STRATEGIC CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABLE VALUE CREATION

6 EDITION

DAVID CHANDLER

Strategic Corporate Social Responsibility

Sixth Edition

Sara Miller McCune founded SAGE Publishing in 1965 to support the dissemination of usable knowledge and educate a global community. SAGE publishes more than 1000 journals and over 800 new books each year, spanning a wide range of subject areas. Our growing selection of library products includes archives, data, case studies and video. SAGE remains majority owned by our founder and after her lifetime will become owned by a charitable trust that secures the company's continued independence.

Los Angeles | London | New Delhi | Singapore | Washington DC | Melbourne

Strategic Corporate Social Responsibility

Sustainable Value Creation

Sixth Edition

David Chandler

University of Colorado Denver

SAGE

Los Angeles | London | New Delhi
Singapore | Washington DC | Melbourne

FOR INFORMATION:

SAGE Publications, Inc.
2455 Teller Road
Thousand Oaks, California 91320
E-mail: order@sagepub.com

SAGE Publications Ltd.
1 Oliver's Yard
55 City Road
London EC1Y 1SP
United Kingdom

SAGE Publications India Pvt. Ltd.
B 1/I 1 Mohan Cooperative Industrial Area
Mathura Road, New Delhi 110 044
India

SAGE Publications Asia-Pacific Pte. Ltd.
18 Cross Street #10-10/11/12
China Square Central
Singapore 048423

Acquisitions Editor: Lauren Gobell

Editorial Assistant: Enawamre Ogar

Production Editor: Tracy Buyan

Copy Editor: Gillian Dickens

Typesetter: diacriTech

Cover Designer: Gail Buschman

Product Specialist: Staci Wittek

Marketing Manager: Jennifer Haldeman

Printed in the United States of America

Library of Congress Control Number: 2022942553

ISBN (paperback): 978-1-0718-5296-5

This book is printed on acid-free paper.

22 23 24 25 26 10 9 8 7 6 5 4 3 2 1

BRIEF CONTENTS

DETAILED CONTENTS

LIST OF FIGURES

PREFACE

PART I CORPORATE SOCIAL RESPONSIBILITY

PART II A STAKEHOLDER PERSPECTIVE

PART III A LEGAL PERSPECTIVE

PART IV A BEHAVIORAL PERSPECTIVE

PART V A STRATEGIC PERSPECTIVE

PART VI A SUSTAINABLE PERSPECTIVE

APPENDIX IMPLEMENTING STRATEGIC CSR

GLOSSARY

Consistent definitions, rhetoric, and vocabulary are the entry point to understanding any subject, yet they remain fiercely debated in the field of corporate social responsibility (CSR). As such, the range of terminology used can be a source of confusion for executives, academics, journalists, and other students of CSR. Ostensibly part of the same discussion, it is common to see CSR referred to in numerous ways, without any indication of whether the terms are complements or substitutes for each other:

FIGURE P.1 ■ The Vocabulary of CSR

Often, these different terms are being used to convey similar core ideas, yet heated debates can sprout from subtle nuances. In order to clarify some of the confusion and provide a consistent vocabulary with which to read this book, brief definitions of key concepts and related terms are provided in this glossary.

CSR TERMS

These terms arise in discussions of CSR and related issues (some more widely than others) and are referred to throughout this book.

15-minute city: An urban design concept where public transportation, shops, offices, and cultural landmarks can all be reached within a 15-minute walk. A related concept is the 5-minute city.

Accountability: The extent to which a firm attends to the needs and demands of its stakeholders (see *Transparency*).

Activism: Actions (e.g., campaigns, boycotts, protest) by individuals, nonprofit organizations, or nongovernmental organizations (NGOs) designed to further social, political, or environmental goals.

Advocacy advertising: Efforts by firms to communicate social, environmental, or political positions to stakeholders (see *Cause-related marketing*).

Anthropocene: A new geological epoch, estimated to have begun in 1950, due to the effects of human behavior on the planet's ecosystem. It replaces the Holocene epoch.

Aspirational recycling: "People setting aside items for recycling because they believe or hope they are recyclable, even when they aren't."[1] Also known as "wish-cycling"[2] (see *Recycling*).

Attention economy: A business model that depends on the amount of time spent with the product, such as an app, often underwritten by advertising revenue.

B4H: A marketing term to identify brands that promote humanity, "brands for humans."[3]

Badvertising: Advertising, marketing, or public relations (PR) activities by a firm that promote socially irresponsible behavior, as determined from the perspective of certain stakeholders.

Balanced scorecard: A means of measuring the impact of a business across multiple stakeholder groups.

B-Corp: A certification awarded to firms that meet specific standards of transparency and accountability set by the nonprofit B Lab (https://bcorporation.net/).

Benefit corporation: A type of legal structure for businesses (https://benefitcorp.net/) that is available only in those U.S. states that have passed specific legislation.

Behavioral biometrics: A collection of unique online behaviors, gathered surreptitiously via a phone or keyboard, which can be used to confirm an individual's identity.[4]

Biodiversity: The variety of species alive on Earth.

Blandscaping: An urban design "practice of creating virtually uniform green spaces that are devoid of local character or distinctiveness."[5]

Blended finance: The strategic use of smaller amounts of money (often public-sector funds intended to generate social or environmental outcomes), to mobilize larger amounts of money (often private-sector funds seeking more traditional investment returns).

Blue carbon: Carbon absorbed from the atmosphere and stored in plants in an aquatic ecosystem (whether fresh or salt water), such as a mangrove or coral reef.

Bottom of the pyramid: A concept introduced by C. K. Prahalad and Stuart L. Hart that discusses the market potential for firms among the poorest societies.[6]

Brand hijacking: When an antisocial or otherwise peripheral group becomes associated with a firm's product or service, without the express permission of that firm.

Brown stocks: The shares of companies that pollute the environment relatively more than other companies (see *Green stocks*).

Business citizenship: Socially oriented actions by firms designed to demonstrate their role as constructive members of society.

Business ethics: The application of ethical theory to organizational decision making.

Cancel culture: The idea that it is acceptable to exclude or isolate someone on social media for their stated views.

Cap-and-trade: A market designed to trade the right to emit carbon that is underwritten by government credits issued to specific firms and industries that become increasingly scarce, thus limiting the total amount of carbon in the atmosphere.

Carbon budget: The amount of carbon that can safely be emitted, by all countries combined, before the damage to the planet's climate becomes irreversible.

Carbon capture: A range of technological innovations designed to remove carbon from the Earth's atmosphere.

Carbon footprint: The total amount of carbon-related greenhouse gases emitted by a firm or individual, or in the production of a product or service (see *Greenhouse gas*).

Carbon insetting: A firm's integration of sustainability practices directly into the supply chain to take responsibility for its carbon emissions (see *Carbon offsetting*).

Carbon intensity: A measure of a firm's environmental impact that is calculated by dividing carbon emissions by annual revenue (for a company) or GDP (for a country).

Carbonivore: An organization or technology that removes more carbon from the air than it emits, "either storing it, turning it into a useful product or recycling it."[7]

Carbon leakage: The concern that, if some countries move faster than others to eradicate carbon, firms in the slower moving countries will gain a competitive advantage.

Carbon negative: A technology or product that extracts from the atmosphere more carbon that it emits via technology such as solar geoengineering (see *Carbon positive*).

Carbon neutral: A state when a firm's net carbon emissions are zero (see *Net positive* and *Net zero*).

Carbon offsetting: A firm's reduction of its carbon footprint by paying for environmentally beneficial behavior by a third party (see *Carbon insetting*).

Carbon positive: A company or product that extracts more carbon from the environment than it emits (see *Carbon negative*).

Carbontech: Technology that allows companies to capture "large amounts of carbon within commercial merchandise."[8]

Carbon trading: See *Cap-and-trade*.

Cash mob: A group of community members who use social media to assemble at a given date and time to spend money in support of local business.

Cause-related marketing: Efforts to gain or retain customers by tying purchases of a firm's goods or services to the firm's philanthropy (see *Advocacy advertising*).

Circular economy: A means to reduce waste via greater efficiency or by reuse, repair, or recycling (see *Cradle-to-cradle*).

Civic engagement: Efforts by a firm to improve a local community.

Clicktivism: A relatively shallow form of protest that is conducted online via social media.

Climate change: The term used to describe the effect of human economic activity on the planet's atmosphere and weather systems.

Climate crisis: An alternative to *climate change* that emphasizes the increasingly desperate environmental situation facing humanity.[9]

Climate debt: Either, the amount of money owed by developed economies to developing economies to atone for the carbon already emitted by those economies that developed earliest. Or, the debt incurred by prior generations to future generations as a way of acknowledging "the rights of those yet to be born."[10]

Climate finance: Investments designed to generate carbon-neutral or *green* outcomes.

Closed-loop recycling: Products recycled into the same product (e.g., plastic bottles recycled into more plastic bottles)—retaining quality, rather than downcycling, where quality deteriorates (see *Downcycling*).

Closed-loop sourcing: Utilizing existing materials to create zero waste (see *Circular economy*).

Cobot: A robot that is designed to complement people at work, rather than replace them—"a collaborative robot."[11]

Compliance: Actions taken by firms to conform to existing laws and regulations.

Conscious capitalism: An economic system based on four principles that encourage the development of values-based businesses: higher purpose, stakeholder orientation, conscious leadership, and conscious culture (see *Values-based business*).[12]

Conscious consumer: A customer "who considers the social, environmental, ecological, and political impact of their boycott and boycott actions."[13]

Conspicuous virtue: Consumption intended to demonstrate not wealth ("conspicuous consumption") but "innate goodness."[14]

Consumer activism: Efforts by customers to have their views heard by companies and incorporated into their policies and decision making.

Consumer boycott: Customers who avoid specific industries, firms, or products based on performance metrics or issues that they value. The term *boycott* was first used in Ireland in 1880 "as part of a campaign of civil disobedience against absentee landowners."[15]

Consumer buycott: Customers who actively support specific industries, firms, or products based on performance metrics or issues that they value.

Corporate citizenship: See *Business citizenship*.

Corporate philanthropy: Contributions by firms that benefit stakeholders and communities, often made through financial or in-kind donations to nonprofit organizations.

Corporate responsibility: A term similar in meaning to *CSR*, but preferred by some firms because it de-emphasizes the word *social*.

Corporate social activism: Actions taken by a firm to achieve its CSR goals in response to demands made by specific stakeholder groups.

Corporate social opportunity: A perspective that emphasizes the benefits to firms of adopting CSR, mitigating the perception of CSR as a *cost* to business.[16]

Corporate social performance: The benefits to the firm (often measured in traditional financial or accounting metrics) gained from implementing CSR.

Corporate social responsibility (CSR): A responsibility among firms to meet the needs of their stakeholders, broadly defined, and a responsibility among stakeholders to hold firms to account for their actions.

Corporate stakeholder responsibility: A responsibility among all of a firm's stakeholders to hold the firm to account for its actions by rewarding behavior that meets expectations and punishing behavior that does not meet expectations.

Corporate sustainability: Business operations that can be continued over the medium to long term without degrading the ecological environment (see *Sustainability*).

Cradle-to-cradle: A concept introduced by William McDonough that captures the zero-waste, closed-loop concept of the circular economy (see *Circular economy*).[17]

CSR deficit: The difference in stakeholder value created between what is theoretically possible and what is actually created by the firm. The deficit can be calculated as an aggregate amount across all stakeholders, or within each stakeholder group.

CSR threshold: The point beyond which the need to be responsive to a broader set of stakeholders becomes essential to the survival of the firm and/or industry.

Decarbonization: The removal of excessive carbon from a product or process.

Deglobalization: The process of "*reshoring* or *nearshoring*" a firm's supply chain for greater security and flexibility in operations.[18]

Deindustrialization: A process of industrial decline in one country, often due to the outsourcing of production to another part of the world.

Deplatforming: The removal from social media of an individual or group deemed to be excessively offensive or a danger to society.

Digital philanthropy: Donations to a charitable cause or disaster relief made possible by online crowdsourcing technology, often via mobile devices.

Downcycling: A recycling process that reduces the quality of the recycled material over time (see *Recycling* and *Upcycling*).

Ecoanxiety: A condition defined by the American Psychological Association as "a chronic fear of environmental doom."[19]

Ecocide: A legal term that defines the deliberate destruction of the natural environment. Specifically, "unlawful or wanton acts committed with knowledge that there is a substantial likelihood of severe and widespread or long-term damage to the environment being caused by those acts."[20]

Eco-efficiency: An approach to business that is characterized by the need to "do more with less" and popularized by the phrase "reduce, reuse, recycle."

Ecopreneur: An entrepreneur who utilizes for-profit business practices to achieve environmental goals (see *Social entrepreneur*).

Ecosystem: A self-sustaining community.

Electrostate: A country with an economy dominated by the production of electricity, in contrast to a petrostate, where the economy is dominated by the extraction of fossil fuels (see *Fossil fuel*).

Enlightened self-interest: The recognition that firms can operate in a socially conscious manner without forsaking the economic goals that lead to financial success.

ESG: Environmental, social, and governance metrics, often used to structure an investment fund or similar financial instrument.

Ethics: A guide to moral behavior based on social norms and culturally embedded definitions of *right* and *wrong*.

E-waste: Toxic pollutants that are a by-product of discarded consumer electronic goods, such as televisions, computers, and smartphones.

Extended producer responsibility: The liability of a firm for the environmental impact of a product throughout the supply chain, such as a tax imposed by a regulator to cover the cost of recycling packaging.[21]

Fair trade: Trade in goods at prices above what market forces would otherwise determine in order to ensure a *living wage* for the producer (see *Living wage*).

Flight shame: The guilt caused by the carbon emissions associated with commercial air travel (originated from the Swedish, *flygskam*).[22]

Fossil fuel: An energy source based on carbon. Currently, fossil fuels constitute 85 percent of worldwide energy, which "accounts for two-thirds of greenhouse-gas emissions."[23]

Freecycling: A process by which items that are no longer needed are donated to others who can put them to productive use (see *Recycling*).

Garbology: The study of what humans throw away.[24]

Gig economy: A metaphor for the evolving nature of work that is characterized by short-term, insecure *gigs* performed by self-employed freelancers or micro-entrepreneurs and traded online (see *Sharing economy*).[25]

Glass cliff: Similar to a glass ceiling, which constrains success, the glass cliff is a "theory that holds that women are often placed in positions of power when the situation is dire . . . and the likelihood of success is low."[26]

Global Compact: A United Nations–backed effort to convince corporations to commit to multiple principles that address the challenges of globalization.[27]

Globalization: The free flow of people, ideas, trade, and finance around the world.

Global Reporting Initiative (GRI): A multi-stakeholder organization designed to produce a universal measure of a firm's CSR efforts.

Global warming: See *Climate change*.

Glocalization: "Dealing with big global problems through myriad small or individual actions."[28]

Grassroots: A social movement that originates among individuals and local organizations.

Greenium: The price premium enjoyed by shares of companies that pollute the environment relatively less than other companies (see *Green stocks*).

Greenhouse gas: A pollutant in the atmosphere that traps heat, causing average temperatures to rise (e.g., carbon dioxide or methane; see *Carbon footprint*).

Green noise: "Static caused by urgent, sometimes vexing or even contradictory information [about the environment] played at too high a volume for too long."[29]

Green stocks: The shares of companies that pollute the environment relatively less than other companies (see *Brown stocks*).

Greenwash: "Greenwashing is the act of misleading consumers regarding the environmental practices of a company or the environmental benefits of a product or service"[30] (see *Pinkwash* and *Redwash*).

Gross National Happiness (GNH): An attempt to replace gross domestic product (GDP) as the primary measure of an economy's health and well-being.[31]

Human rights: Freedoms that are an integral element of what it means to be human.[32]

Impact investing: A variety of investment tools (e.g., mutual funds, low-interest loans, and green bonds) that seek to solve social problems not previously addressed by market forces. The measurement of outcomes/impact is emphasized (see *Social finance*).

Inclusive capitalism: The idea that "those with the power and the means have a responsibility to help make society stronger and more inclusive for those who don't."[33]

Individual social responsibility: The application of CSR concepts to the individual.

Inequity: The unequal distribution of opportunity across different populations in society.

Inequality: The unequal distribution of resources across different populations in society.

Integrated reporting: The publication of a firm's economic, environmental, and social performance in a unified document (see *Triple bottom line*).

Intrapreneurship: A combination of the terms *innovation* and *entrepreneur* to capture innovative behavior within a large, bureaucratic organization.

Iron Law of Social Responsibility: The axiom that those who use power in ways society deems abusive will eventually lose their ability to continue acting in that way.[34]

Islamic finance: An investment philosophy guided by Sharia law, which prohibits the investment of funds in firms that "derive a majority of their income from the sale of alcohol, pork products, pornography, gambling, military equipment or weapons."[35]

Leanwashing: Advertising by food- or nutrition-related companies that misleadingly suggests a product is healthy (e.g., using terms such as *natural* on labels).

Lifecycle pricing: An economic model designed to minimize waste by including the total costs of a product or service in the price that is charged to the customer.

Living wage: A level of pay intended to meet an employee's basic living standards, above subsistence levels. A *living wage*, which is culturally embedded, is usually set at a higher level than a *minimum wage*, which is legally defined (see *Fair trade*).

LOHAS: An acronym that stands for "lifestyles of health and sustainability."

Microfinance: A range of personal financial services (e.g., credit, accounts, insurance, and transfers) provided on a smaller scale to meet the specific needs of marginalized consumers and structured to encourage entrepreneurship (see *Social finance*).

Moral hazard: To take risk in search of personal benefit where the consequences of that risk are not borne by the individual. The effect is to privatize gains and socialize losses.

Natural capital: The stock of all resources that exist in the natural environment.

Natural corporate management: A business philosophy "based upon genetic, evolutionary, and neuroscience components that underlie and help drive corporate management, including behavior, organizational, and eco-environmental relationships."[36]

Net positive: An effort by a firm to ensure that it draws on few or no virgin natural resources in its operational processes (see *Carbon-neutral*).

Net zero: The commitment by a company or country to absorb or offset as much carbon as it produces (see *Carbon-neutral*).

Nongovernmental organizations (NGOs): Organizations that operate with a legal and accounting structure that allows them to pursue political, environmental, and/or social goals without the need to generate a profit (see *Nonprofits*).

Nonprofits: Nonprofits are similar to NGOs but often differ by having a domestic, rather than an international focus (see *Nongovernmental organizations*).

Organic: A method of producing food without using pesticides, chemical fertilizers, or other industrial aids; designed to promote ecological balance and preserve biodiversity.

Pastorpreneur: A religious figure who applies business principles to a church or related religious activity, or who applies religious principles to a business.

Peak oil: The maximum possible production of oil, after which output will decline.[37]

Philanthrocapitalism: An approach to philanthropy that seeks to mirror common business practices by instilling greater transparency and more measurable outcomes.[38]

Philanthropreneur: An individual who donates to a specific charitable organization or issue and actively intervenes in the management of that donation.

Philanthropy: A donation made, by either an individual or an organization, to a charity or charitable cause.

Pinkwash: "When a company promotes pink-ribboned products and claims to care about breast cancer while also selling products linked to disease or injury."[39] Also, a term applied to the marketing and commodification of the LGBTQ+ cause by firms using friendly media and ad campaigns, without meaningful progress on substantive issues (also known as "rainbow-washing";[40] see *Greenwash* and *Redwash*).

Planetary boundaries: The limits of the Earth within which human life can exist.

Public policy: Government decisions aimed at establishing rules and guidelines for action with the intent of providing benefit (or preventing harm) to society.

Recycling: A process by which resources are reclaimed from discarded materials and put to productive use (see *Downcycling* and *Upcycling*).

Redwash: Actions by a company "to paint itself as 'benevolent' —a good neighbor— through sponsorship schemes for indigenous education, art and culture. It is the process of covering up the detrimental effects of corporate initiatives with friendly slogans and lump sum donations to indigenous communities"[41] (see *Greenwash* and *Pinkwash*).

Regenerative agriculture: An approach to food production that encompasses organic practices, while minimizing the carbon emissions associated with large-scale farming.

Renewable energy: A source of energy that is noncarbon based (e.g., solar, wind, or tidal energy). Also referred to as *alternative energy, clean energy*, or *green energy*.

Resilience: The ability of organisms and organizations to adapt to a changing climate.

Responsibility: To be responsible for something is to be accountable for it. If there is no consequence, there is no responsibility. Stakeholders define a firm's *responsibility* by rewarding behavior they like and punishing behavior they dislike.

Sharing economy: The peer-to-peer exchange of "shared assets" that are owned by individuals, rather than firms, and rented for short periods among an online community (see *Gig economy*).[42]

Shwopping: An exchange program by which customers trade in used clothing (to be donated) for vouchers that can be used to purchase new clothes.[43]

Slowbalization: The reversal of globalization due to anti–free trade tools, such as tariffs and quotas (see *Globalization*, "Strategy and Economic Terms").

Slow money: An offshoot of the *slow food* movement that, instead of focusing on local food, emphasizes impact investments in local businesses[44] (see *Impact investing*).

Social cost of carbon: The "value, in today's dollars, of all the future harm caused by a metric ton of carbon dioxide released now."[45]

Social entrepreneur: An entrepreneur who applies for-profit business practices to an issue that previously did not have a market-based solution (see *Ecopreneur*).

Social finance: An approach to finance that emphasizes the social return on an investment, measured by various criteria (e.g., ethical, faith based, and environmental), in addition to seeking to secure financial returns for investors (see *Impact investing*).

Social innovation: An approach to business by which firms seek to meet not only the technical needs of their customers, but also their broader aspirations as citizens.

Social license: The ability of a firm to continue to operate due to stakeholder approval.

Socially responsible investing (SRI): A portfolio investment strategy that seeks returns by investing in firms or projects that pursue ethical or values-based goals.

Social mobility: The ability of an individual born into a certain income or class level in society to rise out of that situation.[46]

Social value: The benefit (or harm) of a firm's activities in terms of nonmonetary metrics, as defined by each of the firm's stakeholders.

Sofapreneurs: Individuals who are able to earn money working at home due to online connectivity as part of the gig economy (see *Gig economy*).[47]

Stakeholder: An individual or organization that is affected by a firm (either voluntarily or involuntarily) and possesses the capacity and intent to affect the firm.

Strategic CSR: The incorporation of a holistic CSR perspective within a firm's strategic planning and core operations so that the firm is managed in the interests of a broad set of stakeholders to optimize value over the medium to long term.

Surveillance capitalism: An economic system populated by firms with business models that rely on the collection of personal data, often surreptitiously, to be bundled and sold to advertisers.

Sustainability: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."[48]

Sustainable Development Goals (SDGs): Seventeen goals and 169 targets introduced by the United Nations to replace the Millennium Development Goals.[49]

Sustainable Value Creation (SVC): A business philosophy that emphasizes the creation of value across the firm's broad set of stakeholders.[50]

Sweatshops: Factories that employ children or apply working standards with little, if any, respect for their well-being. Conditions are deemed to be unsafe and unfair, often in comparison to minimum legal conditions established in more affluent societies.

Techlash: "A strong and widespread negative reaction to the growing power and influence of large technology companies, particularly those based in Silicon Valley."[51]

Technofossils: A description of "manufactured objects like plastic that wind up in the geological record."[52]

Techno-optimism: The confidence "that technology and technologists are building the future and that the rest of the world needs to catch up."[53]

Transparency: The extent to which a firm's decisions and operating procedures are accessible or visible to its external stakeholders (see *Accountability*).

Trashion: A derivative of the term *fast fashion*, where a clothing designer "works only with fabric that would otherwise be thrown away" in existing production methods.[54]

Triple bottom line: A comprehensive evaluation of the total business by assessing a firm's financial, environmental, and social performance (see *Integrated reporting*).

Upcycling: A recycling process that increases the quality of the recycled material over time (see *Recycling* and *Downcycling*).

Values: Fundamental beliefs or principles, formed from an individual's morals and ethics, that guide behavior.

Values-based business: A for-profit firm that is founded on a vision and mission defined by a **strategic CSR** perspective (see *Strategic CSR*).

Virtue signaling: See *Conspicuous virtue*.

Whistle-blower: An insider who alleges organizational misconduct and communicates those allegations of wrongdoing externally to the media, prosecutors, or others.

White-collar crime: A phrase "coined in 1939 … to describe an offense committed by 'a person of respectability and high social status in the course of his occupation.'"[55]

Woke capitalism: The ability of firms to align themselves with the progressive values (and associated causes) of key stakeholders to be successful in the marketplace.

Woke-washing: An attempt by a company to appear responsive to the demands of specific stakeholders. The superficial implementation of "woke capitalism."[56]

STRATEGY AND ECONOMIC TERMS

The idea of **strategic CSR** exists at the intersection of *strategy* and *CSR*. As such, in addition to the preceding CSR terms, there are a number of relevant strategy and economic terms used throughout this book that are essential to understanding the overall framework.

Agency: The ability of an individual to act with free will.

Agent: An individual appointed to act on someone else's behalf (see *Principal*).

Board of directors: The formal oversight authority to which the CEO and executives of the firm are ultimately responsible (see *Corporate governance*).

Business: A process of economic exchange by which companies seek to generate profits by satisfying their stakeholders' needs (see *Company*).

Business-level strategy: The strategy of a specific business unit within a firm that seeks to build a sustainable competitive advantage (see *Differentiation* and *Low-cost*).

Capabilities: Actions that a firm can do, such as pay its bills, in ways that add value to the production process.

Capital: A term referring to "money used to invest or build and so earn more money."[57]

Capitalism: An economic system of market interaction, mobile labor, and private capital.

C-commerce: Business transactions conducted online via social media and messaging platforms, "as hundreds of millions of Chinese [currently] do on WeChat, owned by Tencent, China's mightiest tech giant"[58] (see *E-commerce*).

Company (or corporation): A legal organizational form permitted to engage in business. The word *company* comes from the Latin word *companio*, the literal translation of which originally meant "breaking bread together"[59] (see *Business*).

Competencies: Actions a firm can do very well.

Competitive advantage: Competencies, resources, or structural positioning that separate the firm from its competitors in the marketplace (see *Sustainable competitive advantage*).

Core competence (or capability): The processes of the firm that it not only does very well, but is so superior at performing that it is difficult (or at least time-consuming) for other firms to match its performance in this area.[60]

Core resource: An asset of the firm that is unique and difficult for competitors to replicate.

Corporate governance: The oversight structure and systems that serve to hold the firm legally accountable (see *Board of directors*).

Corporate-level strategy: The strategy of the firm, including which industries in which to compete and whether to enter into partnerships with other firms via joint ventures, mergers, or acquisitions (see *Business-level strategy*).

Creative destruction: A concept introduced by Joseph Schumpeter to describe the process by which markets innovate—destroying the old to create space for the new.

Differentiation: A business-level strategy firms use to distinguish their products from those of other firms on the basis of some component other than price (see *Low-cost*).

Discount rate: The percentage amount "used to convert future dollars to the present. The lower the rate, the more future damages are worth today."[61]

E-commerce: Business transactions conducted online (see *C-commerce*).

Economic value: The benefit (or harm) of a firm's activities in terms of monetary metrics, as defined by each of its stakeholders.

Externality: The effect of a transaction (either positive or negative) on a third party not involved in the primary exchange (see *Internality*).

Fiduciary: A person who has a legal or ethical responsibility toward one or more parties.

Firm: A business organization that marshals scarce and valuable resources to produce a good or service that it then sells at a price greater than its cost of production.

Five forces: A macro-level analysis of the competitive structure of a firm's industry (see *Industry perspective*).[62]

Governance: A system of checks and balances that shapes an organization's behavior.

Human capital: The skills and knowledge of people that enable them to succeed in the workplace (see *Social capital*).

Industry perspective: An external perspective of the firm that identifies the structure of the environment in which the firm operates (in particular, its industry) as the main determinant of its success (see *Five forces* and *Resources perspective*).

Internality: The "overlooked costs people inflict on their future selves, such as when they smoke, or scoff so many sugary snacks that their health suffers"[63] (see *Externality*).

Lifestyle brand: A reputation built more on an appeal to customers' aspirational values than technical function.

Limited liability: The risk associated with an investment cannot exceed the amount of the investment.

Low-cost: A business-level strategy used by firms to distinguish their products from the products of other firms on the basis of more efficient operations (see *Differentiation*).

Market segmentation: A process of separating consumers into groups with similar characteristics (often based on demographic information).

Mission: A statement of what the firm is going to do to achieve its vision. It addresses the types of activities the firm seeks to perform (see *Vision*).

Net present value: The value today of an investment that will mature in the future.

Offshoring: Relocating jobs to overseas countries in search of lower labor costs.

Onshoring (or reshoring): Returning jobs closer to home in order to create a more flexible and responsive supply chain.

Operational effectiveness: "Performing similar activities *better* than rivals perform them"[64] (see *Strategic positioning*).

Opportunity cost: The benefit that would have been created if an alternative course of action had been chosen.

Price premium: The amount of money that consumers are willing to pay above cost (essentially, the profit on a product) for some attainable value (perceived or real).

Principal: An individual (or group of individuals) who appoints someone to act on their behalf (see *Agent*).

Profit: The residual value (positive or negative) of a firm's transactions after subtracting costs from revenues.

Prosumer: A consumer who improves the firm's products by providing information (e.g., completing surveys) or promotion (e.g., on social media).[65]

Resources perspective: An internal perspective of the firm that identifies its resources, capabilities, and core competencies as the main determinant of its sustainable competitive advantage (see *Industry perspective*).

Social capital: The connections among people that enable them to succeed in the workplace (see *Human capital*).

Strategic analysis: The process conducted by firms to analyze their operational context (internal and external) as the basis for its strategy (see *Strategy formulation*).

Strategic planning: The process (often annual) whereby a firm's executive team creates or reformulates plans for future operations (see *Strategy formulation*).

Strategic positioning: "Performing *different* activities from rivals or performing similar activities in *different ways*"[66] (see *Operational effectiveness*).

Strategy: The actions that the firm takes in order to build a competitive advantage in the marketplace that can be sustained (see *Tactics*).

Strategy formulation: The construction of a firm's strategy, usually done during regular planning sessions (often annually) by the senior executives of the firm.

Strategy implementation: The application of a firm's strategy in practice, ideally done by all employees in the organization on a day-to-day basis through regular operations.

Sunk cost: An investment of resources that cannot be reclaimed and, thus, should not be considered in any assessment of whether to continue a specific activity.

Supply chain: The linkages formed by relationships among organizations that provide a firm with the materials necessary to produce a product (see *Value chain*).

Sustainable competitive advantage: Competencies, resources, or structural positioning that separate the firm from its competitors in the marketplace over the medium to long term (see *Competitive advantage*).

SWOT analysis: A tool used to identify a firm's internal strengths and weaknesses and its external opportunities and threats. The goal is to match the firm's strengths with its opportunities, understand and correct its weaknesses, and avoid any threats.

Tactics: Day-to-day management decisions made to implement a firm's strategy (see *Strategy*).

Value: The importance of something to somebody, determined by the combination of its scarcity and an individual's values, and often expressed in monetary terms (see *Values*, "CSR Terms").

Value capture: The percentage of value *captured* by the firm in every business transaction, represented by the level of profit. The more value that is *captured* by the firm, the less attractive the transaction becomes to the other party (see *Value creation*).

Value chain: An analysis that identifies each value-adding stage of the production process. This analysis can be applied within a firm (*value chain*) or among firms (*supply chain* or *value system*).[67]

Value creation: The generation of a perceived benefit for an individual or group, as defined by that individual or group (see *Value capture*).

Value system: Essentially the same as a firm's supply chain (see *Value chain*).

Vision: A statement designed to answer why the firm exists. It identifies the needs it aspires to solve (see *Mission*).

VRIO: An acronym of the four characteristics a resource must possess in order for it to be the source of a firm's sustainable competitive advantage: Is the resource **V**aluable? Is it **R**are? Is it costly to **I**mitate? Is the firm **O**rganized to capture this potential value?

PREFACE: SIXTH EDITION

The fifth edition of *Strategic Corporate Social Responsibility* (*Strategic CSR*) was published in the summer of 2019, in what now seems like a different world. At the time, it would have been difficult to predict the level of disruption that was due to arrive with the new decade. In reality, of course, the summer of 2020 was not the beginning of anything, but a symptom of long-term systemic issues within society that seemed to erupt simultaneously. In retrospect, the devastation of COVID-19 (economic and medical), the rise of nationalism (and pause of globalization), and the explosion of social unrest (metaphorical and literal) in response to the killing of George Floyd in the U.S. in May of that year were simply the latest iteration of wounds in society that had been allowed to fester, largely untreated, for too long.

The result of the upheaval of 2020 (which continues into 2022), ideally, is *change*. At a minimum, we should hope for incremental improvement in the way our society functions and treats everyone who lives within its boundaries. The more we discuss our concerns, are aware of their causes, and search for mutually beneficial solutions, the more we progress. Because so many of these challenges seem intractable, however, and because they have been allowed to fester for so long, an immediate consequence has been the further loss of faith in some of our most essential institutions. Whether the government, civil service, media, courts, or business—the central elements of society, on which we rely to solve many of our problems, have instead come to be seen as the cause of those problems or, at least, the reason why we have failed to produce viable solutions.

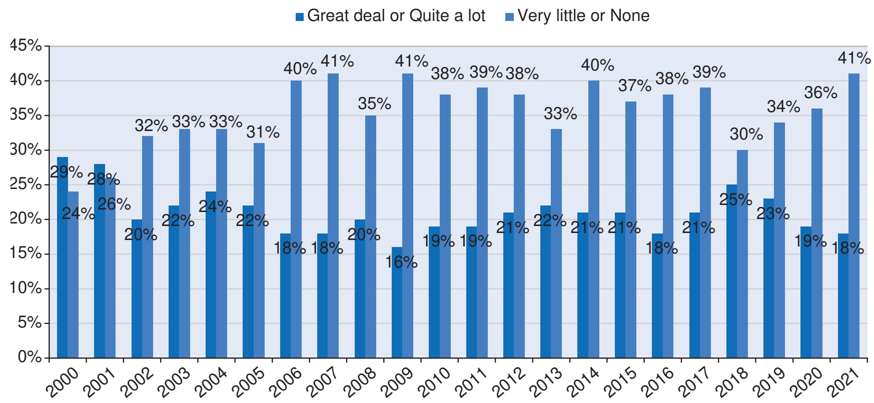
Of particular importance to this book is the place of business in this complex equation. Reviewing progress over the past couple of decades, however, things don't look great—a situation for which firms and executives have no one to blame but themselves. Despite strong competition for our outrage from politicians around the world, corporations continue to shock with their seemingly oblivious behavior. Whether it is BP causing the worst oil spill in U.S. history (an environmental disaster that "released over three million barrels of oil into the Gulf of Mexico"),[68] Boeing ignoring basic safety features in designing its 737 Max airplane (errors that caused "two deadly crashes [killing] 346 people"),[69] Purdue Pharma obscuring the addictive nature of prescription opioids (fueling an epidemic that cost the lives of 100,000 Americans in a single year),[70] or Facebook trading our privacy for profit by manipulating "our thoughts, votes, and purchase decisions,"[71] firms can cause immense harm in the pursuit of profit. Societal welfare appears to be an afterthought rather than a strategic imperative—an approach to business that is harming public perceptions of capitalism:

> [The] Institute of Politics at Harvard released survey results showing that more than half of respondents between 18 and 29 do not support capitalism, the free market system that underpins our economy. An astonishing one-third said they support socialism. . . . [In

> the U.S.,] capitalism is now condemned as an elitist system that enriches a few at the expense of the many.[72]

As a result, "big business" now sits equal to "newspapers" in the public's estimation at 23% support, barely above TV (18%), and even "Congress" at a lowly 11% public approval.[73] What is also clear, however, is that this societal rejection is part of a trend that stretches back to the Enron and WorldCom ethics scandals at the turn of the century.[74] In particular since 2000, the number of people who say they have a "great deal" or "quite a lot" of "confidence" in big business has consistently been lower than the number saying they have "very little" or "none," as demonstrated in Figure P.2. Also notable is that the gap widened to its largest around the Financial Crisis and has remained consistently elevated, ever since.

FIGURE P.2 ■ Confidence in Big Business



Source: "Big Business," *Gallup*, https://news.gallup.com/poll/5248/nig-business.aspx.

At the same time, we continue to progress as a society as firms create, innovate, and bring products to market that elevate our standard of living. Whether it is Starbucks pledging to hire veterans and immigrants, Airbnb revolutionizing the hotel industry, Google creating contact lenses that can measure the blood sugar levels in diabetics, or Ben & Jerry's commitment to social activism and "whirled peace,"[75] firms continue to create value for their stakeholders in pursuit of long-term, sustainable profit. In short, "business is one of the great creative forces propelling humanity forwards."[76] Today, innovations abound in artificial intelligence, electric vehicles, space travel, fintech, global communications, medicine and biotech, carbon capture, and many more areas. Much of this discovery is driven by the private sector. But, even when sourced from government-funded invention, these innovations are usually scaled and brought to market by for-profit firms.[77] The result is a stunning increase in wealth and well-being worldwide:

> The world is about 100 times wealthier than 200 years ago and, contrary to popular belief, its wealth is more evenly distributed. . . . The vast majority of poor Americans enjoy luxuries unavailable to the Vanderbilts and Astors of 150 years ago, such as

> electricity, air-conditioning and colour televisions. Street hawkers in South Sudan have better mobile phones than the brick that Gordon Gekko . . . flaunted in [the movie] *Wall Street* in 1987.[78]

So, which is it? Are firms purveyors of evil that take advantage of us whenever they can? Or, are they the source of most of the value that is created in society? Is the pursuit of profit the root of all our problems, or is it the potential solution to those problems? This book exists to help navigate this treacherous terrain at the intersection of business and society. More specifically, it delves into the field of study that has become known as *corporate social responsibility* (CSR).

WHY CSR MATTERS

CSR matters because the for-profit firm is the cornerstone of an advanced society. Firms are the most efficient organizational entity we have created to transform scarce and valuable resources into the products and services that we demand. But clearly, while firms produce much that is objectively *good*, they can also cause great harm, as persistent incidences of pollution, layoffs, industrial accidents, and financial crises amply demonstrate. Central to the concept of CSR, therefore, is deciding where companies fit within the social fabric. Of course, firms do not exist independently of society, they are integral to it; they are also a legal and social construction that is a tool, designed by us to aid progress. We have created them, which means we can change them . . . if that is what we want. Either way, firms are central to who we are and what we want to become. As such, this book grapples directly with the question, *What is the purpose of the for-profit firm?* This question is existential; the answer will determine our collective standard of living—today, tomorrow, and for generations to come. It is also an outcome we can shape. The short answer, of course, is that firms exist to create *value*. But it is how they create value, and for whom, that matters. This is what makes CSR so complex and ambiguous; it is also what makes CSR integral to the firm's strategy and day-to-day operations.

CSR is complicated further because firms are not the only organizations in society. Governments are crucial because they set the rules and parameters within which society and businesses operate. In addition, nonprofit or nongovernmental organizations (NGOs) exist to fill the gap where no legislative or market-based solution currently exists—they reach into areas of society where politics and profit often do not go. Nevertheless, without the innovation that the market inspires, social and economic progress declines, in time reducing our standard of living to some primitive level. A simple thought experiment underscores this: Look around you and subtract everything that was produced by a business—what is left?

CSR matters, therefore, because it encompasses all aspects of business. And businesses matter because they dominate our lives. They are the place where most of us spend most of our waking hours. And, largely, they make that investment of time meaningful—creating *purpose* for us as individuals and for society as a whole. They do so because they make most of the products that we buy, provide us with an income, and surround us as the foundation of the communities in which we live. By encompassing issues as diverse as corporate governance, supply chain logistics, environmental pollution, corruption, and employee pay (in short, everything the firm does), CSR *is* business today. It is wildly complex and highly dynamic because the ideal mix of operational goals and societal expectations is constantly evolving. As a result, along the way, difficult questions arise: *Why does a business exist? What does profit represent? What obligations do businesses have to the societies in which they operate? Are these obligations voluntary or should they be mandated by law? To whom are companies accountable?* In other words, *What does it mean for a firm to act responsibly?* Or perhaps more accurately, *Who determines what* responsible *looks like?*

Strategic CSR provides a framework with which readers can explore these challenges and address the corresponding questions. This book identifies the key issues of debate, models them around conceptual frameworks, and provides both the means and the resources to investigate this intensely complex topic. What makes this exploration exciting and worthy of study is that CSR is ever present: Jobs and job losses, financial bailouts and record profits, corruption and scientific breakthroughs, pollution and technological innovation, personal greed and corporate charity all spring from the relentless drive for innovation in the pursuit of profit that we call *business*. As such, CSR can only be studied at the heart of operations, where core competencies mold the business strategies that enable firms to compete with each other. And, when they compete in the marketplace, CSR offers a sustainable path between unbridled capitalism and rigidly regulated economies. CSR helps managers optimize both the *ends* of profit and the *means* of execution, with the goal of creating value for the firm's broad range of stakeholders.

CSR AS VALUE CREATION (POST-COVID)

The sixth edition of *Strategic CSR*, therefore, is a road map. It provides a framework that firms can use to navigate the evermore complex and dynamic business landscape. Increasingly, effective managers must balance the often conflicting interests of the firm's stakeholders—understanding what they want today and, perhaps more essentially, what they will want tomorrow (or six months or a year from now). What makes this shifting dynamic even more potent for firms is that the rules are being redefined in the aftermath of the global COVID-19 pandemic, adding to the uncertainty. What used to look like *value* for the firm's stakeholders has shifted, but not yet settled. As such, if seeking to *know* stakeholder interests and demands prior to 2020 was difficult (when there were decades of relatively stable data to interpret), it has become much more so given that it feels as though the pandemic reset all the dials. As firms start navigating this new business context, more than ever they require a framework in which to do so. That is where this book comes in.

Strategic CSR was written in the hope of creating a more responsive business culture in which for-profit firms take their rightful place as the primary solution to society's largest problems. But, we have a lot of work to do. What is clear is that CSR is central to the effort. It is not an optional add-on. Rather, it is an essential refinement of the market model—an operating philosophy for firms that seeks to optimize growth (and profits) over the medium to long term; a strategic imperative that is central to operations. It is how firms create value—the central concern that CEOs face every day. **Strategic CSR** is not one way of doing business among many; it is *the* way of doing business. And it is more important than ever today, due to the increasing expectations to which firms are being held:

> Thanks to the continuing spread of markets, the rapid advance of technology, and the increasingly interconnected, interdependent quality of global affairs, business leaders find themselves serving not only as executives and investors but also as arbiters of equity, ethics, morality, and social value.[79]

This burden of being the "arbiters of equity, ethics, morality, and social value" is fresh ground for CEOs—a role that has been heightened by the pandemic and is proving difficult to navigate. It is also becoming essential, as their firm's employees, particularly those from younger generations, demand more in exchange for their labor:

> Blame their parents, but surveys indicate that employees in their 20s and 30s want to work for companies whose purpose extends beyond profit-making. They value companies that have a positive impact on society, show a commitment to a diverse and an inclusive work force and are focused on issues such as pay equity and the environment.[80]

While this book celebrates the positive role that for-profit firms play in our lives, therefore, it also details how that role can be improved. It is an endorsement of the profit motive and capitalism, but it argues that competitive forces generate the greatest welfare when embedded in a framework of values. Markets are most effective when all stakeholders act according to their personal ethics and morals (whether as customers, or employees, or any of the other multiple roles we adopt daily). In other words, this book advocates for *evolution* rather than *revolution*—it seeks to shape what is practical and realizable, not wish for what is ideal and out of reach. There is a reason why our economic system has evolved the way it has. This book embraces that history and, starting with what we know about human psychology and economic exchange, builds a manifesto for change that business leaders can embrace. It does so by offering a strategic lens as the best perspective through which firms should approach CSR because it is through strategic (re)formulation that organizations adapt to their social, cultural, and competitive reality.

Hence, **strategic CSR** is best viewed from a stakeholder perspective that embraces an operating environment made up of multiple constituent groups (internal and external), each of which has a stake in the firm's profit-seeking activities. It demonstrates the value to firms of defining CSR in relation to their operating context and then incorporating a CSR perspective into their strategic planning and throughout the organization. The situations change, but the questions remain the same: *Who are the primary stakeholders? Which claims are legitimate? How do we prioritize among competing interests? What value are we creating, and for whom? Is our business sustainable?* The goal should be to avoid the harm that accompanies the worst corporate transgressions and build success that can be sustained over generations. In that sense, this book explains how firms can act to create value for most of their stakeholders, most of the time, over the medium to long term. In other words, this book presents a framework that places stakeholder value creation at the center of the firm's strategic planning and day-to-day operations.

Talking about CSR in terms of *value creation* means that it becomes the responsibility of the CEO and senior executives in the organization. Value creation speaks to what is core about a firm, across functional areas. While preconceived notions of *CSR* and *sustainability* may cause some CEOs to prejudge or reject these ideas, *value creation* cannot be avoided. In fact, it must be embraced. In order to rebut the idea of CSR as a cost to business, supporting arguments must be embedded in operational and strategic relevance. In the process, CSR moves from an optional add-on to center stage—it is there because it involves all of the firm's stakeholders, internal and external. It is therefore incorrect to say that firms can choose to do CSR or choose to ignore it. On the contrary, all firms already do CSR (they all create value); it is just that some do it better than others (and all can improve).

Strategic CSR exists because this argument is still not widely understood, by either executives or business schools. CSR is too often ignored, partly because, on the surface at least, it is more obvious in its absence. Value created can be hard to measure, while harm inflicted is readily apparent after the fact. The deadly crashes of Boeing's poorly designed 737 Max aircraft in 2018 and 2019, for example, demonstrate the consequences for both the firm and society when stakeholder interests are ignored:

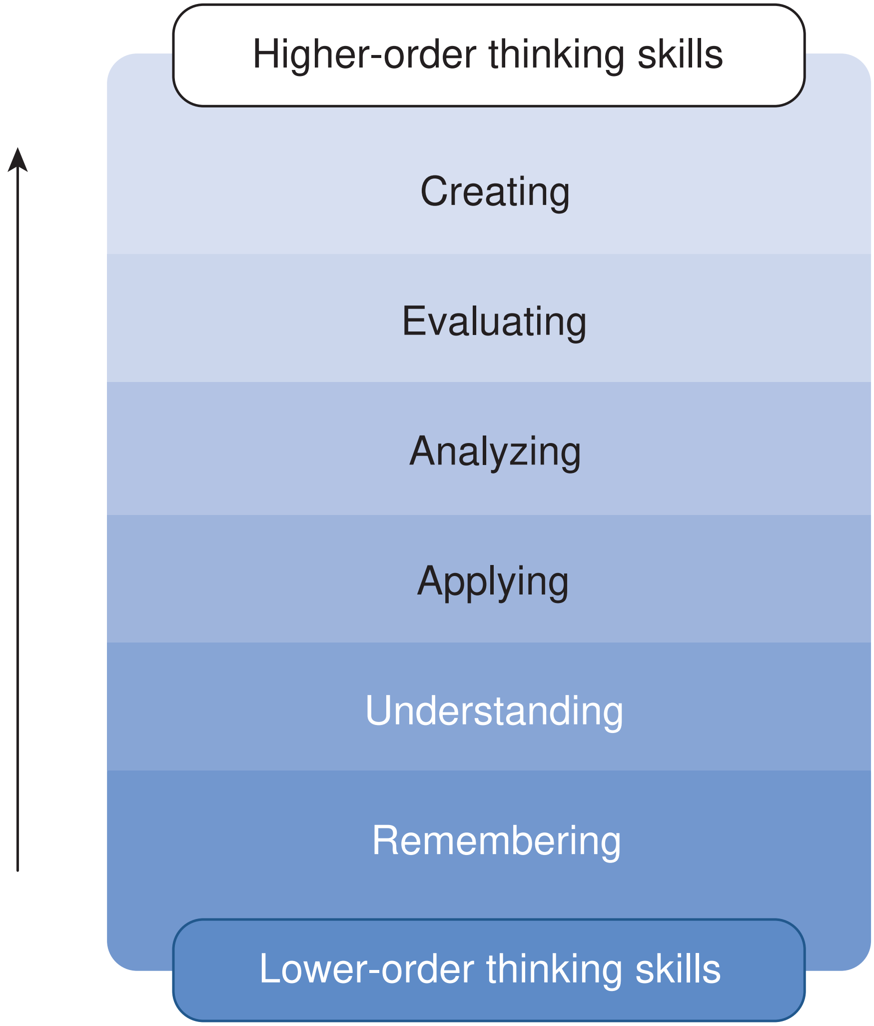
> Boeing's troubles run deep. . . . The cascading crisis has disrupted the global aviation industry, cost the company billions of dollars and led to the ouster of its chief executive. Yet the steady drip of bad news and embarrassing revelations has revealed something more disturbing than one poorly designed plane. The very culture at Boeing appears to be broken, with some senior employees having little regard for regulators, customers and even coworkers.[81]

CSR is not an abstract concept; it is real and resides at the center of everything firms do, every day. To be clear—**strategic CSR** is not an option; it is what businesses do. Being able to respond efficiently and effectively to the needs and demands of stakeholders (who have increasingly powerful tools at their disposal to convey those needs and demands) is not only the key to success in today's global business environment—it is the key to survival.

STUDYING CSR

What makes this book a unique tool for navigating this landscape is its critical approach and underlying thesis: Exploration is the best method of learning. For those who like to form their own opinions, *Strategic CSR* offers a guided tour. It is designed to provoke via a series of questions, examples, and case studies that guide the search for solutions. Engagement with the material is central and essential, but reading between the lines is just as important as the lines themselves. Using this approach, the goal is to cover all of Bloom's learning stages, from remembering through creating (Figure P.3). In my own investigation, I have found that there are no simple answers and few absolutes. CSR is not a set of objective policies and practices; it is the creation of value, as determined by the firm's stakeholders. Rather than provide specific answers, therefore, the goal here is to formulate the *best* questions that consider a broad range of perspectives, provoke vibrant debate, and encourage further research. While every topic cannot be covered, this book provides a launching pad (via key concepts), along with the means to explore (via additional sources and references).

FIGURE P.3 ■ Bloom's Taxonomy of Learning



Source: Lorin W. Anderson & David R. Krathwohl (Eds.), *A Taxonomy for Learning, Teaching, and Assessing: A Revision of Bloom's Taxonomy of Educational Objectives*, New York: Longman, 2001.

Central to the pedagogy of this book, therefore, is the idea that any solutions for a firm are not fixed but will vary depending on the timing, context, and most relevant stakeholders. Unlike most books about CSR, the argument presented is more *descriptive* than *normative*—that is, it seeks to understand the world as it is, rather than assume it is something else; it recognizes humans for what they are, rather than what we would wish them to be. While there are certainly aspirational ideas, the goal here is to draw on what we know about economics, sociology, and psychology to understand how for-profit firms and economies (and, ultimately, society) work. Once the argument is grounded in this reality, we can begin to design the firms we would like to have. In the absence of an accurate foundation, however, much of the CSR debate constitutes wishful thinking combined with good intentions. Why is this distinction important? The difference between dealing with *reality* as opposed to *ideals* is the difference between good and bad solutions.

If all of this sounds confusing, then welcome to **strategic CSR**. In order to fully comprehend the framework that is detailed in these pages, you have to wrap your mind around the complexity of how societies and economic systems function: *What is the for-profit firm? What is its purpose? What does profit represent? How do firms succeed or fail in the marketplace? What is the relationship between the firm and the environment within which it operates?* All of these questions are central to understanding **strategic CSR**. They are also essential for your future as a business leader and an informed citizen.

Executives and managers need a framework that captures this complexity and offers a guide to decision making. In short, they need to understand **strategic CSR**—value creation for the firm's broad set of stakeholders that is sustainable over the medium to long term. The current economic system is unsustainable, which means that substantive change must occur, and occur soon. The sixth edition of *Strategic CSR* can help bring about this change, but only with your help. This book provides a glimpse of a future that is possible; it can be realized only with your full support and engagement.

David Chandler

April 2022

P.S. I am British and currently live and work in the U.S., where I became a citizen in 2019. As such, it is inevitable that my view of the world is skewed by the news, politics, and values of the society in which I currently spend most of my time. Nevertheless, having grown up in the U.K., lived for many years in Asia (Hong Kong and Japan), and traveled extensively, my goal in this book is to present my ideas in a way that appeals to the broadest audience. Wherever relevant, I try to introduce global examples and account for the cultural differences of which I am aware.

Intellectually, I believe the framework presented in this book, **strategic CSR**, applies to all for-profit firms in various economic systems—they each have stakeholders that need to be satisfied if the organization is to thrive. My hope is that presenting the framework from a global perspective conveys this. While the relative importance of different stakeholders will vary from culture to culture (and from firm to firm), the idea that the for-profit firm is merely a tool invented to advance societal progress is consistent. And, as a tool, firms reflect the collective set of values in the society in which they are based. In other words, firms will do what we want them to do. If you have an issue with the existence or behavior of a particular firm, therefore, then you have an issue with the society that shaped it. The key lesson of this book is that firms are not the problem; they are the solution—if there is a problem, the source lies in the actions of all the firm's stakeholders (i.e., in all of us). Equally, the power to change lies within each of us and in the collective. If we want a *better* society, it is up to us to create it. And if we decide to do so, for-profit firms will be there to ensure our efforts are as efficient and effective as possible.

PLAN OF THE BOOK

Strategic Corporate Social Responsibility (Strategic CSR) is organized into six distinct parts that, together, provide a comprehensive overview of **strategic CSR** as an evolving subject of distinct significance for business today. Throughout, core concepts, practical examples, innovative teaching tools, online sources, and provocative questions for discussion and debate allow easy application in the classroom.

CONTENT CHAPTERS

In Part I, the first two chapters of *Strategic CSR* lay the foundation for the book. In particular, Chapter 1 defines CSR, providing detail about where this subject came from and how it has evolved. In discussing this history, four arguments for CSR are presented (ethical, moral, rational, and economic), which cover the breadth of how this subject has traditionally been taught. Chapter 2 builds on this foundation to discuss the key drivers of CSR today—affluence, sustainability, globalization, communication, and brands. As each driver has become a defining characteristic of business, it increasingly alters stakeholder expectations of the for-profit firm.

Part II reflects the importance of a stakeholder perspective to the intellectual framework underpinning **strategic CSR**. Though firms are economic entities that exist to meet specific operational goals, the most effective way to achieve these goals is by considering the needs and values of the broad range of groups that have a stake in the outcome. Chapter 3 launches this argument by defining who qualifies as a stakeholder and by presenting the core model that describes the relationships these actors have with firms. Moreover, Chapter 3 builds a model that allows managers to prioritize among stakeholders when their interests conflict, which is often. Chapter 4 extends stakeholder theory further by arguing that, in addition to a firm's duty to listen to its stakeholders, stakeholders have an equal (if not more important) responsibility to hold firms to account for their actions.

Part III presents a legal perspective to **strategic CSR**. Chapter 5 opens the discussion by investigating the evolution of corporate rights and responsibilities (what the firm can do and what it has to do) in the context of corporate governance. By understanding this historical and legal framework, we better understand firms' motivations and guiding principles. Chapter 6 extends this discussion by examining the history of the corporation in order to challenge the myth that prevents the widespread adoption of a stakeholder perspective—that the fiduciary responsibility of managers and directors is to operate the firm in the interests of its shareholders. In the United States (and many other developed economies), this widespread belief is not grounded in legal reality.

Part IV explores CSR from a behavioral perspective—a nonrational (i.e., human) explanation for organizational actions. In particular, Chapter 7 discusses the motivating role of profit in the broader discussion about capitalism that emerged following the Financial Crisis and continues today—investigating the extent to which our current economic model should be reformed. It also challenges the common refrain that firms have long focused on producing economic value and today must also produce social value. In practice, there is no *economic value* and no *social value*—there is only *value*, which the firm creates (or destroys) for each of its stakeholders. Chapter 8 presents the concept of *nudge* economics and discusses how this exciting field can advance managers' understanding of the value creation process. This chapter also looks at the variety of ways in which we measure CSR, a task that is essential in order to hold firms to account. Before we can develop an effective CSR measure, however, all costs need to be included in the production process. This is achieved via the concept of *lifecycle pricing*.

Part V reflects the foundation of **strategic CSR**. Although the ideas discussed in this book are relevant across functional areas in the business school, they find a natural home in strategic management. Chapter 9 introduces the discussion at the intersection of strategy and CSR by examining the three pillars of strategy—analysis, formulation, and implementation. It discusses why traditional analytical tools (principally, the resource and industry perspectives) are no longer sufficient to succeed in business today and why a CSR perspective is increasingly essential. Further, it introduces the concept of the *CSR Threshold*, which helps with both strategic analysis and strategy formulation, and explains how a *CSR Filter* enables decision making as part of strategy implementation. Chapter 10 extends this discussion by defining **strategic CSR** in terms of its five foundational components—incorporating a holistic CSR perspective within the firm's strategic planning and core operations so that the firm is managed in the interests of its broad set of stakeholders to optimize value over the medium to long term.

Part VI concludes *Strategic CSR* by demonstrating how firms can embed a **strategic CSR** perspective throughout the organization by building values-based businesses that serve the interests of their broad range of stakeholders. Chapter 11 leads off this section by investigating the origins of *sustainability* and its relevance to firms today, but also by highlighting the inadequate efforts made to date to create an environmentally sustainable economy. While there are some promising initiatives being taken by specific firms and some local governments, the United Nations–led Conference of the Parties, or COP, has failed to deliver the urgency and scale of change that is required. To this end, the sense of optimism that resulted from the COP21 meeting in Paris (in 2015) is contrasted with the recent COP26 meeting in Glasgow (in 2021) to assess progress. Chapter 12 rounds out Part VI by summarizing the ideas discussed in this book in terms of the ultimate outcome of **strategic CSR**—*sustainable value creation*.

Finally, the appendix tackles the challenge of implementing a **strategic CSR** perspective throughout the firm. While the first six parts of the book detail the key components of the **strategic CSR** framework, ultimately this book is a practical tool. It is intended to equip managers and executives with the knowledge they need to run the firm in the interests of its broad set of stakeholders. To this end, it is just as important to be able to *do* **strategic CSR** (to implement it) as to know what it *is*.

CASE STUDIES

The case studies that cap each of the first five parts of *Strategic CSR* reflect the extent to which CSR affects all aspects of a firm's operations. Part I finishes with a discussion about the prominence of religion in society and business, focusing in particular on the emergence of Islamic finance. The stakeholder perspective in Part II is complemented with a case study that emerges from the crisis of capitalism that occurred in the aftermath of the Financial Crisis and, more recently, the COVID-19 global pandemic. Part III contains a case study that looks at our evolving perceptions of the media (in particular, social media) and the implications for privacy of the rise of firms such as Facebook (now known as Meta). A case study about social impact bonds (impact investing) rounds out Part IV, illustrating how any aspect of business today can be understood through the lens of a stakeholder perspective. And Part V is completed with the case of a firm that implements **strategic CSR** effectively throughout its supply chain—Starbucks.

Part VI concludes with some *final thoughts*. The guiding purpose of this book is to ask, *What is the purpose of the for-profit firm?* The answer **strategic CSR** provides has profound implications for the way we understand business, the way we conduct business, and, therefore, the way that we teach business.

SUPPLEMENTARY MATERIALS

CSR NEWSLETTER

As a result of the dynamic nature of **strategic CSR** and the static nature of this book, I write and distribute the *CSR Newsletter* throughout the long fall and spring semesters. The goal is to provide up-to-date examples taken from daily news sources that extend the case studies, questions for debate, and online references provided throughout this text. The topical themes covered in each issue of the newsletter, together with access to the library of past issues that are archived on my blog (http://strategiccsr-sage.blogspot.com/), capture the breadth of the CSR debate and provide an additional resource for classroom discussion and student investigation into this complex subject.

To sign up for the *CSR Newsletter*, please e-mail me at: david.chandler@ucdenver.edu

ACKNOWLEDGMENTS

The sixth edition of *Strategic Corporate Social Responsibility* is the most recent step in a journey that began when I moved to Japan in 1995. It was only when I left the familiarity of the British society in which I was raised that I began to question the expectations placed on firms that I had previously taken for granted. The more I learned about Japan, the more I realized there are alternative ways to structure society, with different structures necessarily generating different outcomes. When I moved to the U.S., in 2002, the contrast was again unsettling—a completely new way of asking the question that I will spend the rest of my career trying to answer: *What is the purpose of the for-profit firm?* It was the compilation of experiences across these three different continents, countries, and economies that produced this book, first published in 2005. But, arriving at that point was far from a solitary endeavor, and I have continued to benefit from the advice and assistance of friends and colleagues as those initial ideas have evolved.

Primarily, I would like to thank William B. Werther Jr. of the University of Miami, my coauthor on the first three editions of *Strategic CSR*. Quite simply, this book would not exist were it not for Bill's engagement from the beginning. When I first approached him with an 80-page Word document and an idea, he had the knowledge, contacts, and patience to help me turn it into what this project has become.

Similarly, I would like to acknowledge the formative role in the development of this project played by Anita Cava of the University of Miami's Business Law Department. Both as an inspiration in the classroom and in her support as a colleague, Anita continues to embody ethics in practice. The values and knowledge she instills in her students are resources they carry for a lifetime—something I know from personal experience.

Since those early years, through another five editions of the book, there have been a number of people who have helped along the way. In this sense, it is important to recognize that *Strategic CSR* is possible, in large part, because of the prior and ongoing work of many leading CSR scholars. A pivotal early mentor for me, for example, was William C. Frederick of the University of Pittsburgh, who I first encountered while applying for PhD programs. Not only was Bill a towering intellectual force, but he was one of the kindest and most generous people you could hope to meet. Bill passed away in March 2018, but his influence is imprinted on the field of CSR.

Another intellectual influence is R. Edward Freeman at the University of Virginia, a philosopher who single-handedly brought stakeholder theory into the field of management. Ed and I disagree at the margins but agree on the core ideas that he has developed, and much of this book is intended to build on his pioneering work. There are other leaders in CSR, many of whom I

do not know personally, whose work collectively provides the foundation for the discussion to which this text aims to contribute. And, where I have benefited from direct feedback from those colleagues, it has helped ensure that my ideas continue to evolve and that the framework presented in this book is considerably better than it otherwise would have been.

It is also important to acknowledge the hundreds of students who have sat in my class throughout my career. For the most part, I teach Strategic Management as the capstone course of the full-time and part-time MBA programs at my university. But if the point of strategy is to build a sustainable competitive advantage in the marketplace, then the way to do this in business today, I believe, is for the firm to create value for its broad set of stakeholders. In other words, although I teach *strategy*, I might as well be teaching **strategic CSR**. I see no difference between the two subjects and believe they will increasingly overlap as more business schools understand the importance of *sustainable value creation*. In fact, in many ways, I see this book as more of a strategy book than a CSR book. My students have been very patient as I have come to this realization and evolved my ideas and supporting arguments in class. The resulting discussions made those ideas and arguments better and, as such, helped refine the framework that **strategic CSR** has become. I am grateful to them all.

Finally, I would like to express my warm gratitude to the editorial and production teams at SAGE Publishing, who have all been an incredibly supportive and responsive resource, ensuring a timely update of this book. It is also worth noting that, when *Strategic CSR* was first published (2005), it was the only textbook on the market in this liminal space between strategy and CSR. As such, supporting the book's publication required a leap of faith by those in the acquisitions team that decided to take on the project. The support of many people along the way has helped ensure that this book, which is not a typical textbook, continues to be published. It is good to work with a publishing company that not only invests in CSR but enacts the values and practices detailed in this book on a day-to-day basis.

PART I

CORPORATE SOCIAL RESPONSIBILITY

Part I of *Strategic Corporate Social Responsibility* (*Strategic CSR*) demonstrates the breadth and depth of corporate social responsibility (CSR).

Chapters 1 and 2 set the foundation for this book by defining CSR and related concepts, while outlining how this subject has evolved throughout history. Chapter 1 provides core definitions, identifies the different arguments for CSR (ethical, moral, rational, and economic), and shows why CSR is of growing importance for firms, large and small. Chapter 2 then introduces the five elements of business and society that drive CSR today—affluence, sustainability, globalization, communication, and brands. As these drivers have become essential characteristics of modern life, they have altered stakeholder expectations of business. Though firms exist to generate a profit, they can achieve this most effectively by broadening their perspective and avoiding a self-defeating focus on the short term. Without an understanding of the complex environment in which it is embedded, a firm can become exploitative and corrupt, losing the societal legitimacy that is necessary to remain viable over the medium to long term.[1]

Part I finishes with a case study that considers the relationship between organized religion and capitalism. In particular, it focuses on the rise of Islamic finance to examine how broad "nonbusiness" factors, such as religion, are increasingly influencing corporate decisions.

1 WHAT IS CSR?

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1.1 Define *corporate social responsibility* within the framework of this book.

1.2 Begin to answer the question, *What is the purpose of the for-profit firm?*

1.3 Track the evolution of CSR throughout history.

1.4 Identify and explain the four arguments for CSR (ethical, moral, rational, and economic).

1.5 Understand why this book favors the economic argument for CSR.

People build organizations to leverage their collective resources in pursuit of common goals. As organizations pursue these goals, they interact with others inside the larger context of society. Based on their purpose, organizations can be classified as for-profit, government, or nonprofit. At a minimum, *for-profits* seek to generate revenue, *governments* exist to define the rules and structures of society within which all organizations must operate,[2] and *nonprofits* (including NGOs—nongovernmental organizations) emerge to fill the gaps when the political will or the profit motive is insufficient to address society's needs.[3] Aggregated across society, each of these different types of organizations represents a powerful mobilization of resources. In the United States alone, for example, there are over 1.5 million nonprofits filling needs unmet by the government or private sector. Together, they contribute an estimated $1.05 trillion to the economy, equivalent to 5.6 percent of GDP.[4]

Within society, therefore, there is a mix of these organizational forms. Each performs different roles, but each also depends on the others to provide the complete patchwork of exchange interactions (of products and services, financial and social capital, etc.) that constitute a well-functioning society. Whether labeled as corporations, companies, firms, or proprietorships, for example, for-profit businesses interact constantly with government, trade unions, suppliers, NGOs, and other groups in the community, in both positive and negative ways. Each of these groups, therefore, can claim to have a stake in the operations of the firm. Some benefit more, some are involved more directly, and others can be harmed by the firm's actions, but all are connected in some way to what the firm does day-to-day. Definitions of who qualifies as a firm's *stakeholder* vary (see Chapter 3); for now, it is sufficient to note that it encompasses those individuals and groups that have a *stake* in the firm's operations.[5]

While stakeholders exist symbiotically with companies, the extent to which managers have paid attention to their interests fluctuates. Depending on factors such as the level of economic and social progress, the range of stakeholders whose concerns a company seeks to address has shifted—from the earliest view of the corporation as a legal entity that exists at the behest of governments in the 19th century, to a narrower focus on shareholder rights early in the 20th century, to the rise of managerialism by midcentury, and back again in the 1970s and 1980s to a distorted focus on shareholders due to the rise of agency theory.[6] Since then, as the expectations of business in society evolve, firms are again adopting a broader stakeholder outlook, extending their perspective to include the communities in which they operate and social issues about which they feel most passionate.[7] As a result, managers today are more likely to recognize the interdependence between the firm and each of these groups, leaving less room to ignore their separate and pressing concerns.

Just because an individual or organization meets the definition of having a vested interest, however, this does not compel a firm (either legally or logically) to comply with every demand that stakeholder may make. Deciding which demands to prioritize and which to ignore is a challenge, but one that is even more important as social media provides individuals with the power to disseminate their grievances worldwide. If ignored long enough, affected parties may take action against the firm (such as a product boycott), or turn to government for redress, or even write a song and post it to YouTube.[8] Such protests can cause significant brand damage (and even revenue loss), particularly if the grievance remains unaddressed once it becomes widely known.[9]

In democratic societies, laws (e.g., antidiscrimination statutes), regulations (e.g., tax-exempt status for nonprofits), and judicial decisions (e.g., fiduciary responsibilities of directors)[10] provide a minimal framework for business that reflects a rough consensus of the governed. However, because the government cannot anticipate many issues, the legislative process takes time (if it works at all), and a general consensus is often slow to form; laws often lag behind social convention and technological progress. This is particularly so in areas of high complexity and rapid innovation, such as bioethics or artificial intelligence. Yet, social convention is often difficult to decipher and technological progress is neither linear nor ethically neutral. Thus, we arrive at the discretionary area of decision making that resides between legal sanction and societal expectation that business leaders face every day—an area of ambiguity that generates two questions from which the study of CSR springs.

The Ambiguous Area of Corporate Discretion

1. What is the role of the for-profit firm in society?
2. Does the firm have broader social responsibilities (beyond making a profit)?

CSR, therefore, is both critical and controversial. It is *critical* because the for-profit sector is the most innovative and productive part of any free society's economy. Companies intertwine with society in mutually beneficial ways, driving progress and affluence—creating most of the jobs, wealth, and innovations that enable society to prosper. They are the primary delivery system for food, housing, healthcare, and other necessities of life. Without modern corporations, the jobs, taxes, donations, and other resources that support governments and nonprofits would decline significantly, further diminishing general well-being. Businesses are the engines of society that propel us toward a better future, which suggests an interesting thought experiment: If you wanted to create the most social benefit in your career, would you enter public service (politics or nonprofits), or would you go into business? Fifty years ago, the best answer would probably have been public service. Today, it is easy to conclude that business offers the more effective vehicle for creating maximum social benefit.

At the same time, CSR remains *controversial*. People who have thought deeply about *Why does a business exist?* or *What does profit represent?* do not agree on the answers. Do firms have obligations beyond the benefits their economic success provides? In spite of the rising importance of CSR, many still draw on the views of the Nobel Prize–winning economist Milton Friedman to argue that society benefits most when firms focus purely on financial success.[11] Others look to the views of business leaders who have argued for a broader perspective, such as David Packard (cofounder of Hewlett-Packard):

> I think many people assume, wrongly, that a company exists simply to make money. While this is an important result of a company's existence, we have to go deeper and find the real reasons for our being. . . . A group of people get together and exist as an institution that we call a company so that they are able to accomplish something collectively that they could not accomplish separately—they make a contribution to society.[12]

This book navigates between these perspectives, within the ambiguous area of corporate discretion, to outline a view of CSR that recognizes both its strategic value to firms and the social benefit such a perspective brings to the firm's many stakeholders. The goal is to present a comprehensive assessment of *corporate social responsibility* that, on reflection, suggests Friedman and Packard were not as far apart as their respective proponents assume.

A NEW DEFINITION OF CSR

The entirety of CSR can be discerned from the three words this phrase contains. CSR covers the relationship between *corporations* (or other for-profit firms) and the *societies* with which they interact, focusing on the *responsibilities* that are inherent on both sides of these ties. CSR defines society in its broadest sense, and on many levels, to include all stakeholder groups that maintain an ongoing and active interest in the firm's operations.

CSR

A responsibility among firms to meet the needs of their stakeholders, and a responsibility among stakeholders to hold firms to account for their actions.

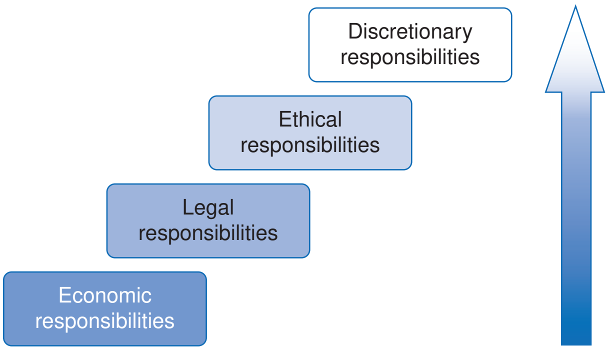
Stakeholder groups range from clearly defined customers, employees, suppliers, creditors, and regulating authorities to other, more amorphous constituents, such as the media and local communities. For the firm, trade-offs must be made among these competing interests. Issues of legitimacy and accountability exist, such as when a nonprofit claims expertise in an area, even when it is unclear exactly how many people support its vision. Ultimately, therefore, each firm must identify those stakeholders that constitute its operating environment and then prioritize their level of importance. Increasingly, firms need to incorporate the concerns of those key stakeholder groups within their strategic outlook or risk losing societal legitimacy. CSR provides a framework that helps firms embrace these decisions and adjust their internal strategic planning process to increase the long-term viability of the organization.

This approach is broad, however, and definitions regarding the mix of interests and obligations have varied considerably.[13] Previously, for example, the European Union defined CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." Today, that definition has shifted to a much broader "responsibility of enterprises for their impacts on society," making clear that this entails the integration of "social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders."[14] Definitions like these have evolved out of one of the earliest CSR frameworks, advanced by Archie Carroll in 1979: "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time."[15]

The Corporate Social Responsibility Hierarchy

Archie Carroll was one of the first academics in business to make a distinction between different kinds of organizational responsibilities. He referred to this distinction as a firm's "pyramid of corporate social responsibility" (Figure 1.1),[16] with the connotation of an ascending hierarchy of importance and value to the organization:

FIGURE 1.1 ■ The Corporate Social Responsibility Hierarchy



Source: Archie B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons*, July–August 1991, p. 42.

According to Carroll, a firm's fundamental *economic responsibility* is to produce an acceptable return for investors. An essential component of pursuing economic gain within a law-based society, however, is a *legal responsibility* to act within the framework of laws and regulations drawn up by the government and judiciary. Taken one step further, a firm has an *ethical responsibility* to do no harm to its stakeholders and within its operating environment. Finally, firms have a *discretionary responsibility*, which represents more proactive, strategic behaviors that benefit themselves or society, or both.

As a firm progresses toward the top of Carroll's pyramid, therefore, its responsibilities become more discretionary (but also more beneficial) in nature. In Carroll's vision, a *socially responsible* firm is able to encompass all four responsibilities within its culture, values, and day-to-day operations.

While useful, this typology is not rigid.[17] One of the central arguments of this book is that what was ethical or even discretionary in Carroll's model is becoming increasingly necessary due to the shifting expectations placed on firms by stakeholders. Yesterday's ethical responsibilities can quickly become today's economic and legal necessities. In order to achieve its fundamental economic goals today, therefore, a firm must incorporate a stakeholder perspective within its strategic outlook. As societal expectations of the firm rise, and the technical tools evolve for transgressions (perceived or real) to disseminate, the penalties imposed for lapses in behavior will become prohibitive. In other words, while definitions may vary, the debate around CSR (and related terms, such as sustainability or ESG) is most essential in the detail of implementation. For firms, being *socially responsible* is something that is easy to say, but much more difficult to do, effectively. The potential danger is that, to the extent that CSR means different things to different people, action can be ineffective or, at worst, counterproductive:

> Right now we're in a free-for-all in which "CSR" means whatever a company wants it to mean: From sending employees out in matching t-shirts to paint a wall for five hours a year, to recycling, to improving supply-chain conditions, to diversity and inclusion. This makes it difficult to have a proper conversation about what [CSR] should be.[18]

For the purposes of this book, it is important to emphasize that CSR is both a means and an end. It is an integral element of the firm's strategy—the way the firm goes about delivering its products or services to market (*means*). It is also a way of securing the legitimacy of the firm's actions in society by bringing stakeholder concerns to the foreground (*end*). Put another way, CSR is both a *process* and an *outcome*. At any given moment, CSR describes the methods by which firms react to their stakeholders' collective set of needs; it is also the set of actions that are defined by what stakeholder demands require. Over time, while the essential process remains the same (firms should always seek to respond to stakeholder interests), the actions that are required to do this will necessarily evolve in response to shifting norms, values, and societal expectations. As such, references to "CSR" in this book will sometimes be to the process and sometimes to the outcome. The underlying principles that determine the relationship between the two, however, remain consistent. The end result, a firm's success, is directly related to its ability to incorporate stakeholder concerns into its business model—something that was apparent to Peter Drucker as far back as 1974:

> The business enterprise is a creature of a society and an economy, and society or economy can put any business out of existence overnight. . . . The enterprise exists on sufferance and exists only as long as the society and the economy believe that it does a necessary, useful, and productive job.[19]

As such, CSR covers an uneven blend of concerns and opportunities that rise and fall in importance from firm to firm over time. In other words, while the stakeholder categories stay the same, the individuals involved and the issues that motivate them to change, constantly. Whether the concern is wages, healthcare, or same-sex partner benefits, for example, a firm's employees are central to its success. A firm that consistently ignores its employees' legitimate claims is a firm that is heading for bankruptcy. CSR is a vehicle for the firm to discuss its stakeholder obligations (both internal and external) and develop the means to meet these obligations, as well as a tool to identify the mutual benefits that result. Simply put, CSR encourages the firm to manage its stakeholder relations because these ties are essential to its survival—something that requires firms to acknowledge

> that markets operate successfully only when they are embedded in communities; that trust and co-operation are not antithetic to a market economy, but essential to it; that the driving force of innovation is pluralism and experiment, not greed and monopoly; that corporations acquire legitimacy only from the contribution they make to the societies in which they operate.[20]

CSR encompasses the range of economic, legal, ethical, and discretionary actions that affect a firm's economic performance. At a minimum, of course, firms should comply with the legal or regulatory requirements that relate to day-to-day operations—a minimum condition for CSR.[21] To break these regulations is to break the law, which does not constitute socially responsible behavior. Taking these base obligations as given, the framework presented in this book focuses on discretionary concerns, around which there is often no clear consensus, but that are necessary to address because they are of concern to stakeholders. Firms do this (while minimizing competitive risk and maximizing potential benefit) by fully embracing CSR and incorporating it within the firm's strategic planning process.

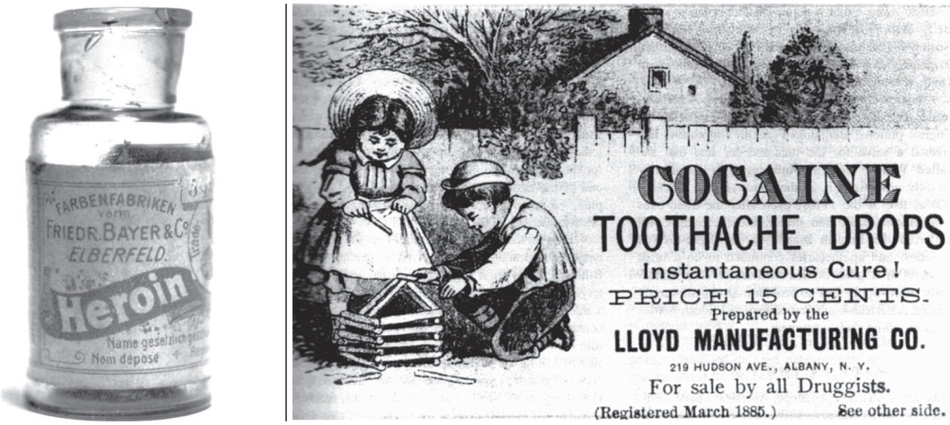
THE EVOLUTION OF CSR

The call for social responsibility from businesses is not new. While specific issues may change, societies have always made demands of firms, and people have protested when transgressions occur. As such, firms have responded and progress has occurred, but that does not mean that *progress* was either linear or always judicious:

> In 1900, Bayer, the German pharmaceutical company that had developed aspirin, introduced a much stronger brand of pain killer in the United States. The new drug was called heroin, a name derived from the German word for "heroic." The company promoted it as a treatment for an array of ills: colds, coughs, asthma, epilepsy, multiple sclerosis, stomach cancer, schizophrenia. It also advertised heroin as safe for children. And anyone over 18 could buy it.[22]

As the two images in Figure 1.2 indicate, what was once acceptable can become an embarrassing oversight with hindsight and shifting social morals. But, it is the push and pull of market

FIGURE 1.2 ■ Medicine circa 1900



Sources: Bayer Heroin bottle, Mpv_51, *Wikimedia Commons*, https://commons.wikimedia.org/wiki/File:Bayer_Heroin_bottle.jpg; Cocaine Tooth Drops, *Wikimedia Commons*, https://commons.wikimedia.org/wiki/File:Cocaine_tooth_drops.png.

forces, with companies responding to stakeholder concerns as they evolve, that reflects (and shapes) what society deems to be acceptable behavior at any given point.

In other words, in spite of the obvious value that firms create, "the pursuit of profit has been 'unloved' since Socrates declared that 'the more [men] think of making a fortune, the less they think of virtue.'"[23] Even though a business cannot create value for itself unless it is also creating value for others, the instinct to curb profit-seeking has deep roots. Ancient Chinese, Egyptian, and Sumerian writings, for example, often delineated rules to facilitate trade and ensure broader interests were considered. Ever since, public concern about the impact of business on society has grown in proportion to the growth of economic activity:[24]

> There has been a tradition of benevolent capitalism in the UK for over 150 years. Quakers, such as Barclays and Cadbury, as well as socialists, such as Engels and Morris, experimented with socially responsible and values-based forms of business. And Victorian philanthropy could be said to be responsible for considerable portions of the urban landscape of older town centres today.[25]

Evidence of social activism intended to influence firms' behavior stretches back across the centuries. Such efforts mirrored the legal and commercial development of corporations as they established themselves as the driving force of market economies. Periodically, society stepped in when business was deemed to be causing more harm than good: "The first large-scale consumer boycott? England in the 1790s over slave-harvested sugar."[26] Although crude and lacking the efficient communication that social media enables today, it is clear that these early consumer-led protests could be effective—initially in terms of raising awareness, but also in terms of effecting change:

> Within a few years, more than 300,000 Britons were boycotting sugar, the major product of the British West Indian slave plantations. Nearly 400,000 signed petitions to