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Chapter 1 : Corporate Social Responsibility: Definition and Examples

Corporate Social Responsibility: A Theory of the Firm Perspective Created Date: Z.

A Theory of the Firm Perspective Author s: The Academy of Management Review, Vol. We use information technology and tools to increase productivity and facilitate new forms of scholarship. From these hypotheses, we conclude that there is an "ideal" level of CSR, which managers can determine via cost-benefit analysis, and that there is a neutral relationship between CSR and financial performance. Managers continually encounter demands Many managers have responded to height- from multiple stakeholder groups to devote ened stakeholder interest in CSR in a very pos- resources to corporate social responsibility itive way, by devoting additional resources to CSR. These pressures emerge from custom- promote CSR. Other man- many conflicting goals and objectives, the def- agers have a less progressive view of stake- inition of CSR is not always clear. Here we holder relevance. They eschew attempts to sat- define CSR as actions that appear to further isfy demand for CSR, because they believe that some social good, beyond the interests of the such efforts are inconsistent with profit maxim- firm and that which is required by law. This zation and the interests of shareholders, whom definition underscores that, to us, CSR means they perceive to be the most important stake- going beyond obeying the law. Thus, a com- holder. It has by the law. Do socially responsible firms outperform or sive human resource management programs, underperform other companies that do not developing non-animal testing procedures, re- meet the same social criteria? Precisely how much should a firm spend on CSR? We limit the In existing studies of the relationship between scope of our analysis to satisfying the burgeon- CSR and financial performance, researchers ing demand for CSR through the creation of have primarily addressed the first question, and product attributes that directly support social the results have been very mixed. Recent stud- responsibility e. Graves, , and a negative relationship This content downloaded from As expos- ability of investment in CSR. More important, ited by Carroll , this model includes the the second question, which is of greater impor- philosophy of social responsiveness, the social tance to managers, has not been directly exam- issues involved, and the social responsibility ined in the academic literature. An empirical test of the CSP framework is propose a methodology that enables managers presented in the work of Waddock and Graves to determine the appropriate level of CSR in- , who report a positive association be- vestment, based on a theory of the firm perspec- tween CSP and financial performance. This perspective is based on the presump- model has much in common with the stake- tion that managers of publicly held firms holder perspective, which is the most widely usually attempt to maximize shareholder used theoretical framework. Our framework applies generally ships with many constituent groups and that to publicly held firms but not necessarily to pri- these stakeholders both affect and are affected vately held companies that may have alterna- by the actions of the firm. Stakeholder theory, tive objectives and are not subject to the market which has emerged as the dominant paradigm for corporate control. Based on this framework, in CSR, has evolved in several new and inter- we derive hypotheses regarding the demand esting ways. According to Donaldson and Pres- and supply of CSR attributes across industries, ton , three aspect of this theory-norma- firms, and products. Because these hypotheses tive, instrumental, and descriptive-are and the conclusions we draw from them are "mutually supportive. Several theoretical frameworks have been The instrumental aspect and its relationship used to examine CSR. Friedman asserts to conventional theories in economics and cor- that engaging in CSR is symptomatic of an porate strategy have also received considerable agency problem or a conflict between the inter- attention in the literature. For instance, Jones ests of managers and shareholders. He argues developed a model that integrates eco- that managers use CSR as a means to further nomic theory and ethics. He concluded that their own social, political, or career agendas, at firms conducting business with stakeholders on the expense of shareholders. According to this the basis of trust and corporation have an incen- view, resources devoted to CSR would be more tive to demonstrate a sincere commitment to wisely spent, from a social perspective, on in- ethical behavior. The ethical behavior of firms

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creasing firm efficiency. This theory has been will enable them to achieve a competitive ad- tested empirically by Wright and Ferris , vantage, because they will develop lasting, pro- who found that stock prices reacted negatively ductive relationships with these stakeholders. Using this framework, they argue that CSP spe- The agency theory perspective has been chal- cifically, environmental performance can lenged by other researchers, such as Preston constitute a source of competitive advantage, especially in high-growth industries. This framework allows us to develop a set This content downloaded from The presumption is that firms that how much they should spend on CSR. A growing number of companies have a theory of the firm, in which it is assumed that incorporated CSR into their marketing strate- the management of publicly held firms attempts gies, because they wish to exploit the appeal of to maximize profits Jensen, Based on this CSR to key segments of the market, such as perspective, CSR can be viewed as a form of baby boomer or "generation X" shoppers. Product ser- attributes such as pesticide-free fruit or by vice differentiation is used to create new de- using CSR-related resources in its production mand or to command a premium price for an process such as naturally occurring insect existing product service. Firms that adopt a inhibitors and organic fertilizers. As such, it differentiation strategy often pursue multiple seems natural to consider the nature of the mar- means of differentiation. Our analysis of these markets is based ating unique flavors, using high-quality ingre- on a simple supply and demand framework, dients, supporting the local community, and pro- which we outline below. CSR may be a popular means of achieving differentiation, be- cause it allows managers to simultaneously sat- Demand for CSR isfy personal interests and to achieve product We hypothesize that there are two major differentiation. We begin by describing the nature of con- sources, such as recycled products or organic sumer demand for CSR. It may also involve the use of signals, some consumers. For example, the "organic, such as the union label in clothing, that convey pesticide-free" label simultaneously indicates to the consumer that the company is concerned the use of organic methods, which constitutes a about certain social issues. This results in the process innovation by the farmer, and the cre- belief that, by using these products, consumers ation of a new product category, which is a prod- are indirectly supporting a cause and rewarding uct innovation of the natural foods retailer. If the firms that devote resources to CSR. Consumer- natural foods company is vertically integrated, oriented CSR may also involve intangible at- it engages in both CSR-related process and tributes, such as a reputation for quality or reli- product innovation simultaneously. Fombrun and Shanley and Weigelt ple underscores the point that some consumers and Camerer have described how reputa- want the goods they purchase to have certain tion building is an integral component of strat- socially responsible attributes product innova- egy formulation. A reputation for quality and tion , while some also value knowing that the reliability may be especially important for food goods they purchase are produced in a socially products. This content downloaded from These attributes can be established by Manufacturing, Inc. NUMMI , the innovative examining the product before purchase. Cloth- joint venture between Toyota and General Mo- ing is another example of a search good. With tors, which was established in Fremont, Califor- accurate labeling as to the textile content, the nia, in to build small cars for both compa- consumer can establish the quality of the good nies. These processes Experience goods are products that must be and the product innovations were the result of consumed before their true value can be known. For example, food is an experience good. The Furthermore, through its unique partnership consumer cannot determine from viewing the with the United Auto Workers UAW , NUMMI product how it will taste or whether it will be also implemented a number of progressive safe to consume. Advertising for experience workplace practices, such as a strong emphasis goods, therefore, will provide more information, on teamwork and employee empowerment. Con- usually tying the product to an established sequently, some consumers perceived that brand name, such as Heinz. The association NUMMI cars, such as the Geo Prism, were supe- with brand name provides the consumer with rior to traditional, American-made cars, in terms information about the product through the rep- of quality and reliability. More important, many utation of the brand. Con- port of progressive human resource manage- sumers typically assume that the products of a ment practices and the UAW. The reputation for quality, reliability, or honesty- role of CSR in product differentiation leads to all attributes that

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Chapter 2 : Corporate social responsibility - Wikipedia

We outline a supply and demand model of corporate social responsibility (CSR). Based on this framework, we hypothesize that a firm's level of CSR will depend on its size, level of diversification, research and development, advertising, government sales, consumer income, labor market conditions, and stage in the industry life cycle.

Corporate social responsibility has become a vital part of the business conversation. Research points to five principles that underscore how collaboration provides the best combination of social and strategic payoffs. The new CEO is successfully pursuing a strategy that is producing improved financial performance, increased confidence in the brand and clear evidence that the car company is committed to contributing more broadly to society. National Parks Foundation to provide environmentally friendly transportation for park visitors; 3 and significant support for the Clean Air Initiative for Asian Cities. Corporate-supported social initiatives are now a given. CSR is now almost universally embraced by top managers as an integral component of their executive roles, whether motivated by self-interest, altruism, strategic advantage or political gain. Corporate social responsibility is high on the agenda at major executive gatherings such as the World Economic Forum. It is very much in evidence during times of tragedy – as seen in the corporate responses to the Asian tsunami of last December – and it is the subject of many conferences, workshops and newsletters. These days they face many belligerent critics who challenge the idea of a single-minded focus on profits – witness the often violent antiglobalization protests in recent years. They also face skeptics who contend that corporate social responsibility initiatives are chiefly a convenient marketing gloss. Rather, we start from the assumption that many organizations are eager to improve their CSR effectiveness. The issue is not whether companies will engage in socially responsible activities, but how they should do so. For most companies, the central challenge is how best to achieve the maximum social benefit from a limited amount of resources available for social projects. Through this analysis, we identified collaborative social initiatives – joint projects that generate value to both private and nonprofit participants – as a particularly effective approach. We synthesized the key lessons and generalized them into a model of collaborative social initiatives that could be applied to other companies and their partners. Prentice Hall, ; and J. Pearce II and L. The debate surfaced in more positive ways in the last 30 years as new businesses set up shop with altruism very much in mind and on display. But only recently have business leaders begun to get a clearer understanding of the appropriate role of CSR and its impact on financial performance. In the past, research on the financial impact of CSR produced inconsistent findings, with some studies reporting a positive relationship, others a negative one, and others no relationship at all. The greater challenge is finding the right balance. At the other extreme, observers believe that some companies have run into trouble because they have overcommitted to CSR outreach. As a first step, research confirms, a business must determine the social causes that it will support and why, and then decide how its support should be organized. Research on alliances and networks among companies in competitive commercial environments tells us that each partner benefits when the other brings resources, capabilities or other assets that it cannot easily attain on its own. Those cumulative offerings are vastly superior to cash-only donations, which are a minimalist solution to the challenges of social responsibility. Social initiatives involve ongoing information and operational exchanges among participants and are especially attractive because of their potential benefits for both the corporate and not-for-profit partners. The cross-cultural PwC teams collaborate with NGOs, community-based organizations and intergovernmental agencies, working pro bono in eight-week assignments in communities struggling with the effects of poverty, conflict and environmental degradation. For PwC, the Ulysses program provides a tangible message to its primary stakeholders that the company is committed to making a difference in the world. According to Brian McCann, the first U. Keys to Successful Collaborative Social Initiatives View Exhibit Keys to Successful Collaborative Social Initiatives Done right, corporate social responsibility is dealt with strategically as a conscientious and conscious effort over the long haul. It generally involves multiple departments and multiple approaches, and it works best

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when it is carried out in concert with partners such as suppliers or nongovernmental organizations. Identify a Stubborn Challenge and Address It for the Long Term Companies make the greatest social contribution when they identify an important, long-standing policy challenge and participate in its solution over the long term. Among the more obvious examples of social challenges that will demand attention for years to come are hunger, inadequate housing, ill health, substandard education and degradation of the environment. It is also important to identify limited-scope projects and shorter-term milestones that can be accomplished through direct contributions by the company. Solving global hunger is a worthy goal, but it is too large for any individual company to make much of a dent. The program has since expanded to 50 countries. Funds are raised through a variety of programs, product sales and special events, including the Avon Walk for Breast Cancer series. The company distinguishes itself from other corporations that fund a single institution or scientific investigator because it operates as part of a collaborative, supporting a national network of research, medical, social service and community-based organizations, each of which makes its own unique contribution to helping patients or advancing breast cancer research. This initiative responds to a nearly universal agreement that education "especially education of young girls and women" provides the essential foundation for addressing a range of social and economic challenges in developing countries. Overcoming the existing educational deficit requires a long-term commitment to school reform, such as creating methods for measuring learning. The Home Depot Inc. Its foundation works closely with Home Depot suppliers and with a variety of nonprofits to build affordable housing for low-income families, placing a strong emphasis on local volunteer efforts. Such contributions create a mutually beneficial relationship between the partners; the social-purpose initiatives receive the maximum gains, while the company minimizes costs and diversions. In effect, IBM leverages its technological and systems expertise, and its experience providing systems solutions to educational clients, in order to meet a broader educational challenge. There are many comparable initiatives on the procurement side. Retailers such as Starbucks Coffee Co. Contribute Specialized Services to a Large-Scale Undertaking Companies have the greatest social impact when they make specialized contributions to large-scale cooperative efforts. Those that contribute to initiatives in which other private, public or nonprofit organizations are also active have an impact that goes beyond their limited contributions. Some years ago, the company recognized that it could contribute to the battle against global warming "a significant environmental threat with serious consequences such as habitat and species depletion, drought and water scarcity. Trees absorb CO₂ as they grow and convert it to carbon that is locked up sequestered in biomass as long as they live. AES leaders believed that if their company could contribute to increasing the standing stock of trees, the additional trees might be able to absorb enough CO₂ to offset the emissions from an AES cogeneration plant. This approach became one of the many mitigation measures now accepted in the global climate change treaty "the Kyoto Protocol" as a means of achieving legally binding emissions reduction targets. For its part, packaged-foods giant ConAgra Foods Inc. Tax incentives, liability protection, and other forms of direct and indirect support for businesses help to foster business participation and contribute to the success of CSIs. Tax deductions provide economic enticement for companies to consider participation, as Boston Market, KFC and Kraft Foods have publicly acknowledged. Donating food also allows companies to identify the amount of food wasted, because it is tracked for tax purposes. Congress in , protects businesses from liability for food donations except in the case of gross negligence. Department of Housing and Urban Development. Home Depot is assured that the agency will not burden the program with red tape. Environment and Development Programmes endorse and encourage offsets via grants, loans, and scientific research. Assemble and Value the Total Package of Benefits Companies gain the greatest benefits from their social contributions when they put a price on the total benefit package. Positive reputation "by consumers, suppliers, employees, regulators, interest groups and other stakeholders" is driven by genuine commitment rather than episodic or sporadic interest; consumers and other stakeholders see through nominal commitments designed simply to garner short-term positive goodwill. The programs are projected to offset a total of about 67 million tons of carbon or million tons of CO₂ over the next 30 to 40 years "the equivalent

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of the emissions from a typical 1, MW coal facility over its lifetime. AES carefully chooses projects that have measurable CO₂ offsets and are supported by organizations capable of successfully managing and monitoring emissions reductions such as CARE or the Nature Conservancy. In the consumer products sector, Avon receives extensive media recognition from the advertising and marketing of cancer walks, nationwide special events including a gala fundraising concert and an awards ceremony. While difficult to quantify precisely, the pink ribbon campaign and the brand awareness associated with it generate economic benefits for Avon in the form of goodwill and overall reputation. Both buyers and sellers want to achieve the same goal: They have long-term objectives; they are sufficiently large to allow a company to specialize in its contributions; they provide many opportunities for the company to contribute from its current activities or products; they enjoy government support; and they provide a package of benefits that adds value to the company. The most successful initiatives perform well against each of the five principles. These five examples show some of the scope of their efforts and the range of their relationships.

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Chapter 3 : The High Impact of Collaborative Social Initiatives

We outline a supply and demand model of corporate social responsibility (CSR). Based on this framework, we hypothesize that a firm's level of CSR will depend on its size, level of diversification.

Many companies produce externally audited annual reports that cover Sustainable Development and CSR issues "Triple Bottom Line Reports" , but the reports vary widely in format, style, and evaluation methodology even within the same industry. In South Africa, as of June , all companies listed on the Johannesburg Stock Exchange JSE were required to produce an integrated report in place of an annual financial report and sustainability report. This requirement was implemented in the absence of formal or legal standards. One of the reputable institutions that capital markets turn to for credible sustainability reports is the Carbon Disclosure Project , or CDP. Due to an increased awareness of the need for CSR, many industries have their own verification resources. The United Nations also provides frameworks not only for verification, but for reporting of human rights violations in corporate supply chains. Ethics training[edit] The rise of ethics training inside corporations, some of it required by government regulation, has helped CSR to spread. The aim of such training is to help employees make ethical decisions when the answers are unclear. Organizations see increased employee loyalty and pride in the organization. This can include raising money for local charities, providing volunteers, sponsoring local events, employing local workers, supporting local economic growth, engaging in fair trade practices, etc. Companies that ethically market to consumers are placing a higher value on their customers and respecting them as people who are ends in themselves. They do not try to manipulate or falsely advertise to potential consumers. This is important for companies that want to be viewed as ethical. Social license to operate[edit] Social License to Operate can be determined as a contractual grounds for the legitimacy of activities and projects company is involved in. Unless a company earns and maintains that license social license holders may intend to block project developments; employees may leave the company for a company that is a better corporate citizen: Based on the Requisite Organization research of Dr. Elliott Jaques to achieve this goal a company needs to: Identify the business strategy and business objectives Identify the social license holders employees of a company, labour unions, local and national governments, communities, activist groups, etc. Develop the Social License Development Strategy to remove the negative factors and ensure positive intention of all the social license holders to support all the business objectives of the company. Perform ongoing monitoring and quantitative measurement of changes in the Social License to Operate of the company Potential business benefits[edit] A large body of literature exhorts business to adopt non-financial measures of success e. The business case for CSR [79] within a company employs one or more of these arguments: Triple bottom line[edit] "People, planet and profit", also known as the triple bottom line, form one way to evaluate CSR. Profit is the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital unlike accounting definitions of profit. Another criticism is about the absence of a standard auditing procedure. CSR can also help improve the perception of a company among its staff, particularly when staff can become involved through payroll giving , fundraising activities or community volunteering. CSR has been credited with encouraging customer orientation among customer-facing employees. Several executives suggest that employees are their most valuable asset and that the ability to retain them leads to organization success. Socially responsible activities promote fairness, which in turn generate lower employee turnover. On the other hand, if an irresponsible behavior is demonstrated by a firm, employees may view this behavior as negative. Proponents argue that treating employees well with competitive pay and good benefits is seen as a socially responsible behavior and therefore reduces employee turnover. This interest is driven particularly by the realization that a positive work environment can result in desirable outcomes such as more favorable job attitudes and increased work performance. The authors noted that while developing and implementing a CSR strategy represents a unique opportunity to benefit the company. As a result, employees tend to discard employers with a bad reputation. Reputations that take

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decades to build up can be ruined in hours through corruption scandals or environmental accidents. CSR can limit these risks. These initiatives serve as a potential differentiator because they not only add value to the company, but also to the products or services. Proponents assert that Whole Foods has been able to work with its suppliers to improve animal treatment and quality of meat offered in their stores. They also promote local agricultures in over 2, independent farms to maintain their line of sustainable organic produce. In fact, they are pleased buying organic products that come from sustainable practices. This is characterized as the "soul" of a company, expressing the social and environmental priorities of the founders. The authors assert that companies engage in CSR because they are an integral part of the society. This program provides critical school readiness resources to underserved communities where PNC operates. Some of the examples mentioned include sustainability initiatives to reduce resource use, waste, and emission that could potentially reduce costs. It also calls for investing in employee work conditions such as health care and education which may enhance productivity and retention. Unlike philanthropic giving, which is evaluated by its social and environmental return, initiatives in the second theater are predicted to improve the corporate bottom line with social value. Bimbo, the largest bakery in Mexico, is an excellent example of this theater. The company strives to meet social welfare needs. It offers free educational service to help employees complete high school. Bimbo also provides supplementary medical care and financial assistance to close gaps in the government health coverage. Basically, companies create new forms of business to address social or environmental challenges that will lead to financial returns in the long run. The authors describe that the company hires women in villages and provides them with micro-finance loans to sell soaps, oils, detergents, and other products door-to-door. This research indicates that more than 65, women entrepreneurs are doubling their incomes while increasing rural access and hygiene in Indian villages. As a consequence, the company wants to introduce a new model to collect and recycle old furniture. A CSR program can persuade governments and the public that a company takes health and safety, diversity and the environment seriously, reducing the likelihood that company practices will be closely monitored. This section does not cite any sources. Please help improve this section by adding citations to reliable sources. Unsourced material may be challenged and removed. February Learn how and when to remove this template message Appropriate CSR programs can increase the attractiveness of supplier firms to potential customer corporations. Criticisms and concerns[edit] CSR concerns include its relationship to the purpose of business and the motives for engaging in it.

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Chapter 4 : CORPORATE SOCIAL RESPONSIBILITY: A THEORY OF THE FIRM PERSPECTIVE

The authors outline a supply and demand model of corporate social responsibility (CSR). Based on this framework, they hypothesize that a firm's level of CSR will depend on its size, level of diversification, research and development, advertising, government sales, consumer income, labor market.

Should a corporation be socially responsible? The purpose of this article is to consider the idea of social responsibility by examining the persuasiveness of these opposing perspectives. Communitarianism According to communitarianism, society is more than the sum of the individuals in it. The community is organic. The corporation, a possession of the community rather than of individuals, holds a social contract with society from which it derives its power and, therefore, serves a constellation of interests. The communitarian ethic is based on the view that, in a socially interdependent society, no manager can act ethically without considering the claims of others. While managers have direct obligations to stockholders and employees, they must also recognize other claimants e. Communitarians view communities and society as living organisms existing independently of their individual members and believe there is a general common will separate from the wills of the individuals comprising them. Communitarians believe that communities and society have moral significance and rights that are at least equal to the rights of individuals and that sometimes and somehow override individual rights. They fail to realize that a community or a society is not a being, is not capable of self-directed thought or action, and, therefore, cannot possess rights. They often speak of balancing the rights of individuals with the rights of the community. In addition, they tend to view the state as the agent of social betterment and support laws that force people to serve communities and society by taking part in programs that some intellectuals, speaking for the community, have declared to be for the common good or in the public interest. Communitarianism stifles the decision making power of individual persons by subordinating their preferences to community purposes which tends to be the same as majority rule. The communitarian vision of self-interest is thus often defined in terms of community service. Communitarianism is closely related to social contract theory and emphasizes the social nature of the corporation which exists as the result of a highly implicit and flexible contract that determines its duties and rights. The corporation is portrayed as responsible to and subject to the will of society i. Both the state and the law are creatures of society. Since, from the perspective of communitarians, corporations are created by the government which, in turn, owes its existence to society, it follows that corporations are actually made by society and are responsible to the public to serve whatever is deemed to be in the public interest or for the common good. Since the corporation only exists because of social permission, society is said to be able to legitimately demand that a corporation perform certain activities that the owners and managers do not wish to perform. During the 20th century, society has been reassessing its expectations of corporations and has pressured them to balance profit-making with social responsibility. Communitarians believe that corporations should be socially responsible both out of gratitude for their existence and a moral sense of reciprocation for benefits received from society, including the purchase of their goods and services and the access to, and use of, public goods. In essence, the corporation is viewed as more like common property than as private property. Some communitarians even propose that the corporation be brought under government control to assure the common good. Individualism Individualism is the more realistic view that each person has moral significance and certain inviolable natural rights. Each person exists, perceives, experiences, thinks, and acts in and through his own body and therefore from unique points in time and space. It is the individual who thinks and has the capacity for original and creative rationality. The individualist assumes responsibility for thinking for himself and for acting on his own thought. A community or a society is simply the association of persons for cooperative action. Each person is free to choose among systemically produced rewards, punishments, and opportunities arising from other free persons without being subject to the articulated judgments imposed by the state or other collectivities. Individualists rely upon the power of historically-evolved, unarticulated social processes such as free markets, tradition,

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language, values, common law, etc. While exhibiting little faith in social processes intentionally designed by any one individual or council, individuals do respect the experience of the ages as embodied in systemic processes. Assigning primary emphasis to the individual does not devalue social cooperation. Humans are not only distinct individuals but also social beings. Cooperative action affords growth possibilities and brings benefits which otherwise would be unattainable by isolated individuals. In a free society, all cooperative social ventures are entered voluntarily. In fact, individualism provides the best theoretical basis for a genuine community that is worthy of human life. The uniqueness and worth of the human person is affirmed when membership in a community is freely chosen by the individuals that comprise it. Individualism denies that a community or a society has an existence apart from the individuals that make up that community or society. To use an abstract term such as community or society is to refer to certain persons sharing particular characteristics and related in specifiable ways. There is no such thing as the general will, collective reason, or group welfare apart from, and other than, that possessed by each individual in a group. Coordinated group action is a function of the self-directed and self-initiated efforts of each person within the group. Individualism involves the idea that society is no more than the sum of individuals comprising it. Created by the interaction of individuals, society is what individuals make it. Corporations are viewed as expressions of individual freedom, do not derive their power from society, owe nothing to the community, and need only pay taxes and adhere to government regulations. Closely related to individualism are the ideas of equal opportunity and contract. Respect for individual rights It follows that the social responsibility of the corporation, through its directors, managers, and other employees, is simply to respect the natural rights of individuals. Individuals in a corporation have the legally enforceable responsibility or duty to respect the moral agency, space, or autonomy of persons. This involves the basic principle of the noninitiation of physical force and includes: In an individualistic society all contracts are entered into voluntarily. Each person is free to associate with others for their own mutually agreeable purposes. The corporation is a form of property created by individuals in the exercise of their natural rights. The corporation is thus the result of a contract between individuals who wish to combine their resources and, if desired, delegate a portion of the authority and responsibility for managing and using these resources. Owners have a property right in the corporation and a correlative right to engage in profit-making, if so desired. It follows that those who act in their behalf i. Customers, employers, suppliers, and others autonomously negotiate for and agree to contract with the corporation. If managers were to break an agreement with the shareholders to maximize profits in order to give one or more groups more benefits than they freely agreed upon, they would not only be violating the rights of the owners, but also would not be respecting the autonomy of individuals within other groups. Corporations and their managers are obligated to respect the rights of individuals within each group but the rights are limited to the rights of parties in market transactions. The social responsibility of corporations is limited to respecting the natural rights of all individual parties.

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Chapter 5 : Stakeholder theory - Wikipedia

NOTE CORPORATE SOCIAL RESPONSIBILITY: A THEORY OF THE FIRM PERSPECTIVE ABAGAIL MCWILLIAMS University of Illinois at Chicago DONALD SIEGEL University of Nottingham We outline a supply and demand model of corporate social responsibility (CSR).

Corporations as Responsible A Civil Action was originally a novel, but more people have seen the movie, which was distributed by W. One of the memorable scenes is John Travolta playing a hotshot lawyer speeding up a rural highway to Woburn, Massachusetts. He gets pulled over and ticketed. The polluted water, Travolta suspects, eventually surfaced as birth defects. After checking things out, he races his Porsche back to Boston at the same speed. Scott Rudin, , film. Make the money hurt. What if people who directed businesses began understanding their enterprise not only in financial terms as profits and losses but also in ethical ones? What if companies became, in a certain moral sense, like people, members of society bound by the same kinds of duties and responsibilities that you and I wrestle with every day? When companies are seen that way, a conception of corporate social responsibility comes forward. Three Approaches to Corporate Responsibility According to the traditional view of the corporation, it exists primarily to make profits. From this money-centered perspective, insofar as business ethics are important, they apply to moral dilemmas arising as the struggle for profit proceeds. While these dilemmas continue to be important throughout the economic world, when businesses are conceived as holding a wide range of economic and civic responsibilities as part of their daily operation, the field of business ethics expands correspondingly. Now there are large sets of issues that need to be confronted and managed outside of, and independent of the struggle for money. Broadly, there are three theoretical approaches to these new responsibilities: Corporate social responsibility CSR Stakeholder theory Corporate Social Responsibility CSR The title corporate social responsibility In general, the conviction that corporations are not only legal entities with responsibilities but also moral entities, and they hold ethical obligations comparable to those of citizens in a society. Second, corporate social responsibility is also a specific conception of that responsibility to profit while playing a role in broader questions of community welfare. As a specific theory of the way corporations interact with the surrounding community and larger world, corporate social responsibility CSR As a specific theory of business ethics, a package of four obligations the corporation holds as an independent ethical actor in society; the responsibilities are economic, legal, ethical, and philanthropic. The economic responsibility to make money. Required by simple economics, this obligation is the business version of the human survival instinct. Of course there are special cases. Nonprofit organizations make money from their own activities as well as through donations and grants , but pour it back into their work. In some cities, trash collection is handled by this kind of organization, one that keeps the streets clean without at least theoretically making anyone rich. For the vast majority of operations, however, there have to be profits. The legal responsibility to adhere to rules and regulations. Like the previous, this responsibility is not controversial. What proponents of CSR argue, however, is that this obligation must be understood as a proactive duty. Going back to John Travolta racing his Porsche up and down the rural highway, he sensed none of this respect. The same goes for the toxic company W. The same logic can work in the corporate world. Many industrial plants produce, as an unavoidable part of their fabricating process, poisonous waste. In Woburn, Massachusetts, W. Grace did that, as well as Beatrice Foods. A lawyer driving home from work may spot the local children gathered around a makeshift lemonade stand and sense an obligation to buy a drink to contribute to the neighborhood project. Similarly, a law firm may volunteer access to their offices for an afternoon every year so some local schoolchildren may take a field trip to discover what lawyers do all day. An industrial chemical company may take the lead in rehabilitating an empty lot into a park. None of these acts arise as obligations extending from the day-to-day operations of the business involved. Instead, these public acts of generosity represent a view that businesses, like everyone in the world, have some obligation to support the general welfare in ways determined by the needs of the surrounding

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community. Taken in order from top to bottom, these four obligations are decreasingly pressing within the theory of corporate social responsibility. After satisfying the top responsibility, attention turns to the second and so on. At the extremes, the logic behind this ranking works easily. More difficult questions arise when the economic responsibility conflicts with the legal one. For example, to remain profitable, an industrial plant may need to dispose of waste and toxins in barrels that barely meet legally required strengths. The positive economic aspect of the decision to cut corners is the ability to stay in business. If necessary, the company should have accepted bankruptcy before causing the social damage it did. At the time of the decision, however, there may have been less certainty about exactly what the risks and benefits were. Even among individuals promoting a strong sense of corporate responsibility for the surrounding community, there may have been no clear answer to the question about the proper course of action. Regardless, corporate social responsibility means every business holds four kinds of obligations and should respond to them in order: The Triple Bottom Line

The triple bottom line A form of corporate social responsibility dictating that corporate leaders tabulate results not only in economic terms but also in terms of company effects in the social realm and with respect to the environment. There are two keys to this idea. First, the three columns of responsibility must be kept separate, with results reported independently for each. Second, in all three of these areas, the company should obtain sustainable results. The notion of sustainability is very specific. At the intersection of ethics and economics, sustainability means the long-term maintenance of balance. Economic sustainability values long-term financial solidity over more volatile, short-term profits, no matter how high. According to the triple-bottom-line model, large corporations have a responsibility to create business plans allowing stable and prolonged action. That bias in favor of duration should make companies hesitant about investing in things like dot-coms. Silicon Valley, California, for example, is full of small, start-up companies. A few will convert into the next Google, Apple, and Microsoft. What gets left out, however, of the newspaper reports hailing the accomplishments of a Steve Jobs or a Bill Gates are all those other people who never made it—“all those who invested family savings in a project that ended up bankrupt. Sustainability as a virtue means valuing business plans that may not lead to quick riches but that also avoid calamitous losses. Moving this reasoning over to the case of W. Money is saved on disposal costs. This possibility leads immediately to the conclusion that concern for corporate sustainability in financial terms argues against the dumping. As the imbalances grow, as the rich get richer and the poor get both poorer and more numerous, the chances that society itself will collapse in anger and revolution increase. The threat of governmental overthrow from below sounds remote—“almost absurd—“to Americans who are accustomed to a solid middle class and minimal resentment of the wealthy. In world history, however, such revolutions are quite common. It may indicate, however, that for a business to be stable over the long term, opportunities and subsequently wealth need to be spread out to cover as many people as possible. All work, the logic of stability dictates, contains dignity, and no workers deserve to be treated like machines or as expendable tools on a production line. They see bosses hiring from temporary agencies, turning them over fast, not even bothering to learn their names. Finally, social sustainability requires that corporations as citizens in a specific community of people maintain a healthy relationship with those people. Fitting this obligation into the case of W. Any hope for cooperation in the name of mutual benefit will be drowned by justified hatred. Environmental sustainability begins from the affirmation that natural resources—“especially the oil fueling our engines, the clean air we breathe, and the water we drink—“are limited. Further, the case of an industrial chemical company pouring toxins into the ground that erupt years later with horrific consequences evidences this: There are, clearly, good faith debates that thoughtful people can have about where those limits are. Recycling or cleaning up contamination that already exists is important here, as is limiting the pollution emitted from factories, cars, and consumer products in the first place. Together, these three notions of sustainability—“economic, social, and environmental—“guide businesses toward actions fitted to the conception of the corporation as a participating citizen in the community and not just as a money machine. One deep difference between corporate social responsibility and the triple bottom line is cultural. The first is more American, the second European. Americans, accustomed to economic

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progress, tend to be more comfortable with, and optimistic about, change. Collectively, Americans want business to transform the world, and ethical thinking is there hopefully to help the transformations maximize improvement across society. Europeans, accustomed to general economic decline with respect to the United States, view change much less favorably. Their inclination is to slow development down, and to keep things the same as far as possible. This outlook is naturally suited to sustainability as a guiding value. The Luddites were a band of textile workers in Britain in the 1830s who saw correctly that mechanized looms would soon rob them not only of their livelihood but also of their way of life. To stop the change, they invaded a few factories and broke everything in sight. Their brute strategy succeeded very briefly and then failed totally. Today, Ludditism is the general opposition to new technologies in any industry on the grounds that they tear the existing social fabric: Actually, innovation is favored as long as advances are made in the name of maintaining the status quo. For example, advances in wind power generation may allow our society to continue using energy as we do, even as oil reserves dwindle, and with the further benefit of limiting air pollution.

Stakeholder Theory Stakeholder theory, which has been described by Edward Freeman and others, is the mirror image of corporate social responsibility. Instead of starting with a business and looking out into the world to see what ethical obligations are there, stakeholder theory starts in the world. As a simple example, when a factory produces industrial waste, a CSR perspective attaches a responsibility directly to factory owners to dispose of the waste safely. By contrast, a stakeholder theorist begins with those living in the surrounding community who may find their environment poisoned, and begins to talk about business ethics by insisting that they have a right to clean air and water. This is a very important point. Who are the stakeholders surrounding companies? The answer depends on the particular business, but the list can be quite extensive. If the enterprise produces chemicals for industrial use and is located in a small Massachusetts town, the stakeholders include:

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Chapter 6 : TWO PERSPECTIVES ON CORPORATE SOCIAL RESPONSIBILITY

We attempt to provide a more nuanced view of the relationship between corporate social responsibility (CSR) and firm financial performance using a competitive-action perspective. We argue that competitive action should be considered as an important contingency that determines the effects of CSR.

What is Corporate Social Responsibility? Most consumers surveyed 87 percent said they would purchase a product because a company supported an issue they care about. More importantly, a whopping 76 percent will refuse to buy from a company if they learn it supports an issue contrary to their own beliefs. Companies are encouraged to put that increased profit into programs that give back. One primary focus of corporate social responsibility is the environment. Businesses regardless of size have a large carbon footprint. Any steps they can take to reduce those footprints are considered both good for the company and society. Businesses can also practice social responsibility by donating money, products or services to social causes. Larger companies tend to have a lot of resources that can benefit charities and local community programs. By treating employees fairly and ethically, companies can also demonstrate their corporate social responsibility. This is especially true of businesses that operate in international locations with labor laws that differ from those in the United States. By doing good deeds without expecting anything in return, companies can express their concern for specific issues and support for certain organizations. Building a socially responsible business Undertaking socially responsible initiatives is truly a win-win situation. Let them feel like they have a voice. Announcing these benefits is a win-win from both a commercial and sustainability perspective. Focus on responsibilities that are meaningful and relevant to you, your clients, your employees, and your partners. Additional reporting by Nicole Fallon. Some source interviews were conducted for a previous version of this article. Sammi Caramela Sammi Caramela has always loved words. Reach her by email, or check out her blog at sammisays. You May Also Like.

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I provide an alternate perspective, one that views discourses of corporate citizenship, corporate social responsibility, and sustainability as ideological movements that are intended to legitimize and consolidate the power of large corporations.

Chapter 8 : Three Theories of Corporate Social Responsibility

Corporate social responsibility as a specific theory affirms that corporations are entities with economic, legal, ethical, and philanthropic obligations. Corporations responsible for a triple bottom line seek sustainability in the economic, social, and environmental realms.