This article makes the case for the importance of paying attention to the internal dynamics of business in order to understand why and under which conditions firms engage in corporate social responsibility (CSR). The argument is that CSR assists decision-makers in firms to resolve managerial dilemmas. By a managerial dilemma this article understands a situation whereby the execution of management's decisions requires asset specific allocation of resources. Asset specific allocation of resources transforms the intra-organizational mode of social coordination from a hierarchy to one in which managers become dependent on, and vulnerable to, the behavior of subordinates. It is in these situations that corporate decision-makers introduce CSR standards in their attempt to avoid the foreseeable loss of control and organizational efficiency.

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