

Antecedents in the path forward to Corporate Social Responsibility.

Reflections about Information Asymmetry and Cognitive Distance

Ph.D., Francesco Caputo
University of Salerno
Department of Pharmacy
Via Giovanni Paolo II, 132 - 84084 Fisciano (SA) - Italy
fcaputo@unisa.it

Abstract

The Corporate Social Responsibility (CSR) is commonly recognized as a multidimensional domain interested in the challenges related to corporate governance and management within the conceptual umbrella of sustainability. Managerial and organizational literature provided several contributions about the advantages for companies related to CSR and defined several instruments for measuring and managing its impact on companies' performance.

Anyway, the large part of contributions interested in CSR is strongly focused on its implications, on the need for enforcing instruments and models for CSR, and on the market perceptions about companies' CSR strategies. In few words, CSR studies seem to be only interested in the latter part of the value chain. On the other hand, low attention is paid to the elements and conditions able to promote, stimulate, and encourage companies' CSR strategies. With the aim to enlarge the ongoing debate about CSR, the paper aims at investigating cognitive and information flows able to influence companies' approaches and market expectations related to CSR. Through a literature review, the research streams about Information Asymmetry and Cognitive Distance are analysed and possible key points are emphasized as drivers on which policy makers, researchers, and practitioners should act for building a suitable, shared, and long-term oriented path for CSR.

Keywords: Corporate Social Responsibility, Sustainability, Information Asymmetry, Cognitive Distance, Antecedents, Systems studies.

Predhodniki na poti k družbeni odgovornosti podjetij. Razmišljanja o informacijski asimetriji in kognitivni razdalji

Povzetek

Družbena odgovornost podjetij (CSR) je splošno priznana kot večdimenzionalna domena, ki jo zanimajo izzivi, povezani s korporativnim upravljanjem in upravljanjem v konceptualnem okvirju trajnosti. Vodstvena in organizacijska literatura je zagotovila več prispevkov o prednostih za podjetja zaradi družbene odgovornosti podjetij in opredelila več instrumentov za merjenje in upravljanje vpliva na uspešnost podjetij.

Kakorkoli že, velik del prispevkov, ki se zanimajo za družbeno odgovornost podjetij, je močno osredotočen na njene posledice, na potrebo po uveljavljanju instrumentov in modelov za



družbeno odgovornost podjetij ter na tržno dojetanje strategij družbene odgovornosti podjetij. V nekaj besedah se zdi, da se študije družbene odgovornosti podjetij zanimajo le za zadnji del vrednostne verige. Po drugi strani pa je nizka pozornost namenjena elementom in pogojem, ki so sposobni pospeševati, spodbujati in opogumljati strategije družbene odgovornosti podjetij. Z namenom razširiti potekajočo razpravo o družbeni odgovornosti podjetij je cilj raziskati kognitivne in informacijske tokove, ki lahko vplivajo na pristope podjetij in tržna pričakovanja v zvezi s družbeno odgovornostjo podjetij. V pregledu literature so analizirani raziskovalni tokovi o informacijski asimetriji in kognitivni razdalji, možne ključne točke pa so poudarjene kot gonilne sile, na katerih morajo oblikovalci politik, raziskovalci in strokovnjaki delovati za izgradnjo primerne, skupne in dolgoročno usmerjene poti za družbeno odgovornost podjetij.

Ključne besede: družbena odgovornost podjetij, trajnost, informacijska asimetrija, kognitivna razdalja, predhodniki, sistemske študije.

1 Introduction

The increasing turbulence of social and economic dynamics is underling the need for identifying new paths, models, and instruments able to ensure companies' survival over the time (Jensen, 2018). Consolidated managerial approaches and business models are showing an increasing incapability to support both researchers and practitioners in understanding the multiple interrelated dimensions able to affect companies' performance (Foss & Saebi, 2018). Accordingly, a multi-disciplinary effort is required for overcoming consolidated perspectives and identifying new key pillars on which to build innovative interpretative frameworks and managerial guidelines (Saviano *et al.*, 2018).

With the aim to satisfy the emerging need for more efficient interpretative frameworks, in the last few decades an increasing number of researchers and practitioners suggested to shift the attention from the company itself to the environment in which it exists (Tronvoll *et al.*, 2018). Thanks to this change in perspective the attention was focused on several interesting domains such as the consumers' perspectives (Holbrook, 1999), the relationships inside socio-economic systems (Tomer, 2002), and the conditions for power and influence inside the market (Marin & Verdier, 2008), among the others.

As a consequence of the shift from a company-centred perspective to an environment-based perspective, several researchers and practitioners developed interesting reflections under the conceptual umbrella of sustainability as science interested in identifying conditions and processes for ensuring the balance among society, economy, and environment domains (Barile & Saviano, 2018). In such a domain, multiple reflections were proposed about the role of companies in the network of relationships within socio-economic contexts (Hollensen, 2010), the need to focus the attention on companies' impact on society and environment balances (Baumgartner & Ebner, 2010), and on the effects that companies' attention on sustainability pillars can have on market behaviours (Del Giudice *et al.*, 2017).

With specific reference to this latter point, multiple researchers tried to demonstrate that companies' attention to sustainability influences companies' performances (Burhan & Rahmanti, 2012) also as a consequence of its influence on market perceptions (Laszlo, 2003). In such a direction, the need was underlined for companies to efficiently communicate their attention to sustainability underling their effort in respecting social, economic, and environmental principles in the light of a wider perspective of sustainable development for all



over the time (Caputo *et al.*, 2018). In this direction the Corporate Social Responsibility (CSR) as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work-force and their families as well as of the local community and society at large” (WBCSD, 1999, p. 3) became a central concept of contemporary business and economic literature.

To tell the truth, Porter and Kramer (2006) highlight that “heightened corporate attention to CSR has not been entirely voluntary. Many companies awoke to it only after being surprised by public responses to issues they had not previously thought were part of their business responsibilities” (p. 2). In line to this position, it is possible to point out the attention on the multiple dimensions of CSR and to underline that CSR emerges as voluntary effort of companies on topics that are of interest for ensuring sustainable development of present and future generation but – over the time – it also becomes a useful instrument for influencing market perceptions and consumers’ behaviours.

Unfortunately, the multidimensionality of CSR usually is not analysed in social and managerial studies and the large part of existing contributions focuses the attention only on the effects of CSR on companies’ performances, market orientation, and consumers behaviours. With the aim to extend the ongoing debate about the CSR in the domain of social and economic studies, the paper proposes some reflections about the antecedents in the path forward to CSR focusing the attention on the domain of Information Asymmetry and Cognitive Distance as possible building points on which to act for extending social and managerial attention about CSR.

Following this line, the rest of paper is structured as follow: in section 2 the theoretical background is described and a brief presentation of CSR, Information Asymmetry, and Cognitive Distance is proposed. In section 3 an extension in perspective of consolidated approaches to CSR is proposed for recalling social and managerial attention on the antecedents of CSR. Finally, in section 4 few preliminary final remarks are proposed and possible future directions for research are traced.

2 Theoretical background

2.1 Multidimensionality and evolution of CSR

The concept of CSR is not new in managerial and social studies. Preliminary contributions were proposed in the first decades of 19th century (Barnard, 1938) but only during the 1950s the studies about CSR attracted an increasing attention from researchers and practitioners contributing to the definition of a multidimensional research streams (Deigh *et al.*, 2016).

Over the time, the concept of CSR was investigated from several perspectives and multiple dimensions were underlined as a consequence of time and space conditions (McWilliams & Siegel, 2001; Mosca & Civera, 2017). One of the most shine review of the evolutionary process that affected the ‘history of CSR’ was provided by Carroll (1999) for which one can identify five-time based phases:

1. *The modern era of social responsibility begins: the 1950s.* In this phase the attention is strongly focused on the social responsibility and preliminary contributions about the domain of CSR are provided by Howard Bowen with the book “Social Responsibilities of the Businessman” (1953) in which a call is formulated for attracting the attention of decision



makers, policy, makers, researchers, and practitioners about the 'responsibilities of business'.

2. *CSR literature expands: the 1960s.* In this phase the concept of CSR is enforced through the elaboration of preliminary definitions. The attention is on businessmen's behaviors and on their influences on society and environment balances (Davis, 1960).
3. *Definitions of CSR proliferate: the 1970s.* In the 1970s the concept of CSR reaches its maturity and constructive reviews of previous contributions are proposed for systemizing the state of knowledge. In this phase, the CSR is presented not simple as the results of companies' commitment for respecting society and environment balances but - in a wider perspective - it is related to the 'multiplicity of interests' than stakeholders can show in companies' actions and decisions and then companies must respect if they want survive over the time.
4. *The 1980s: fewer definitions, more research, and alternative theme.* During the 1980s the multidimensionality of CSR is fully recognized by researchers and practitioners and several research streams emerge for investigating the multiple faces of CSR. In this phase CSR becomes a conceptual umbrella able to embrace the multiple process, activities, and strategies than influence actors' behaviors as a consequence of their perceptions about companies' responsibility, ethics, and correctness.
5. *The 1990s: CSR further yields to alternative themes.* In this phase CSR is definitively recognized as element of corporate strategies and multiple models are proposed for underlining the contribution of CSR to companies' performance and for supporting researchers and practitioners in better managing the levers of CSR.

For completing this brief excursus other two-time based phases should be added:

6. *The 2000s: the emerging market of CSR.* In this phase a pervasive interest in CSR emerges and stakeholders show an increasing attention towards companies' ability to efficiently communicate their attention to social responsibility and environment balance. Accordingly, CSR shows all its relevance as possible lever for influencing stakeholders' perceptions about companies positioning.
7. *The 2010s: the era of regulation.* In this phase policy makers show an increasing attention to the domain of CSR and multiple guidelines and rules are promoted and approved for addressing companies' behaviors. Among the others, the ISO 26000:2010 for social responsibility is approved for supporting companies in promoting the sustainable development and the Occupational Health and Safety Assessment Series standard is revised for ensuring the emergence of an integrates system for quality, safety and environment management.

The summary proposed by Carroll offers the opportunity for understanding in which ways the concepts of CSR has changed over the time as a consequence of the different perspective adopted for investigating its dimensions and implications. Specifically, it is possible to note how the interpretative frameworks adopted in the studies of CSR have shifted from a holistic view (1960s and 1970s) to a more specialistic and performance-oriented view (1980s and 1990s). UN Global Compact and ISO 26000 require holism again (ISO 26000 exposes responsibility, interdependence and holism as the three basic concepts, supported with seven principles).

Nowadays, changes in social and economic configurations disrupted previous balance requiring new managerial models and business approaches. This emerging need can also be perceived with reference to the domain of CSR for which a step back is required in order to understand not only its implications and effects but also its causes and antecedents. With this aim, in the



next subsection the concepts of Information asymmetry and cognitive distance are briefly presented for clarifying antecedents of CSR and for underling possible gap in knowledge in consolidated contributions about CSR.

2.2 Information asymmetry and cognitive distance

As underlined by Uhl-Bien *et al.* (2007) we are living the knowledge era. An era in which information is becoming the new source of power for social and economic actors (Caputo, 2017). The abilities for accessing to information, for organising them in structured models, and for using them as sources of competitive advantages are progressively becoming central in managerial and organizational literature (Kakabadse *et al.*, 2003) and the elements able to encourage or obstacle information flows are attracting the interest of researchers and practitioners for multiple disciplines and research area (Caputo *et al.*, 2016).

Focusing the attention on the conditions than can (positively or negatively) influence information flows, interesting stimuli for reflections can be derived from the research streams rooted in the concepts of Information Asymmetry (Akerlof, 1978) and Cognitive Distance (Nooteboom *et al.*, 2007). Specifically, Information Asymmetry recurs every time when the actors involved in a relationship have different amounts of information about exchanged goods or provided service (Caputo & Evangelista, 2018). As a consequence of this difference in information equipment, actors with more information could adopt speculative behaviours in order to increase their market power (Krishnaswami & Subramaniam, 1999). On the other hand, Cognitive Distance refers to any conditions in which a difference exists in strong beliefs among the actors involved in a relationship (Breibach & Brodie, 2017). This difference pushes the involved actors towards different aims through pathways and behaviours that could be not complementary with multiple negative effects on the possibility for the relationship to produce value (Singh & Giacosa, 2019).

More specifically, while information asymmetry acts during the relationships contributing to the definition of power conditions, cognitive distance acts at the beginning of the relationship influencing the willingness and orientation of actors in sharing information. The pillars of Information Asymmetry and Cognitive Distance offer the opportunity for understanding conditions and antecedents in the process for acquiring and sharing information.

As a matter of fact, actors are interested in acquiring information about companies and organizations to avoid conditions of information asymmetry and to defend their market power while cognitive distance influences actors' level of attention towards companies' communications and it conditions actors' ability to understand companies' communication and actors' willingness to believe in companies' communication.

3 Towards a preliminary conceptual model for understanding antecedents in the path forward to CSR

As underlined in section 2.1, CSR is a multidimensional concept focused on companies' activities, processes, and actions directed to underline companies' willingness and engagement in respecting the multiple dimensions that influence social, economic, and environmental balances (Soltani & Navimipour, 2016). CSR goes beyond laws and national rules and it refers to the voluntary engagement of companies in promoting paths and actions able to ensure a sustainable development for all the actors (Ritter & Geersbro, 2018).



As a consequence of its finalities, CSR has a great power in influencing market perceptions about companies' behaviours and strategies and – for this reason – it is also used as a marketing instrument for conditioning consumers' willingness to interact with companies and brands (Podnar & Golob, 2007). Recognizing this state of fact, it emerges the need for extending consolidated approaches in studying and managing CSR for including elements and conditions able to influence the effectiveness of CSR approaches both as companies' instrument for underlying and communicating social engagement and commitment as companies' instrument of marketing (Evangelista *et al.*, 2018).

With this aim, possible approaches and models for CSR cannot be developed without considering the antecedents able to influence the interests towards CSR both in companies' and stakeholders' perspectives. The basic idea is that it could be possible to image different model of CSR in the light of the relevance of antecedents that influence the attention towards CSR. These antecedents can be basically summarized by the two pillars of Information Asymmetry and Cognitive Distance that analysed in the perspective of both companies and stakeholders can contribute to the definition of four alternatives as summarized in the following Table 1.

Table 1: CSR scenarios in the light Information Asymmetry and Cognitive Distance

Information Asymmetry	II Attachment	I Defence
	III Contamination	IV Evaluation
Company		Stakeholder

As shown in Table 1, focusing the attention on Information Asymmetry and Cognitive Distance as possible domains able to explain the antecedents in the path toward CSR both in companies' and stakeholders' perspectives it is possible to identify four CSR scenarios:

1. *Defence scenario* in which stakeholders' attention in CSR practices is motivated by the willingness to avoid companies' speculative behaviours. In such a scenario stakeholders are interested in acquiring information about companies' strategies and behaviours to evaluate their impacts on society and environment balances.
2. *Attachment scenario* in which companies are interested in promoting CSR approaches as a way for influencing stakeholders' perceptions and stakeholders' evaluations about companies' behaviours and strategies.
3. *Contamination scenario* in which companies use CSR as a way for increasing their alignment with stakeholders' strong beliefs and perspectives. In such a scenario, CSR is usually used by companies as a way for attracting stakeholders with similar interests and perspectives.
4. *Evaluation scenario* in which stakeholders are interested in CSR as a way for understanding if companies are influenced by strong beliefs, finalities, and perspectives that can be considered aligned with their views. In such a scenario, CSR supports stakeholders in verifying if there are conditions of compatibilities with the company.



4 Final remarks and future directions for research

CSR is a multidimensional topic that is attracting the interest of both researchers and practitioners interested in managerial and organization fields. The state of literature shows that CSR is usually analyzed with reference to its role in supporting companies for better communicating their engagement in social activities and their attention to environment balance.

Thanks to the interpretative contributions provided by the concepts of Information Asymmetry and Cognitive Distance the paper shows that it is possible to identify multiple possible scenario for CSR and then each of them emerge as a consequence of different needs of both companies and stakeholders. The four identified scenarios (*Defense scenario*, *Attachment scenario*, *Contamination scenario*, and *Evaluation scenario*) are clear representations of the multidimensionality of CSR and they represent a call for developing multiple approaches and models for approaching, studying, and managing CSR.

Each of the four above mentioned scenarios represents a potential building block for extending managerial and organizational contributions in the field of CSR through the development of models and approaches able to facilitate the match between companies and stakeholders.

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