses taking socially responsible initiatives transforming the real world (Lefebvre, 2012).

Then, optimal CSR strategy has to align the interests of shareholders and stakeholders by enhancing the stakeholders' perception of the business. Thus if stakeholders are highlighting environmental issues related to the business activities, the firm is supposed to take advantage of these opportunities to gain the stakeholders trust. This approach is definitely meant to reduce reputational risk through increasing visibility (Singh and Dhir, 2019). Unlike charitable CSR, promotional CSR and its marketing dimension have been strategically integrated in CSR policies.

Singh and Dhir (2019) notice, however, that customers are skeptical and find that spending on the marketing of CSR is most often larger than spending on CSR marketing. In other words, they find that many real social issues with low visibility are marginalized at the expense of less significant social issues with greater visibility. They suspect CSR marketing to manipulate stakeholders as there is a huge gap between how CSR shows off and how it is practiced. CSR marketing leads to the development of CSR as an advertising tool and greenwashing (Esper and Barin Cruz, 2019). Many large corporates have been involved CSR scandals such as Volkswagen test cheating, Siemens bribe scandal, BAE corruption scandal, and General Motors defective ignition switches.

Finally, firms that do not apply CSR strategically are applying it in a responsive way: defensive, charitable and promotional CSR approaches are responsive and were not able to integrate CSR as a hardcore of the business global strategy.

2.2 Strategic CSR

The consecutive scandals on CSR leads to the development of a more integrated CSR strategy: a more strategic CSR (Brenkert, 2019).

The strategic side of CSR seems to be a promising and relevant field for further research (McWilliams and Siegel, 2011). However, the lack of consideration of the strategic aspects of CSR, and the scarcity of theoretical research on the determinants of strategic CSR led several scholars to call for identifying the determinants of strategic CSR (Tang et al., 2012; Halme and Laurila, 2009). While CSR tends to assume an increasingly strategic integration, very few studies analyze why organizations report different levels of strategic CSR. Thus, there is a need to deepen knowledge on the drivers and rationale of CSR behavior, and on which factors condition the level of strategic CSR integration.

Burke and Logsdon (1996) argue that CSR becomes strategic in a company when social and environmental issues become a high priority, and diverse means and practices are mobilized to handle them. Accordingly, CSR is strategic “when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm’s effectiveness in accomplishing its mission”. Then, the concept was developed to cover actions put into practice to achieve sustainable competitive advantages. Strategic CSR is, therefore, a set of activities that are simultaneously good for the company and the society, thus improving company's performance and creating social and economic performances (Porter and Kramer, 2006; Carroll, 2001; Marsden et al., 2001; Husted and Allen, 2001). Recently, studies have become more specific regarding the definition of strategic CSR. Athanasopoulou and Selsky (2016) define strategic CSR as a continuous process that takes into account its effect, helps the company to pursue its business goals while considering the stakeholders' engagement. It related CSR to the corporate core business, auditing, setting of social targets, reporting, and implementation of social management systems (Visser, 2016). Ruggiero and Cupertino (2018) emphasize that CSR is strategic when it increasingly goes beyond the needs of a company’s stakeholders. They also argue that the assumption of a strategic perspective implies not only the definition of the business' future direction and objectives but also an understanding of the amount and apportionment of available resources. Sufficient resources allow the firm to develop strategies suitable for pursuing opportunities coherent with its current and prospective environment and capacities. Thus, resources have to be strategically invested and allocated in order to enhance CSR

performance. Lately, Vishwanathan et al. (2020) described the non-strategic side of CSR as a blind spot to CSR researchers. Indeed, investigations' focus has been oriented to the strategic CSR. They have identified specific areas of strategic CSR: (1) reputation enhancement, (2) stakeholder reciprocation, (3) risk mitigation, and (4) innovation capacity.

CSR has suffered narrow thinking that led to the development of a binary approach where firm's classification has become absolute. From a theoretical perception, a company is whether strategic or responsive, while in reality, it can develop responsive CSR strategies in some areas and strategic CSR in other areas. It is clear that Vishwanathan et al. (2020)'s approach encompasses promotional, charitable and promotional aspects of CSR. At this stage, we should point out there is no sole definition of the strategic CSR which makes the CSR understanding more blurred.

3. Strategic CSR and financial performance

In CSR literature, many studies have focused on building arguments on how corporate responsibility may influence corporate financial performance. From a resource-based view, the firm may perform better than its competitors when it relies, over time, on specific resources such as human, physical and organizational assets: this is the hardcore of the stakeholder theory (Freeman, 1984; Clarskon, 1995). Building better relations with employees, customers, suppliers and communities could increase financial performance. In fact, financial outcomes are driven by tangible as well as intangible assets which could be valuable sources of competitive advantages (Hillman and Keim, 2001; Hart, 1995).

Raising money in socially responsible activities is likely to enhance the firm's reputation among customers, suppliers, employees, regulators (Carmeli et al., 2007; Brammer and Pavelin, 2006; and Berman et al., 1999). It could also decrease agency conflicts between managers and the firm's stakeholder: reducing agency conflicts leads to a better financial performance (Harjoto and Jo, 2011).

However, according to Mazutis (2010, 2013) and Akpinar et al. (2008), important questions should be raised: can firms successfully balance the competing demands of various stakeholders by balancing investments in different dimensions of CSR? And how do CSR activities affect financial performance?

For many years, traditional economic theory considers corporate engagement on CSR activities as an economic disadvantage (Jensen and Meckling, 1976; Friedman, 1970). Indeed,

Friedman (1970) state that that “the social responsibility of business is to increase its profits” (Friedman, 1970, p. 1). In other words, managers must focus on the purpose of maximizing shareholders’ return even when they are raising money on CSR projects: CSR returns are not supposed to increase their personal reputation (Barnea and Rubin, 2010). Indeed, corporate social activity is considered as an agency costs that could deteriorate corporate profits (Kruger, 2015; Cronqvist et al., 2009; Surroca and Tribó, 2008; Pagano and Volpin, 2005; Aupperle et al., 1985; Vance, 1975).

Jensen (2001) discusses the relation between value maximization and stakeholder theory and argues that firms cannot achieve value maximization without satisfying the interests of its stakeholders: this is the **enlightened stakeholder theory**. He suggests that the value maximization is the only indicator of the accountability of managers. According to Porter and Kramer, (2011), and Jensen (2001), investing in CSR activities may have an indirect positive effect on financial performance. Satisfying stakeholders (shareholders, employees, customers, suppliers, the environment, the community) could support firm’s operations and may lead to higher profits and higher shareholder value. Hence, CSR is considered as a part of the whole value maximization strategy of the firm. “This strategic CSR is simply a profit-maximization strategy motivated by self-interest and not by a conception of corporate social responsibility” (Baron, 2001, p. 9). Indeed, Porter and Kramer (2006) argue that firms investing strategically with respect to social interests will have a competitive advantage, which leads to enhance firm value.

In the same vein, to answer to the question “should firms carry out such profit-sacrificing activities”?, Reinhardt et al. (2008) argue that, in most cases, firms make the decision to invest in social activities based on the criterion of profitability like other traditional investments. Hence, they “are engaged in more profitable-set of socially beneficial activities that are still contributing to their financial goals (Reinhardt et al, 2008, p.235).

From another angle of view, Baron (2008) point out that CSR investments could be a productive ones. In fact, consumers are more attracted by socially profitable firms and some investors prefer raising their money on CSR activities even when they display lower returns in short term. Accordingly, more responsible firms could have higher value due to their reputational premium (Besley and Ghatak, 2007)

To analyze causality in CSR-financial performance association, Nelling and Webb (2009) raise the following questions:

(1) Does ““doing good” socially leads to “doing well” financially, whether firms exhibiting superior financial performance or devote more resources to social activities.

(2) Why should a ‘virtuous circle’ exist?”

(Nelling and Webb, 2009 p. 198) provide evidence that strong stock market performance leads to greater firm investment in CSR activities when these activities are dedicated to enhancing employees’ relations. They conclude, however, that CSR activities are not likely to affect financial performance. However, Waddock and Graves (1997) and Hillman and Keim (2001)’ findings confirm the existence of a virtuous circle.

One explanation could be the nonlinear relationship between CSR and financial performance. The idea is to assess the trade-off between costs and benefits of CSR. Nollet et al. (2016) shows a U-shaped relationship between CSR performance and accounting performance indicators. Social performance could drive financial performance only when it reaches a certain level. Otherwise, any additional investment on CSR activities lowers financial performance.

In hospitality sector, Franco et al. (2020) advance that stakeholders may appreciate firms performing well in CSR but they do not depreciate less socially profitable firms. They suggest that CSR costs could be covered by CSR benefits only when CSR strategy is successful. Their study provides evidence of U shaped relationship. Accordingly, they recommend that companies should reach high levels of CSR investments and avoid medium levels. In fact low and medium levels of CSR investments could lead to: (1) reputational risks due to scandals and (2) a poor financial performance as they are expensive. In addition, they find a curvilinear relationship in the post-2008 crisis period, showing that CSR could improve financial performance even in period of crisis, and its sustainability.

4. Strategic CSR and Innovation

The innovation-CSR association has been examined extensively in last decade. In most studies, analysis was made to test if innovation is the channel through which CSR could affect financial performance (among others Cook et al. 2019; Visser, 2010). The intuition is that innovation and CSR are the both corporate strategies with long term perspectives (Katila and Shane, 2005; Edwards and Gordon, 1984).

Some studies consider firms’ investments on CSR as a determinant of innovation. Indeed, Porter and Kramer (2006), argue that investments in CSR are a source of opportunity, innovation, and competitive advantage. In addition, corporate abilities to create long-term

value through social responsible activities include innovation through the introduction of new technologies, operating methods, and management approaches (Porter and Kramer, 2011). Hence, the ability to focus on long-term value creation through a strategy based on economic and social values, improves cognitive flexibility and promotes creative ideas to solve problems (Grant and Berry, 2011; De Dreu, 2006). In the same vein, Porter and Kramer (2011) state that: “this value creation will drive the next wave of innovation and productivity growth in the global economy” (Porter and Kramer, 2011, p. 65). In the same vein, Cook et al. (2019) provide evidence that firms with higher CSR performance produce more patents and patent citations while Lefebvre, (2012) argue that social marketing could drive more marketing innovation.

Also, Innovation may be a smart device to solve environment issues and achieve corporate sustainability. In fact, innovation could create value and deal with the environment and society issues (Grayson et al. 2008; Pavelin and Porter, 2008; Labatt, 1997). Hence, it is a hardcore of any sustainable strategy aiming to reduce environmental burdens or to reach ecologically specified sustainability targets (Rennings 2000).

According to the European Commission (2006), CSR may contribute to corporate sustainability development and increase corporate competitive potential by driving innovation. In the same vein, Nidumolu et al. (2009) argue that the CSR is considered a fundamental driver of innovation while Rexhepi et al. (2013) argue that corporate social activities and innovation are the core of business competencies. Innovative investments are necessary for firms’ growth and survival (Kim et al., 2014). It may guarantee long-term profit since its focus on technology and in R&D and ensure sustainability to human, social, environmental, technical, and economic investments. Szutowski and Ratajczak (2016) show that the influence of innovation on strategic CSR practices depend on the type and intensity of innovation. They provide evidence also that the influence of CSR on innovation depend on CSR feature, such as type of reaction, degree of development, and field of activity.

5. Strategic CSR and Diversity

The strong connections between corporate businesses and their environment and how they continually change, have shifted the interest towards managers and board members, more specifically their demographic and cognitive traits instead of focusing on supervisors (Vallejo, 2009).

Diversity on top management positions and boards has attracted an increasing interest (see among others Attia et al., 2020; Beji et al.; 2020, Tasheva and Hillman, 2018; Jizi, 2017; Harjoto et al., 2015 and Hafsi and Turgut, 2013). It is widely argued that diversity on boardrooms have effects on many business areas, such as financial performance, governance quality, innovation, and risk preferences (Tasheva and Hillman, 2018; Adams et al., 2015; Miller and Triana, 2009; Kang et al., 2007; Ruigrok et al., 2007; Carter et al., 2003; Robinson and Dechant, 1997).

In fact, diversity could lead to meaningful changes in leadership style, generate new ideas, and challenge the business management, through specific channels such as the presence of independent, female and foreign directors, and directors who belong to minorities. In fact, getting involved in more inclusive nomination policies helps the company to get access to new opportunities through a better understanding of the market expectations and a deployment of more resources (Carter et al., 2003). Also, Hambrick et al. (1996) and Nielsen (2010) put forward that, in high uncertainty contexts, diverse teams are more successful.

Regarding board diversity, the academic literature distinguishes two different types of diversity: (1) diversity in boards in which board members display different demographic traits such as age, gender, nationality, and (2) diversity of boards is explained by structural differences between boards such as the board size, CEO-chair structure, duality, board

committees and independence (see among others Beji et al. 2020; Mahadeo et al. 2012; Kang, 2007; Erhardt et al., 2003; Millikens and Martin, 1996).

Most often, diversity has been discussed in the light of the competitive advantage, it could provide to the business on the short term as well as the long term (Erhardt et al., 2003; Siciliano, 1996; Murray, 1989). Lately, more papers have stated that getting more diverse top management is an ethical requirement to go beyond the restrictive financial view, mainly focused on short-term returns (Mahadeo et al. 2012; Carter et al., 2003). In fact Beji et al. (2020) provide evidence that all diversity forms are valuable to improve corporate social responsibility CSR at different levels, such as the governance quality, the protection of human rights, employees' protection, and the involvement in ethical activities.

Taking into account cognitive and psychological features in top management positions could shape the decision-making process. Indeed, directors' ideas and choices are influenced by their individuals' beliefs and values (Hemmingway and Maclagan, 2004). On the same vein, the adoption of CSR practices, specifically on the absence of mandatory CSR standards, is the result of stakeholders' pressure as well as personal beliefs (Deegan et al., 2006).

The strategic CSR-diversity association is supported by many theories. Under the upper echelons theory (Hambrick and Mason, 1984), in diverse boards directors have more and different characteristics. They have, therefore, more knowledge, skills, values, and professional experiences which generate more ideas and opportunities. Diversity could enhance transparency, monitoring, and communication which are among the basic requirements of stakeholders. It is likely to increase the business involvement in a more strategic CSR (Aggarwal et al., 2019; Tasheva and Hillman, 2018; Hambrick, 2007).

From an agency perspective (Jensen and Meckling, 1976), board members are supposed to monitor top managers to ensure that they serve shareholders' interests. The board

effectiveness is closely related to its composition (Jo and Harjoto, 2011, 2012). For instance, increasing corporate transparency improves the decision-making process.

Resource dependence theory (Pfeffer and Salancik, 1978) also supports the influential effects of diversity in boards. Appointing more diverse profiles to boardrooms allows the firms to get access to more diverse resources, in terms of experiences, skills and networks (see among others Locke and Reddy, 2015; Taljaard et al., 2015; Al-Musalli et al., 2012; and Bear et al. 2010). All these resources are valuable when the firm have to meet shareholders expectations, and therefore for the development of a CSR strategy (Béji et al., 2020; Harjoto et al., 2015; Davis and Cobb, 2010; Vinnicombe et al., 2003).

Hereafter, we discuss the effects of different forms of diversity on CSR strategy.

5.1 Structural diversity in boards and CSR

Structural diversity refers to diversity of boards. In fact, boards display different features in terms of structure, size, separation between management and control functions as well as the percentage of independent members (Tasheva and Hillman, 2018; Hafsi and Turgut, 2013).

Regarding the board size, large boards are a key determinant of the board effectiveness. Regarding social performance, studies provide mixed results. On the one hand, large boards may be associated with more resources and knowledge, very valuable to improve the decision-making process (Kabir et al., 2017; De Villiers et al., 2011; Carter et al., 2010). Appointing more diverse profiles to boardrooms increases the firm's social capital (Hillman et al., 2001; Clarkson 1995; Pfeffer and Salancik, 1978). Heterogeneity of profiles can, therefore increase the firm's involvement in socially responsible activities, and social performance (Beji et al., 2020; and Kabir et al., 2017). On the other hand, large boards could suffer communication and coordination problems which slower the decision-making process,

specifically when directors have very different backgrounds (Cheng, 2008; Hermalin and Weisbach, 2003; Bushman and Smith, 2001). For instance, CEOs are more powerful and influential over small boards than large ones: it becomes easier to reach a consensus (Cheng, 2008).

Also, duality is another form of diversity of boards where there could be no separation between management and control functions. When the CEO is also the chairperson, there is a concentration of power that does not benefit CSR investments (Jizi et al., 2014; Surroca and Tribo, 2008). Pro-CSR CEOs may prefer to undertake socially responsible activities at the expense of conventional activities that do not meet stakeholders' needs. However many studies have concluded that duality is likely to worsen the CEO entrenchment: the CEO-chair may pursue opportunistic strategies to have more private benefits on the short term, at the expense of long-term and less profitable activities such as CSR ones (Jizi et al., 2014; Surroca and Tribo, 2008 and Firth et al., 2007).

Besides, board independency is a widely discussed feature in corporate governance literature. Independent directors help to improve management quality through monitoring and better advice (Harjoto and Jo 2011; and Hermalin and Weisbach, 2003). From an agency perspective, it is widely known that they decrease opportunistic behavior of managers who could be tempted to extract some private benefits, specifically under asymmetric information (Adams and Ferreira, 2009; Walsh and Seward, 1990). Harjoto and Jo (2011) provide evidence that independent board members are likely to support investment decisions that respond to stakeholders needs (Beji et al., 2020; Shaukat et al., 2015; Li et al., 2012). On the same vein, Adams and Ferreira (2009) show that their presence improves board functioning, particularly attendance problems on board meetings.

Finally, in order to develop their CSR strategies, many firms have decided to establish specialized board committees, namely CSR committees CSRC (Peters and Romi, 2015;

Rodrigue et al., 2013); CSRCs aim to guide the company towards more strategic CSR actions, through the implementation of CSR initiatives, decreasing CSR risks and pursuing new opportunities (Hussain et al., 2018; Orliczsky et al., 2011; Maon et al., 2010). CSRCs could lead to best-integrated CSR models and to meet, therefore, the plurality of existing demands. They play a key role in the development of a strategic CSR policy and improving social performance (Khan, 2017). They also have to check the compliance with regulations and initiatives in order to decrease CSR risks (Peters and Romi, 2015; and Walls et al., 2012). Not surprisingly, corporate governance literature shows that the presence and the composition of CSRC influence corporate outcomes (Uzun et al., 2004; Klein, 1998; and Beasley, 1996). Diverse boards are prone to create diverse committees, which is valuable, specifically in CSRC, when it comes to the implementation of strategic CSR policies. The attributes of CSRC members could, therefore, matter in the definition of a CSR strategy and its implementation.

5.2 Demographic diversity in board

Demographic diversity is a form of diversity inside boardrooms. The profile of board members has changed in the last years, because of a social pressure: the boards are expected to appoint more diverse profiles in the image of the society they produce. Consequently, gender, foreign, and generational diversities have attracted an increasing interest.

Many studies put forward that female directors are likely to increase CSR performance at different levels (Beji et al., 2020; Harjoto et al., 2015; Hafsi and Turgut 2013; Zhang et al. 2012; and Carter et al., 2003). In fact gender diverse boards have better social performance than less diverse ones (Carter et al., 2003); In fact, women members seem to be more concerned about governance, environmental and social issues (Conyon and He, 2017; Pucheta et al., 2016; Rodriguez Ariza et al., 2016; Post et al., 2011; Braun, 2010; Nielsen and Huse,

2010). They could be tempted to undertake non-profit activities (The social identity theory, Ashforth and Mael, 1989). In line with the social role theory (Eagly 1987; Eagly and Wood 1991), women are prone to be altruistic and to care about relationships (Gneezy and Croson, 2009). In fact, previous studies point out that women have higher cognitive moral reasoning scores and more ethical perceptions than men (Forte 2004; Elm et al. 2001; Eynon et al. 1997). From the upper echelons' theory perspective (Hambrick and Mason, 1984), women display specific cognitive features. They bring their differences to boardrooms that have been male-controlled places for long time (Sundarasan et al., 2016; Carpenter, 2002; and Pelled et al., 1999). They also, have different academic and professional backgrounds which give access to more resources and specific networks (the resource dependence theory, Pfeffer and Salancik, 1978). These resources are valuable when it comes to the implementation of CSR projects (Conyon and He, 2017; Rodriguez Ariza et al., 2016; Pucheta et al., 2016; Boulouta, 2013).

Appointing young and old members could influence social performance (Beji et al., 2020; Ferrero et al., 2015; Hafsi and Turgut 2013). Age diversity helps to avoid “narrow group thinking” problems and favour diversity of knowledge and openness to new ideas (Ouma et al., 2017; Ferrero-Ferrero et al., 2015). Empirical studies provide mixed results. When they mature, directors could become more sensitive to society's needs: they get involved in a giving-back to society process (Hafsi and Turgut, 2013; Kets de Vries et al., 1984). Thus old directors are likely to raise money in socially responsible projects which increases social performance. However, because of the changes in universities curricula, specifically on management and business programs, young directors could also be sensitive to CSR activities. In the last years, universities have introduced specific programs on CSR and offer degrees dedicated to the management of sustainable development. For instance, Post et

al. (2011) provide evidence that young members are sensitive to environmental and ethical issues.

Another interesting feature of diversity in boards, is the presence of foreign members (Beji et al., 2020, Hafsi and Turgut, 2013; Tihanyi et al., 2005). The empirical investigation shows that nationality diversity enhances the firm involvement in philanthropic and local social activities (Eskeland and Harrison, 2002). Their international expertise, broader and diversified networks, awareness of environmental and social issues and willingness to use new technologies are value-enhancing in terms of social performance (Beji et al., 2020; Tihanyi et al., 2005; Eskeland and Harrison, 2002). Non-local directors bring their cultural values and new connections to the business, specifically on environmental projects (Beji et al., 2020; Hafsi and Turgut, 2013; Oxelheim and Randoy, 2003).

Appointing members who have different educational backgrounds is also a source of cognitive diversity that could be valuable for social performance and strategic CSR (Rupley et al., 2012; Goll and Rasheed, 2004; Hillman and Dalziel, 2003). Many studies show that post-graduated directors are positively associated with the firm's success (Geletkanycz and Black, 2001; Hambrick and Mason, 1984). High-educated members have better capacity to absorb new ideas and adopt new challenging tendencies. They also can adjust quickly their strategies and decision-making process to comply with new regulations and sudden events (see among others Finkelstein et al., 2009; Goll and Rasheed, 2004; Grimm and Smith, 1991). In terms of CSR, they are likely to be more sensitive to environmental issues (Azar Shahgholian, 2017; Ewert et al., 2001). Their international skills and experiences are valuable to understand environmentalists' needs.

Finally, sitting on multiple boards is a proxy for the busyness of the board members. Increasing multiple directorships is a proxy for the professional experience of the director. Directors sitting in other boards could get inspired by what is conducted in other firms

specifically in terms of social responsible investments. Accordingly, they could drive the firm to prefer more strategic CSR projects (Béji et al., 2020; Rupley et al., 2012; Ortiz-de-Mandojana, 2012). For instance, busy directors are familiar with board practices in different businesses. They have, therefore, more information and could provide more perspectives, specifically in the implementation of new CSR initiatives (Béji et al., 2020). Firms with multiple directorships are likely to encourage the adoption of new practices coming from other firms, specifically in environment-related issues (Rupley et al., 2012). On the same vein, many studies put forward a positive association between multiple directorships and the involvement in proactive environmental strategies (Diaz et al. 2013; Ortiz-de-Mandojana et al. 2012; De Villiers et al., 2011).

The survey of the literature shows that readjusting the board composition could enhance social performance. In fact, firms looking for sustainable development cannot ignore stakeholders' expectations and have to act responsibly (Ferrell et al., 2019; Weller, 2017). Getting involved in socially responsible activities could be challenging and provide new opportunities.

Conclusion

The current chapter reviews the literature on CSR, specifically the different CSR approaches.

We show that for many years, CSR strategies have been developed to respond to stakeholders' expectations and comply with reporting standards: they have been responsive strategies. They encompass defensive, charitable and promotional CSR strategies and are meant to enhance the market image and the firm reputation to gain legitimacy in the eyes of basic stakeholders such as customers, suppliers and policymakers.

Lately, many firms have get involved in CSR strategies based on original and pioneering actions to foster interactions between the firm and stakeholders, going beyond CSR regulations and standards: strategic CSR. It needs the mobilization of specific resources and capabilities driving superior social performance.

The CSR literature does not establish yet criterion to identify responsive and strategic CSR strategies. Furthermore, many firms could raise money in responsive CSR activities as well as strategic CSR activities: this dichotomous approach of CSR strategies provides a biased view of the firm's involvement in CSR.

To implement more strategic CSR policies, the survey of corporate governance literature shows that more diverse boards could drive better social performance than less diverse ones (Béji et al., 2020; Hafsi and Turgut, 2013): diversity of boards and diversity in boards could be an advantage for the decision-making process, specifically in terms of socially responsible activities (Bocquet et al., 2019). This heterogeneity can increase exchanges and business' connections, offer new perspectives, and influence the board's functioning. Diverse boards are prone to implement more strategic CSR strategies. Consequently, it increases both financial and social performances (Isidro and Sobral, 2015; Aggarwal and Dow, 2012). We also shed light on the key role of CSR committees on CSR performance and the implementation of strategic CSR policies (Khan, 2017; Peters and Romi, 2015; Rodrigue et al., 2013) and how they could decrease CSR risks (Peters and Romi, 2015; Rodrigue et al., 2013).

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