Business and Society Ethics Sustainability and Stakeholder Management 10th edition Carroll Solutions Manual

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Chapter 2
Corporate Social Responsibility, Citizenship, and Sustainability

LEARNING OUTCOMES

After studying this chapter, you should be able to:

1. Describe some early views of corporate social responsibility (CSR). Explain how CSR evolved and encompasses economic, legal, ethical, and philanthropic components. Explain the Pyramid of CSR.
2. Articulate the traditional arguments both against and for CSR. Explain how the business case for CSR has strengthened the concept's acceptance.
3. Describe how the concept of corporate social *responsiveness* differs from CSR.
4. Summarize how corporate social *performance* (CSP) became more popular. Describe how it is different than CSR. Elaborate on how it differs from corporate social *responsiveness*.
5. Describe how corporate citizenship is a valuable way of thinking about CSR. Explain its broad and narrow views. Explain how corporate citizenship develops and proceeds in stages.
6. Summarize the three perspectives on the relationship between corporate social performance (CSP) and corporate financial performance (CFP).
7. Explain how sustainability is a broad concept that embraces profits, people, and the planet. Describe how the triple bottom line is a vehicle for implementing sustainability.
8. Elaborate on the ages and stages of CSR. Define CSR Greenwashing and how it may lead to misleading reputational profiles of companies.
9. Describe and characterize the socially responsible investing movement. Differentiate between negative and positive screens that are used in investment decisions.

TEACHING SUGGESTIONS

INTRODUCTION – This chapter explores several different aspects of the CSR topic and provides some insights into what CSR means and how businesses are carrying it out. An entire chapter is devoted to CSR concepts because it is a core idea that underlies most of the material in the textbook. This chapter also focuses on the concept of corporate citizenship.

KEY TALKING POINTS – In some ways this may be a difficult chapter to teach, since the instructor will be laying the foundation for future discussions that will more directly involve analyzing and evaluating corporate social performance. The current chapter focuses on the analytical tools we will be using rather than actually using those tools. In some ways this distinction can be likened to a teenager learning how the steering wheel, brake, and accelerator work in a car, rather than actually getting behind the wheel and driving. Of course, everyone would want a new driver to understand what the steering wheel does and which pedal to use when she needs to slow down. But that fact alone does not mean that the new driver doesn't want to skip the lesson on how to use the tools and just go drive. This is compounded by the fact that many students may have heard of or discussed the terms introduced in this chapter in other business courses, specifically corporate social responsibility, but they may not grasp that CSR

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requires the simultaneous execution of economic, legal, ethical and philanthropic responsibilities. Many students may struggle with the concept that these responsibilities need to be addressed concurrently by firms, since previous exposure to the concept may have focused on the idea that CSR is the culmination of the ethical and/or philanthropic activities of firms rather than the culmination of all four responsibilities. Consequently, students in your class may not be as anxious to delve into the intricacies of corporate citizenship, including corporate social responsibility, corporate social responsiveness and corporate social performance when they could be discussing a juicy corporate scandal. But it is important that students have better tools to help them dissect corporate citizenship than just their gut feelings as they will encounter business colleagues who will argue against and resist implementation of activities that emphasize corporate citizenship.

This chapter also is a good starting point for students to begin to focus on what they, as citizens, want from the business sector. Do they want corporations to simply recognize their various responsibilities to society, do they want them to make improvements, do they demand evidence that corporations are making improvements, or do they have more general concerns about the role business plays in society (corporate citizenship)? As they begin to contemplate the implications of their expectations of business, they also should begin to see why this topic has evolved and how the different models can inform their understanding of business's impact on society.

PEDAGOGICAL DEVICES – In this chapter, instructors may utilize a combination of:

Cases:

1-Wal-Mart- The Main Street Merchant of Doom
2-The Body Shop (A) - Pursuing Social and Environmental Change
3-The Body Shop (B) - Reputation is Tarnished
4-The Body Shop (C) - Into the New Millennium
7-Using Ex-Cons to Teach Business Ethics
12-Banned if You Do, Banned if You Don't
19-Should Directors Shine Light on Dark Money?
23-McDonald's Coffee Spill
24-The Betaseron Decision (A)
25-The Hudson River Cleanup and GE
26-Cloud Computing – Earth's Friend or Foe
27-New Belgium Brewing, Defining a Business on Sustainability
29-Felony Franks (2), Home of the Misdemeanor Wiener
31-Moral Dilemma - Head vs. Heart
39-To Take or Not to Take

Ethics in Practice Cases:

The Socially Responsible Shoe Company
Burgers with a Soul—Fresh, Local, Sustainable

Spotlight on Sustainability:

Sustainability's Stock is Rising

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Myths about Sustainability

Power Point slides:

Visit http://academic.cengage.com/management/carroll for slides related to this and other chapters.

LECTURE OUTLINE

I. CORPORATE SOCIAL RESPONSIBILITY (CSR) AS A CONCEPT
   - A. Historical Perspective on CSR
   - B. Adaptations of the Economic Model
   - C. Evolving Meanings of CSR
   - D. A Four-Part Definition of CSR
     1. Economic Responsibilities
     2. Legal Responsibilities
     3. Ethical Responsibilities
     4. Philanthropic Responsibilities
   - E. The Pyramid of Corporate Social Responsibility
     1. Pyramid as a Unified Whole
     2. CSR Pyramid Is a Dynamic, Sustainable Stakeholder Model
     3. Ethics Permeates and Global Applications
   - F. CSR in Practice
     1. Activities of Socially Responsible Firms
     2. Rise of CSR Exemplar Firms

II. TRADITIONAL ARGUMENTS AGAINST AND FOR CSR
   - A. Arguments against CSR
   - B. Arguments in Support of CSR
   - C. The Business Case for CSR

III. AGES AND STAGES OF CSR

IV. CSR GREENWASHING

V. POLITICAL CSR

VI. CORPORATE SOCIAL *RESPONSIVENESS*

VII. CORPORATE SOCIAL *PERFORMANCE*
   - A. Carroll's CSP Model

VIII. CORPORATE CITIZENSHIP
   - A. Broad and Narrow Views
   - B. Stages of Corporate Citizens
   - C. Global Corporate Citizenship
   - D. CSR and Corporate Citizenship Awards by Business Media

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IX. THE SOCIAL PERFORMANCE AND FINANCIAL PERFORMANCE RELATIONSHIP
  A. Three Perspectives on the Social-Financial-Reputation Relationship
    1. Perspective 1: Socially responsible firms are more financially profitable.
    2. Perspective 2: A firm's financial performance is a driver of its social performance.
    3. Perspective 3: There is an interactive relationship between and among social performance, financial performance, and corporate reputation.

X. SUSTAINABILITY—PROFITS, PEOPLE, PLANET
  A. Creating Shared Value and Conscious Capitalism

XI. SOCIALLY RESPONSIBLE, SUSTAINABLE, ETHICAL INVESTING

XII. SUMMARY

SUGGESTED ANSWERS TO DISCUSSION QUESTIONS

Students should recognize that their answers to these discussion questions should be well reasoned and supported with evidence. Although some answers will be more correct than others, students should be aware that simplistic answers to complex questions, problems, or issues such as these will never be "good" answers.

1. Question: *Explain the Pyramid of Corporate Social Responsibility> Provide several examples of each "layer" of the pyramid. Identify and discuss some of the tensions among the layers or components. In what sense do the different layers of the pyramid "overlap" with each other?*
   Answer: The Pyramid of Corporate Social Responsibility is a graphic representation of Carroll's four-part definition of CSR. According to Carroll, society has four expectations of a corporation—economic, legal, ethical, and philanthropic. The pyramid shows the economic responsibility at the bottom, because it is the foundation upon which all others rest. Society's first expectation of a corporation is that it will be profitable. This is consistent with classical economic thought, which provides that management must maximize the profits of its owners. Companies that repeatedly do not show a profit will see falling stock prices and eventual bankruptcy and may find it more difficult (if not impossible) to meet their legal, ethical and philanthropic responsibilities. Several companies in both the automotive and airline industries struggled to meet their economic responsibilities and landed in bankruptcy as a result. The second level is legal, because society requires corporations to follow the law, just as they are required to make a profit. Companies can receive stiff penalties for breaking the law. In the last decade, hundreds of publicly-traded companies were investigated by federal regulatory agencies for abusive practices related to stock option grants and were subjected to penalties due to faulty accounting and public disclosures. The third level is the ethical responsibility—society expects ethical behavior of companies. The corporate scandals that shaped the beginning of this century pointed out that society expects honest and fair reporting of financial operations by executives. If this expectation is violated, the executives can face criminal

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charges, as Martha Stewart and several Enron officials discovered. More recently, executives in financial services firms have found themselves subject to public scrutiny for arguably unethical practices related to aggressive lending practices. On the other hand, companies may find themselves recognized for their ethical activities. Starbucks and the Timberland Company are often recognized for their ethical practices. At the top is the philanthropic responsibility. Society desires this of corporations, but the company has discretion in whether it performs at this level or not. Walmart and AT&T are two firms that are widely praised for their philanthropic endeavors, especially their charitable cash contributions. While the economic responsibility is the base of the pyramid, a CSR or stakeholder perspective would focus on the pyramid as a unified whole. Companies are expected to fulfill their economic, legal, ethical and philanthropic responsibilities simultaneously, meaning that companies need to concurrently (1) make a profit, (2) obey the law, (3) be ethical and (4) be a good corporate citizen. While the simultaneous fulfillment of all four responsibilities can be challenging, the best moral managers will use moral imagination to develop solutions to corporate dilemmas that meet all four responsibilities at the same time.

2. Question: *In your view, what is the single strongest argument against the idea of corporate social responsibility? What is the single strongest argument for corporate social responsibility? Briefly explain.*
Answer: There are few, if any, legitimate arguments against CSR. The closest one could come to making a logical argument is that corporations should not be required to "fill the gaps" in social policy. That is, corporations should not be held responsible for providing funds and services for things that governments should be doing (e.g., school funding or social safety nets). The primary argument for CSR is that corporations are recognized as "persons" and receive as many, if not more, rights and privileges than do actual persons. If corporations are to benefit from such "citizenship," they should be expected to contribute to society, just like actual persons are. The *Wall Street Journal* recently reexamined this debate in an August 2010 story entitled "The Case Against Corporate Social Responsibility." In this article, Dr. Aneel Karnani, a Professor of Strategy at the University of Michigan's Stephen M. Ross School of Business, argues that "in cases where private profits and public interests are aligned, the idea of corporate social responsibility is irrelevant: Companies that simply do everything they can to boost profits will end up increasing social welfare. In circumstances in which profits and social welfare are in direct opposition, an appeal to corporate social responsibility will almost always be ineffective, because executives are unlikely to act voluntarily in the public interest and against shareholder interests." This article certainly has prompted many in the pro-CSR camp to respond. In a *BusinessEthics.com* article entitled "Opinion: The Case Against the Case Against CSR," Tim Mohin, the director of corporate responsibility at AMD, contends that CSR is a win-win situation for companies and that smart companies take a long view and build brand value and investment with CSR.

3. Question: *Differentiate between corporate social responsibility and corporate social responsiveness. Give an example of each. How does corporate social performance relate to these terms? Where do corporate citizenship and sustainability fit in?*

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Answer: Carroll's four-part definition of corporate social responsibility is "The social responsibility of business encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time." The concept of corporate social responsibility has been criticized because its focus is on accountability or obligation to meet certain minimum duties. Corporate social responsiveness is a more proactive and action oriented concept, wherein business firms anticipate social expectations and meet them before they are imposed as a new responsibility on the company. A corporation that obeys existing laws is displaying corporate social responsibility. An example of corporate social responsiveness would be a firm providing child care benefits to its working parents, thus responding to the reality of issues faced by working families. Corporate social performance focuses on what firms are actually able to accomplish – specifically, the outcomes or results of their acceptance of corporate social responsibility and implementation of corporate social responsiveness. Corporate social performance includes a recognition of the four corporate responsibilities identified by Carroll and measures the success of the firm's responsiveness to these responsibilities.

4. Question: *Analyze how the triple bottom line and the Pyramid of CSR are similar and different. Draw a schematic that shows how the two concepts relate to one another.*
Answer: The Triple Bottom Line provides results of operations in three inter-related fields—economic, social, and environmental. The overriding theme in the Triple Bottom Line is sustainability of the firm's operations, its stakeholders' lives, and the environment. The CSR Pyramid recognizes four levels of responsibility—economic, legal, ethical, and philanthropic. Both models recognize the economic sphere. The Triple Bottom Line's social and environmental concepts could include elements of the legal, ethical, and philanthropic levels of responsibility in the CSR Pyramid.

5. Question: *Compare and contrast the socially oriented concepts: CSR, corporate citizenship, sustainability, creating shared value, and conscious capitalism. Do these represent different forms of the business and society relationship or do they represent how and why companies respond in a socially conscious manner?*
Answer: Corporate Social Responsibility (CSR) can be boiled down to a company's actions and how they affect society. This is a more board concept whereas the others are a bit more specific. Corporate citizenship is the concept that a company should give back to a community simply because it is a member of that community. This is a philanthropic expectation. Sustainability has three different parts for a company: 1) Economic sustainability, which is looking out for its profits; 2) Social sustainability, which focuses on the quality of people's lives and equality between people, communities and nations; 3) Environmental sustainability concerns protecting the environment, focusing on the planet. The people and planet aspects make sustainability more of an ethical expectation. Creating shared value speaks to the economic sustainability focus—the profits. Though shared value is about economic success for the company, the company also creates opportunity for economic success in other areas of the community, in a sense sharing the wealth. Conscious capitalism is another broad concept. It focuses on the interdependence of business, and working toward higher purpose, stakeholder orientation, conscious leadership and conscious culture. If everything, including people, environment, profit, is

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intertwined, to succeed a company must be conscious of its effect on each part. These concepts outline how and why companies respond in a socially conscious manner. As many of the concepts mention, social consciousness is linked to profits. Without those profits, companies no longer exist.

6. Question: *Does socially responsible, sustainable, or ethical investing seem to you to be a legitimate way in which the average citizen might demonstrate her or his concern for CSR? Why is it also called impact investing? Discuss.*
   Answer: On the one hand, socially responsible investing seems to send the message that the investor is concerned about the firm's CSP. However, the fact that returns on ethical investing approximate market returns seems to downplay this view. If the investor is truly concerned with the firm's CSP, he or she should be willing to accept a lower rate of return on the investment. In addition, the vast majority of investments never reach the firm. Unless the firm is offering a new issue of stock, the proceeds of the sale go to the previous owner of the securities, not to the firm. It is called impact investing because it considers environmental, social, and corporate governance criteria aimed at generating long-term competitive financial returns and positive societal impact.

GROUP ACTIVITY

Have students establish the parameters for a social screen for investments. Specifically, ask students to identify the criteria for socially responsible investments. Once the class establishes the "social screen" as a group, divide the students into groups of four to five students.

Each group will be given a theoretical account with $500 to invest in firms that meet the criteria established by the entire class. Each group should be given a week to research firms for potential investment. Each group should provide a summary sheet to the instructor allocating the $500 among socially responsible investments that meet the class criteria. Each group should track the return on their investments through the end of the semester and report the value of their portfolio at that time. Opportunity should be given to discuss why certain investments were made. Instructors may want to provide some type of reward for the group with the greatest return on investment. Groups that select companies that do not meet the class social screen should be disqualified.

INDIVIDUAL ASSIGNMENT

Have students read the June 14, 2012 *Wall Street Journal* article entitled "The Case Against Corporate Social Responsibility," by Dr. Aneel Karnani (see http://online.wsj.com/article/SB10001424052748703338004575230112664504890.html). Ask students to independently research academic and business responses to this article. Students should summarize the arguments for and against Corporate Social Responsibility based upon their review of Dr. Karnani's article and their own independent research. Students then should state which argument that they find most persuasive and why.

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Chapter 2

Corporate Social Responsibility, Citizenship, and Sustainability

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Learning Outcomes (1 of 3)

1. Describe some early views of corporate social responsibility (CSR). Explain how CSR evolved and encompass economic, legal, ethical, and philanthropic components. Explain the Pyramid of CSR.
2. Articulate the traditional arguments both against and for CSR. Explain how the business case for CSR has strengthened the concept's acceptance.
3. Describe how the concept of corporate social responsiveness differs from CSR.
4. Explain how corporate social performance (CSP) became more popular. Describe how it is different than CSR. Elaborate on how it differs from corporate social responsiveness.

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Learning Outcomes (2 of 3)

5. Describe how corporate citizenship is a valuable way of thinking about CSR. Explain its broad and narrow views. Explain how corporate citizenship develops and proceeds in stages.
6. Summarize the three perspectives on the relationship between corporate social performance (CSP) and corporate financial performance (CFP).
7. Explain how sustainability is a broad concept that embraces profits, people, and the planet. Describe how the triple bottom line is a vehicle for implementing sustainability.

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Learning Outcomes (3 of 3)

8. Elaborate on the ages and stages of CSR. Define CSR Greenwashing and how it may lead to misleading reputational profiles of companies.
9. Describe and characterize the socially responsible investing movement. Differentiate between negative and positive screens that are used in investments decisions.

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Chapter Outline

- The Corporate Social Responsibility (CSR) as a Concept
- Traditional Arguments against and for CSR
- Ages and Stages of CSR
- CSR Greenwashing
- Political CSR
- Corporate Social *Responsiveness*
- Corporate Social *Performance*
- Corporate Citizenship
- The Social Performance and Financial Performance Relationship
- Sustainability—Profits, People, Planet
- Socially Responsible, Sustainable, Ethical Investing
- Summary

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Allegations Against Business -

Business -

- Has little concern for the consumer
- Exploits employees
- Cares nothing about the deteriorating social order
- Has no concept of ethical behavior
- Is indifferent to the problems of minorities and the environment
- These claims have generated an unprecedented number of pleas for companies to be more socially responsible.

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Corporate Social Responsibility As a Concept

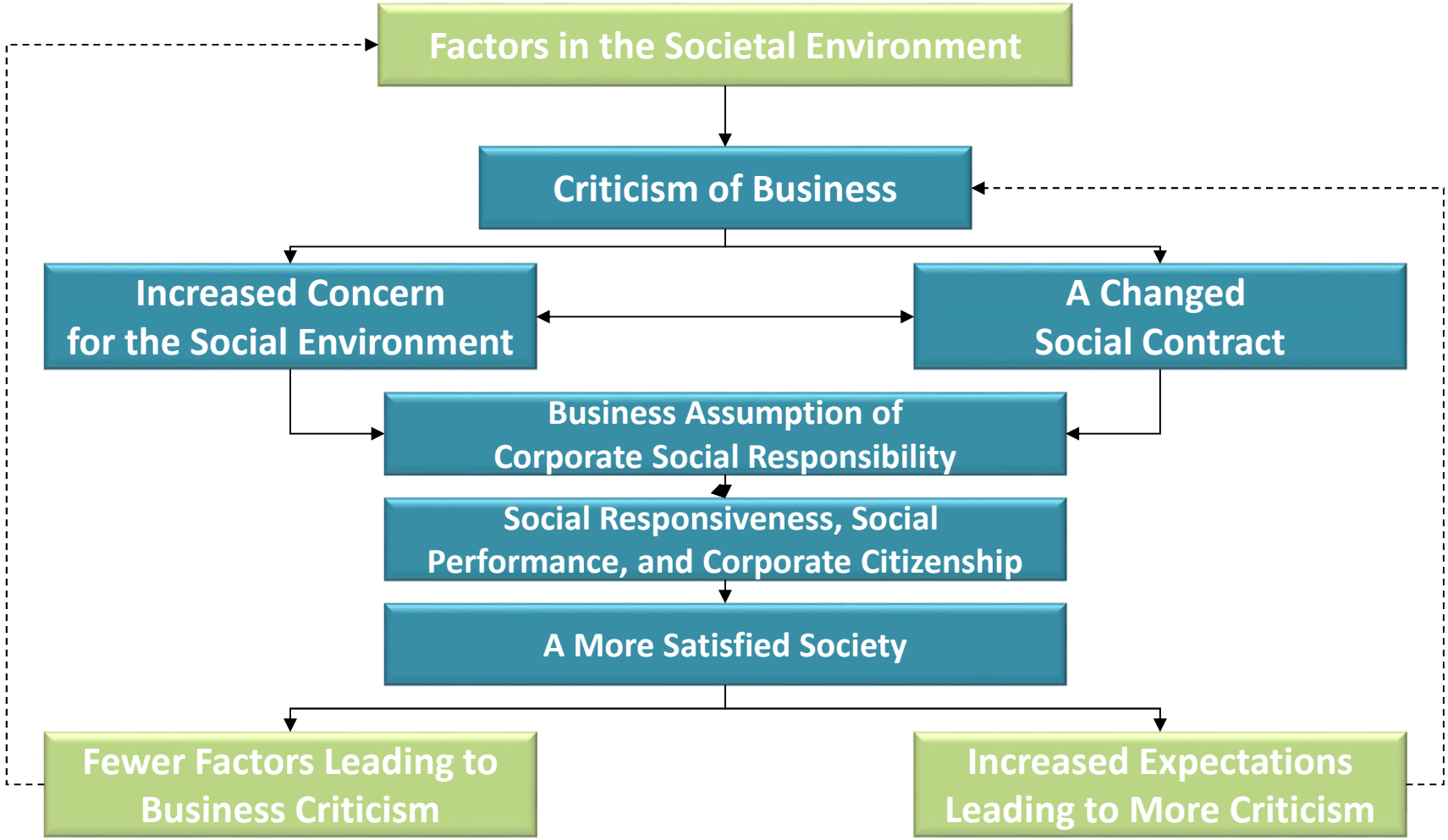
Early Definitions -

- CSR means seriously considering the impact of a company's actions on society.
- CSR requires the individual to consider his or her acts in terms of a whole social system, and holds him or her responsible for the effects of his or her acts anywhere in that system.
- These definitions provide useful insights into the concept of Corporate Social Responsibility.

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Business Criticism-Social Response Cycle



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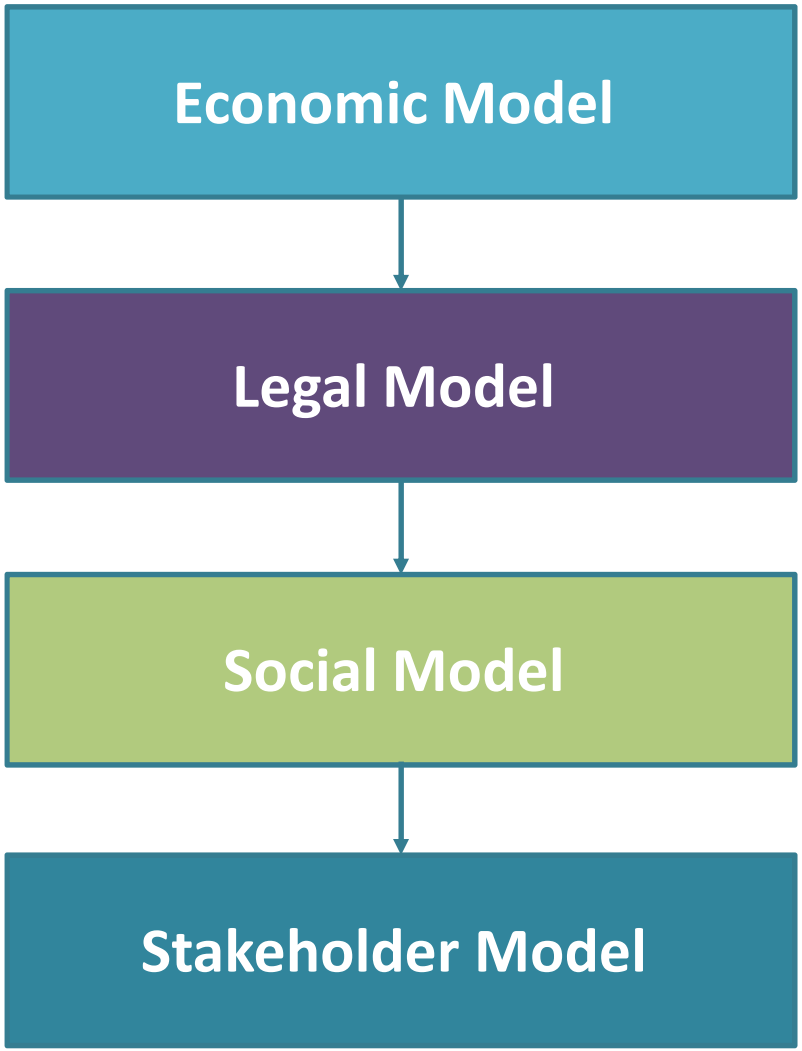
Corporate Social Responsibility Related Concepts

Traditional CSR Patterns Emphasize:	Newer Terms with Similar Meanings
Corporate Social Responsibility Emphasizes Obligation, Accountability	Corporate Citizenship (CC) - Views companies as citizens and all this implies
Corporate Social Responsiveness Emphasizes Action, Activity	Corporate Responsibility (CR) – Broadly Focuses on all categories of corporate Responsibility
Corporate Social Performance (CSP) Emphasizes Outcomes, Results	Sustainability (SUS) – Emphasizes longer-term concern for people, planet and profits

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Historical Perspective on CSR



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Adaptations of the Economic Model

Philanthropy

Community obligations

Paternalism

Motivation:
Keep government at arm's length

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Evolving Meanings of CSR

- **CSR:**
  - …is seriously considering the impact of the company's actions on society.
  - … is the obligation of decision makers to take actions which protect and improve the welfare of society as a whole, along with their own interests.
  - …supposes that the corporation has economic and legal obligations as well as responsibilities to society that extend beyond these obligations.

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A Four-Part Definition of CSR

While each definition is valuable, we will focus on the types of social responsibilities business has. Corporate social responsibility encompasses the:

Economic

Legal

Ethical, and

Philanthropic

expectations that society has of organizations at a given point in time.

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The Four Components of CSR

Responsibility	Societal Expectation	Examples
Economic	Required	Be profitable. Maximize sales, minimize costs.
Legal	Required	Obey laws, adhere to regulations.
Ethical	Expected	Avoid questionable practices. Do what is right, fair, and just.
Philanthropic	Desired/ Expected	Be a good corporate citizen. Give back.

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The Pyramid of CSR



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The CSR Equation

Economic Responsibilities

+

Legal Responsibilities

+

Ethical Responsibilities

+

Philanthropic Responsibilities

=

Total Corporate CSR

A stakeholder perspective focuses on the CSR pyramid as a unified whole.

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Top 20 Activities or Characteristics of a Socially Responsible Company

- Makes products that are safe.
- Does not pollute air or water.
- Obeys the law in all aspects of business.
- Promotes honest or ethical employee behavior.
- Commits to safe workplace ethics.
- Does not use misleading or deceptive advertising.
- Upholds stated policy banning discrimination.
- Utilizes “environmentally friendly” packaging.
- Protects employees against sexual harassment.
- Recycles within company.
- Shows no past record of questionable activity.
- Responds quickly to customer problems.
- Maintains waste reduction program.
- Provides or pays portion of medical costs.
- Promotes energy conservation program.
- Helps displaced workers with placement.
- Gives money toward charitable or educational causes.
- Utilizes only biodegradable or recyclable materials.
- Employs friendly or courteous or responsive personnel
- Tries continually to improve quality.

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Arguments against CSR -

- **Classical Economics:** The classical economic view is that business's only goal is the maximizing of profits for owners.
- **Business Not Equipped:** Business is not equipped to handle social activities.
- **Dilutes Business Purpose:** It dilutes the primary purpose of business.
- **Too Much Power Already:** Businesses have too much power already.
- **Global Competitiveness:** It limits the ability to compete in a global marketplace.

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Arguments in Support of CSR -

- **Enlightened self-interest:** Businesses must take actions to ensure long-term viability.
- **Warding off government regulations**. This is one of the most practical reasons.
- **Resources Available**: Business has the resources and expertise. Let it try.
- **Pro-action is better than Reaction**. Pro-action is also less costly.
- **Public supports**: the public strongly supports CSR.

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Business Responses to calls for CSR Make the Business Case for CSR

- Defensive approach
- Cost-benefit approach
- Strategic approach
- Innovation and learning approach

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The Business Case for CSR

6 Reasons for Embracing CSR

1. Innovation
2. Cost savings
3. Brand differentiation
4. Long-term thinking
5. Customer engagement
6. Employee engagement

Business Benefits of CSR

1. Win new business
2. Increase customer retention
3. Develop and enhance relationships with customers, suppliers, and networks
4. Attract, retain, and maintain a happy workforce and be an Employer of Choice
5. Save money on energy and operating costs and manage risk
6. Differentiate oneself from competitors
7. Improve business reputation and standing
8. Provide access to investment and funding opportunities
9. Generate positive publicity and media opportunities due to media interest in ethical business activities.

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Ages and Stages of CSR

Visser's Five Stages of CSR

- **Age Of Greed –** CSR practices are undertaken when companies' shareholder value needs to be protected.
- **Age of Philanthropy –** Emphasizes charitable CSR when companies support social causes through donations and sponsorship.
- **Age of Marketing –** CSR is used as a public relations approach to enhance the company's brand, image, or reputation.
- **Age of Management –** CSR activities are linked to the company's core business (e.g., Coca-Cola and water quality/management).
- **Age of Responsibility –** Identifying and remedying the root causes of irresponsibility and unsustainability.

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CSR Greenwashing

Some companies convey an image of responsibility when in fact they are conducting business as usual.

Companies attempt to make the public believe they are "green"—environmentally friendly—when they are not.

CSR Greenwashing is intentionally seeking to convey the image of a socially responsible firm when the evidence of their practices does not support this conclusion.

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Political CSR

Gaining attention and application especially in European or similar contexts where the government historically has assumed a larger role in providing societal benefits.

"PCSR entails those responsible business activities that turn corporations into political actors, by engaging in public deliberations, collective decisions, and the provision of public goods or the restriction of public bads in cases where public authorities are unable or unwilling to fulfil this role."

MS1

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Slide 25

MS1 "ills" would be more grammatical than "bads" but if this is actually quoting something, I guess leave as is.
Matthew Somoroff, 1/19/2017

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Corporate Social Responsiveness

Corporate Social Responsiveness -

- An action-oriented variant of CSR.

Responsibility -

- Implies a state or condition of having assumed an obligation.

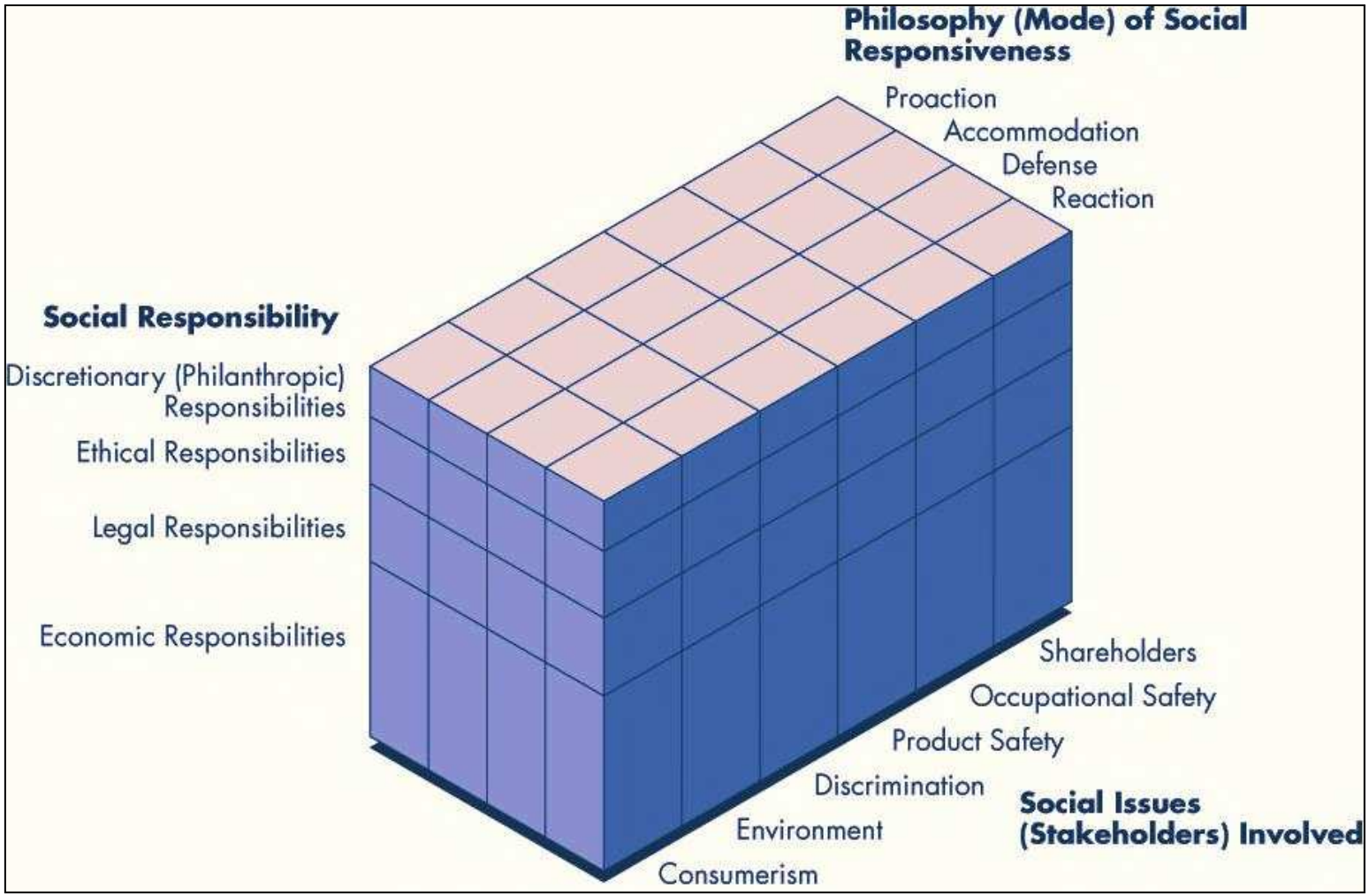
Responsiveness -

- Connotes a dynamic, action-oriented condition.

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Corporate Social Performance: Carroll's Model



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Corporate Social Performance: Wartick & Cochran's Model Extensions

Principles	Processes	Policies
Corporate Social Responsibilities	**Corporate Social Responsiveness**	**Social Issues Management**
(1) Economic (2) Legal (3) Ethical (4) Discretionary	(1) Reactive (2) Defensive (3) Accommodative (4) Proactive	(1) Issues Identification (2) Issues Analysis (3) Response Development
Directed at:	**Directed at:**	**Directed at:**
(1) The Social Contract of Business (2) Business as a Moral Agent	(1) The Capacity to Respond to Changing Societal Conditions (2) Managerial Approaches to Developing Responses	(1) Minimizing "Surprises" (2) Determining Effective Corporate Social Policies
Philosophical Orientation	**Institutional Orientation**	**Organizational Orientation**

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Corporate Citizenship (1 of 2)

Corporate citizenship -

- Embraces all the facets of *corporate social responsibility, responsiveness*, and *sustainability*.
- Corporate citizenship is not a new concept, but one whose time has come.
- Corporate citizenship serves a variety of stakeholders.

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Corporate Citizenship (2 of 2)

Broad View

- A reflection of shared moral and ethical principles.
- A vehicle for integrating individuals into the communities in which they work.
- A form of enlightened self-interest that balances stakeholders' claims and enhances a company's long-term value.

Narrow View

- Corporate community relations

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Stages of Corporate Citizenship

MS2

STAGES OF COPORATE CITIZENSHIP

THE CENTER FOR CORPORATE CITIZENSHIP AT BOSTON COLLEGE

Dimensions	STAGE 1: Elementary	STAGE 2: Engaged	STAGE 3: Innovative	STAGE 4: Integrated	STAGE 5: Transforming
Citizenship Concept	Jobs, Profits & Taxes	Philanthropy, Environmental Protection	Stakeholder Management	Sustainability or Triple Bottom Line	Change the Game
Strategic Intent	Legal Compliance	License to Operate	Business Case	Value Proposition	Market Creation or Social Change
Leadership	Lip Service, Out of Touch	Supporter, In the Loop	Steward, On Top of it	Champion, In Front of It	Visionary, Ahead of the Pack
Structure	Marginal: Staff Driven	Functional Ownership	Cross-Functional Coordination	Organizational Alignment	Mainstream: Business Driven
Issues Management	Defensive	Reactive, Policies	Responsive, Programs	Pro-Active, Systems	Defining
Stakeholder Relationships	Unilateral	Interactive	Mutual Influence	Partnership Alliance	Multi-Organization
Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	Full Disclosure

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Slide 31

MS2 Typo in this image -
COPORATE should be CORPORATE
Matthew Somoroff, 1/19/2017

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Global Corporate Citizenship -

- …and Global CSR are topics in which there has been an explosion of interest.
- Multinational enterprises are expected to:
  - be good corporate citizens in the countries in which they do business.
  - tailor their initiatives to conform to the cultural environment.
- International academics and business people around the world are now researching and advocating CSR and corporate citizenship concepts.
- *Convergence* in global CSR approaches will continue as the world economic stage becomes the common environment within which businesses function.

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Corporate Citizenship Awards by Business Press

- *Fortune*'s ranking of “Most Admired” and “Least Admired” corporations
- Conference Board’s Ron Brown Award for Corporate Leadership
- *CRO* Magazine Awards
- Chamber of Commerce of the U.S. Corporate Citizenship Awards

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The Social and Financial Performance Relationship

Perspective 1: Socially Responsible firms are more financially profitable.



Perspective 2: A firm's financial performance drives its social performance.



Perspective 3: There is an interactive Relationship Among CSP, CFP, and CR.



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One Bottom Line, or Many?

- **The stakeholder-bottom line perspective** -
  - Impacts or benefits of social performance cannot be fully measured or appreciated by considering only the impact on the firm's bottom line.
  - CSP cannot be fully comprehended unless it includes impacts and measures on consumers, employees, the community and other stakeholder groups.

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Sustainability—Profits, People, Planet

Sustainability derived from **sustainable development—**a pattern of resource use that aims to meet human needs while preserving environment so that these needs can be met not only in the present but also for future generations.

Earlier versions of sustainability focused only on the environment. Recently it has become clear that it pertains to the natural environment, and other business environments as well.

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The Triple Bottom Line Perspective

Business Must Attend to Three Key Spheres of Sustainability –

- **Economic**
- **Social**
- **Environmental**

The goal is corporate sustainability.

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Creating Shared Value and Conscious Capitalism

CSV (Creating Shared Value)

- Business and society could be brought back together if business redefined the basic purpose as creating shared value—generating economic value in a way that also produces value for society.

Conscious Capitalism

- A more complex form of capitalism that reflect and leverages the interdependent nature of life and all of the stakeholders in business.
- Higher purpose, Stakeholder orientation, conscious leadership, conscious culture.

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Socially Responsible, Sustainable, Ethical Investing

Socially Responsible Investing -

- Emerged in the 1970s
- Nearly $7 trillion in socially responsible investments in the U.S.

Social Screening -

- A technique used to screen firms for socially-responsible investment purposes.

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Socially Responsible, Sustainable, Ethical Investing

- Total dollars invested in SRI has grown exponentially over past twenty years.
- Council on Economic Priorities suggests 3 reasons:
  1. More reliable research on CSP
  2. Investment firms using social criteria have solid track record
  3. The socially conscious 1960s generation is making investment decisions

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Key Terms

- business for social responsibility
- conscious capitalism
- community obligations
- corporate citizenship
- corporate social performance model
- corporate social responsibility
- corporate social responsiveness
- corporate sustainability
- CSR exemplar firms
- CSR Greenwashing
- created shared value
- economic responsibilities
- *environmental, social, and governance investing*
- ethical responsibilities
- global corporate citizenship
- impact investing
- legal responsibilities
- mainstream adopters
- paternalism
- philanthropic responsibilities
- philanthropy
- pyramid of CSR
- social entrepreneurship
- social intrapreneurship
- socially responsible, sustainable or ethical investing
- stages of corporate citizenship
- stockholder-bottom line
- sustainability
- sustainable development
- triple bottom Line

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