



**Seminar #4797  
“Corporate Social Responsibility and Financial Markets”**

Fall Term 2015

*Version of June 26, 2015*

**Short Description**

Financial markets have become more powerful over the last 30 years. They have transformed the priorities of firms and how the economy operates. Researchers call this trend “financialization.” This trend also matters for Corporate Social Responsibility (CSR). CSR means that firms voluntarily take into account social and environmental considerations in their strategic decisions and business practices. This seminar explores how financial markets can strengthen or weaken CSR activities of firms, and looks at the broader societal implications of these developments. On the one hand, financial markets often weaken CSR activities by detracting firms’ attention from employees, communities and other non-shareholding stakeholders. On the other hand, the recent rise of Socially Responsible Investing points out that investment practices may also strengthen CSR activities of firms.

**Learning Outcomes**

By the end of the course you should be able to...

1. ...define the concept of CSR
2. ...identify external factors and internal dynamics that foster or undermine the CSR activities of firms
3. ...define the concept of financialization
4. ...delineate how financialization has transformed the bargaining power of different stakeholders
5. ...assess the potential and limitations of Socially Responsible Investing
6. ...write a seminar paper that lives up to scientific standards about research questions and structure

**Lecturer**

Dr. Emilio Marti, [emilio.marti@uzh.ch](mailto:emilio.marti@uzh.ch)

**Dates**

- September 21<sup>st</sup> (Monday), 2015, 16h15-19h30.
- October 5<sup>th</sup> (Monday), 2015, 16h15-19h30.



- October 19<sup>th</sup> (Monday), 2015, 16h15-19h30.
- November 2<sup>nd</sup> (Monday), 2015, 16h15-19h30.
- November 16<sup>th</sup> (Monday), 2015, 16h15-19h30.
- November 30<sup>th</sup> (Monday), 2015, 16h15-19h30.
- December 14<sup>th</sup> (Monday), 2015, 16h15-19h30.

Location: Seminarraum UNK-E-2, Universitätsstrasse 84, 8006 Zurich  
(Tram-Station Winkelriedstrasse, Line 9 & 10).

A maximum of 15 Master students will be admitted. To participate, please send an e-mail to [emilio.marti@uzh.ch](mailto:emilio.marti@uzh.ch) by August 31, 2015. The mail should explain why you want to participate in the seminar (300 words maximum) and include your CV and a list of the courses you have attended so far. Students will be informed by September 2, 2015, about whether they are admitted. Late applications will only be considered if vacant places are available after August 31, 2015.

### **Work Load**

Students can earn 3 ECTS credit points, and should expect a work load of around 90 hours (1 ECTS = 30 work hours). Grades have three components.

First, participation in class constitutes 30% of the final grade. Each session will be highly interactive: with group works, exercises, case studies, discussions, etc. Students must carefully read one paper for each of the Sessions 2-7, and should participate actively in class.

Second, presenting ideas for the seminar paper constitutes 30% of the final grade. For students to engage actively and critically with the topics discussed in class, they have to write a seminar paper in groups of three. Each group should develop the seminar paper as the seminar progresses: this procedure creates synergies with the discussions in class and facilitates feedback for the groups. Therefore, each group will present its research question and methods in Session 3 or 4 (10 minutes per group) and its preliminary findings in Session 6 or 7 (20 minutes). The lecturer will evaluate how students present and discuss on an individual basis (that is, students within the same group may not receive the same grade for the presentation).

Third, the seminar paper constitutes 40% of the final grade. The main text (without title page, list of references, figures, tables, etc.) of the seminar paper should be 25 pages long (based on a 12 point font size, 2.5 cm margins on all sides, and 1.5 lined spacing). The deadline for handing in the seminar papers is December 31, 2015. Each member of a group will get the same grade for the seminar paper.

For guidelines on how to write scientific papers, please refer to the download area on our homepage: <http://www.business.uzh.ch/professorships/as/themenliste.html>



The deadline for the module-booking of this course is October 9, 2015. The successful completion of the seminar gives 3 ECTS-Points, which can be credited to MA: BWL 5. The students will receive reading material by mail.

All questions concerning the seminar can be directed to the lecturer: [emilio.marti@uzh.ch](mailto:emilio.marti@uzh.ch)

### **A Note on Plagiarism**

Plagiarism is defined as the use of another person's ideas, knowledge, or language without appropriate crediting of the source. Plagiarism is theft of intellectual property, and therefore is a serious offense. It cannot be tolerated in academic work. Any evidence of plagiarism in a student paper will result in a failing grade for the course. It is also inappropriate to use very long quotes from an author even if the material is properly cited and enclosed in quotation marks. Such a practice raises the possibility that students do not really understand the material they are quoting. Ideas should be expressed in the students' own words except for the occasional use of quotations from other sources to highlight or support specific points. For further information see the *Harvard Guide for Using Sources* and its guidelines on avoiding plagiarism:

<http://isites.harvard.edu/icb/icb.do?keyword=k70847&tabgroupid=icb.tabgroup106849>

### **Overview over Sessions**

#### *Session 1 (September 21<sup>st</sup>, 16h15-19h30): Overview over Sessions and Forming Groups for the Seminar Paper*

In the first session, I will give an introductory overview over the topics and sessions of the seminar. For each session, I will present some possible research questions (see below) that students could take as a starting point for their seminar paper. Furthermore, I will give a short input about how to write a good seminar paper. We will examine the structure and content of a scientific paper and highlight the important aspects that groups need to consider when preparing their presentations and seminar papers. Toward the end of the class, we will form the groups for the seminar paper (based on who is interested in which of the six topics discussed in Sessions 2-7).

#### *Session 2 (October 5<sup>th</sup>, 16h15-19h30): Introduction into CSR*

Corporate Social Responsibility (CSR) has become a very active research field over the last 20 years. In Session 2 we want to develop a detailed understanding of CSR. Specifically, we need to distinguish normative approaches to CSR (why companies should behave responsibly) from explanatory approaches (under what conditions companies behave responsibly). The paper by Elisabet Garriga and Domènec Melé (2004) offers an ideal starting point to disentangle different variants of CSR research. They distinguish between: (1) instrumental theories; (2) political theories; (3) integrative theories; and (4) ethical theories.



Mandatory reading (we will work with this paper in class):

- Garriga, E., & Melé, D. 2004. Corporate Social Responsibility theories: Mapping the territory. *Journal of Business Ethics*, 53(1-2): 51–71.

Further literature:

- Matten, D., & Moon, J. 2008. “Implicit” and “explicit” CSR: A conceptual framework for a comparative understanding of Corporate Social Responsibility. *Academy of Management Review*, 33(2): 404–424.
- Scherer, A. G., & Palazzo, G. 2007. Toward a political conception of corporate responsibility: Business and society seen from a Habermasian perspective. *Academy of Management Review*, 32(4): 1096–1120.

Possible research questions for the seminar paper (for illustration only):

- How does each of the four theories distinguished by Garriga and Melé (2004) conceptualize the role of shareholders?
- Which of the four theories distinguished by Garriga and Melé (2004) can best conceptualize how financialization has transformed the economy?

### Session 3 (October 19<sup>th</sup>, 16h15-19h30): Introduction into Financialization

Financial markets have become more important for how the economy functions since the 1970s. Researchers describe this trend as the financialization of the economy or as the rise of a “finance-centered economy” (Davis 2009, 27). In Session 3, mainly based on a paper by Gerald Davis (2009), we analyze the reasons that led to financialization and discuss its implications for the economy and society.

Mandatory reading (we will work with this paper in class):

- Davis, G. F. 2009. The rise and fall of finance and the end of the society of organizations. *Academy of Management Perspectives*, 23(3): 27–44.

Further literature:

- Krippner, G. R. 2005. The financialization of the American economy. *Socio-Economic Review*, 3(2): 173–208.
- Marti, E., & Scherer, A. G. forthcoming. Financial regulation and social welfare: The critical contribution of management theory. *Academy of Management Review*.

Possible research questions for the seminar paper (for illustration only):

- What were the implicit CSR practices of big US corporations in the 1960s and 1970s, and how do these practices differ from today’s CSR practices?
- How do changes in corporate activities (e.g., outsourcing) transform the CSR-related challenges that firms face?

Session 4 (November 2<sup>nd</sup>, 16h15-19h30): How Financialization Reshapes the Economic and Institutional Conditions behind CSR

In Session 4 we bring together the topics of financialization and CSR. We first use the paper of John Campbell (2007) to discuss the economic and institutional conditions under which firms will engage in CSR. We then discuss in small groups how financialization influences these conditions. Our goal of this session is to develop a framework that outlines mechanisms through which financialization undermines or strengthens CSR.

Mandatory reading (we will work with this paper in class):

- Campbell, J. L. 2007. Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of Management Review*, 32(3): 946–967.

Further literature:

- Fox, J., & Lorsch, J. W. 2012. What good are shareholders? *Harvard Business Review*: 48–57.
- Kacperczyk, A. 2009. With greater power comes greater responsibility? Takeover protection and corporate attention to stakeholders. *Strategic Management Journal*, 30(3): 261–285.

Possible research questions for the seminar paper (for illustration only):

- How does financialization influence the bargaining power of different external stakeholders (shareholders, NGOs, etc.)?
- How does financialization influence the bargaining power of different internal stakeholders (executive employees vs. non-executive employees)?

Session 5 (November 16<sup>th</sup>, 16h15-19h30): A Financialized Approach to CSR?

In Session 5 we explore the question of how financialization shapes CSR on a different level of analysis, as we move from the industry level (Session 4) to the organizational level (Session 5). Our starting point is a paper in which Bryn Jones and Peter Nisbet (2011) scrutinize the CSR activities of four multinational firms. Jones and Nisbet (2011) are skeptical of the possibility of real CSR engagement under the conditions of a financialized economy. Based on this paper we bring forth differences between today's CSR activities and the "industrial welfare" that prevailed some 50 years ago. To conclude, we relate these insights to the framework developed in the previous session.

Mandatory reading (we will work with this paper in class):

- Jones, B., & Nisbet, P. 2011. Shareholder value versus stakeholder values: CSR and financialization in global food firms. *Socio-Economic Review*, 9(2): 287–314.

Further literature:

- Ezzamel, M., Willmott, H., & Worthington, F. 2008. Manufacturing shareholder value: The role of accounting in organizational transformation. *Accounting, Organizations and Society*, 33(2–3): 107–140.
- Lazonick, W., & O’Sullivan, M. 2000. Maximizing shareholder value: A new ideology for corporate governance. *Economy and Society*, 29(1): 13–35.

Possible research questions for the seminar paper (for illustration only):

- How does the logic of financial markets differ from the logic that prevails within many non-financial firms?
- What does reproducing the logic of financial markets within non-financial firms imply for the CSR activities of these firms?

Session 6 (November 30<sup>rd</sup>, 16h15-19h30): Competing Pressures in the SRI Field

Socially Responsible Investing (SRI) has risen in lockstep with financialization. SRI describes investment strategies that integrate environmental, social and governance (ESG) criteria into their investment decisions. Investors engage in SRI for a variety of different reasons: to reduce risks, to increase profits, to reduce environmental degradation, to pressure corporations to protect stop violating human rights, etc. In Session 6 we critically explore the competing pressures in the SRI field, as SRI firms try to navigate between an economic logic and a social welfare logic. We start from the critique of Soederberg (2009), who claims that SRI reproduces and stabilizes some of the most problematic aspects of a financialized economy. On that basis, we classify different types of critique raised against SRI.

Mandatory reading (we will work with this paper in class):

- Soederberg, S. 2009. The marketisation of social justice: The case of the Sudan divestment campaign. *New Political Economy*, 14(2): 211–229.

Further literature:

- de Colle, S., & York, J. 2009. Why wine is not glue? The unresolved problem of negative screening in socially responsible investing. *Journal of Business Ethics*, 85(1): 83–95.
- Haigh, M., & Hazelton, J. 2004. Financial Markets: A Tool for Social Responsibility? *Journal of Business Ethics*, 52(1): 59–71.

Possible research questions for the seminar paper (for illustration only):

- What does it mean that “SRI does not question the wider ideological and policy frame” (Soederberg 2009, 220)?
- What are the different motivations for SRI, and how do these different motivations relate to different investment strategies?



Session 7 (December 14<sup>th</sup>, 16h15-19h30): SRI Firms as Hybrid Organizations

In Session 7 we again change the level of analysis from the industry to the organizational level. We move from the question of how competing pressures shape the SRI field (Session 6) to the question of how competing pressures shape practices within SRI firms (Session 7). We start by reconstructing the argument of Julie Battilana and Silvia Dorado (2010) to gain a detailed understanding of hybrid organizations. We then do a group work to think about SRI firms as hybrid organizations.

Mandatory reading (we will work with this paper in class):

- Battilana, J., & Dorado, S. 2010. Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*, 53(6): 1419–1440.

Further literature:

- Markowitz, L., Cobb, D., & Hedley, M. 2012. Framing ambiguity: Insider/outside and the successful legitimization project of the socially responsible mutual fund industry. *Organization*, 19(1): 3–23.
- Slager, R., Gond, J.-P., & Moon, J. 2012. Standardization as institutional work: The regulatory power of a responsible investment standard. *Organization Studies*, 33(5–6): 763–790.

Possible research questions for the seminar paper (for illustration only):

- Why do SRI firms need legitimacy, and how can they increase their legitimacy within the financial sector?
- What is the promise of SRI standards to advance SRI?