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Implementation of CSR

The Role of Organizational Structure

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Overview

So far:

- ▶ Theories (CSR, Globalization, Corporate Citizenship)
- ▶ Global Governance & Organizational Legitimacy

Now:

- ▶ Implementing CSR – Organizational Structure
- ▶ (HRM, Individuum & Sensemaking)



Content

- ▶ Definitions
- ▶ Motivation
- ▶ Approaches
- ▶ Challenges
- ▶ Questions



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▶ Ethics:

- ▶ “The field of ethics [...] involves systematizing, defending, and recommending concepts of **right and wrong** behavior.”
(The Internet Encyclopedia of Philosophy)

▶ Compliance (Ethics Management):

- ▶ „A program designed to prevent and detect **criminal conduct**“
(US Sentencing Guidelines)
- ▶ To ensure that “all provisions of **law** and the enterprise’s **internal policies** are abided by“ the company.
(German Corporate Governance Code)
- ▶ Company’s effort in obtaining **ethical sound behaviour** of the company.
(according to Paine, 1994)

Definitions

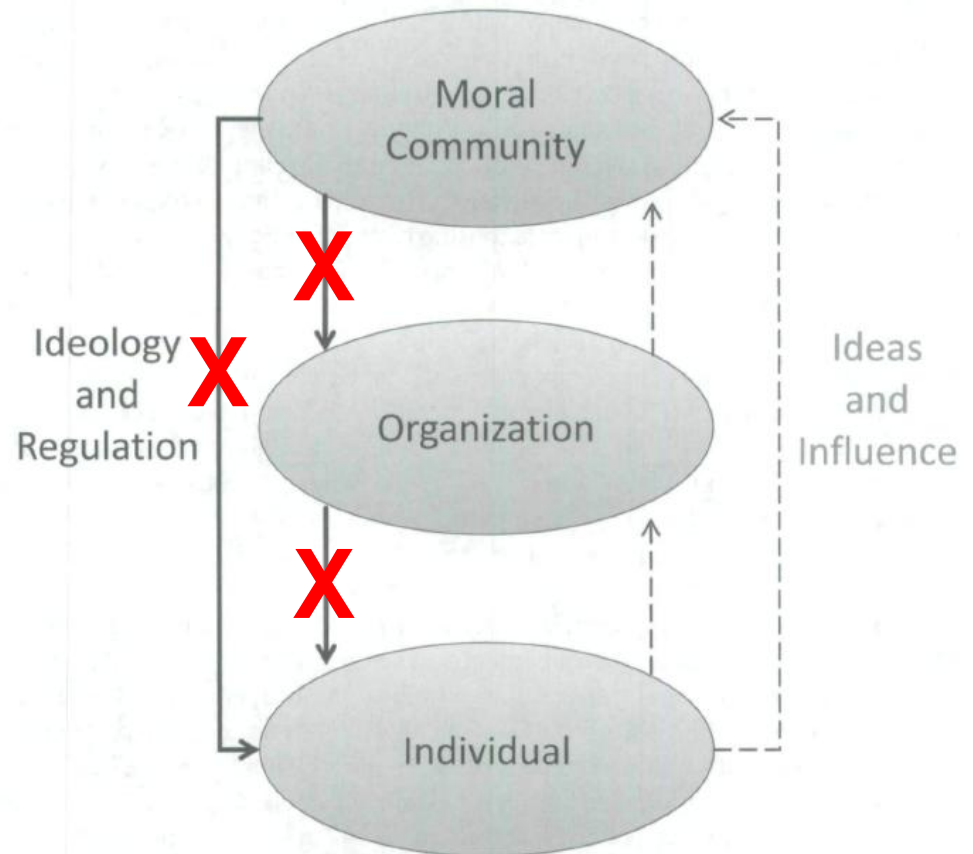
Moral Collaps – What's the matter?



- ▶ Aim: implement CSR → no misconduct in corporations
- prevent Moral Collaps

Examples:

- ▶ Ideology: Enron
- ▶ Regulation: Cath. Church



Source: Shadnam & Lawrence 2011



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„If he wants to talk ethics, let him talk to a priest or a psychiatrist. The office is no place for it.“

Divisional President of an oil company

Motivation

Overview



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▶ US Sentencing Guidelines of Organizations

Requirements:

- ▶ Set standards
- ▶ Communicate standard
- ▶ Monitoring
- ▶ Respond to misconduct

Source: US Sentencing Guidelines, Chapter 8

Motivation

ACME Case



- ▶ Overbilled car repairs of \$13.7 Mio.
- ▶ Fine prior to Sentencing Guidelines: \$6.85 Mio.

What Fine Can Acme Expect?

	Maximum	Minimum
Program, reporting, cooperation, responsibility	\$2,740,000	\$685,000
Program only	10,960,000	5,480,000
No program, no reporting no cooperation, no responsibility	27,400,000	13,700,000
No program, no reporting no cooperation, no responsibility, involvement of high-level personnel	54,800,000	27,400,000

Based on Case No.: 88-266, United States Sentencing Commission, *Supplementary Report on Sentencing Guidelines for Organizations*.

Source: Paine, 1994



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Approaches

Compliance-based



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- ▶ Conform with externally defined standards
- ▶ Prevent criminal misconduct
- ▶ Educate, control & punish
- ▶ Lawyer based Code of Conduct

Source: Paine, 1994

Approaches

Integrity-based (= Value-based)



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- ▶ Self-governing system
 - ▶ Enable responsible conduct
 - ▶ Educate values, lead by example, control & punish
 - ▶ Company values, law & ethics
- increases competitiveness & workforce morale, less misconduct

Source: Paine, 1994



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Challenges

Implementing CSR



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- ▶ **Get employees' attention**
 - ▶ Commitment of leadership at all levels
- ▶ **Build ethical culture (formal policies not enough)**
- ▶ **Practice = formal policies**
 - ▶ Let words follow action
- ▶ **One company, one compliance program**

Source: Treviño et al., 1999



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- ▶ President's wife traded foreign currencies
- ▶ President resigned
- ▶ Board tightened the rules for the executives
- ▶ Right approach for SNB? For other institutions?
- ▶ Why don't they follow the integrity-approach?

Source: http://www.nzz.ch/nachrichten/wirtschaft/aktuell/snb_verschaeft_das_reglement_fuer_eigengeschaefte_1.15705785.html, 13.3.2012
