Bertrand Valiorgue
◆ Professeur en Management stratégique ◆

Why firms want to be socially responsible ?

Résumé

Où en sommes-nous dans la compréhension de l'adoption généralisée de la notion de responsabilité sociale de l'entreprise ? Cet article est basé sur le fait que la construction d'une réponse nécessite de mieux comprendre pourquoi une entreprise voudrait devenir socialement responsable alors qu'une telle démarche est en contradiction directe avec l'objectif de maximisation du profit. Notre réponse s'organise en deux mouvements. Dans un premier temps, nous tentons de mieux comprendre la multiplication des appels institutionnels à plus de responsabilité sociale de la part des entreprises. Dans la deuxième partie, nous fournissons une explication sur les raisons qui amènent l'entreprise à intégrer de nouvelles responsabilités et volontairement internaliser ses coûts « *sociaux et environnementaux* ».

Abstract

How we are to understand the general acceptance of the notion of Corporate Social Responsibility (CSR)? This article is based on the premise that any answer requires moving beyond the paradox of why a firm would be socially and environmentally responsible, if new responsibilities give rise to additional production or transaction cost in the short term, and stands in the way of maximizing shareholders profits. Our thesis is divided in two parts. Firstly, we address the reason prompting institutions to question firm's social and environmental responsibilities. Moving beyond the paradox is at the heart of the second part of this article, where we look at why firms accept to integrate new responsibilities and voluntary internalize their "*social and environmental costs*".
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Mots clés / *Keywords*

Responsabilité sociale de l'entreprise, effet externe négatif, trio institutionnel, légitimité, performance économique / *Corporate Social Responsability, negative external effect, institutional trio, legitimacy, economic performance*

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« Where are the boundaries of a firm? Where do they begin? It's difficult to say. The profits or the losses of each own do not derive from this decision but from a certain number of others ».
(François Perroux, 1969)

Introduction

The last few years have witnessed the multiplication of calls for corporate social responsibility. The most memorable of these calls was that of the previous Secretary General of the United Nations, Kofi Annan, in a speech in which he spoke in favour of a "*global compact*[1]" (Sagafi-Nejad and Dunning, 2008). In an analogous manner the European Commission has clearly indicated its support for corporate social responsibility since 2001 (European Commission, 2001). In France, the Commissariat General au Plan has recently published a report on the question even as Medef has been positioning itself as a fervent promoter of corporate social responsibility (Dufourcq and Besse, 2004). All of these institutional calls for corporate social responsibility have direct consequences on the functioning and the life of firms. Staff support has been created so as to integrate the expectancies of all stakeholders surrounding the firm and for many senior managers, social responsibility is a major strategic issue (Aggeri et al., 2005; Capron and Quairel, 2007).

This clear wish of the part of firms to assume beyond their economic responsibilities a social responsibility appears in many ways to be ambiguous (Chamberlain, 1973; Korten, 1997; Attac, 2003; Bakan, 2004). Beside the rhetoric of « value creation » (Aglietta and Rebérioux, 2004), it's inescapable that the integration stakeholders' expectancies in the functioning of firms will generate supplementary production and transaction costs (Vogel, 2005). If the integration of social and environmental responsibilities was without cost this subject would have been exhausted a long time ago and the stakeholder's problems resolved. We would not review the frequent reappearance on the notion over the years (Pasquero, 2005; Frederick, 2006).

Does the adoption of corporate social responsibility by senior level managers and institutions constitute a return of a certain form of paternalism which prevails at the end of the nineteenth century? What is the source of the spirit of humanism which seems to be agitated contemporary capitalism? What is the nature of the application of the principles taken by upper level managers, is it a form of neo-paternalism, of philanthropic sentiments? Is it opportunistic or rational strategies on the part of senior managers? It's to this series of questions that we will attempt to respond here.

This article has two parts. In the first part, we seek to understand and to situate in its historical context the institutional call for corporate social responsibility. In the second part we will look more specifically at the nature of the involvement of firms.

[1] During the economic forum of Davos in 1999

1 The call of institutions for a socially responsible firm

The popular adoption of the idea of corporate social responsibility by civil societies and institutions is historically dated. Even though in certain think tanks particularly those with a militant character this notion has been around for a long time (Meadows and al., 1972; Guibert and Latouche, 2006), the present enthusiasm seems to have the character of a new conception of the social boundaries of the firm (Bardelli, 2006). Indeed, beyond the economic and contractual perimeter, these institutions wish for the firm to afford full consideration to all the stakeholders affected by its process of production (Freeman, 1984; Donaldson and Preston, 1995; Clarkson, 1995). It seems particularly interesting that the affirmation of a social responsibility for the firm has occurred at the very moment in which firms are undergoing a radical transformation of their organizational and geographic perimeters (Haufler, 2000; Hall and Biersteker, 2002; Vogel, 2006). It's at the moment when the firm increases and multiplies its outsourcers and globalizes that the notion of social responsibility and hence of the social frontiers emerges.

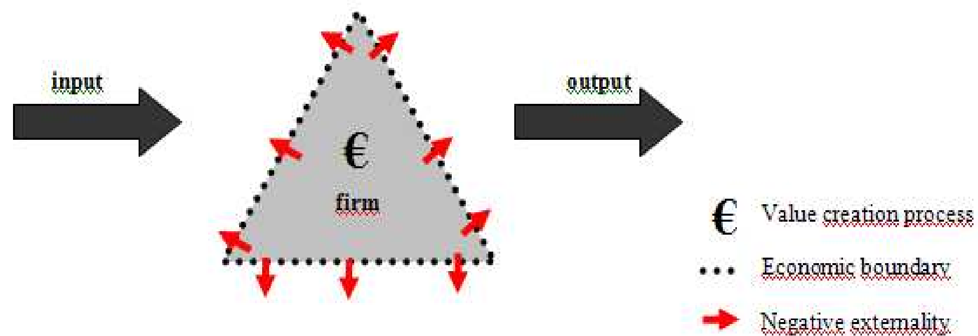
This transformation of organizational and geographic boundaries of the firms begins in the nineteen eighties (Bartlett and Ghoshal, 1998; Hopkins, 2007). Numerous authors emphasis that this transformation constitutes a change from fordist logic to post-fordist logic (Bardelli, 2006; Postel and al., 2006; Rousseau and Zuindeau, 2007; Bodet and Lamarche, 2007). In subsequent sections, we look at the links between economic and geographic frontiers of firms and the presence of institutionals call for social boundaries during the fordist and post-fordist periods. Nevertheless before entering into this comparative exercise, we must understand how disassociation between the economic and social boundaries of the firms is theoretically possible.

1.1 Negative externalities and the dissociation of the economic and social boundaries of the firm

The fundamental teaching of neo-classical economics is that in a market economy from seeking after private interest is found the general interest (Papandreou, 1994; Gomez, 1996; Guerrien, 1986, 1999). It's in focusing on the maximization of its profits and optimizing its process of production that the enterprise succeeds in best serving the interest of all its stakeholders (Friedman, 1971). The validity of this economic doctrine is verified in the particular condition that economists call "*pure and perfect competition*" (Guerrien, 1986, 1999). It's only in the rule of pure and perfect competition that firms seeking after private interest the well being of all stakeholders may result. Formulated in an other way, there is no dissociation between the economic and social frontiers of the firm in the course of a "*pure and perfect market economy*". It's precisely at the moment when it is solely preoccupied with its economic boundaries that the firm contributes to the general welfare.

Nevertheless, numerous economists have noted that in practice the incapacity of the market mechanisms to best serve the welfare of all stakeholders (see Cornes and Stander, 1999 for an overview). In many situations the market demonstrates its failures in this regard. It does not succeed in coordinating the economic and social boundaries of the firm. These failures which were identified in the beginning of the twentieth century by welfare economists are called "*negative externalities*". A negative externality or a negative external effect designate the fact that in the course of its process of production and thus in its creation of value the firm transfers some cost onto its environment and stakeholders (Jessua, 1968; Kapp, 1976; Passet, 1979; Papandreou, 1994; Callon, 1999). The economist therefore speak of "*social costs*" or external costs to designate costs which are necessary to the creation of value but which are not assumed by the producer by are rather sustained by the stakeholders (Coase, 1988). A portion of the profit generated by the firm is earned to the detriment of the stakeholders (Perroux, 1969).

There is a considerable variety of external negative effects which can also originate in a multitude of actors. For example, we can cite the case of farmers who pollute the water table through the utilisation of pesticides and herbicides. The cost of treating and purifying water are not charged to the farmer but are assumed by the community as a whole. An other example is the tobacco industry which does not pay the cost of cancers which has been shown to be caused by the regular use of cigarettes...



Schema n°1: *The negative externality, an immanent outcome of the firm*

The existence of negative externalities and thus a dislocation of economic and social boundaries of the firm has been admitted for a long time[2]. Institutions have been challenging firms to assume responsibility for the "*social cost*" they generate. Economists have spoken of the internalisation of social costs in order to designate the totality of institutional pressures which result in the alignment of firms' economic and social boundaries. What are the natures of theses institutional pressures during the fordist and post-fordist period?

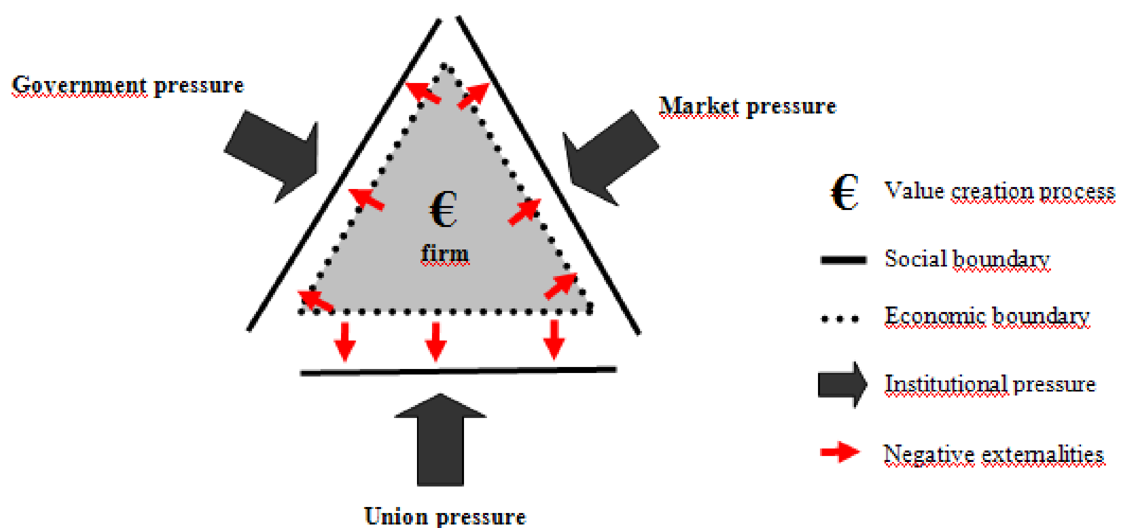
1.2 The compromise on economic and social boundaries of the firm during the fordist period (1945-1975)

We do not affirm that economic and social boundaries of the firm were superimposed during the fordist period nevertheless a compromise did exist on these boundaries (André, 1995), a compromise made possible because the economic frontiers were clearly defined. In the structure of this fordist model, the process of production and hence the creation of value was partly or entirely integrated. All the entities and support functions (production, research and development, purchase….) which participated in the process of creation of value were located in the midst of the same economic perimeter. The difference between the inside and the outside of firms was negligible (Besson, 1997). The precise and clear organization of the process of production did not implied that they was no negative externalities nor that the economic boundary corresponded perfectly to the social boundary. On the contrary throughout this period, the issue of negative externalities was very important and was notably manifested in the popular rejection of environmental pollution (Kapp, 1976; Passé, 1979). Nevertheless there existed a compromise regarding this disjunction between the economic and social boundaries. This compromise resulted from three institutions which were responsible for circumscribing the economic activities of firms and making the amount of negative externalities socially acceptable. This "fordist institutional trio" consisted of the market, the unions and the government:

[2] Numerous economists see negative external effect as an immanent outcome of the firm (Marshall ; Pigou ; Coase ; Hayek ; Perroux...).

- The power of the unions during the fordist period permitted the salaried employees to defend themselves against the attempt of certain entrepreneurs to transfer certain costs onto them. The unions also required that the entrepreneurs assume responsibilities for the social welfare of their salaries employees. The internal labor markets and medical benefits are two examples emblematic of the compromise arrived by unions and firms during the fordist period. The salaried employees benefited from a professional status which encompassed all the aspects of the contractual relationship between an employer and an employee and enable the employee to benefit from various advantages (Castel, 1995 ; Supiot, 1999).
- In common with unions, the market also exercised a certain degree of regulation. Without going so far as to affirm the existence of a "*pure and perfect competition*", the fordist period was characterised by the existence of a certain form of competition between firms. This competitive pressure resulted in the limitation of monopoly formation and consequently limiting the social costs assumed by stakeholders, especially by consumers and providers (Hollard, 2002).
- The government without doubt possessed the greatest regulatory potential. When it determined that the disjunction between economic and social boundaries was too acute it imposed taxes or production regulations on firms which were responsible for too many negative externalities (Boyer and Saillard, 2002).

The "institutional trio" in place during the fordist period achieved a certain success in reducing the disjunction between the economic and social boundaries. Nevertheless, it is important to note that during this entire period, the notion of corporate social responsibility did not exist except in certain militant circles of marginal influence. At no time do these institutions refer to any concept of corporate social responsibility in their definition of regulatory terms. When disjunctions between economic and social boundaries became too acute, when the social cost generated by the firm were regarding as socially unacceptable, the affected parties turned to the court in search of regress. **The responsibilities which are required of firms during the fordist period are legal (civil or penal) but not social.**



Schema n°2 : *The firm and its negative externalities during the fordist period*

1.3 *The disappearance of compromise over the economic and social boundaries during the post-fordist period*

Beginning in the mid seventies, firms brought about a radical change in their process of production (Porter, 1985). We see the gradual appearance of strategies focusing on the "*core competencies*" of the firm and the outsourcing of all functions regarded as non strategic (Hamel et Prahalad, 1990). This outsourcing began with corporate cafeterias, with security companies and was pursed with the outsourcing of various aspects of the enterprise including research and development and information technology, employment... Certain senior managers went as far as to theorize a firm without factories to describe the contemporary organizational logic. From the nineteen eighty's, firms orchestrate their strategy of outsourcing on a global level (Bartlett and Ghoshal, 1998). They sought out sub-contractors globally where wages were lowest and government regulations on negative externalities were least stringent.

This decentralization and globalization of the process of production resulted in an unprecedented fragmentation of the economic boundaries of the firm (Besson, 1997). As a result, the process of production is in disarray. An increasing numbers of actors (individuals or firms) participate in this process without being clearly and directly related to the firm at the core of the decision making.

This disarray of economic boundaries has a great impact on the fordist institutional trio. The market, unions and the government encounter more and more difficulties circumscribing the process of production of firms. These difficulties encountered by the fordist institutions have resulted in an increase of negative externalities:

- As a result of labour outsourcing, unions now represent only a fraction of the employees involved in the process of production and value creation. The salaries of sub-contractors and temporary workers are not represented even though they are directly involved in the process of creation of value by the decision making firm. This decrease of the power of the unions has two direct consequences for salaried workers: the disappearance of internal market and the erosion of salaries and benefits (Osterman, 1999).
- The regulatory capacity of the market is also seriously challenged. The emergence of global monopolies as a result of successive waves of fusion and acquisition has direct consequences on the regulatory capacities of the market. The size of this giant of industry has direct consequences on their environment. These firms shape the evolution of societies through their strategies and the determination to capture new markets. These multi-national firms can impose the terms of purchase and sell on their clients and sub-contractors. These privilege positions enable them to transfer certain costs that they regard as illegitimate to stakeholders (Crouch, 2006).
- The transformation and globalization of the processes of production also considerably weaken the regulatory potential of the governments. At the time when employment is a priority for governments, states are more increasingly dependant on large firms. Imposing a domestic tax or a production norm in order to reduce "*social costs*", results in these firms outsourcing to other countries (Chandler, 2005).

The opening and globalization of the economic boundaries of the firms considerably weaken the regulatory potential of the fordist institutional trio. Large firms have an unprecedented power of negotiation that permit them to transfer negative externalities (deliberately or not) onto the stakeholders. At this point, the separation between the economic and social boundaries of the firm is radical.

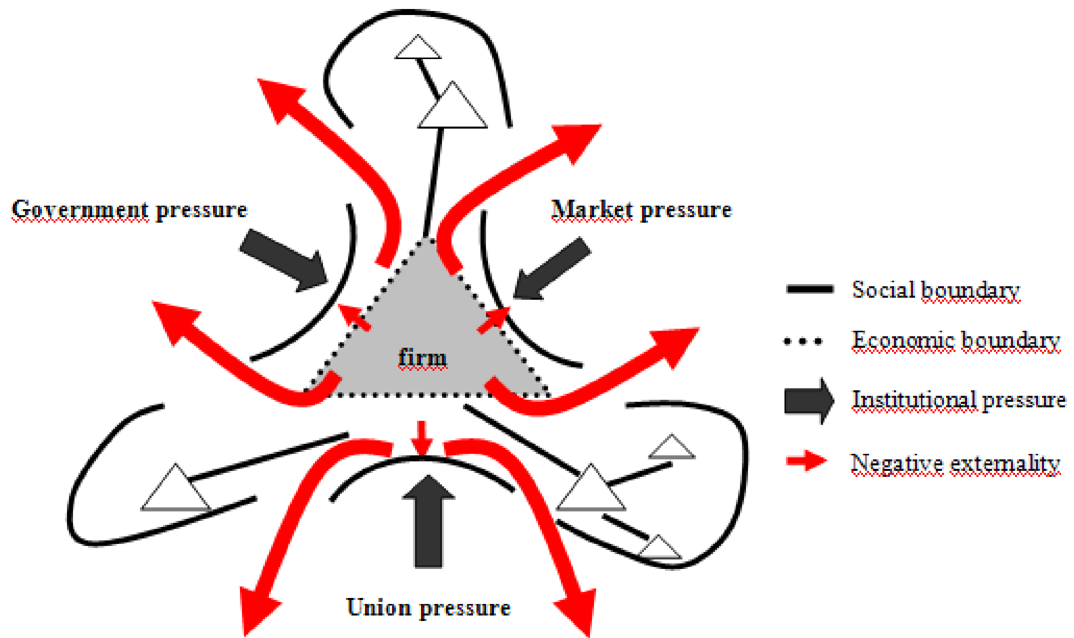


Schéma n°3 : *The firm and its negative externalities during the post fordist period*

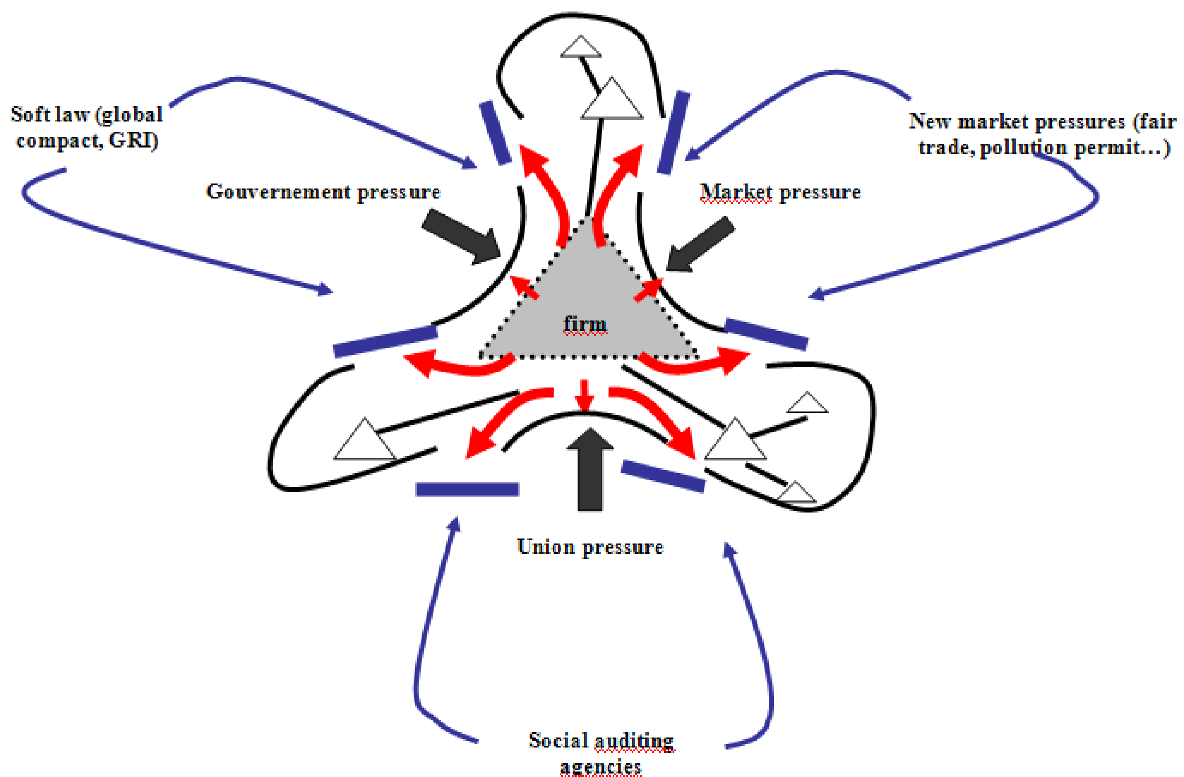
1.4 New boundaries, new institutions, new responsibilities

Have firms with a post fordist organizational logic taken the lead? More than ever, firms have a tremendous influence on the functioning of our democratic societies (Scherer and Palazzo, 2007, 2008). Nonetheless, we observe the emergence of new principles of regulation associated with the concept of corporate social responsibility which are actually supporting the fordist institutional trio:

- In the first place, we see the emergence of a "*soft law*" which is imposing itself on national laws (Kirton and Trebilcock, 2004). This "*soft law*" is paradoxical in many aspects related to its legal standing, its function is to define and suggest overall principles of action. This soft law does not control or neither does it impose any behavioural norms on the firms. Rather, it stimulates change, promotes civic responsibilities and encourages innovative and collaborative solutions. The "*global compact*" orchestrated by the United Nations and the initiative taken by the European Commission are symptomatic illustrations of these new principles of regulation. For exemple, the "*global compact*" defines a framework of action that is structured around 10 general principles. These principles are voluntary rather than mandated and their objective is to structure the behaviour of firms through grader recognition of the social boundaries of their activities (Sagafi and Dunning, 2008).
- Secondly, it is also possible to observe the development of new market pressures which attempt to limit the monopolistic position acquired by certain firms (Vogel, 2005; Berger and al., 2007). These market forces are of three kinds: socially responsible investment, fair trade and pollution permit. In the capital market, new kinds of investors are appearing who invest their capital in firms that demonstrate a respect and concerned for all stakeholders. We also observe a shareholder activism during the annual meeting of the corporation in which senior management is challenged to take responsibility for the negative consequences of their activities (Brito and al., 2004). A new consumer attitude towards purchase and use is also being realised through fair

trade (Chessel and Cochoy, 2004). Certain firms and consumers agree to pay higher prices for products coming from developing countries. The logic of fair trade is precisely an initiative for limiting the transfer of social costs to developing countries. Firms agree to pay a surcost to local producers so as to help them develop their infrastructures and to permit local economies to grow and become stronger. Finally, after the ratification of the Kyoto protocol we observe the implementation of pollution permits which authorize firms to pollute if they pay for this.

- A third level fortifies the fordist institutional trio. This consists of the social auditing organizations (Vigéo, Arese…) which promote corporate social responsibility with regard to managerial practices in relationship to economic, social and environmental performance. These social auditing agencies review various domains (environment, humain rights, social engagement….) according to generic principles. These domains are divided into categories and an evaluation is given for each category denoting the behaviour of the firm in this domain. These evaluations are communicated to the firm and the community at large. They are then taken up by the media, politicians and many other stakeholders. The actions of these social auditing organizations consist in an evaluation of the relationship between the economic and social boundaries of the firm3.



Schema n°4 : *The post-fordist regulation attempts*

[3] We wish to emphasis to points concerning the auditing organization. It seems particularly telling that Nicole Notat, the former union leader was the founder of vigeo. She described with much finess the reason that propelled her to leave CFDT in order to found Vigeo in an article published in Futuribles (Notat, 2003). We wish also to emphasize the circular relation between the institutions which advocate for corporate social responsibility and the social auditing organization. It's based on the principles formulating by these advocate institutions that the social auditing organization construct their investigation, their evaluating criteria and their methodology for collecting date. It's based on theses results and the difficulties encountered by the social auditing organization that the advocates institutions adapt their principles.

New principles of regulation are thus in the process of emerging. They take into account the fordist institutional trio which, notwithstanding the organizational changes and globalization of firms, has not succeeded in reducing the gap between the social and economic boundaries of firms. **All of these new institutions emphasis the notion of voluntarism and social responsibility in defining their regulatory principles.**

Three major differences can be observed between fordist and post-fordist regulatory principles.

- In contrast to the fordist institutional trio which define juridical responsibilities, post fordist institutions define social responsibilities. This is a major difference. During the fordist period, the responsibilities incumbent on each firm are precisely defined, they are legally enacted and perfectly clear to all stakeholders. The legal system adapts the text of the law in particular cases and new situations. In the post-fordist period, social responsibilities are not legally enacted. They are conceived of as broad generic principles often of an imprecise and uncertain character. The free application of these principles is left to each firm which develops its own ethical code or chart. This ethical code is rarely translated directly into the operation and the management of the firm.

- The mechanism of fordist regulation is based on constraints and sanctions. In the case of violation of law, the court sanction the party which attempts to set aside its responsibilities. On the contrary, post-fordist institutions are based on voluntarism. No legal sanction is applied to a firm which does not respect the principle it has adopted.

- The third major difference is attitude of firms toward post fordist regulation principles. During the fordist period, enterprises were obedient to the constraint of the law while the acquisition of social benefits by the stakeholders was only attained after difficult negotiations. On the contrary, during the present period all advances are based on the proactivity and the goodwill of the firm.

Let us summarize. Disjunction between economic and social boundaries, which is to say the transfer of social and environmental costs on stakeholders, is an endemic practice of firms. In the fordist period, an institutional trio was progressively set in place in order to limit the proliferation of social costs. This institutional trio includes the market, unions and the governments. It regulates the firm and put set in line with a socially acceptable level of negative externalities. Hence, the responsibilities of the firm are always of a legal rather social character. From the beginning of the nineteen eighties, firms brought about a radical mutation in their processes of production: they decentralise and globalize. This double transformation (decentralisation and globalization) challenges the fordist institutional trio which has proven to be incapable of reducing the gap between the economic and social boundaries of the firm. As a result we see reflux of “social cost” imposed on the stakeholders. In response to the weakness of the fordist trio, new institutions have emerged with the intention of assuming a supporting role. Alongside the legal responsibilities enforce by the fordist trio, the post-fordist institutions define social responsibilities. The firm themselves appear to be the motive forces of this process of internalization of social costs.

We have arrived now at the heart of a paradox. While the institutional weaknesses favour the emission of negative externalities and thus unprecedented possibilities for maximization of profit, firms make every effort to convince their stakeholders to reduce the gap between economic and social boundaries. Has contemporary capitalism taken on a principle of responsibility?

It seems that in response to the patent failure of fordist institution to regulate the firm, civil society has organized itself and brought into existence new institutions in order to reduce social costs. This process is structured around a group of responsibilities with a fluid and uncertain character which are designated as “social”. It’s also clear that this initiative is based on voluntarism

in as much as the post fordist institutions have no capacity to apply sanctions. Nevertheless, it is very difficult to ascertain why firms make reference to social responsibility in defining their strategies.

2 The nature of the corporate involvement in favour of new social responsibility

After briefly noting the assumption of the notion of corporate social responsibility by various institutions, we must now seek to understand why the firm would voluntarily seek to reduce the gap between its economic and social boundaries. Why would the firm wish voluntarily reduce its social costs and orient its strategy towards the integration of stakeholders needs? Such a process of internalization cannot fail to generate supplementary costs of production or transaction which will have to be integrated, soon or later, into the process of value creation (Vogel, 2005). How is it possible that a firm will rationally and voluntarily assume responsibility for social costs? The unthinkable nature of this rational proposition is expressed clearly in the words of F. Friedman who writes « *in a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsability is to conduct the business in accordance with their desires, which generally will be to make as much money as possible* » (Friedman, 1971). Nevertheless it's possible to us to identify two direct effects from external costs on financial performance and legitimacy4 which motivate firms to embrace the principles of corporate social responsibility.

2.1 The erosion of firm economic performance

Numerous examples attest that external costs sometimes have often inescapable consequences on economic performance. An increase in external costs can result in their re-integration often with disproportion effects. This re-integration can be almost immediate or postponed (Martinet, 1980, 1984, 2004).

The immediate re-integration describes cases where the external costs supported by stakeholders have instant financial repercussion of the firm financial performance. Even if the firm reduces at moment M its costs of production or transaction, the financial consequences at moment M+1 generally eliminate the economic gain realized. Let us take the example of Total and the sinking of Erika5. On the 12th December 1999, the Erika broke in half off the cost of Brittany. The boat, which was the property of Italian firm was leased by Total, was transporting 30 tons of crude oil. In the days and weeks that followed, an oil slick resulting from this maritime accident washed onto the French Atlantic seaboard. In order to address the situation, Total created a task force called "Mission Littoral Atlantique". With a budget of around 200 millions of Euros, this mission mobilized 800 people to carry out various tasks. The Erika was a with single hall boat while the international norm and the nature of the product transported required a boat with a double hall. Numerous expert attested that the presence of a double hall would have resulting in limiting or avoiding the catastrophy. The use of single hall boat by Total permits the firm to reduce its costs of transport but to the detriment of its security. Thus the cost security of transport was transferred to the boat owner. This economization by Total which was note out of substantial benefits for a period of time was nevertheless insignificant in comparison of the 200 millions of Euros has to spend in order to clean up the cost of Brittany.

[4] We cite the essence argument proposed by A.C. Martinet (1980) in a work whose avant gard status is unequalled and rarely cited by researchers on the field of strategic management with regards to social responsibility and sustainable development issues.

The postponed re-integration means that the external costs transferred on the stakeholder has financial repercussions in the long term. Even if the firm reduces at moment M its cost of production the financial consequences at moment M+n cancel or reduce the economic benefits realized. An example is the deficit of French public health insurance system. The inevitable increase in social security taxes in order to pay down the deficit is actually a form of re-internalization of external costs by economic actors. In this way, firms indiscriminately transfer costs associated with work place safety. This lack of safety measure result in more work related accidents (Askenazy, 2004). Recent studies estimate that 3% of the French GNP is spent on cost resulting from work related injuries. The cost of these work place injuries is assumed initially by the health insurance system which must automatically increase its premiums which must paid by … firms.

The transfer of costs to the stakeholders thus has paradoxical effects on the economic performance of the firms. The firm increase profit from this transfer at moment M but this profit is considerably reduced or limitated at moment M+n when the firm must re-integrate these costs. **It is thus paradoxically costly to a firm to be socially irresponsible**. Thus the motivation for certain firms to voluntary reduce their external costs is not derived from a humanitarian spirit but on the contrary from a refined understanding of their best interests. It's because their objective is to sustain the creation of value that firms adopt a socially responsible pattern of behaviours and voluntary engage in reducing their social costs.

2.2 The legitimacy crisis

Over and above the more or less immediate financial impacts provoked by external costs, firms face a real crisis of legitimacy. A firm is legitimate when "*its actions are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions* » (Suchman, 1995 – pp. 574). Which are the norms in our contemporary economies?

Standard economic doctrine affirms that in a market economy, the general well being result from the pursue of private interest. The empirical validity of the economic doctrine is verified in the very specific conditions which economists call "*pure and perfect competition*". In conformity with this, dominant economic doctrine, the behaviour appropriated and expected to the firm is to seek after profit. It's through its preoccupation of maximization of profit and the optimization of its process of production that the firm best serves the interest of the stakeholders. In a context of "*pure and perfect market economy*", seeking after profit by the firm is legitimate. What happened then to the legitimacy of the firm when the market fails? That's when firm transfers one part its cost on stakeholder.

It seems that this disjunction between the economic and social boundaries has radical consequences for the legitimacy of the firm. It seems that the doctrine that through seeking private interest the general well being is attained has been revealed to be inadequate. In practice, the firm serves its own interest to the detriment of its stakeholders. Hence, the legitimacy of the firm is no longer to be found in the maximization of profit. Firms and their managers are compelled to « *negotiate a new objective with stakeholders* » (Laufer, 1996). In order to be legitimate, this objective must be differentiated from a simple maximization of profit (Oliver, 1991; Dupuy and Lebas, 2005).

It is around the conception of corporate social responsibility that negotiations between the firm and its stakeholders on the objective of its strategy are structured (Martinet and Reynaud, 2004). During the fordist period, the firm did not have to voluntarily concern itself with its legitimacy or more exactly with knowing whether its action were in conformity with the norms and values of the wider society. The fordist institutional trio was charged with policing the firm in cases where the disjunction of its economic and social boundaries was regarded as socially unacceptable. Following the explosion of the economic and social boundaries and demonstrated incapacity of the

fordist institutional trio, the firm must hence force voluntarily "*a process of legitimacy which is established a state of congruence between the expectations and aspirations of society and its actual practices*" (Martinet, 1980). The post fordist institutions play only a supported role in assisting in the construction of a strategy in harmony with stakeholders.

Conclusion : CSR as a major strategic issue

The application of the principle of corporate social responsibility by firms is neither a gratuity act nor an opportunistic attitude on the part of the senior managers in order to avoid or delay inescapable legal sanctions (Porter, 2005). When they choose to launch firms on the path of social responsibility, managers seek to both maintain performance and to re-establish legitimacy (Martinet, 2004). Corporate social responsibility is a process of legitimacy in order to sustain the firm process of production (Bodet and Lamarche, 2007). This process of legitimacy cannot fail to be structured in relation with external costs, in as much as they are at the roots of crisis of legitimacy. This reduction in external costs is related to a reconsideration of the strategic decision process, sometimes of a radical nature. The extent of this reconsideration is a function of the volume of external costs, of the particular industry, of the size of the firm and the type of stakeholders with whom the firm is associated. Firms are therefore not equal in relationship to their corporate social responsibility. It is an opportunity for some, a constraint for others but a necessity for everyone.

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