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When Does a Corporate Social Responsibility Initiative Provide a First-Mover Advantage?

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Theory and research on corporate social responsibility (CSR) have been concerned primarily with identifying stakeholders, categorizing types of CSR initiatives, and linking corporate social performance to firm performance. In this conceptual article, the authors assess strategic CSR initiatives, inquiring into the conditions that might give rise to a sustainable competitive advantage in social performance. In what circumstances does a firm's CSR initiative create a first-mover advantage, and when should a firm prefer an early- or late-adopter position? Using the resource-based view and the asymmetries approach of first-mover advantages, the authors propose that for a CSR initiative to lead to a sustainable first-mover advantage, it must be central to the firm's mission, provide firm-specific benefits, and be made visible to external audiences. These strategic attributes generate internal sustainability and must be complemented to ensure external defensibility by a firm's ability to assess its environment, manage its stakeholders, and deal with social issues.

Keywords: *corporate social responsibility; first-mover advantage; corporate social performance; resource-based view; stakeholder management; sustainable strategic advantage*

Although marketers have long debated the first-mover advantage in garnering market share, a debate on the same concept in strategic management has focused on the attainment of competitive advantage and superior profit performance. The most significant development in this debate was Lieberman and Montgomery's (1998) argument that the resource-based

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view and the first-mover advantage literature complement each other and offer much potential for synergy in research on a strategic management model. However, strategic management is not limited to the market. Recent research and theory in the organizational literature have also identified nonmarket forces, social issues, and corporate social responsibility (CSR) as key areas of business activity and strategic concern (e.g., Baron, 1995; Freeman, 1984; Hoffman & Ocasio, 2001; McWilliams, Siegel, & Wright, 2006; Wood, 1991). The initial notion of "the social impact of business decisions" (Drucker, 1954, p. 381), or CSR, held that management's "first responsibility to society is to operate at a profit" (Drucker, 1954, p. 386). Although some might accept short-term costs as inevitable in meeting the firm's responsibility to society, CSR advocates assert it is possible for firm strategies to be aligned with societal objectives to generate benefits for the firm (Burke & Logsdon, 1996; Drucker, 1984; Epstein & Roy, 2003; Griffin & Mahon, 1997; Waddock & Graves, 1997).

Considering that CSR can be integrated into the strategic activities of business organizations (Burke & Logsdon, 1996; McWilliams et al., 2006), we ask the following questions: What conditions might contribute to the emergence of a first-mover advantage in adopting a strategic CSR initiative? When do early-adopter or follower roles provide better strategic positions? This article explores these questions and proposes a framework to identify which strategic CSR initiatives are likely to provide a first-mover advantage. We begin our investigation by delineating the parameters of CSR relevant for consideration of a first-mover advantage, arguing that strategic CSR initiatives are characterized by three attributes that create internal conditions for sustainability: (a) the *centrality* of the CSR initiative to the firm's mission, (b) the *specificity* of the benefits of the CSR initiative to the firm, and (c) the *visibility* of the CSR initiative to the firm's stakeholders. We then use Wood's (1991) three social responsiveness processes of environmental assessment, stakeholder management, and issues management to identify market and nonmarket asymmetries in organizational capabilities that form a basis for externally sustainable advantages. These processes furnish a conceptualization that supplements the static approach of describing CSR initiatives as strategic with ideas about how strategic advantages emerge as dynamic capabilities (e.g., Eisenhardt & Martin, 2000). The key contribution of our work is that it elaborates on an entirely new perspective for CSR research and business competition by providing a framework for predicting a first-mover advantage for a strategic CSR initiative. Our work moves beyond simply making the business case for CSR (Epstein & Roy, 2003) to articulate the conditions and capabilities through which business firms may engage in CSR initiatives that generate sustainable advantages in both economic and social performance for the firm.

Conceptual Background

First-Mover Advantage

Lieberman and Montgomery (1988) define "first-mover advantages in terms of the ability of pioneering firms to earn positive economic profits (i.e. profits in excess of the cost of capital)" going on to attribute this pioneering opportunity to "some unique resources or foresight, or simply because of luck" (p. 41). In their reflection 10 years later, they explicitly linked the first-mover advantage to the resource-based view of the firm, where a firm-specific resource or capability that thrusts a firm into being a first-mover can procure a sustainable competitive advantage (Hoopes, Madsen, & Walker, 2003; Lieberman & Montgomery, 1998; Teece, Pisano, & Shuen, 1997). The resource-based view is premised on the notion that competitive advantage is rooted in a basic heterogeneity of resources controlled by firms, where some gain an advantage because of the way they leverage their unique resources or bundles of resources (Barney, 1991). Lieberman and Montgomery (1988) similarly argue that first-mover effects do not arise unless there is some asymmetry in competitor capabilities and resources that one firm can exploit to its advantage when entering some new market. These distinctive resources should be rare, valuable, hard to imitate, and nonsubstitutable (Barney, 1991). In the limited circumstances where patent protection may be available, the risk of substitution cannot, however, be ignored as a potential competitive threat (Peteraf & Bergen, 2003).

A key premise of both first-mover advantage and the resource-based view is that the first-mover's advantage must be sustainable. The value of unique resources "is maintained by their inaccessibility to others" (Miller, 2003, p. 962), and it is the "inability of current and potential competitors to duplicate [a] strategy that makes a competitive advantage sustained" (Barney, 1991, p. 103). Therefore, when a pioneer firm fails to engage in ongoing enhancement or protection of the resources or capabilities that form the basis of its advantage, it is possible for later market entrants to catch up or surpass that firm (Barney, 1991; Golder & Tellis, 1993; Kerin, Varadarajan, & Peterson, 1992; Lieberman & Montgomery, 1998; Mueller, 1997). Similarly, a later entrant that merely replicates the first-mover's bundle of resources without affecting any unique enhancement will also not be able to achieve a sustainable advantage (Carpenter & Nakamoto, 1989; Miller, 2003).

First-mover advantages arise because a given firm may have existing resources or obtains an opportunity to build unique resources that form the basis of three generic types of asymmetries between the firm and its competitors. The first asymmetry exists as a preemption of resources, where the first-mover gains an advantage because it already possesses a key resource (e.g., inputs or capabilities) or is already located in a position to occupy a market niche through which it attains superior results compared to other firms (Lieberman & Montgomery, 1988). The resource-based view complements this basic proposition by explaining that the sustainability of such an advantage rests on the notion of a resource position barrier, where the first-mover's preemptive resource cannot be readily duplicated or substituted (Barney, 1991; Nehrt, 1996) and may adversely affect the cost structure of other competitors (Wernerfelt, 1984) or otherwise disadvantage rivals (Carpenter & Nakamoto, 1989; Kerin et al., 1992).

A second class of asymmetry arises because of learning-curve effects, where the first entry into a new market niche creates a lead-time advantage for developing experience and capabilities in the market domain that allow a firm to stay ahead of later entrants (Lieberman & Montgomery, 1988; Nehrt, 1996) and to reduce costs as experience is acquired (Mueller, 1997). In an environment where all information is public, all rivals or potential market entrants may observe the outcomes of the first-mover's experience (Henkel, 2002; Jensen, 2003). The first-mover's advantage because of learning-curve effects is thus contingent on the competitors' inability to imitate (Kerin et al., 1992) and on delays in their reaction time to the first-mover's learning outcomes (Gal-Or, 1985, 1987). This learning process also extends to stakeholder perceptions where the "successful early entrant can have a major *influence* on how attributes are valued and on the ideal attribute combination" (Carpenter & Nakamoto, 1989, p. 286), a factor that is of particular pertinence in situations where value judgments are ambiguous. When faced with commercial choices, the value that stakeholders attribute to a CSR initiative is translated by the preference they actually accord the initiator.

The third type of resource asymmetry touches the customers' cost structure, whereby a firm's pioneering entry into a new market or segment produces customer commitments in the form of switching costs, brand loyalty, or network externalities that allow the firm to maintain a hold on customers when rivals enter the market (Carpenter & Nakamoto, 1989; Kerin et al., 1992; Makadok, 1998; Robinson & Min, 2002). In the money-market mutual funds industry, where products are routinely imitated, Makadok found both price and market-share advantages to be sustainable for first-movers and attributed this success to the customers' perception of costs to switch. Where imitation is less evident, Robinson and Min compared the 10-year survival rate of 167 first-entrant market pioneers in industrial goods with 267 early followers to suggest the endurance of first-mover advantages and their role in industry standards for customers.

Last, it is important to consider the yardstick against which the performance of first and later movers is compared. Using meta-analytic techniques on a sample of 90 empirical tests, VanderWerf and Mahon (1997) found significant positive first-mover advantages when the performance measure was market share but not if it was firm survival or profitability. However, Nehrt's (1996) research on the timing and intensity of environmental investments in 50 chemical-bleached paper pulp manufacturers did show a first-mover advantage on profitability. Furthermore, his findings also found environmental regulations to have little impact whether the innovation was related to cost reductions or to enhanced sales.

Parallel to the first-mover advantage are so-called late-mover, or follower, advantages, which may occur when later entrants achieve distinctive product or service enhancements perceptible in the first-mover's market (Carpenter & Nakamoto, 1989). Other sources of late-mover advantage are scale economies and other cost savings (Golder & Tellis, 1993), such as the time compression diseconomies (Nehrt, 1996) of having to accelerate development. Accordingly, as research and development costs rise, the advantage has been found to lie with the followers (Hoppe & Lehmann-Grube, 2001), particularly where there is a consensus on the combination of ideal attributes (Carpenter & Nakamoto, 1989). Furthermore, under conditions of market uncertainty, it may be cheaper to imitate than innovate, favoring the free riding by followers "over" pioneers (Kerin et al., 1992; Lieberman & Montgomery, 1988), notably when the followers have alignable differences with the pioneers (Zang & Markman, 1998). However, where there is sufficient ambiguity as to what to imitate because of the subtleties or the complexities of the bundles of resources and capabilities (Hoopes et al., 2003; Miller, 2003; Peteraf & Barney, 2003), the threat of imitation is diminished.

CSR

The theory of first-mover advantage and the resource-based view of the firm are both concerned with the strategic competitive advantage of business firms in markets where the need for a sustainable economic advantage is implicit. However, today's business reality means that firms must act strategically, not just in their traditional product and factor market domains but also in their nonmarket environments (Baron, 1995, 1997; Burke & Logsdon, 1996; Freeman, 1984). Although no universal delineation may exist between market and nonmarket environments (Boddewyn, 2003), the complementarity of markets with the nonmarket "social, political, and legal arrangements that structure interactions" (Baron, 2003, p. 2) frames our distinction of *nonmarket*. The pertinence of the resource-based view to nonmarket stakeholders has been supported by Peteraf and Barney (2003), on the basis of segregating value creation from distribution, and by Russo and Fouts (1997), for linking firm ability to opportunities presented. One critical aspect of organizational performance in the nonmarket environment is represented by the umbrella term *CSR*.

CSR does not have a single, universal definition and is often linked to sustainability, stakeholders, and ethics (Carroll, 1979). CSR is exemplified by "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life" (World Business Council for Sustainable Development, 2000, p.10). The breadth and diversity of issues included in CSR range from the environmental aspects of air, water, and habitat pollution and degradation to employee and human rights abuses in unfair labor practices and dangerous products sold to unsuspecting consumers (Harrison & Freeman, 1999). McWilliams and Siegel (2001) absorb Burke and Logsdon's (1996) strategic CSR criteria of volunteerism into their often-quoted definition of CSR initiatives as "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (p. 117).

Derived from the notion of CSR is the idea that organizations engage in corporate social performance, which includes not just the principle of responsibility but also the processes of corporate social responsiveness (i.e., what business firms do) and outcomes of corporate behavior (Wood, 1991). Carroll (1979) groups CSR activities into four categories (economic, legal, ethical, and discretionary), illustrating the notion that the responsibility of business in society includes normal profit maximization and compliance with government regulation in addition to moral obligations and good corporate deeds (Coupland, 2005; Wood, 1991). Furthermore, CSR is intimately tied to a firm's relationships with its stakeholders, indicating that the social obligations of business have specific nonmarket environment beneficiaries whose demands and expectations must be met by firm performance (Waddock, Bodwell, & Graves, 2002; Wood, 1991).

A relationship between CSR and financial performance has not yet established a consistent pattern (Agle, Mitchell, & Sonnenfeld, 1999; Griffin & Mahon, 1997; Margolis & Walsh, 2001; McWilliams & Siegel, 2000; Waddock & Graves, 1997); however, major corporations do recognize the advantage of social and environmental initiatives on long-term profitability (Epstein & Roy, 2003). The need to show how otherwise vulnerable CSR initiatives contribute to the achievement of organizational business goals and practices is no different than for any other organizational behavior (Waddock et al., 2002). Recent work has advocated and shown how CSR that contributes to financial performance can and should be integrated with corporate strategy and mission (Baron, 1995; Burke & Logsdon, 1996). For example, Porter and van der Linde (1995) argue environmental standards that are well designed can be essentially self-financing by prompting cost-saving innovative approaches, and studies into corporate environmental performance have concluded increasing firm-specific benefits from the application of green policies (Lovins, Lovins, & Hawken, 1999; Nehrt, 1996; Russo & Fouts, 1997).

In addition to economic benefits, CSR initiatives also lead to social benefits in the form of legitimacy and reputation (Burke & Logsdon, 1996; McWilliams et al., 2006; Wood, 1991), both of which are classified as strategic organizational resources (Barney, 1991; Suchman, 1995; Wartick, 2002). Legitimacy is defined as an external audience's judgment that a firm's actions meet the expectations of its stakeholders and are congruent with their norms, values, and beliefs (Ashforth & Gibbs, 1990; Deephouse & Carter, 2005; Suchman, 1995). Legitimacy benefits for CSR may be obtained in two forms (Suchman, 1995): Pragmatic legitimacy arises when a firm's CSR activities are judged by its stakeholders to be in their best interest, leading to social approval and support. A firm may attain similar endorsements in the form of moral legitimacy when its CSR initiatives are judged to be the right thing to do in meeting the welfare of the social system as a whole. Like legitimacy, a firm's reputation is rooted in social judgments by its stakeholders, but it differs because the yardstick of approval is not a societal standard but the firm's standing relative to other firms (Deephouse & Carter, 2005; Wartick, 2002). Reputation benefits are obtained when stakeholders favorably perceive a firm's actions as predictable and worthy of esteem in comparison to other firms (Wartick, 2002; Whetten & Mackey, 2002), thus contributing to a "virtuous cycle started with *reputation resources*" (Miller, 2003, p. 970) that can reinforce CSR capabilities.

Theory Development

Based on the premise that business firms engage in CSR to obtain economic and social benefits for strategic reasons, we wish to investigate what kinds of possibilities might exist for a first-mover advantage in CSR initiatives. We build our theory on the basic idea that such an advantage requires two essential elements: (a) the initiation of a CSR activity that is integrated into the firm's competitive strategy and (b) the development of capabilities for performing that CSR activity rooted in asymmetries between the firm's nonmarket strategic behavior and that of its competitors. This logic is consistent with Miller's (2003) discussion of how sustainable competitive advantage often results from asymmetries in a firm's existing skills, processes, or assets that are not yet linked with value creation but are rare, inimitable, and non-substitutable. Once developed and formalized, these asymmetries are leveraged to produce sustainable competitive value creation that other firms cannot replicate.

Defining the Strategic Attributes of CSR Initiatives

We commence by discussing a key point: What makes a CSR initiative a strategic undertaking? In articulating this point, we draw extensively on the work by Burke and Logsdon (1996), who have identified centrality, specificity, and visibility as the key dimensions that render a CSR initiative strategic. Although Burke and Logsdon also include proactivity and volunteerism in their criteria, they presume that there are no state regulations compelling a firm to implement the CSR initiative. Because our definition of CSR similarly specifies the absence of regulatory force (McWilliams & Siegel, 2001), it inherently encompasses both proactivity and volunteerism. The discussion that follows establishes an important foundation for the sustainability of any CSR activity and thus for the prospect of creating a lasting advantage to the first-mover: A CSR initiative that is central to the firm's strategic mission, furnishes firm-specific benefits, and is visible to key external stakeholders should result in a behavioral commitment (Salancik, 1977) that ensures ongoing resource contributions to maintain the advantageous CSR performance.

Centrality. An intuitive yardstick of whether any firm initiative is strategic is the proximity of that initiative to the core mission or strategic objectives of the firm (Burke & Logsdon, 1996). Cyert & March (1963) provide an example of a large corporation's safety goal as being of focal concern only to safety engineers and unlikely to garner corporate attention, whereas the same goal might be highly central to the mission of the union that represents the corporation's workforce. According to the resource-based view, initiatives that meet strategic objectives will have first claim to firm-specific resources, justified by expectations that fulfilling these objectives will maximize the benefits reaped on the resources invested (Burke & Logsdon, 1996; Peteraf & Barney, 2003). For example, funds spent by a professional sports team to sign star athletes are directly aligned with strategic objectives and would thus denote high centrality. However, funding of the junior league feeder team, although developing future talent, would be viewed as being more distant, or of lower centrality.

In the context of a clear CSR initiative, the generic corporate giving programs would constitute low centrality, because firms do not define charitable donations as their mission. However, a CSR initiative congruent with corporate objectives, such as a publishing house's community program to increase literacy and encourage book ownership, would have greater centrality. Similarly, government lobbying to exempt books from retail sales taxes, making them more affordable to the consumer, would have high centrality to the publishing house. These same initiatives might be undertaken for ideological reasons by another firm, such as the sports team, but would have low centrality. A key point here is that any reputation benefits derive from a link between the CSR activity and the strategic mission of the organization, whereas outside of the core strategy only moral legitimacy may be gained.

Specificity. "The firm's ability to capture or internalize the benefits of a CSR program, rather than simply creating collective goods which can be shared by others in the industry, community or society at large" is defined as specificity by Burke & Logsdon (1996, p. 497). The strategic value of a CSR initiative has the greatest significance when some of the benefits are exclusive to the firm as opposed to just the general populace. The capturing of benefits from a CSR initiative does not detract from the ethical anchor (Wood, 1991) but, moreover, reinforces the firm's commitment to sustainable practices (McAdam & Leonard, 2003) and capacity to make a compelling business case (Epstein & Roy, 2003). This point is even more important when one considers the motivation underlying competitive strategic initiatives. First-mover advantages arise in a context where firms compete with each other to attain the best resource position or capability vis-à-vis other firms. If a CSR initiative produces only collective goods, such competitive positioning cannot be said to exist.

The numerous ecological initiatives that provide societal benefits, such as clean air and water, reduced reliance on nonrenewable energy sources, less waste, and more recycling, do not have to trade off against firm-specific benefits (Porter & van der Linde, 1995). For example, firms may reap tremendous cost savings by improving the efficiency of using and discarding commercial packaging or making effective use of scarce sites for waste disposal (Conrad, 1999; Porter & van der Linde, 1995; Russo & Fouts, 1997). Johnson & Johnson's redesign of packaging saved 330 acres of forest and $2.8 million annually, and Dupont's recuperation and recycling of polyester industrial film reduced costs and attracted a price premium because of increased product quality, leading to significant net benefits (Lovins et al., 1999). Porter and van der Linde (1995) show how Dow Chemical's production process redesign, costing $250,000 to implement, generated an annual savings of $2.4 million, reducing caustic waste by 6,000 tons and hydrochloric acid waste by 80 tons. The total quality management context and its related initiatives also afford an arena where doing the right thing can often generate firm-specific benefits (McAdam & Leonard, 2003).

Although many CSR initiatives advantage the general community, they may not necessarily produce any monetary or tangible advantage for the firm. It is, however, important to carefully evaluate the broader implications of a CSR initiative to recognize social benefits, such as enhanced legitimacy or reputation (Lewellyn, 2002; Logsdon & Wood, 2002; Mahon, 2002) when determining the specificity of benefits (Epstein & Roy, 2003). Because "legitimacy is a *perception* or *assumption* in that it represents a reaction of observers to the organization as they see it" (Suchman, 1995, p. 574), CSR initiatives that do not generate firm-specific economic gain may still generate unique legitimacy judgments. For example, when an environmental monitoring agency praises corporate greening efforts undertaken by a specific firm, its reputation in the eyes of both market and nonmarket stakeholders will be reinforced in comparison to the reputation of its direct competitors.

Visibility. A strategic CSR initiative is one that is visible and recognized by internal and external stakeholders (Burke & Logsdon, 1996), thus laying a foundation for the benefits of reinforced legitimacy and firm reputation (Lewellyn, 2002; Logsdon & Wood, 2002; Mahon, 2002). A firm's cost-saving and pollution-reducing initiatives may have little impact on competitive or social outcomes unless information about the initiatives spreads through and influences the industry's interpretive environment (Rindova & Fombrun, 1999). Although positive visibility is largely controlled or even promoted by the firm, negative visibility of corporate social irresponsibility is generally beyond its control. With the telecommunications revolution and the scope of global media reporting, information rapidly reaches the public domain, facilitating stakeholder mobilization (Dawkins & Lewis, 2003). Reputation benefits may thus be cut by the double edge of visibility. A firm whose stakeholders attribute a very high reputation for CSR risks a major backlash should there be any breach of CSR (Dawkins & Lewis, 2003; Lewellyn, 2002). Although it is possible to capture positive visibility in responding to a negative situation, such as Johnson & Johnson's Tylenol poisonings (Burke & Logsdon, 1996), the damage to reputation is often difficult to completely repair. Ironically, a firm with a less strong CSR reputation would suffer less damage for the same behavior (Lewellyn, 2002).

The fact that legitimacy and reputation benefits rest in the eye of the beholder (Deephouse & Carter, 2005; Whetten & Mackey, 2002) has important implications for visibility given that different stakeholders have a variety of perceptions, biases, and expectations (Lewellyn, 2002; Mahon, 2002; Vos, 2003; Wartick, 2002). This places added onus on what type of visibility a CSR initiative will receive and how it will be interpreted. The same CSR initiative may attract both positive and negative visibility (Vos, 2003), such as a bicycle company's sponsoring a charity bike tour (viewed positively by participants and environmentalists) that closes down major arteries, clogging traffic and slowing response time of emergency vehicles (viewed negatively by motorists and the general public).

The credibility of the source for visibility of the CSR initiative is a key factor in attracting stakeholder attention. Purchased advertising may attract stakeholder skepticism, as may self-serving corporate press releases merely diffused by media looking for free content. However, when reputable, independent media are involved in diffusing information on the CSR initiative the quality of the visibility has a far greater impact on stakeholders' impressions. This does not, however, guarantee a common interpretation across stakeholders, as noted previously, but will enhance the likelihood of broader visibility as the information may be repeated, and reach a wider stakeholder audience. Endorsements of the CSR initiative from reputable, independent sources provide the highest quality of visibility and are truly *priceless*. Inherent in the visibility of the CSR initiative is the need to attract the stakeholders' attention to then be able to capture a favorable impression.

Identifying and Developing Asymmetries in CSR Capabilities

A CSR initiative that meets the preceding three criteria is likely to garner long-run support from within the organization because its compatibility with the core mission of the firm and its identifiable benefits can be appropriated to furnish a compelling logic to justify continued performance (Pfeffer, 1981). Combining this logic with the expenditure of initial funds and targeted publication of the CSR activity will generate an ongoing commitment of resources (Salancik, 1977). What is missing for the specification of a first-mover advantage is an assurance that other firms cannot readily imitate the CSR activity to obtain the same economic and social benefits. To establish this sustainability, the CSR initiative should rest on asymmetric capabilities (Lieberman & Montgomery, 1988; Miller, 2003). An asymmetry identifies some inimitable

Table 1
Asymmetries in CSR Capabilities

	Resource Preemption	Learning Curve	Customer Cost Structure
Assessing the environment	Detection of nonmarket developments	Knowing when and where to search or disseminate information	Understanding nonmarket preferences
Stakeholder management	Position in stakeholder network	Stakeholder relationship building	Stakeholder association
Issues management	Labeling events and issues	Experience in issue problem solving	Reputation for issue involvement

difference in skill, resources, structure, assets, knowledge, or other organizational process or state between a focal firm and its competitors (Miller, 2003). Although the potential set of such asymmetries is limitless, we focus on those that are relevant to CSR initiatives.

Wood (1991) identifies three areas of corporate social responsiveness, which correspond to three domains of activity in which business firms perform to interact with the nonmarket environment, thereby tapping into their potential for making a contribution to the social good beyond their own interests. These three domains of CSR activity are environment assessment, stakeholder management, and social issues management. We propose that strategic capabilities in these three domains are important avenues for organizations to attain a CSR first-mover advantage. Specifically, a firm may develop one of the three previously noted generic types of asymmetries that form the basis for first-mover advantage (Lieberman & Montgomery, 1988): preemption of resources, advance on the learning curve, and impact on customer cost structure (See Table 1). Thus, we propose that first-mover advantages in CSR initiatives may arise when a given firm is able to assess its environment, deal with social issues, or manage stakeholders in such a way that an asymmetry exists between that firm's capability and that of other firms, providing the focal firm with the ability to stay ahead of its competitors in gaining economic or social benefits or both. Our assumption is that once asymmetries are identified and linked to a given CSR initiative, "managers are able to make them a high priority, fund them, and turn them into valuable resources or capabilities" (Miller, 2003, p. 968).

Assessing the external environment. The external environment of organizations has long been modeled as selectively perceived and enacted rather than objectively given (Cyert & March, 1963; Weick, 1995). Environmental scanning and interpretation of information are key organizational tasks that precede strategic action because of uncertainty in the external environment (Dill, 1958). Since the nonmarket domain of CSR comprises a vast arena of social, legal, institutional, technological and other factors (Baron, 2003), assessment of the nonmarket environment is a key area of activity in which organizations may develop unique capabilities to stay ahead of competitors. Frynas, Meliahi, and Pigman (2006, p. 331) found that "political resources were crucial to establishing a first-mover advantage," reinforcing the importance of the nonmarket environment of foreign governments. Detecting a shift in stakeholder interests, changes in the regulatory environment, new developments in technologies, or the opening of a CSR niche may alert the firm to an opportunity to improve its existing CSR activities or supplement its existing portfolio of CSR performance. For example, a firm that has developed inhouse processes for waste reduction can preempt its competitors' attempt to copy these practices by scanning the environment for technologies or similar practices in other industries to continually improve its own waste reduction. Thus, building an effective system for scanning the environment and gathering relevant information to assess market and nonmarket sectors equips the firm with the essential tools for staying ahead of others. This capability is particularly important for the development of sustainable advantage in light of the public nature of many CSR activities (McWilliams et al., 2006). Environmental assessment may also be leveraged to determine the right timing or conditions for publicizing information about a strategic CSR activity, thereby taking advantage of the public's heightened attention to build a reputation association between the firm's CSR initiative and a given social benefit. For example, the Hudson's Bay Company cuts energy by cooling its downtown Toronto head office and store with water diverted from Lake Ontario, information that can be strategically communicated through relevant channels during summer heat waves when debates about air conditioning efficiency are at their peak. Effective communication channels, influential social networks, and preemptive intelligence gathering abilities are further examples of asymmetries that may form the basis for developing a firm's capability to enhance its CSR activities into a sustainable competitive advantage.

Stakeholder management. Organizations manage stakeholders that are salient, defined as any group or individual who claims a legitimate interest in the organizational activities, commands the power to influence the organization's goal achievements, and calls for immediate attention to its claims (Mitchell, Agle, & Wood, 1997). Stakeholder management refers to those activities by which a firm seeks to address and balance the interests of its various salient stakeholders. Although it would be altruistic for firms to be intrinsically committed to stakeholder interests because it is the right thing to do, a more instrumental approach views stakeholder management as a strategic tool to improve financial performance and provide a sustainable competitive advantage over the long term (Donaldson & Preston, 1995; Harrison & Freeman, 1999; Wood, 1991). This activity involves mutual influence attempts between a firm and its stakeholders and takes place in the context of dyadic resource dependencies as well as an entire network of relationships among the firm and its stakeholders (Frooman, 1999; Rowley, 1997).

A strategic CSR initiative may be developed into a first-mover advantage to the extent that the stakeholder group or groups whose interests are met by the initiative rank high on the criteria, set out by Mitchell and colleagues (1997), of representing a legitimate interest, having significant power in society, and raising urgent claims. In this case, the first-mover advantage lies in the firm's ability to leverage the visibility of its initiative to garner additional legitimacy benefits or even a superior reputation because the initiative is supported by a powerful and legitimate constituency whose expectation for swift action has been fulfilled. Extending this argument, as the firm develops expertise in assessing the core concerns of key stakeholders, it may leverage this capability to position new strategic CSR initiatives to garner first-mover advantage. Given the often conflicting interests of disparate stakeholders, the firm that can perfect identifying the relative importance of its salient stakeholders holds a strategic advantage in leveraging its ability to engage in CSR that meets their interests. The resulting reputation and legitimacy as the leader in the field may then serve to preempt the effectiveness of similar responses by other firms because they are judged to be mere followers or even stragglers.

The density of a firm's stakeholder network and the centrality of its position in that network (Rowley, 1997), compared to those of other firms, are further potential asymmetries that provide the firm with opportunities to develop key capabilities. A firm that maintains many relationships (i.e., is central) in a dense network, where all stakeholders are connected and exchange information with each other, may reap the benefits of building coalitions of stakeholders to coordinate and promote its CSR activities. A firm's central position allows it to exert influence over its stakeholders, and the density of relationships permits leveraging a unified positive evaluation to the public about the benefits and uniqueness of such activities (Adler & Kwon, 2002). To the extent that other firms are excluded from the network, these benefits may be an important source of competitive advantage. Trust that develops in interorganizational relationships and the learning that can take place between network partners (Powell, Koput, & Smith-Doerr, 1996; Uzzi, 1996) also furnish key resources that may be leveraged to build a sustainable competitive advantage. In addition, such a network may be useful for obtaining critical information relevant to the ongoing effectiveness and benefit of a CSR activity, such as new technological developments, scientific research, or consumer trends.

Maintaining a dense network to reap information benefits is different than simply scanning the environment, because the network can be conceived as a form of social capital (Adler & Kwon, 2002; Uzzi, 1996) in which contacts look out for one another and cooperate toward mutual benefit. As the firm gains experience in forging good stakeholder relations through repetition and experimentation, learning-curve effects will enable it to build a strategic stakeholder network (Teece et al., 1997). Maintaining strong relationships with a given stakeholder may also serve to develop a unique capability to the extent that the relationship evolves into a reputational association for CSR that other firms in the same industry cannot replicate. For example, the Canadian Imperial Bank of Commerce (CIBC) has a long-standing relationship with the Canadian Breast Cancer Association (CBCA) that has established a unique reputation. Because the CIBC and the CBCA have established a mutual commitment to each other, other firms are excluded from the association as well as any additional information benefits that result from it.

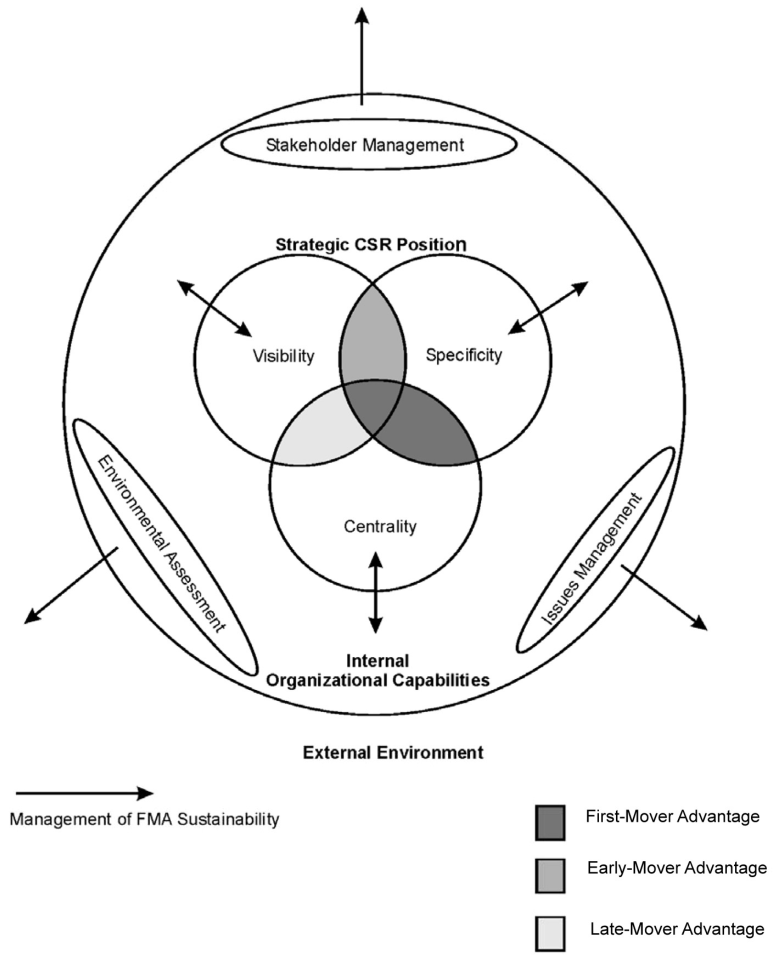
Issues management. The identification of the issues of interest to the firm's stakeholders goes beyond merely scanning the broader external environment and focuses on the particular social, political or other nonmarket events and trends relevant to the firm's strategic activities (Wood, 1991). Issues management requires diagnosing and interpreting issues, calibrating the implications of events for the firm's operations and reputation, and developing a legitimate response strategy to protect the firm against any potentially harmful developments (Dutton & Ottensmeyer, 1987). A key factor is that ambiguity surrounding the issue renders interpreting and labeling the meaning of events a critical point in the issues management process (Dutton & Jackson, 1987; Hoffman & Ocasio, 2001). We propose that asymmetries in capabilities for issues management may therefore be found in a firm's interpretive skills, by which it attaches labels to events to make them meaningful (Ashforth & Humphrey, 1997). For example, the ability to label an event or social trend as strategically relevant before other firms in the same industry or field do so may enable a firm to capture an advantage implementing relevant CSR initiatives before others or to receive reputation credits for identifying the importance of the issue for the industry as a whole (Hoffman & Ocasio, 2001). For example, De Beer's initiative to help implement a global certification system for so-called blood diamonds, gems used to finance wars in Africa, has changed the entire industry and generated immense strategic benefits for the company. Other asymmetries that may arise from astute labeling by the firm may lead to a match between the firm's image and a particular issue (Whetten & Mackey, 2002) or to a balance between addressing the interests of stakeholder groups that are polarized for and against a given issue (Rowley & Moldoveanu, 2003). For example, a local issue may best advantage the initiative of a local firm, whereas global concerns may be more appropriately responded to by global organizations. Similarly, a firm's goods or services may prove a natural fit with particular issues in certain markets.

Other asymmetries may develop through a transfer of skills between issue domains, where a firm's experience in dealing with a given social issue is applicable to developing new CSR initiatives in response to another issue. Altogether, learning effects in dealing with social issues that arise from unique experiences in a given CSR domain may produce sustainable advantages. A firm that finds itself at the center of a controversial issue and is forced to deal with it by default may come out with valuable skills in managing similar issues in the future and may attain a reputation for being the leading problem solver. For example, food-processing companies that are currently faced with the threat of avian flu contaminations and a firm that can develop an effective screening test whose usefulness extends beyond this specific threat may secure a key advantage in the domain of consumer health activities. This point is also a good illustration of the idea that initial weaknesses or liabilities can develop into strategic capabilities when they drive a firm to explore new options (Miller, 2003).

First-Mover Advantage of a CSR Initiative

Having articulated the two component elements that we believe are required for attaining a first-mover advantage for a CSR initiative, we now integrate our arguments to explore variations in strategic competition for CSR benefits. To recap, we have argued that CSR initiatives may be a source of sustainable competitive advantage in gaining economic or social benefits or both when such an initiative is strategic and supported by CSR process capabilities that advantage a focal firm over its competitors. The former ensures that an

Figure 1
Elements of Sustainable First-Mover Advantage in CSR Initiatives



advantage in CSR benefits and its sustainability are supported from inside the firm, whereas the latter focuses on the importance of sustainable advantage for maintaining the CSR initiative in relation to external competitors for similar benefits (see Figure 1). We also believe that these two elements work in conjunction to support each other. While superior CSR process capabilities can be deployed to discover opportunities for new CSR initiatives and gather information to improve existing ones, CSR activities are likely to guide and structure the types of information a firm scans for, as well as the stakeholders and issues on which it focuses its scanning activities.

Furthermore, we view performance in the three domains of CSR process activities as complementary to each other, forming an integrated profile of effective CSR capabilities. For example, issues management and stakeholder management are inherently related activities (Mahon, Heugens, & Lamertz, 2004), and both partially overlap with environmental scanning because both stakeholders and issues direct corporate attention and information gathering. Thus, recalling the key stipulation by Lieberman and Montgomery (1988) that a first-mover advantage is always associated with some form of asymmetry among the competing organizations that one firm can exploit to its advantage, we propose that a superior bundle of CSR capabilities is a necessary but not sufficient condition for building a first-mover advantage in CSR initiatives. In addition, we invoke the arguments by Barney (1991) that such a competitive advantage must be uniquely tied to a firm's value creation strategy.

A first-mover advantage is thus likely to accrue to a firm and generate sustainable competitive advantage when it capitalizes on asymmetries in environmental scanning, stakeholder management, and issues management to develop a strategic CSR initiative that is central to the firm mission, visible to stakeholders and with firm-specific benefits beyond those of public good. Variation in such advantage is likely to be observed when one or more of the attributes that make the initiative strategic fail to materialize. Some specific outcomes of achieving first-mover advantage include being able to establish the firm as the model or benchmark against which all others are judged (Carpenter & Nakamoto, 1989; Kerin et al., 1992), setting the industry standards (Robinson & Min, 2002), influencing the direction of environmental regulations (Porter & van der Linde, 1995), and reinforcing the firm's reputation to embed legitimacy in the eyes of its stakeholders (Whetten & Mackey, 2002).

For example, the Body Shop International's (BSI) campaign to stop violence against women in Canada is a CSR initiative central to corporate objectives as documented in its mission statement, which declares that the company's reason for being is, among others, "to pursue social and environmental change, balance the financial and human needs of stakeholders, and campaign for the protection of human and civil rights" (BSI, 2006a, para. 8).

The 11-year history of this highly visible STOP Violence Against Women awareness and education program has given BSI a very positive public image to reflect favorably on the corporate reputation. Sensitization and fund-raising initiatives within the retail outlets generate additional store traffic and attract consumers who might be more interested by the cause and BSI's implication than in a specific BSI product. In the words of BSI founder Anita Roddick (1994), it is "because people understand that their purchases are moral choices as well. In the 1990s people want to like not only the product but they want to like the company" (p. 198), which also implies that consumers are prepared to try a product because they approve of the company. Much of the implication in supporting violence recovery and prevention programs also comes from staff's volunteering their time (Hartman & Beck-Dudley, 1999) as well as BSI's donation of paid staff time (BSI, 2006b), thereby providing high visibility at a minimal cost while generating additional sales volumes to the benefit of BSI. The impact of visibility on employee advocacy (Dawkins & Lewis, 2003) and morale are also seen as contributors to attracting and retaining a high-caliber workforce (Burke & Logsdon, 1996). BSI's positioning as a socially engaged purveyor of body care products reflects not only a sharp assessment of the consumer market but also an astute management of community involvement issues and attentive stakeholder management. BSI's reputation and branding are embedded with the founder's values and have been reinforced for more than two decades. Capitalizing on its unique asymmetries has bestowed BSI with an undeniable first-mover advantage, recognized by industry giant L'Oreal in its recent acquisition of BSI and its distinct values (BSI, 2006c).

Proposition 1: In capitalizing on asymmetries in environmental scanning, issues management, and stakeholder management, a CSR initiative built on strong strategic attributes of centrality, specificity, and visibility is likely to provide a first-mover advantage.

A firm with identifiable asymmetries in environmental scanning, issues management, and stakeholder management may still be able to obtain a first-mover advantage if its central CSR initiative with firm-specific benefits lacks visibility. Exploiting these asymmetries allows the firm to correctly position its CSR initiative to attain the visibility necessary to achieve a first-mover advantage. Concentrating on the firm's communication and social networks can provide constructive feedback from stakeholders; however, the firm's control of positive visibility is dependent on tailoring information to the issues of interest to salient stakeholders. Once the three strategic attributes have been obtained, this CSR initiative would then likely procure a first-mover advantage.

Proposition 2: A CSR initiative built on strong strategic attributes of centrality and specificity is likely to provide a first-mover advantage when asymmetries in environmental scanning, issues management, and stakeholder management are exploited to obtain credible visibility of this CSR initiative.

Although not centered on the firm's strategic objectives, a visible CSR initiative that provides firm-specific benefits may give rise to an early-adoption advantage because any delay would incur the opportunity cost of foregoing the benefits. However, no first-mover advantage would be likely, because further corporate investment to maintain the distinctiveness of a noncentral CSR initiative is unlikely to be forthcoming. Once again, the firm's abilities to exploit asymmetries in environmental scanning, issues management, and stakeholder management are key to capturing any competitive advantage, including that of an early-mover.

In describing Germany's leading recycling standards, Porter and van der Linde (1995) note the marketplace's receptiveness to streamlined, minimalist packaging, which attracted premium prices. In reducing their own costs, these firms proactively responded to stakeholders' concerns. Although packaging is rarely a central corporate objective, these firms would readily be characterized as having specificity and visibility, pointing to the likelihood of having an early-mover advantage. The subtle distinction between first-mover and early-mover recognizes that only one firm can be the first-mover, although many may embark at an early stage, and that sustained effort and dedication of resources are required to defend a first-mover position (Golder & Tellis, 1993). Since competitors might replicate or develop cost-advantageous substitutes for such CSR initiatives it is unlikely the firm would make further investments, hence a first-mover advantage could not be entertained.

Proposition 3: A CSR initiative built on strong strategic attributes of specificity and visibility will not sustain a first-mover advantage; however, capitalizing on asymmetries in environmental scanning, issues management, and stakeholder management would support an early-mover advantage.

In the situation of a visible CSR initiative aligned with the firm's core mission, the lack of any firm-specific benefits eliminates any opportunity costs associated with a delay in adoption, while considerable information is made available to competitors. Given similar objectives, competitors obtain a cost advantage in replicating or substituting the initiative at a lower cost (Golder & Tellis, 1993; Kerin et al., 1992). Similarly, by learning from the pioneer's initiative, a follower can implement improvements to the CSR activity and embark on developing relevant CSR process capabilities, thus diluting the first-mover's advantage for which the lack of firm-specific benefits would preclude a defensive response. Accordingly, the possibility to free ride another firm's initiative would suggest a late-mover advantage situation.

Returning to the earlier example of the publishing house and its lobbying efforts to eliminate retail sales taxes on books, the fact that such an initiative cannot exploit asymmetries in external scanning or issues management because of the high similarity to all publishers of this type of CSR initiative, no first-mover advantage is likely. Should the lobbying efforts be successful, consumers would conceivably be pleased but unlikely to favor one publisher's offering to that of another without the usual promotional efforts. Accordingly, letting another publisher spend money on such an initiative and only jumping in when the tax reversal is imminent would allow the late-mover to economize lobbying costs yet reap the economic advantages of the expected increase in book ownership.

Proposition 4: A CSR initiative built on strong strategic attributes of centrality and visibility will not provide a first-mover advantage; however, capitalizing on asymmetries in environmental scanning, issues management, and stakeholder management would support a late-mover advantage.

After having discussed the interaction of the necessary strategic attributes of a CSR initiative, we will now briefly consider each of them independently. *Centrality* may furnish pragmatic and normative legitimacy benefits for the CSR initiative; however, its vulnerability to changing priorities without any supporting firm-specific benefits or visibility (Epstein & Roy, 2003) would delay adoption. *Specificity* provides a financial justification for the CSR initiative to favor early adoption; however, this does not preclude imitation, substitution, or outperformance by competitors. It is likely that this type of CSR initiative will survive only as long as the firm-specific benefit is convincingly positive (Epstein & Roy, 2003). *Visibility* alone could be linked to enhancing the firm's reputation—a specific, although intangible, benefit that must be balanced against the costs of the CSR initiative. Through astute environmental scanning, as well as proactive issue and stakeholder management, the firm may identify openings to be able to access strategic attributes to support the desired positioning of a CSR initiative.

Proposition 5. A CSR initiative built on only one of the strategic attributes of centrality, specificity, or visibility will not achieve a first-mover advantage; however, exploiting asymmetries in environmental scanning, issues management, and stakeholder management may develop other strategic attributes to create either early- or late-mover advantages for this CSR initiative.

Discussion and Conclusion

We have proposed that in capitalizing on asymmetries in CSR processes of environmental scanning, issues management, and stakeholder management, a CSR initiative with high centrality, specificity, and visibility is very likely to garner a first-mover advantage. According to the resource-based view of the firm, a strategic CSR initiative constitutes a rare, valuable, and inimitable resource whose distinctiveness provides the firm with a first-mover advantage when it has the capacity to sustain asymmetries in its CSR processes compared to those of competitor firms. The distinctiveness of the CSR initiative will procure significant firm-specific benefits, of which some, such as reputation, are intangible, whereas others, such as cost reduction, are material. Whether it is a readily quantifiable financial advantage or a more intangible leadership advantage will depend on the nature of the CSR initiative and the stakeholders involved. Our model has implications for both research and management.

A starting point would be to test empirically whether the framework's explanation of the strategic criteria of centrality, specificity, and visibility for CSR initiatives and the asymmetries of environmental scanning, issues management, and stakeholder management describe the conditions necessary for a first-mover advantage. The applicability to various social and environmental initiatives should also be tested. Although the costs of and savings or benefits related to environmental initiatives are more easily quantified, the evaluation of social initiatives is inherently more complicated because of the intangible nature of many components. Any empirical testing would also have to carefully consider the time frame to be examined, as the value of many CSR initiatives requires a long-term horizon to be fully understood, and validation of the sustainability of first-mover advantage might best be captured by a longitudinal design. Case studies could also be informative and provide an insight to causality. For example, although we have proposed that the centrality of a CSR initiative is an important attribute, it is possible that a CSR initiative creates momentum for corporate objectives to move closer toward CSR ambitions, thus creating a first-mover advantage in reverse. Further avenues of research could investigate the role of stakeholder salience in enhancing the capacity of strategic CSR initiatives to create first-mover advantages. For example, can powerless stakeholders with legitimate, urgent issues sufficiently support a visible CSR initiative, unrelated to the firm mission, to create an adequate benefit to the firm to justify the initiative?

Managers can also use this model when evaluating CSR initiatives to determine the required degree of commitment and how to solidify the CSR initiative to create a first-mover advantage. By exploiting and developing asymmetries in environmental scanning, issues management, and stakeholder management, corporate executives can identify key resources and capabilities. Using the three strategic criteria of centrality, specificity, and visibility, they can then frame a CSR initiative within their overall business strategy to build a business case justification.

More than just doing the right thing, strategic CSR initiatives can be conceptualized as resources that are rare, valuable, and costly to imitate and that can provide a firm with first-mover advantages that translate to sustainable competitive gains. Such CSR initiatives can provide both tangible economic gains in market share and cost savings as well as intangible, but nonetheless valuable, enhancements to reputation and social legitimacy. The first-mover advantage framework of CSR initiatives complements stakeholder theory and recognizes the strategic opportunities afforded by CSR initiatives. In linking CSR with the sustainability of competitive advantage, future research on our framework may open a window to how doing good for society pays off for the firm.

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