Theoretical Foundation: CSR

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Presentation Outline

• Motivation
• Classification of CSR theories
• Two contradicting theories: CRM vs. CSP
• Evaluation of the introduced theories
• Discussion
MOTIVATION

Practical problems

http://verbalmedicine.files.wordpress.com/2010/05/nike-sweatshops.jpg


http://www.nytimes.com/2012/01/19/world/africa/report-finds-slow-response-to-east-africa-famine.html?_r=1
CSR Development

<table>
<thead>
<tr>
<th>Beginning of CSR era</th>
<th>CSR literature expands</th>
<th>more and more definitions</th>
<th>Frameworks, attempts to measure</th>
<th>New themes: Stakeholders, Business ethics, Corporate Citizenship...</th>
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(Carroll 1999)

"Social responsibility usually refers to the objectives or motives that should be given weight by business in addition to those dealing with economic performance..." (Backman 1975, p.2, cited by Carroll 1999, p.279)


H. Bowen
K. Davis
W. C. Frederick
J. W. McGuire
R. Blomstrom
C. C. Walton

H. Johnson (x3)
H. G. Manne & H. C. Wallach
K. Davis
Eilbert & Parket
J. Backman
S. P. Sethi
Preston & Prost
Fitch
Zenzeck
Carroll

It refers to the obligations of businessmen to pursue society’s interests. Businessmen’s responsibilities are not only economic and legal obligations but also certain social responsibilities, which means that (...)
Too many definitions ?!

“it means something but not always the same thing, to everybody” (Votaw 1973, p.11)

Classification

CLASSIFICATIONS OF CSR THEORIES
Different Classifications

• CSR 1-4 based on conceptual transition by William C. Frederick (Frederick 1987, 1998)

• Focus on interaction between business and society by Elisabeth Garriga and Domèneç Melé (Garringa and Melé 2004)

• Concept tree for Corporate Citizenship by Sandra Waddock (Waddock 2008)

(Garringa and Melé 2004)

Garringa and Melé Classification

Idea: Business \(\rightarrow\) Society

Roots: four aspects of social systems by Parsons

- Economic aspects
- Political aspects (corporation has social duties and rights...)
- Social integration
- Ethic values

(Garringa and Melé 2004)
CSR Theories: Four groups

**Instrumental**
- CSR: means to the end (=economic objectives)

**Political**
- Power of corporations -> responsibility
- Political analysis / consideration

**Integrative**
- Business depends on society -> should integrate social demands

**Ethical**
- CSR as ethical obligation

(Garriga and Melé 2004)

**Instrumental Theories**

- Milton Friedman: “the only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country” (Friedman 1970, cited by: Garriga and Melé 2004, p. 53)
Instrumental Theories – three groups

• Maximizing shareholder value (Friedman 1970, Jensen and Meckling 1967)

• Strategies for achieving competitive advantages
  – e.g. Strategies for the bottom of the pyramid, (Prahalad 2002, Hart and Christiansen 2002)

• Cause-related marketing (CRM)

(Garrinnga and Melé, 2004)

Political Theories

• Corporate Constitutionalism / Davis’ two laws
  – Social power equation:
    Social power -> social responsibilities
  – Iron law of responsibilities
    using social power irresponsibly -> loosing it
    (Davis 1967)

• Integrative social contract theory
  – Macrosocial (Hypernorms) and Microsocial level
    (Donaldson and Dunfee 2000)

• (Global) Corporate citizenship [next week]
  – Reaction to rising power of MNC

(Garrinnga and Melé 2004)
Integrative Theories

- Issues Management
  - “process for making a corporate response to a social issue”
    (Garrinaga and Melé 2004 p.58)

- The principles of social public responsibility
  - stresses ‘public process’ not personal morality view
  - Law + ‘social direction’ (Preston and Post 1981)

- Stakeholder management

- Corporate Social Performance (CSP)
  (Garrinaga and Melé 2004)

Ethical Theories

- Normative Stakeholder theory
  - R. E. Freeman

- Universal Rights
  - UN Global Compact

- Sustainable development
  - Triple bottom line

- Common good approach

(Garrinaga and Melé, 2004)
TWO CONTRADICTING THEORIES

Cause-related marketing

“the practice of marketing a product, service, brand, or company through a mutually beneficial relationship with a non-profit or social cause organization” (Berglin and Nakata 2005 p. 444)
CRM = win-win?

**Business**
- Profits
- Brand
- Reputation
- Goodwill
- Employee moral and retention

**NPO**
- Funding
- Exposure & message efficacy
- Non financial resources

(Berglin and Nakata 2005)

Pink buckets: April 14th to May 23rd 2010
-> over 4.2 m $ donation

Cost of the campaign: 8-9m €
1m € for WWF
1m € million for Günther Jauch
Corporate Social Performance (CSP)

- CSP = CSR + Corporate Social Responsiveness + socially beneficial activities

“...emphasizes concern for corporate action and accomplishments in the social sphere” (Carroll 1991 p.40)

(Carroll 1991)

CSR - Pyramid (close to CSP)

(Carroll 1991, Introduction CSR Seminar UZH 2012)
EVALUATION OF THEORIES

CSR increase vs. “blue-washing”

United Nations Global Compact Annual Review 2010
Ethical issues and social implications of CRM

- differing interests -> compromises goals
- advocacy or exploitation?
- too little transparency?
- disadvantaging “less attractive” causes
- desensitization -> CRM grants decline without traditional giving regenerating

(Berglin and Nakata 2005, Smith and Higgins 2000)

Globalization changes everything...

- Scherer and Palazzo (2011): globalization changes the role of businesses
DISCUSSION

CRM or CSP?

Integrative or instrumental? ... Or ethical?
CSR = utopia?

“the CSR firm should strive to make profit, obey the law, be ethical, and be good corporate citizen”  (Carroll 1991, p.43)

Does the instrumental view enable green- / blue-washing?
references
