

CSR and the Social Contract:
New Lenses for Stakeholder Analysis and Strategic Management

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Abstract

On the macro level of business legitimacy, the terms and conditions of the Business-Society social contract are continually subject to renegotiation, especially in times of economic turmoil and ethical failures in the corporate world. These renegotiations flow from altered expectations of society generally and stakeholder groups specifically as to business' role in value creation and take place principally in either marketplace or public policy arenas.

On the micro level of an individual firm's license to operate, a business must understand and address stakeholder expectations in order to succeed over the medium and longer term, i.e., to be sustainable. Stakeholder management, as related to corporate social responsibility and sustainability, has increasingly been seen as presenting business with strategic opportunities. The proposition is that a firm that understands and anticipates changes in the legitimate expectations of its stakeholders and is able to significantly meet or negotiate those expectations over time will have a competitive advantage over its rivals in the marketplace.

A new classifying perspective is proposed to help explore and understand what social and stakeholder expectations may change and what is subject to renegotiation concerning value creation on both the macro (business-society) and micro (firm) levels. This paper outlines and explores a value-creation centered model for classifying and understanding those expectations and therefore the areas subject to renegotiation in the Business-Society social contract. It is proposed that a firm that uses this value-creation centered model can more ably identify, understand and negotiate the expectations of its stakeholders and as a result refine its strategies to support the creation and maintenance of a sustainable competitive advantage.

While virtually all economies seek to promote value creation, as we in the United States and increasingly elsewhere have focused on business as the primary engine of value creation, this paper looks principally on the business-society relationship. If we start with the proposition that businesses operating in a free market environment are the most efficient means for the maximization of wealth creation, what further social expectations remain for negotiation in the social contract and therefore must be managed as business' CSR? As explained later, the focus is on the creation of "value" instead of "wealth". The construct:

CSR is about managing business and stakeholder expectations. Expectations as to:

- What value to create?
- How to create that value (what inputs/costs)?
- Who pays for those inputs/costs?
- Who shares in the value created and in what proportions?

Subject to the overarching question of in what forum these expectations are to be mediated.

Through an exploration of these questions, this paper examines the areas wherein changes in societal expectations explain and may presage changes in the terms and conditions of the Business-Society social contract as well as serve as a bellwether for individual firms in

optimizing their understanding and management of stakeholders in securing strategic advantage.