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Why does CSR not work?

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ABSTRACT:
Yritysten yhteiskuntavastuu (CSR) on saavuttanut suuren suosion 2000-luvulla samalla, kun globaalit ongelmat ovat huolestuttaneet yhteiskuntaa. Tutkimukset ovat kuitenkin osoittaneet, että CSR ei johda haluttuihin tuloksiin, vaan päinvastoin pahentaa ongelmia, aiheuttaen kuilun tekojen ja haluttujen tulosten välille. Tutkielman tavoitteena on analysoida yritysten CSR toimien ja haluttujen tulosten välisen kuilun syitä. Ensimmäinen tutkimuskysymys määrittelee kuilun lähtökohdat. Toinen tutkimuskysymys analysoi ydinsyitä kuilun olemassaololle yrityksen ja GVC:n näkökulmasta. Kolmas tutkimuskysymys tarkastelee keinoja, joilla kuilun voisi pienentää.

Kuilun lähtökohdaksi todetaan halutut CSR tulokset, jotka määräytyvät kestävän kehityksen tavoitteiden (triple bottom line) ja sidosryhmäteorian (stakeholder theory) mukaan. Toivotut tulokset määritellään Carroll:n CSR pyramidin avulla, joka koostuu taloudellisista, oikeudellisista, eettisistä ja hyväntekeväisyysvastuista. Tutkimus osoittaa, että nykyiset toimet ovat haitalliset ympäristölle, ihmisille, ja tuotoille erilaisten rikkomusten muodossa.

Yritystasolla kuilun todetaan olevan peräisin ongelmallisista toimista kuten yritysten symbolisesta määräysten hyväksymisestä sekä pinnallisesta mittaamisesta. Irtikytkentä (policy-practice decoupling) teoria selittää ongelmallisten toimien juurisyiksi epäselvän CSR käsitteen, resurssien puutteen, heikot määräykset ja tavoitteiden välisen ristiriidan. Koska toimia ei koskaan toteuteta tai ne toteutetaan huonosti ilman ulkoista varmennusta, haluttuja tuloksia saavutetaan harvoin. GVC tasolla kuilun todetaan olevan peräisin yrityskeskeisestä toteutuksesta, kyvyttömyydestä hallita arvoketjuja sekä hallinto- ja kulttuurieroista. Irtikytkentä (means-ends decoupling) teoria selittää ongelmatilanteen juurisyiksi liian laajan vastuun, mahdottomuuden mitata tuloksia, toimintakeskeiset määräykset, lähestymistapojen ristiriidan sekä epätoimivan järjestelmän. Koska toteutetut toiminnot eivät ole yhteydessä haluttuun lopputulokseen, niitä ei saavuteta.

Kirjallisuus ehdottaa, että CSR:n vapaaehtoisuuteen ja heikkoihin määräyksiin liittyvää rakenteellista ongelmaa voitaisiin lieventää hallituksen järjestämän pakollisen valvonnan avulla sekä laajentamalla pakollisen vastuun kaiken kokoisille yrityksille. CSR:n systeemistä kyvyttömyyttä hallita GVC:n monimutkaisuutta voitaisiin lieventää yhteistyöllä järjestöjen kanssa ja huomioimalla, että kehitysmaat saattavat tarvita kansainvälisiä ei-sitovia määräyksiä.

Lopputulemana voidaan todeta, että CSR toimien ja toivottujen tulosten kuilu syntyy, koska vapaaehtoinen CSR ei korjaa nykyisiä ongelmia, vaan aiheuttaa sen sijaan entistä enemmän vahinkoa maailmalle. Globaalit ongelmat piilevät monimutkaisten globaalien arvoketjujen sisällä, eikä yrityksillä ole oikeita työkaluja ja kannustimia niiden korjaamiseen. Kuilun perimmäinen syy on rakenteellisissa ja systeemisissä ongelmissa, joita nykyinen CSR ei pysty korjaamaan.

KEYWORDS: Corporate Social Responsibility, Sustainability, Decoupling, Global Value Chains

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1 Introduction

In this chapter the topic of the thesis and its background are introduced alongside the objectives and research questions. Further, the key definitions are explained, and the overall structure of the thesis is presented.

1.1 Background of the Study

Corporate Social Responsibility (CSR) aims to make companies accountable for their actions (Davis, 1973), balance social, economic, and environmental impact (Elkington, 1997, Capstone), and bring value to their stakeholders (Freeman, 1984/2015, Cambridge University Press). In the 21st century, the popularity of CSR has risen significantly, at the same time as concerns for social challenges have grown globally (Carroll, 2021). As of 2024, 30% of workers in the least developed countries experience working poverty (UN Statistics Division, n.d.), CO_2 emissions have increased by 0,8% (IEA, 2025), and 1 trillion dollars were kept in tax havens in 2021 (EU Tax Observatory, 2024). Sjöström (2008) states that global businesses are undeniably connected to society's problems through the use of natural resources, employed people, contributed welfare, and emitted pollution.

Several studies suggest that companies are currently implementing symbolic CSR rather than investing into social sustainability substantially (Bromley & Powell, 2012; Halme et al., 2020; Montgomery et al., 2024; Vogel, 2010). Based on Khatri's and Kjærland's (2023) study, 95% of Nordic listed companies had implemented sustainability reports in 2020. Despite extensive implementation of CSR, Short and Toffel (2020) find that e.g. 66% of companies don't show any change in their child labour violations prior and after auditing. Likewise, Michelon et al. (2015) don't find connection between reporting quantity and quality. Together, these studies suggest that current CSR activities are not efficient in solving global sustainability issues. Hence, there is a gap between CSR activities and desired outcomes.

Despite numerous studies criticizing CSR effectivity (de Colle et al., 2014; Dahlsrud, 2006; Freeman & Dmitriyev, 2017; Freeman & Liedtka, 1991; van Marrewijk, 2003; Porter & Kramer, 2011), especially in the context of value chains (Morsing & Spence, 2019), there is not enough information on why the activities-outcomes gap exists. According to the content analysis of Aguinis and Glavas (2012), only 7% of their examined studies explored the connection between CSR and outcomes. Though, there are some studies examining the reasons for this gap (Bromley & Powell, 2012; Halme et al., 2020), not enough research gas been done especially considering complex global value chain systems, given that only 19% of the social sustainability studies consider supplier perspective in general (Yawar & Seuring, 2017).

Thus, this paper aims to analyse the gap by examining why CSR activities fail to deliver intended outcomes from a company and global value chain perspective. By analysing the core reasons and mechanisms for current CSR inefficiencies, this thesis offers valuable insights for decision makers to understand which activities lead to failed CSR and how the gap could potentially be reduced.

1.2 Objective and Research Questions

This literature review examines the topic of CSR's capability of solving sustainability issues. The main objective is to *analyse why a persistent gap between CSR activities and intended outcomes exists*.

Research questions of this study:

1. How the activities-outcomes gap appears?
2. Why the gap exists from a company and global value chains perspective?
3. How could the gap potentially be reduced?

1.3 Definition of Key Concepts

Corporate Social Responsibility

CSR is an enterprises' duty to run a profitable business while being accountable for their actions and bringing value to their stakeholders (Freeman & Dmitriyev, 2017). Companies should consider and respond to issues beyond economic, operational, and legal responsibilities and evaluate its impact on society (Davis, 1973). CSR must consider sustainability issues related to social, economic, and environmental dimensions (Elkington, 1997, Capstone).

Symbolic CSR

External pressure leads companies to perform or implement symbolic CSR without meaningful intentions (Aguinis & Glavas, 2012). To meet social values and expectations, companies act to appear consistent, instead of changing its core operations (Ashforth & Gibbs, 1990). According to Meyer and Rowan (1977) symbolic CSR is implemented out of stability, legitimacy, and survival needs.

Substantive CSR

Substantive CSR describes activities that are concrete, meaningful, and address both business goals and society expectations (Michelon et al., 2015). The activities include intentional policy implementation with real changes in firms' goals, structures, and processes (Ashforth & Gibbs, 1990). According to Perez-Batres et al. (2012) the more critical inspections a firm receives, the more it acts substantially.

Sustainability

The UN Brundtland Commission (1987, Ch. 27) defines sustainability as following: "it meets the needs of the present without compromising the ability of future generations to meet their own needs." The three pillars of sustainability are based on Triple Bottom Line: People, Planet, Profit (Elkington, 1997, Capstone).

Stakeholder

Freeman (1984/2015, Ch. 1, Cambridge University Press) defines a stakeholder as the following: “Any group or individual who can affect or is affected by the achievement of the firm’s objectives.” Freeman and Dmitriyev (2017) note that the company’s main stakeholders are usually employees, customers, communities, suppliers, owners, and investors.

Shareholder

Cambridge dictionary (n.d.-b) defines a shareholder as the following: “A person who owns shares in a company and therefore gets part of the company’s profits and the right to vote on how the company is controlled.” Krüger (2014) discusses that shareholders could be considered as part of stakeholders in the context of CSR.

Decoupling

Cambridge dictionary (n.d.-a) defines decoupling as the following: “A situation in which two or more activities are separated, or do not develop in the same way.” Bromley and Powell (2012) suggest that there are two types of decoupling in CSR: policy-practice and means-ends. Additionally, Halme et al. (2020) find a third type of decoupling which is pressure-policy. By examining decoupling, the broken link between inseparable activities can be found (Halme et al., 2020).

Global Value Chain

GVC connects partners from different political and geographical backgrounds (Kano et al., 2020; Koberg & Longoni, 2019). World Bank Group (2020, p. 17) defines GVCs as the following: “A global value chain (GVC) is the series of stages in the production of a product or service for sale to consumers. Each stage adds value, and at least two stages are in different countries.”

1.4 Structure of the Thesis

The structure of this thesis is divided into three parts. The first part includes chapter one where the topic is discussed, and the background of the study is described. Then, the research objective and the research questions are introduced. Lastly, the key terms used in this research are explained along with the structure of the thesis.

The second part includes three chapters, 2-4, consisting of the literature review. Chapter two begins with defining CSR, its purpose, intended outcomes, definitional limitations, and current CSR activities. Then, the activities-outcomes gap is established to further understand and analyse the basis of the issue. The third chapter is concentrated on analysing the reasons for the gap from a company and GVC perspective. The characteristics of current CSR activities are examined and then connected to the decoupling theory, which explains the causal mechanism behind the gap. The fifth chapter aims to summarize literature debates on systemic solutions for potentially reducing the gap.

The final part of the thesis is the fifth chapter with the conclusions that consist of summary of finding that answer the research questions. At the end, limitations and future research suggestions are provided. After that, the reference list of the thesis is presented.

2 Defining the Gap

In this chapter definition, purpose, and intended outcomes of CSR are presented. Additionally, definitional limitations are analysed as one of the possibilities of the inefficiency of CSR. Lastly, CSR activities and real outcomes are examined to define the basis of the activities-outcomes gap.

2.1 Definition, Purpose, & Intended Outcomes of CSR

Bowen (1953, p. 6, New York: Harper & Row) defines CSR as the following: "It refers to the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society." His definition has been criticized for example by Friedman (1970), but also widely supported e.g. by Carroll (1999) and Davis (1973). Davis (1973) continues to describe CSR as an organizations' requirement to evaluate and respond to issues beyond economic, technical, and legal responsibilities. He notes that a company can't be named socially responsible if it only complies with minimum legal requirements. In essence, CSR is defined as a companies' social accountability beyond profit and mandatory requirements.

CSR's purpose is to put stakeholders' interests above decision makers' (de Colle et al. 2014). The purpose is explained through stakeholder theory that emphasizes the importance of a company's value creation to stakeholders in addition to shareholders (Freeman, 1984/2015, Cambridge University Press). The theory also helps determine to whom a company is responsible (Moir, 2001). Freeman (1984, p. 46) defines stakeholders as the following: "any group or individual who can affect or is affected by the achievement of the organization's objectives". A company's main stakeholders are usually employees, customers, communities, suppliers, owners, and investors (Freeman and Dmitriyev, 2017). Hence, the purpose of CSR is to create value to company's main stakeholders by acting responsibly and sustainably long term.

The intended outcomes of CSR can be defined by examining Triple Bottom Line which include three dimensions: profit, people, and planet and can also be translated into economic, social, and environmental duties (Elkington, 1997, Capstone). The intended outcomes of CSR are shown in the Figure 1. Desired economic outcomes include positive financial performance (Carroll, 1991, Friedman, 1970), conscientious tax and law compliance (Carroll, 1991; Porter & Kramer, 2011), and trust preservation (Freeman, 1984/2015, Cambridge University Press). Intended social outcomes include ethical commercial practices, respect for basic human rights, and local community well-being (Business Impact, 2000). Environmental outcomes, on the other hand, include sustained environment (Business Impact, 2000). While aiming for the intended outcomes, stakeholders should be prioritized (Freeman, 1984/2015, Cambridge University Press), see Figure 1.

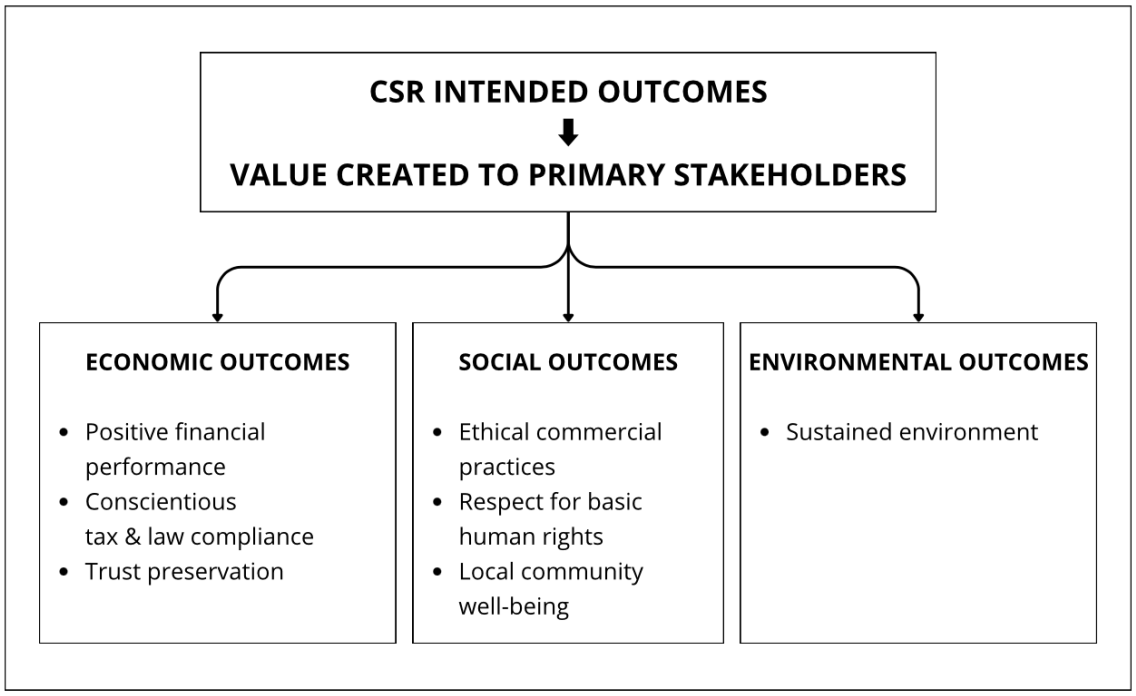

Figure 1. Intended outcomes of CSR

2.2 Definitional Limitations

CSR's definition is unanimous (Dahlsrud, 2006) and undertheorized (Wang et al., 2020). Defining CSR is complicated due to the complex dilemmas it is involved in, such as ecology, society, and economy systems (Sheehy, 2015). According to Sheehy (2015) it is also challenging to determine which level of damage it should be resolving. Further, he states that studies often fail to recognize the nature of the core problems. Moreover, the abundance of definitions creates confusion and misinterpretation (Andersen & Skjoett-Larsen, 2009; Dahlsrud, 2006). Hence, the definition of CSR is currently ambiguous and fails to provide comprehensible directions for its implementation.

Additionally, CSR is commonly recognised as a voluntary practice (de Colle et al., 2014; van Marrewijk, 2003; Moir, 2001) and has also been strongly criticized for its incapability of solving global failures (Aragòn-Correa et al., 2020; Kim & Davis, 2016; Vogel, 2010). According to de Colle et al. (2014) the problem with voluntary nature is the lack of legal mechanisms. The literature overall suggests that voluntary nature of CSR is a limitation that fails to enforce shared problem solving.

Moreover, CSR is dominated by Western countries (Jamali et al., 2017; Taplin, 2014) as 75% of studies related to social sustainability are conducted by Western countries (Yawar & Seuring, 2017). Yawar and Seuring (2017) emphasize that the understanding of CSR is implemented from European and Northern American perspective and therefore biased. Additionally, Mani et al. (2016) find that several studies related to social sustainability in supply chains are mostly concentrated on developed countries instead of developing communities. According to Yawar and Seuring (2017) only 19% of the social sustainability academical research explores supplier perspective, which underlines that not enough information is available for focal companies to manage local suppliers. Thus, another limitation of CSR definition is the fact that it is biased and represents Western understanding.

2.3 CSR Activities

The activities of CSR can be defined using Carroll's CSR pyramid (Carroll, 1991). Based on the pyramid, current CSR activities can be divided into four categories which are economic, legal, ethical, and philanthropical responsibilities (Carroll, 1991). Ideally, CSR activities should complement Triple Bottom Line (Elkington, 1997, Capstone) and earlier defined intended outcomes, see Figure 1. Considering that a real value should be created to stakeholders, the activities should be implemented substantially. Michelon et al. (2015) describe substantive CSR as concrete and meaningful activities that are connected to both business' goals and society's expectations. However, it is notable that the current literature doesn't contain comprehensible enough CSR activity directions, as stated in the sub-chapter 2.2.

Economic activities are the foundation of business practices and are achieved by creating long-term profit to stakeholders (Freeman, 1984/2015, Cambridge University Press). Economical activities include e.g. producing products and services that are in demand (Carroll, 1991), employing people (Jenkins, 2006), purchasing, investing, and paying wages and taxes (Porter & Kramer, 2011). The pattern emerging from these studies indicate that economic activities are focused on profit. However, it is noteworthy that very little literature exploring tangible economic activities is available, except for literature on economic benefits and profitability.

Legal activities include complying with laws and regulations (Carroll, 1991), which should also include fulfilling the economic duty (Ramasamy & Yeung, 2009). For instance, Corporate Sustainability Reporting Directive (CSRD) (EU 2022/2464) requires certain sized companies to report on their sustainability. Directive (EU 2024/1760), on the other hand, requires companies to address human rights and environmental impacts on different levels of value chains. Alternatively, India requires certain sized companies to contribute 2% of their net profits to CSR activities (The Companies Act, 2013). The evidence show that current legal activities should meet the minimum legal requirements, and in practice this can mean e.g. reporting and contribution through profit.

Philanthropic activities, on the other hand, reflect community contribution through charitable activities (Carroll's, 1991). According to both Ciliberti et al. (2008) and Mani et al. (2016), philanthropic activities are especially popular in supply chains. Most common philanthropic activities include sponsorships, donations (Jenkins, 2006; Santos, 2011), and volunteering (Cycyota et al., 2016). Furthermore, Cycyota et al. (2016) find that 97% of Fortune 100 companies encourage their employees to volunteer as part of their CSR initiatives. The research shows that particularly charitable activities are popular amongst companies.

Ethical activities reflect all the other moral concerns of stakeholders that go beyond law and profit (Carroll, 1991). Usual ethical activities undertaken by companies include publication of annual social reports, employing confidential CSR specialists, organising ethics committees, ethical training, and use of code of conducts, certifications, and social handbooks (Graafland et al., 2003). The most common activity is the use of code of conduct which is self-developed mission, value statement, or behaviour rules that can be audited in the form of an annual social report (Graafland et al., 2003). According to Andersen and Skjoett-Larsen (2009), employment of code of conducts is the most visible CSR activity in supply chains. The overall theme emerging from these studies show that self-regulation is the most popular and visible activity type.

Another popular activity is the use of the existing standards and certification like the International Organization for Standardization (ISO) certificates that are measured by external organizations (Jenkins, 2006; Graafland et al., 2003) or the Global Reporting Initiative (GRI) guidelines (Christensen et al., 2021). As CSR activities are mainly voluntary, the ISO has developed an international standard, ISO 26000, which provides direction for companies' CSR activities (ISO, 2010). The key subjects and issues addressed by ISO 26000 are organizational governance, labour practices, the environment, fair operating practices, consumer issues, community involvement and its development (ISO, 2010).

Thus, despite voluntary nature of CSR, third parties provide some directions for companies' activities.

More specific internal CSR practices are e.g. workplace healthcare provision, addressing equal opportunities in hiring (Santos, 2011), or recycling schemes and pollution reduction (Jenkins, 2006). Supplier control activities can include surveys, direct or third-party inspections (Cilliberti et al., 2008), and social auditing (Short & Toffel, 2020). Social auditing means the process of measuring, evaluating, reporting, and adapting CSR impact and actions based on stakeholders' needs (Graafland et al., 2003). The academic literature shows that CSR activities often focus on internal operations or distant monitoring of partners. However, some of these activities can be mandatory in some countries and, hence, fall under the legal activities.

2.4 CSR Outcome GAP

Currently, there is a gap between CSR activities and positive responsible outcomes (de Colle et al., 2014), which is reflected in the actual results of the activities. Moreover, there is a pattern where the outcomes are sometimes even undesirable (de Colle et al., 2014). According to both Distelhorst et al. (2017) and Kano et al. (2020), some of the most common undesirable outcomes happen in GVCs and are e.g. inequality, weak labour and safety standards, environmental damage, and even crises and disasters. Thus, this sub-chapter examines the gap by showing examples of ongoing problems.

Tax avoidance is common especially in global supply chains (ITUC, 2016), despite tax paying being the basis of sustainable business (Porter & Kramer, 2011). Hoi et al. (2013) discover that socially irresponsible companies are usually the ones aggressively avoiding taxes. Companies avoid paying taxes e.g. by manipulating transfer pricing (ITUC, 2016). For instance, during 2016 Apple Inc moved approximately 50 billion dollars offshore and didn't pay any taxes for those funds (ITUC, 2016). Overall, Apple Inc has avoided paying 56.9 billion dollars of taxes to the U.S (ITUC, 2016). According to Bird and Davis-

Nozemack (2018) tax avoidance weakens social, regulatory, and organizational shared resources.

Intended law violations occur despite heavy regulations and penalties. For example, corporate scandals such as Nike's sweatshops and child labour scandals in 1990s and early 2000s (ITUC, 2016), Rana Plaza factory collapse in 2013 (Taplin, 2014), and Volkswagen's Dieselgate scandal in 2015 (Boiral et al., 2022), show that global companies are persistently going against the law for the good of their business profits. This results not only in violated law compliance but also in broken trust, weakened basic human rights, unethical practices, and intensified environmental damage.

Greenwashing, and in other words false sustainability claims, is at its highest peak of all time (Mongomery et al., 2024), and only few of the global corporations act as sustainably as they claim (Andersen & Skjoett-Larsen, 2009). For instance, some organizations are publicly announcing their aim for carbon net zero targets. According to the UK-based non-profit InfluenceMap (2023), 93% of companies disclose net zero claims on their websites but only 8% of companies have set a Science Based Targets initiative (SBTi) net zero targets. Consequently, false advertisement results in unethical commercial practices, broken trust, and the environment is not as sustained as claimed.

Misleading reporting is increasing because CSR ratings relying on surveys and companies' self-reported code of conducts are inaccurate (Graafland et al., 2003). According to Porter and Kramer (2006), self-reports without external verification, are manipulated to reflect companies' interests. For instance, Graafland (2003) finds that 62% of Dutch large companies declare having an annual social report, and critiques whether they can be trusted. Further, Michelon et al. (2015) find no relation between CSR reporting practices and disclosure quality. This results in an abundance of meaningless reports and selectiveness in communicated information (Michelon et al., 2015; Porter & Kramer, 2006). Together, these findings show that stakeholders are currently being misled by the abundance of unreliable reports, thus, resulting in loss of trust.

Chronic overtime appears especially in upstream production (Anner, 2020). Anner (2020) finds that in in Bangladesh, the second biggest clothing supplier in the world, an average work week is 63,49 hours, where 77,2% of the overtime is forced. Moreover, based on International Trade Union Confederation Frontlines Report (ITUC, 2016) global organisations such as Hewlett-Packard (HP) have been facing accusations for chronic overtime where 17% of HP's final assembly supplier employees work over 60 hours per week. The evidence shows that chronic overtime is common in upstream production, which proves that currently companies are practicing unethical business and violating basic human rights.

Modern slavery is surprisingly common in developing supplier countries (LeBaron, 2021) but might not be that visible compared to other CSR issues (New, 2015). For example, local suppliers in India are most concerned about social sustainability dimensions such as child labour and dept slavery (Mani et al., 2016). Based on GRI report (World Bank Group, 2024), India is the second most popular supplier country in the world, which shows the extent of the problem. As this issue might concern countless manufacturers operating e.g. in India, these findings indicate that modern slavery is present in GVCs despite its invisibility.

Fatal occupational injuries have been the highest in the world in India in 2025, happening approximately 116,8 times per 100,000 workers (ILO, 2025). Moreover, one of the greatest garment factory disasters, where over thousand people were killed by collapsing building that was built while violating regulations, happened in Rana Plaza in Bangladesh (Taplin, 2014). While tragic outcomes like this happen, global companies with suppliers and production in developing countries are aggressively violating the law, ethical practices, basic human rights and exploiting local communities.

Pollution and carbon emission is on the rise within GVCs. Between 2012 and 2022 supply chain exportation of environmental products has grown by 30% and in low economy

countries by up to 50% (OECD, 2015). Additionally, over 50% of corporation's carbon emissions comes from upstream production (AT Kearney, 2011). Furthermore, in Dieselgate scandal (Boiral et al., 2022), Volkswagen had installed software devices into vehicles that allowed them to pass emission tests while emitting 40 times more pollution than legally allowed in the U.S (Jung & Sharon, 2019). An emerging theme suggests that companies are intentionally polluting and emitting emissions despite legal obligations.

The reality is that intended outcomes of CSR don't get fulfilled on any level of the triple bottom line. All the current outcomes overlap and violate intended outcomes to some level, despite social expectations and legal obligations. Moreover, most of the violations happen in complex GVCs in upstream production and some of them are not even visible.

3 Why Does the Gap Exist?

This chapter analyses the reasons for the existence of activities-outcomes gap. First, the gap is examined by analysing company-level actions and their motives and activity characteristics. Secondly, activities in global value chains and their problems are examined. Lastly, the evidence is connected to the decoupling theory, which helps explain the causal mechanism of the existing gap.

3.1 Company Activities Perspective

Several studies argue that companies are adopting symbolic CSR instead of desired substantive (Michelon et al., 2015; Short & Toffel, 2020). Symbolic CSR refers to a situation when to meet social values and expectations, company acts to appear as consistent, instead of changing its core operations (Ashforth & Gibbs, 1990). According to Michelon et al. (2015) there is no relation between CSR practices and disclosure quality, which confirms that CSR activities are used in a symbolic way to appear as committed. Therefore, the reasons for this behaviour are studied next.

3.1.1 Poor Measurement

Measurements used by companies fail because they often end up measuring unmeasurable (Boiral & Henri, 2017; de Colle et al., 2014). Jenkins (2006) discover that companies find CSR measuring problematic as it is challenging to quantify intangible activities. For example, approximately 50% of GRI indicators are using quantitative measures whereas most of the information is based on either qualitative data or the combination of both (Boiral & Henri, 2017). On the contrary, Waddock and Bodwell (2004) argue against immeasurability and propose that e.g. social auditing could help companies recognise possible resource waste and GRI reports could help establish stronger reporting structures. Still, some activities need qualitative measurement like human and labour rights (Waddock & Bodwell, 2004). While no clear understanding and direction is present on how

companies can measure qualitative information, the measurement results cannot be connected to the outcomes.

Companies often become too concentrated on measuring numbers instead of meaningful decision-making (de Colle et al., 2014). Porter and Kramer (2006) criticize common CSR measures as unreliable and underline that when measuring philanthropic initiatives, often in dollars, the main point of real social impact is being overlooked. This issue can be relevant in substantive and certifiable standards such as SA8000 (de Colle et al., 2014), which addresses human rights (Yawar & Seuring, 2017). Or, e.g. when measuring human capital through counting employee training hours, the focus on the quality of those hours can be lost (de Colle et al., 2014). Seidl (2007) propose that while there is no institutional control over the quality of the compliance, companies will perform the regulations on the superficial level instead of implementing CSR in practice.

3.1.2 Symbolic Policy Adoption

Companies often perform CSR out of motives unrelated to intended outcomes of CSR, which leads to symbolic activity and policy adoption. Most studies underline that one of the motives for symbolic policy adoption is companies' reputation seeking (Graafland et al., 2003; Kramer & Porter, 2011; Krüger, 2014; Short & Toffel, 2020). Indeed, a pattern where companies' CSR activities lead to reputational outcomes can be examined (Aguinis & Glavas, 2012). For instance, customers' might boycott products and services that don't align with social standards (Helmig et al., 2016) and shareholders can affect a company's stock market value negatively (Krüger, 2014). Kramer and Porter (2011) emphasize that it has become universally accepted to invest resources into CSR as part of business' reputation management and any expenses that go beyond mandatory are treated as unnecessary waste of shareholders' funds. Together, these studies indicate that stakeholder pressure motivates companies to use CSR as a reputational risk management tool.

Symbolic policy adoption is further used as a misleading and risk management tool. Freeman and Dmitriyev (2017) note that misleading information is often rooted in companies' self-centred motive to cover their wrongdoings. For example, extensive number of reports are believed to have a concealment effect (Michelon et al., 2015). As the concerns for the future increase with every year and more pressure is put on companies (Koberg & Longoni, 2019), it creates demand to communicate information that protects business from scandals. For example, a company might falsely communicate their participation in CSR in hopes of improving their brand image or appealing to potential customers (Kim & Davis, 2016). However, misleading communication, can lead to completely opposite results than what companies are aiming for, such as damaged reputation (de Colle et al., 2014). This shows that while the possibility of symbolic CSR exists, even companies do not necessarily benefit from it. The theme emerging from the literature suggests that misleading communication is a result of an external pressure and companies' survival instincts, but it can also backfire.

Another reason for symbolic policy adoption is the motive of financial benefits. Bromley and Powell (2012) emphasize that companies' rational attitude is to avoid implementing any additional efforts that don't straightforwardly affect their financial results positively. Thus, they strive to maximize the profits from CSR while doing as little as possible. Indeed, there is some evidence on the positive financial benefits from CSR implementation. Studies reveal that 59% of the companies' sustainability activities lead to greater financial results (Peloza, 2009), but they rarely are a source of sustainable competitive advantage and thus shouldn't be the main motive (Aguinis & Glavas, 2012; Vogel, 2010). According to Vogel (2010) it is relatively easy to portray a company as responsible, but it is also relatively easy for competitors to copy each other. He underlines that it is difficult to stand out when CSR is implemented as part of marketing and reputation strategy and further raises a problem of companies' valuable CSR resources going to waste without real contribution. These studies indicate that companies' rational goal of making profit currently conflicts with CSR goals, which leads to symbolic policy adoption. However, the goal of maximizing profit is not sustainable and may not be even achieved.

Several studies show that currently companies are adopting policies symbolically out of legitimacy reasons (Aguinis & Glavas, 2012; Jenkins, 2006; Short & Toffel, 2020). Legitimacy theory clarifies the relationship between an organization and its social environment (Dowling & Pfeffer, 1975) and explains why corporations seek to engage in voluntary CSR. According to Suchman (1995, p. 574): "Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions." Dowling and Pfeffer (1975) hypothesize that larger and visible companies tend to engage more often in legitimating actions as they receive more social and political benefits from it. The theme emerging from these studies overall suggests that symbolic policy adoption is rooted in companies motive to fulfil social expectations, protect its legitimacy, and receive benefits for it.

3.2 Global Value Chain Activities Perspective

On average, 60% of enterprises' production is outsourced (Ağan et al., 2016), and often to suppliers from developing countries with weak regulations and labour standards (Andersen & Skjoett-Larsen, Ciliberti et al., 2008; 2009; Short et al., 2020). As established in the sub-chapter 2.4, the damage and violations often happen inside complex global value chains, which underlines the importance of examining the gap from this perspective. Hence, in the following parts the problems of companies' activities inside GVCs are examined to find a common factor that explains the inability to solve global problems.

3.2.1 Company-Centric Implementation

While outsourcing, companies negotiate lower prices with suppliers at the cost of local employees' well-being (Ciliberti et al., 2008). Short et al. (2020) argue that global organisations exploit vulnerable suppliers, from developing countries. On average, Bangladeshi supply worker receives 0,18€ for every shirt sold for the price of 29€ (ITUC, 2016). Taplin (2014) argues that Western consumerism and demand for cheap labour is the core

reason for global tragedies such as Rana Plaza scandal. Both LeBaron (2021) and Taplin (2014) state that global accidents and labour abuse are part of a larger structural phenomenon. Factors such as poverty, identity, discrimination, low labour standards, and mobility restrictions create a group of vulnerable people that often end up in labour like this (LeBaron, 2021). A theme emerging from this literature shows that the global business model creates a situation where competing companies outsource production to meet customers' demand while local workers suffer. Due to the systemic problem of labour market in developing countries, companies are unable to make decisions that benefit local communities. Or, if they do, they may lose out to competitors in the same market who will take their place and continue to do business on the original terms.

Social pressure forces both suppliers and manufacturers to perform symbolically and self-centredly. Vogel (2010) notes that CSR regulations are a burden for developing countries, raising costs without returns on investments. Further, Short et al. (2020) state that suppliers from countries with weak regulations don't have enough resources and encouragement to effectively implement responsibility requirements. Even if those suppliers would implement some codes and monitoring, they would still often end up symbolic and misleading (Short et al., 2020). If the supplier fails audit, manufacturer withdraws the production in fear of getting caught working with irresponsible supplier, instead of helping the supplier to fix the problem (Fang & Cho, 2020). Hence, to survive, small companies might form relationships with inspectors, leading to further problems like bribery and corruption (Vogel, 2010). This shows that the lack of resources and external pressure forces suppliers to perform symbolically to survive. Whereas manufacturers are discouraged to help their partners to achieve responsibility due to the pressure from policies emphasizing following strict rules.

3.2.2 Inability to Control Value Chains

Even if a focal company tries to enable sustainability in the value chain, it may still fail. According to Kim and Davis (2016) even larger companies that implement substantive CSR, are unable to control their production. For example, based on their research 76%

of respondents didn't know the origin of the raw materials used in their production. Furthermore, they emphasize that some companies don't even know their suppliers under their brand. Some voluntary standards like SA8000 might force their primary suppliers to reduce some violations but it doesn't consider the risk of those primary suppliers further outsourcing their production to unknown suppliers that might violate the same requirements (Ciliberti et al., 2008). This further results in higher risk of audit frauds and weak verification (LeBaron, 2021). Primary supplier might look responsible on the paper when the same damage and responsibility has been forwarded to the next supplier in the same chain. This evidence suggests that companies are unable to force and control suppliers on different levels of the chain due to complexity of GVCs.

Focal companies do not have sufficient tools to ensure sustainability in their value chains. As stated in the sub-chapter 2.3, most of the voluntary and mandatory policies are related to monitoring suppliers from distance. Due to the nature of CSR policies, companies' activities are often ignoring direct connection to production and rather concentrating on operational systems (Bromley & Powell, 2012) and measurement. Managers in the GVC's are not directly communicating and collaborating with their suppliers but instead trying to control them through assessment and indirect management, which is ineffective approach in facilitating responsible working conditions (Koberg & Longoni, 2019). Sancha et al. (2016), substantiates these claims and further finds that there is no connection between monitoring suppliers' CSR actions and their actual performance. Overall, this literature shows that focal companies are unable to control their partners due to ineffective policies that direct their focus on wrong things. Although the policies might encourage focal companies to follow them and achieve good results, the policies are concentrated on companies' activities and not on the outcomes.

3.2.3 Governance & Cultural Differences

National governance differences and power asymmetry allows global companies to adapt policies for their needs. Andersen and Skjoett-Larsen (2009) note that big manufacturer companies have the control over the market and key resources. They underline

that focal companies in GVCs can almost freely decide what, how, and to whom should be produced. Moreover, some huge corporations, like Walmart, have not only economic power but also social and political power that gives them advantage of creating new "legislations" allowing them to work as they desire (Anner, 2020). Interested groups taking advantage of uninformed decision makers and influencing them to adjust policies reflecting a company's interests is a lobbying problem (Schnakenberg, 2017). For instance, in the case of Rana Plaza, one of the factory owners were found to have straight connection to local mayor, whose cooperation resulted in escalated disaster (Taplin, 2014). This evidence shows that if GVCs are not controlled on a global level, they will use their power and exploit weak governance of developing countries to advance their own needs and goals. If a company adapts policies to suit its needs, its actions might look good at the policy level, when they violate sustainability.

Understanding and implementing CSR activities is impacted by local culture, context, and traditions (Dahlsrud, 2006; Gjølberg, 2009; Matten & Moon, 2008). CSR can mean for example volunteering activism or anti-corruption initiatives (de Colle et al., 2014). Some studies even suggest that CSR does not occur in some parts of the world (Anner, 2020; LeBaron, 2021; Wirba, 2023). For instance, in the context of 20 OECD countries, the highest amount of national CSR practices is in Switzerland and Nordic countries whereas the lowest number is in the USA, Greece, and Austria (Gjølberg, 2009). Furthermore, Ciliberti et al. (2008) state that due to the communication gaps and cultural differences, firms are unable to ensure positive outcomes in GVCs. For example, due to the market pressure, local politicians in developing countries might ignore social problems and withdraw strict regulations in fear of losing orders to competitors (Taplin, 2014). Hence, while e.g. Nordic companies may set goals that reflect their local norms, when operating in developing countries they may need to change their operations to meet local standards. Consequently, altered operations might not meet original ones, resulting in violations.

Further problem of cultural differences is the Western approach to CSR. As stated in the sub-chapter 2.3, CSR is dominated by Western understanding and there is not enough

knowledge about local nuances in developing countries. This can lead to a situation where a company implements CSR substantially, but it doesn't translate into desired outcomes (de Colle et al., 2014). Wijen (2014) emphasizes that when a company adopts CSR substantially and stops e.g. all child labour in their production, the results might not be that desirable. According to Fair (2012), poor families want their children to go to school instead of working, but if the child labour ends, their family won't have the money to send their children to school. Wijen (2014) underlines that especially in the case of banning child labour, performance-oriented policies are unable to enforce real system improvements. The theme emerging from the literature suggests that while CSR and its policies have a Western perspective on global problems, companies' actions are not leading to desired results. While ending child labour is a valid goal, from the perspective of developing countries it would mean even worse poverty, highlighting the existence of systemic problems that current structure of CSR cannot fix.

Incentives for free riding is another systemic problem happening globally that voluntary CSR fails to address (Aragòn-Correa et al., 2020). As stated in the sub-chapter 2.3, CSR is commonly recognised as voluntary concept, which can create general believe that someone else will take care of the global problems. According to Calveras et al. (2007), free riding occurs because individuals feel like their sacrifices are not impactful enough to fix the core problem, hence, it's not worth doing. By believing that the outcomes are not in their power, companies create false desired outcomes of CSR, withholding impactful activities. Voegtlin and Pless (2014), substantiates these claims and further states that free riding appears due to the nature of compliance and monitoring of CSR. The differences in governance practices observed earlier in this thesis also reinforce free-riding effect, as some companies may adhere to strict CSR rules due to their local governance, while others benefit from shared resources as free riders because there are no strict rules in their country. Together, these findings show that while CSR and its policies are voluntary, they do not provide guidelines and tools for everyone around the world to work together towards a common goal.

3.3 Decoupling as an Explanatory Mechanism

Business and society must be examined as one whole phenomenon (Freeman & Dmitriyev, 2017; Freeman & Liedtka, 1991; Porter & Kramer, 2006). Yawar and Seuring (2017) find that most academical research related to social sustainability addresses both economic and social issues which underlines the inseparability of both concepts. Porter and Kramer (2006) further argue that CSR fails because of businesses and society being separated as two different phenomena's when they are interdependent. Decoupling mechanism clarifies this separation and explains why companies' activities don't represent intended outcomes. According to MacLean and Behnam (2010), companies decouple in response to external pressure of legitimacy and stakeholders to survive and meet their expectations. In this thesis, two different approaches to decoupling have been utilized: policy-practice decoupling and means-ends decoupling (Bromley & Powell, 2012; Halme et al., 2020), see Figure 2. According to Halme et al (2020) by recognizing and analysing decoupling, broken link between inseparable activities can be found.

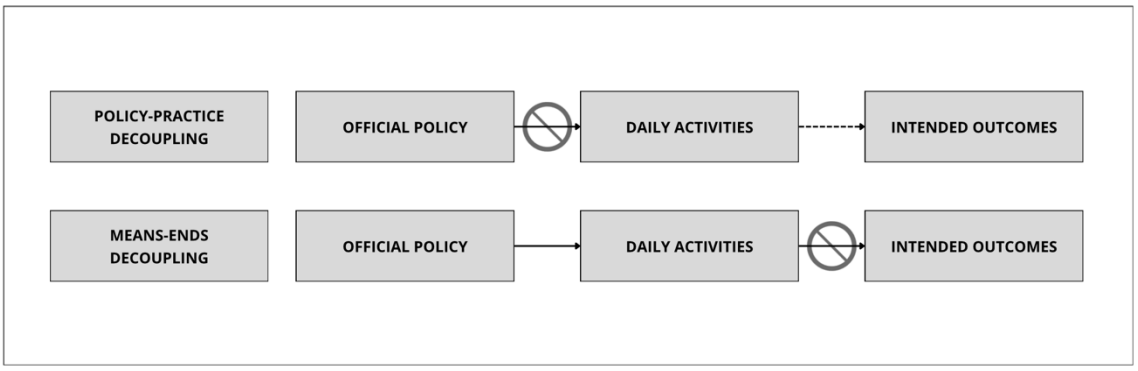

Figure 2. Policy-Practice & Means-Ends Decoupling (Adapted from Bromley & Powell, 2012)

3.3.1 Policy-Practice Decoupling

Policy-practice decoupling occurs as a broken link between official policy and daily activities (Halme et al., 2020), see Figure 2. It explains the mechanism behind symbolic policy adoption or when the policies are implemented so poorly, they are not actually executed

at all or have only little changes in everyday activities (Bromley & Powell, 2012). As shown by the dotted arrow in Figure 2, the intended outcomes may or may not be achieved (Bromley & Powell, 2012). According to Bromley and Powell (2012) policy-practice decoupling allows a company to symbolically adopt several policies in reply to external pressure without having to go through the effort of executing them.

Bromley and Powell (2012) assert that policy-practice decoupling appear as systematic violation of official rules and as superficial measuring that doesn't provide relevant information. Concrete activity can be e.g. companies setting performative code of conducts but not taking responsibility for the harmful actions outside the communicated efforts (Distelhorst et al., 2017). The company level activity problems found in the sub-chapters 3.1.1 and 3.1.2 are, therefore, explained by the policy-practice decoupling mechanism. The activity problems recognised include superficial measuring and symbolic policy adoption motivated by reputation, risk management, profit, and legitimacy motives. Additionally, evidence found in the sub-chapter 3.2.1 propose that symbolic policy adoption happens also within suppliers in GVCs due to survival needs and lack of resources.

Graafland and Smid (2019) find that the quality of policies has impact on the way CSR is implemented. They find that the more poorly controlled policies are present, the more policy-practice decoupling occurs. Although, they note that weak policies are better than non-existing ones. According to Bromley and Powell (2012) policy-practice decoupling becomes especially probable when activity is motivated by legitimacy, not enough resources are available, external goals don't match with the internal ones, and the concept is unclear. The sub-chapter 2.2 provides evidence that currently CSR concept is ambiguous, thus, confirming the premise for policy-practice decoupling. The study overall suggests that the core reason for policy-practise arise due to structural problems of ambiguous CSR concept and weakly enforced policies that pressure companies beyond their capabilities and internal motivation.

3.3.2 Means-Ends Decoupling

Means-ends decoupling, on the other hand, occurs as a broken link between daily activities and intended outcomes (Bromley & Powell, 2012), see Figure 2. It explains the mechanism behind companies symbolic or substantive CSR implementation which are not connected to intended outcomes, thus, not achieving them (Bromley & Powell, 2012; Graafland & Smid, 2019; Halme et al., 2020). As shown by the sign in Figure 2, there is little or no relation to intended outcomes (Bromley & Powell, 2012). This type of decoupling often happens in the context of complex relationship between means and ends (Bromley & Powell, 2012; Wijen, 2014).

Several studies underline that policies are implemented but not fully connected to the core values of businesses' activities (Bromley & Powell, 2012; Haack & Schoeneborn, 2015). Sometimes policy implementation might even be genuine (Wijen, 2014). According to Bromley and Powell (2012) means-ends decoupling can appear as executing variety of different activities without understanding its effects and measuring something that cannot be observed. Such actions can be related to financial benefits' calculations, performance and effectiveness measures, and organizational changes (Haack & Schoeneborn, 2015). According to Bromley and Powell (2012) it can also occur as companies changing their CSR policies to represent their needs. The activities of focal companies in GVCs analysed in sub-chapters 3.2.1 and 3.2.2 are, hence, explained by the means-ends decoupling mechanism. The recognised activity problems include company-centric implementation, inability to control value chains, and governance and cultural differences.

The reason for means-ends decoupling lays in a wider system where control and punishments pressure is present (Bromley & Powell, 2012). Graafland and Smid (2019) underline that legitimacy pressure fails to provide quality tools for implementation of CSR. Thus, results in a situation when companies end up measuring unmeasurable. The evidence of this phenomenon is also found in sub-chapter 3.1.1, which points to a structural problem in CSR policies. According to Bromley and Powell (2012) means-ends decoupling is most likely to happen when responsibility expands onto wider scale, impact is hard to

measure, law emphasizes actions over outcomes, internal activities try to address external problems, and the established system is dysfunctional. Also, the lack of clarity about what CSR activities should address (Graafland & Smid, 2019), and governance and cultural differences increase this type of decoupling (Bromley & Powell, 2012). Together, the literature suggests that in means-ends decoupling, a company is unable to address system-level problems and control the complexity of GVCs due to the structural problem of CSR that pressures a company towards performance rather than the outcomes.

4 What Could Help Bridge the Gap?

It is inevitable that the root cause for global problems situates in complex GVC systems (Andersen & Skjoett-Larsen, 2009), and voluntary CSR is not helping fix them. Wang et al. (2020) propose that for CSR to work it needs to be redesigned to move away from examining instrumental values to analysing more carefully the means through which society could benefit the best. CSR standards should provide enough guidance both on substantive and the process aspects (de Colle et al. 2014). For this reason, this chapter analyses literature suggestions for systemically reducing the activities-outcomes gap.

4.1 Mandatory Regulation

Voluntary CSR doesn't change a company's behaviour nor benefit the world (Kim & Davis, 2016) because firms will aim to avoid any additional policies (Vogel, 2019). Hence, Kim and Davis (2016) suggest that for companies to take better responsibility on all levels of the value chain, regulations and policies are needed. Williamson et al. (2006), substantiates these claims and further states that stricter mandatory regulations could help bridge the gap between firms' symbolic actions and society's interests. In essence, these studies suggest that structural problems of CSR's voluntary nature and weak policies could be reduced with stricter mandatory regulations.

As companies are currently unable to compensate for caused damage (Kitzmueller & Shimshack, 2012), happened due to systemic problems, government has a vital role in ensuring corporations do so (Christensen et al., 2021; Montgomery et al., 2024; Wirba, 2023). Government has the power to control and fix collective action problems and free riding with variety of regulation and taxation (Kitzmueller & Shimshack, 2012). Aragòn-Correa et al. (2020) find that governmental legislation is the most effective way to control businesses' responsibility as firms follow the law out of fear and pressure. Short et al. (2020) also find that pressure to be exposed improves companies' commitment to CSR. However, recommendations vary on how binding the policies should be. Alternatively,

Short and Toffel (2010) find that surveillance is an effective way to regulate companies, unlike sanctions and threats that have symbolic outcomes. The theme emerging from the literature overall suggests that government should be more actively involved in enforcing systemic change and that surveillance could reduce symbolic activities.

Kim and Davis (2016) underline that legal control is the most effective way to achieve value chain accountability. Government's legal instruments can be for example laws, directives, and regulations, that are based on state's legislation and juridical power (Steurer, 2010). Porter and Kramer (2011) point out that mandatory regulations can stimulate companies' long-term commitment to value creation, but underline that it can't be excessively compliance oriented. The UK is a good example of a country that has fostered successful CSR practices through governmental power by establishing a minister of state responsible for CSR (Wirba, 2024). Downar et al. (2021) demonstrate that in 2013 in the UK's carbon disclosure mandate, listed companies managed to reduce their emissions by 8%, proving the effectiveness of government's mandatory regulations. However, Steurer (2010) observes that there is not enough research done on the effectiveness of CSR policies as many countries have not been active in implementing them yet. Overall, the studies provide clear evidence of the effectiveness of government's legal instruments if not too compliance oriented, but further research is still needed.

It can be examined that companies' motivation for complying with CSR is rooted in their core purpose of creating financial value (Friedman, 1970). Hence, there might be a need to target that pain point with the government policies. Steurer (2010) introduces economic instruments like taxes, tax reliefs, and grants, that are based on taxing authority and financial motives. These instruments can introduce policies with legal sanctions if not complied with (Jackson et al., 2020). According to Bird and Davis-Nozemack (2018) sanctions consequently to hard law tax violations are not effective, but rather monetary penalties should be used as they put a company's liberty at risk and makes them substantially consider not to engage in misconduct.

Government's mandatory legislation should cover both public and private companies, making it more efficient than in present (Christensen et al., 2021). Steurer (2010) states that the minimum requirements of CSR are only obligatory to those who already follow them voluntary, but if the requirements become legally obligating, everyone will be forced to follow them. He further notes that mandatory policies can give a clearer direction for companies' proactivity in CSR. Though, it is notable that mandatory regulations have more damaging impact on small companies (Williamson et al., 2006), rather than on global corporations that are often responsible for the sustainability problems. The overall suggestion rising from the literature propose that all companies should be put under mandatory control, which could provide clearer directions for understanding the current structurally ambiguous concept of CSR. However, the greatest control should be directed towards international corporations.

4.2 Third-Party Cooperation

Koberg and Longoni (2019) suggest that due to GVC's complexity there might be a need to partner with third parties like Non-Governmental Organizations (NGOs) instead of seeing them as enemies. They find that especially close collaboration between suppliers and third parties is essential in supplier compliance and overall responsibility. NGOs are nowadays expanded on a global level and are actively challenging global companies to take better accountability (Vogel, 2010). These movements often include participants like unions, environmental organizations, social activists, consumers, students, and socially aware institutional investors (Vogel, 2010). Those activists aim to pressure Western countries to improve CSR in developing countries on a global scale (Vogel, 2010). Together, these studies propose that third party collaboration, especially from supplier perspective, could be helpful tool for managing complexity of GVCs.

Private regulations are policies that expand beyond legislation with an aim to close the gap between national governance capacities and emerging international problems (Vogel, 2010). These regulations are often controlled by domestic or international NGOs and

can for example publicly shame globally irresponsible companies in form of social activism (Vogel, 2010). Alternatively, if the company chooses cooperation, NGOs can help them by providing directions and support for CSR execution (Vogel, 2010). However, private regulations need to be implemented together with mandatory regulations, otherwise the impact will be weak (Aragòn-Correa et al., 2020; Kitzmueller & Shimshack, 2012). The overall suggestion arising from this literature indicates that private regulation can bring additional reinforcement alongside local hard laws and help compensate for the current national governance differences in GVCs.

Due to universal approach of government regulations that might not work in every context (Jackson et al., 2020), there is a need for soft law that can compensate for hard law limitations (Bird & Davis-Nozemack, 2018). According to Terpan (2015), soft law refers to non-binding regulatory mechanisms that don't use legislative sanctions and is usually enforced by global organisations such as the United Nations. Soft law is essential especially in developing countries with fragile state where CSR is inexistent (Wirba, 2023). When the starting point is that government regulations are not working, the approach needs to adapt to local circumstances (Wirba, 2023). Vogel (2010) states that in developing countries soft law is undoubtedly more effective than labour rights, human rights, or environmental policies. Still, to make a systemic change in developing countries, the regulations need to be compared to real policies and integrated into local regulations (Vogel, 2010). Together, the literature propose that soft law should be used to address systemic problems in developing countries, considering the nature of local government and cultural differences.

5 Conclusions

This chapter presents the conclusions of this thesis. First, summary of the findings is presented with the answers to research questions. Then, limitations and future research suggestions are concluded.

5.1 Summary of the Findings

The main objective of this study was to *analyse why there is a persistent gap between CSR actions and intended outcomes.* In the Figure 3, the main findings of the study are presented. To achieve the objective, three sub-questions were established to help examine the research topic.

The first sub-question focused on establishing *how the activities-outcomes gap appears.* The study showed not only the existence of the gap, but also that current outcomes are damaging to the planet, people, and profit. Despite promising CSR activities, the real damage appears as tax avoidance, law violations, greenwashing, misleading reporting, chronic overtime, modern slavery, fatal occupational injuries, pollution and carbon emissions. Additionally, the violations appear particularly in global value chains. The activities-outcomes gap is illustrated in the Figure 3.

The second sub-question aimed to find out *why the gap exists from a company and global value chain perspective.* On the company level, symbolic policy adoption and superficial measurement appear to be the cause of the current situation. The study connected these findings to policy-practice decoupling which explains the causal mechanism behind the problem. Due to ambiguous CSR concept, lack of resources, weak policies, and mismatch between goals, companies adopt false activities for surviving reasons. Because the activities are never implemented or are poorly executed without external verification, the intended outcomes are rarely achieved, which explains the existence of the gap. These findings are illustrated in the Figure 3.

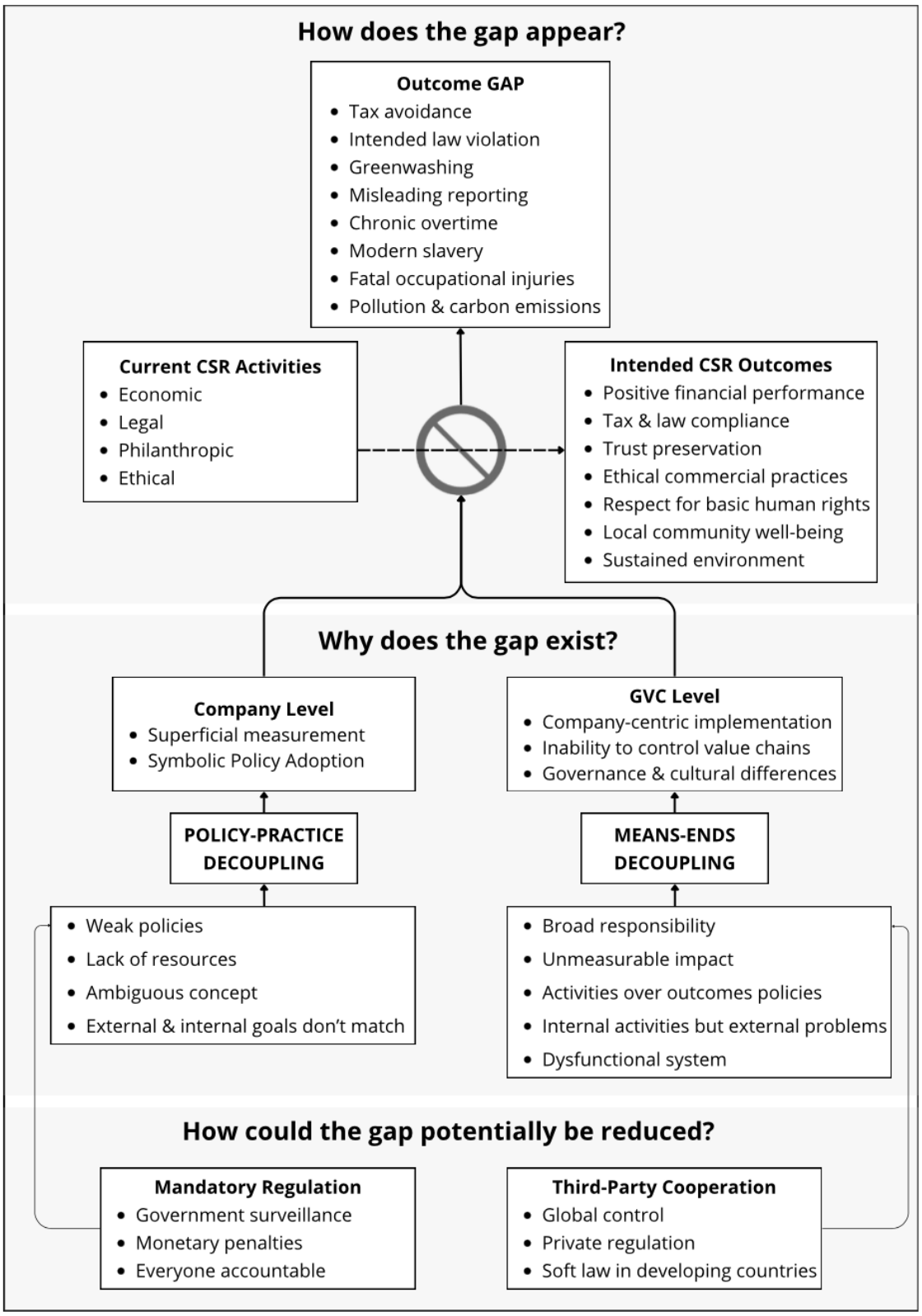

Figure 3 Findings of the Study

From the GVC perspective, the study showed that company-centric implementation, inability to control value chains, and governance and cultural differences appear to be the cause of the escalation of global problems. The study connected these findings to means-ends decoupling which explains the causal mechanism behind the problem. Due to broad responsibilities, unmeasurable impact, activity-driven policies, approach mismatch, and dysfunctional system, focal companies are unable to connect their activities to positive outcomes in complex system, even if they execute CSR substantially. Because implemented activities are not connected to the intended outcomes, they never get accomplished. This explains the existence of the gap. These findings are illustrated in the Figure 3.

The third sub-question analysed *how the gap could potentially be reduced*. The study suggested that the structural problem of CSR's voluntary nature and its weak policies could be reduced by governments' mandatory surveillance and by making all sized companies obligated to participate in CSR. The problem of CSR's systemic inability to control complexity of GVCs could be reduced through cooperation with third parties. Additional finding indicated that developing countries may need a different approach, such as soft law, to promote systemic change at all levels of the value chain. These suggestions are illustrated in the Figure 3.

Together, these findings address the main objective *why there is a persistent gap between CSR actions and intended outcomes.* Currently, the activities-outcomes gap arises because companies' voluntary CSR activities do not lead to the intended outcomes and instead create even more damage to the world. Global problems are hidden inside complex global value chains and companies do not have the right tools and encouragement to fix them, which leads to decoupling. The root cause of the activities-outcomes gap lays in structural and systemic problems that the current concept of CSR fails to fix. Hence, CSR does not work.

5.2 Limitations & Future Research Suggestions

The current dominance of Western countries in the CSR literature and the lack of supplier perspective calls for future research that looks at CSR from another perspective. Based on this study, it appears that the concept of CSR focuses on fixing problems visible to the outside world, such as the use of child labour, but it does not look deeper than the surface, seeing that the core problem may lie in systemic problems such as poverty. Hence, it is necessary to examine deeper system problems, and approach CSR from the perspective of developing countries and their best interests.

Another suggestion for future research calls for a more in-depth analysis of mandatory CSR policies. This study found that mandatory regulations have the potential to address some structural problems resulting in symbolic CSR, suggesting that policies need to be generalized and improved to demonstrate their effectiveness. Therefore, there is a need to analyse more existing mandatory practices to potentially shift CSR away from voluntary nature and serve as an example for the rest of the world.

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