Debbie Haski-Leventhal

Foreword by **David Cooperrider**

STRATEGIC CORPORATE SOCIAL RESPONSIBILITY

A Holistic Approach to Responsible & Sustainable Business

SECOND EDITION
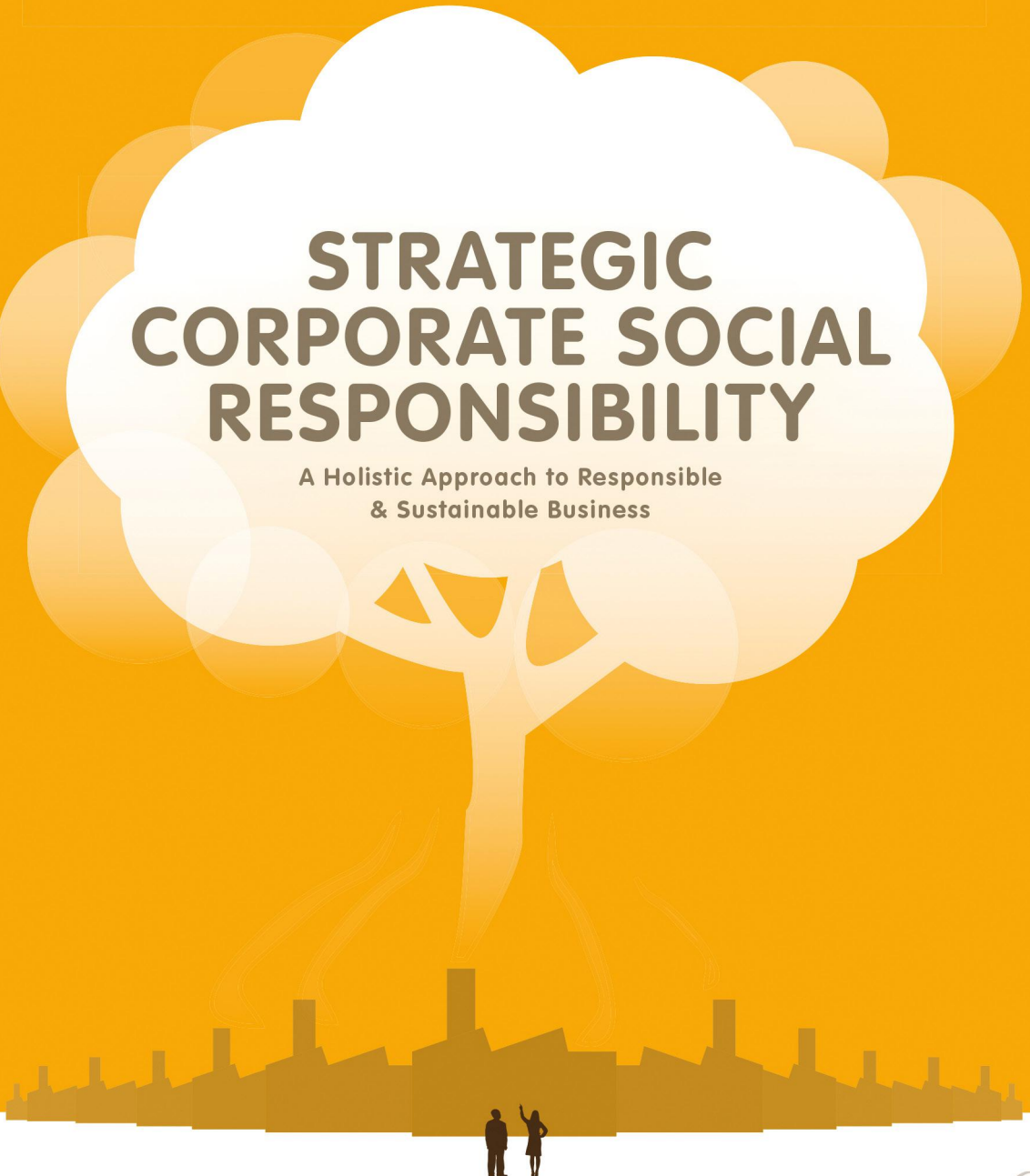
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SAGE

Los Angeles | London | New Delhi
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Contents

Extended Contents

About the Author

Debbie Haski-Leventhal, PhD, is a Professor of Management at Macquarie Business School and an expert on corporate social responsibility (CSR), responsible management education (RME) and volunteerism. She has published over 60 academic papers on CSR, RME, volunteering and social entrepreneurship in *Human Relations*, *Journal of Business Ethics*, *MIT Sloan Management Review*, NVSQ and other journals. Her work has been covered many times by the media, including *The New York Times* and *Financial Review*. She is a TEDx speaker and the author of two other books: *Employee Engagement in CSR* (also with SAGE, 2020) and *The Purpose-Driven University* (Emerald, 2020).

Foreword

Strategic CSR is the Future of Management

This is a very special book. I say this to begin with because the book is written with such clarity and strategic relevance, in such an engaging yet intellectually advanced way, that you know you are holding in your hands one of those kinds of books, in management, that will become something of a timeless anchor point. Quite simply, Debbie Haski-Leventhal has written the best textbook on strategic corporate social responsibility (CSR) I've ever seen, one I've been waiting for *without quite knowing it*, for a long time. It's a book I'll now be using not just within my management courses on CSR and sustainable value creation, but also for my courses on business strategy and managing change, and the future of management. For that's what this book is – it's about the future of management. Why this excitement?

Let me share three reasons: (1) this book is Drucker-like–it is transcendent; (2) it's about the biggest business opportunity of the 21st century – and this book captures it perfectly, not as a trend but as an unstoppable trajectory; and (3) it's a book written with such grace, such relevance and such creativity in terms of engaging questions that learners and executive educators will love it. Let me detail several of these achievements, by drawing on a couple of stories.

This book is Drucker like – it is transcendent. I had what I called my 'Peter Drucker Moment' in March of 2003 when I had my last conversation with the legendary father of management thought – he was 93 years old and it was shortly before his passing. Yet his mind was so cogent and active. That day I ventured into the CSR question. And like today's ethical meltdown of Volkswagen (costing the company billions), there were, at that time, huge debates surrounding big corporations such as Enron.

More specifically, I used the occasion to ask about the difference between two intellectual giants: Drucker himself, a huge advocate of high-purpose business, and the Nobel economist Milton Friedman. I knew that Drucker saw management as a noble profession – and that its birth was a pivotal event in history – where the transition to a pluralist and free society of organisations meant huge progress over

totalitarianism. So, it seemed as though it would be easy enough; it would be a snap to pit Drucker's views against those of Friedman who, as we all know, drew the anti-social responsibility line in the sand, arguing that the only social responsibility of business is business profit. I waited anxiously for the response. I invited him to critique the black-and-white idea that 'the only social responsibility of business is business'. But Drucker did not bite. No matter how hard I pressed, I could not get him to say one word about Friedman, not even his name. Like an impressionist artist, Drucker painted a different picture. He spoke from a higher vantage point about management as a liberal art – as an art that draws from disciplines as diverse as history, human science and the humanities – and spoke about the corporation as an organ in a body (society), as an interdependent part of a whole, whereby if any part were sick every other part would no doubt be affected: 'you cannot have a healthy body with a cancerous organ, and oppositely it is a healthy body that provides the nutrients for the healthy organ', he said. He also shared a belief in the notion that great companies are among humankind's noblest inventions. And then the conversation surfaced a surprising insight – again, nothing related to my question about Friedman but something more profound and game-changing. Drucker said: 'You know, I hinted at it many years ago:

> 'Every social and global issue of our day is a business opportunity, in disguise, just waiting for the entrepreneurship and innovation of business, the pragmatism, and the capabilities of good management.'

I called it my 'Drucker moment' because, in one sentence, Drucker transcended the old and tired debate over the profit versus social responsibility pendulum swing. He completely re-framed the simplistic questions: 'Does social responsibility pay?' and 'Is corporate citizenship some kind of sideline to the real business of business?'. Like Schumpeter's creative destruction or Clayton Christensen's disruptive innovation, Drucker's comment is paradigm shifting, and it makes the tired debates seem, frankly, irrelevant. Why? Because it's a statement that reunites: it reunites social responsibility and exciting business purpose; it reunites enterprise with an interconnected world where our social and global issues matter; and it reunites the strengths of markets – for example, the spirit of entrepreneurship and the free and open mutual exchange of value – with a higher-altitude query: how do good managers and industry-leading stars actually turn our most pressing social and global issues into business opportunities and game-changing innovation?

Well, I say all of this because that's one of the great achievements of this book. In a world where we experience the overproduction of mountains of definitions and endless back-and-forth debates – often insignificant fragments magnified out of all proportion and one point of view trying to demolish the other – we have those rare and special synthetic minds, like Drucker's. How are they different? They are transcendent. It's as if they are not interested in primarily moving against and negating any point of view, especially if it might within it have some kernel of

truth, but, instead of opposing and demolishing views, they include them in and elevate them to a larger theoretical structure. They are searching not for fragments but for those world-historically significant insights begging for attention.

And that's precisely what Debbie Haski-Leventhal's synthetic writing does. It's so refreshing. In an era of hyper-specialisations, her work brings us into the history and exciting future of CSR, the useful debates, and ultimately, a higher-level synthesis, much like Drucker did in our conversation and throughout his prolific career. In this volume, Debbie creatively spans fields and has relevance for every area of management practice – strategy, marketing, organisations development, innovation and the future of management – in ways where the insights seem like a gift. For example, her chapter on ethics: instead of dragging us down, it radiates with energy and reality – and instead of an afterthought or feeling of obligatory 'have to' in management education, I found myself saying this is 'something else'.

This book helps us see what a special time we are living in. Could it be that there has never been a better time to be alive in the field of management? Could it be that we are on the eve of management's finest hour? Again, before I highlight it in this volume – how this book carefully and historically shows that strategic CSR, as it's grown, is perhaps the largest business opportunity of the 21st century and that it's not a simple trend but an unstoppable trajectory – let me share a story about the first time I experienced that potential.

Nearly two decades ago, I was honoured to be invited to bring the large group Appreciative Inquiry Summit method to a UN World Summit with Nobel Laureate Kofi Annan, and hundreds of CEOs from corporations such as Green Mountain Coffee Roasters, Daiwa Asset Management Ltd, Siemens AG, Tata Industries, Novo Nordisk, China Mobile, Royal Dutch Shell, Dow, Coca-Cola, Starbucks, Novartis, IBM and others. Unexpectedly, at this business and society Summit in the General Assembly Hall of the UN, we learned that we all share a common conviction: that business has the opportunity to 'stand up, step up, and scale up' and be one of the most positive forces on the planet – and that the epic transition to a world economy of 'full-spectrum flourishing' is no longer a utopian urge or mini-trend, but an observable and astonishing trajectory.

That day, in the 'discovery phase' of this summit in which we were collaboratively designing the growth strategy of the UN Global Compact, over 2,000 stories of business and society innovation poured in: there were win-win-win innovations in business as a force for eradicating extreme poverty; business as a net-positive force for eco-regeneration and human thriving; and business as a force for peace, reunion and healing in some of the most extreme conflict zones in the world. With stories of solutions, magnified strengths and system-wide breakthroughs in the room, there was a groundswell of what can only be described as the emotion of *urgent optimism*. And it inspired the plenary conversation. The 500 CEOs were then invited to paint a picture of the desired future economy – to think 30 years out: 'What's happening a generation from now in your most positive image of the

future that *you* most want to help create?'. Leveraging that same kind of AI process, we then repeated this exploration at three more Summits – at the 2006, 2009 and 2014 Global Forums for Business as an Agent of World Benefit. The thematic similarities were remarkable.

In a brief composite form, here is the guiding image of the future that resonated across each of these world summits:

> It's a bright green restorative economy that purifies the air we breathe; it has eliminated the very concept of waste and toxic byproduct; extreme poverty has been eradicated from the planet; the economy is powered by 100% renewable, abundant energy and is saving the decarbonized world trillions in lower costs; it is a world of freer and truer markets with signals that generate positive incentives aligned with the long-term greater good (thus, it has virtually eliminated 'perverse incentives'); the economy's industry-leading stars are celebrated as CSR leaders and creators of sustainable value where the word 'sustainability-as-less-bad' has been replaced with the 'sustainability-as-flourishing' net positive; what we see when we look around are resilient, bright green, and walkable cities, re-generative agricultural practices, and astonishing exponential technologies for advancing health and connections for supercooperation; and all of this is built on an economy of institutions that are widely trusted as *positive institutions* – workplaces that elevate, magnify, and refract our highest human strengths (wisdom, courage, humanity, compassion, inspiration, collaborative creativity, freedom, hope, joy, learning, integrity, love and meaning) into the world. Moreover, humankind has successfully built the bridge from an unsustainable industrial age to a future that embraces the idea of full-spectrum flourishing where business can excel, human beings can thrive and nature can flourish. We have re-designed the entire material basis of our civilization – *successfully*.

And all of this, as discussed in this book, was even before the Paris agreements and when Unilever's CEO Paul Polman addressed the General Assembly, pointing to how the global goals represent $12 trillion of business opportunity. He spoke about the business privilege of living at a time when we can be the first generation in history to eradicate extreme, grinding poverty, and can find ways to power up new innovation and ennoble our work as managers:

> There is no business case for enduring poverty. We have an opportunity to unlock trillions of dollars through new markets, investments and innovation. But to do so, we must challenge our current practices and address poverty, inequality and environmental challenges. Every business will benefit from operating in a more equitable, resilient world if we achieve the Sustainable Development Goals. (Unilever, 2016)[1]

As you might imagine – where you literally see the field of management changing in front of your eyes at summits such as these – each of these experiences leaves you with a profound sense of privilege. For me and the management students we've brought to these decisive moments, as part of their education, I heard over and over those special words every professor wants to hear: 'seeing this is life changing' or

'I today feel more hope about our world's future than I ever have' or 'I feel like we are on the eve of management's finest hour' or 'I'm so glad I entered this profession, this noble profession of management'. Each of these comments by our millennials, each taken alone or together, says it's an incredible time to be alive in this field.

I say all this because this book carries this same electric current. One of the book's great achievements – I think it's a big achievement – is the way the author traces the history of strategic CSR, makes sense of it from both a moral standpoint, global challenges and a good business framework, leaving you with the feeling that somehow its growth totally makes sense and has perhaps followed a natural trajectory – somehow on the cards. No, it's not about putting a superficial sense of hope on a troubled time – loss of trust in business, volatile world currency markets, deep inequalities, predictions of climate catastrophe, unthinkable possibilities of a nuclear nightmare, a global pandemic and more – because the book engages these in a clear-minded way. But it does provide hope. It acknowledges that no company is perfect and then proactively lifts up the data, the stories, the business case and the *model elements within the models* of hundreds of companies. I think this is one of the reasons that students will respond and thrill to this book. Strategic CSR, as it is narrated and taught here, is filled with urgent optimism and epic meaning.

This book will make great teachers even greater. My last comment is a selfish one. This book will make me, and you too, into a better teacher. It unites the best in learning theory with the worldwide movement to educate globally responsible managers who possess the mindsets and mental models, the positive leadership qualities, and the intrinsic sense of purpose needed to unite success with significance. Just its format is a rich reservoir of resources for helping educators return to the deepest roots of the term education, that is *educare*, which in Latin means 'to lead forth' and 'to bring out from within'. So, beyond the volume's narrative richness in combination with just the right academic rigour – memorable models, rich citations, worksheets for doing strategic CSR – the parts I love most are the group discussion questions. Like the treasure hidden in broad daylight, remarkable questions are the heart and soul of education. Every one of Debbie Haski-Leventhal's leadership questions made me pause, instilled in me a greater love for the subject matter and made me want to learn more. Remember what the poet Rilke said about the power of questions: 'Be patient … try to love the questions themselves … live the questions now. Perhaps someday you will then gradually without noticing it, live along some distant day into the answers'.

As I said at the outset, this is an important book. It is an incredible time to be alive in this field.

It is essential that we enable managers and all our young people to see themselves as participants in one of the most creative episodes in management history. I cannot wait to look back 30 years from now. We know our task. It's to create a future where business can excel, human beings can thrive and nature can flourish. What will that take? In hope theory, it requires two things: it requires willpower x waypower.

One without the other will falter yet both together create a positive, self-reinforcing loop. That's what this book does – in the language of scenario-planning terms, it makes the hopeful scenario the more probable scenario.

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Note

1. Unilever (2016) How we will grow our ingredients in harmony with nature. Available at: www.unilever.com/news/news-and-features/?monthfrom=1&yearfrom=2001&monthto=12&yearto=2017&type=featuredArticle (Accessed: 19 May 2017)

Acknowledgements

This book would not have come into existence without the support, encouragement and work of so many people. First and foremost, I would like to thank my family and, in particular, my husband, Paul, whose constant support enables me to chase my dreams for impact. He is a true partner in every sense of the word. I would also like to thank my two daughters, Emily and Ella, who enthuse me and provide so much purpose to my life and my impact-chasing journey. It is the world these girls will grow up into that drives my tireless work on CSR and sustainability. I would also like to thank my parents, Ziva and Nissim, for their support, and especially my sister, Meirav, who always believes in me and in my ability to make a difference.

The book began its life back in 2016 when I met SAGE editor Matthew Waters, who showed enthusiasm for the topic of the book from the minute we met. His support and guidance were an essential part of the creation of this book. Since the first edition was published, he fought for the book and supported me in leading the second edition. I would like to thank the entire team at SAGE for assisting in finalising this book and bringing it to print, and Sharon Cawood for her fine work in copyediting this edition.

I would like to thank David Cooperrider who wrote such a generous and beautiful foreword to this book. Meeting him has profoundly changed my perspective and led me to adopt a positive approach to CSR. He is the father of appreciative inquiry, which is such a powerful idea for organisational and personal change (see Chapter 13). In this foreword, David speaks about his 'Drucker moment' when he last met Peter Drucker who changed his understanding of leadership and business management. I had my 'Cooperrider moment', which I wrote about in 2015, inspiring me to take a more positive approach to CSR, business and peace and, frankly, my life.

I am forever grateful to all the teachers in my life, the ones who did not only teach me so much of what I know but also seeded the passion in me to make the world a better place: David Bargal, who was much more than a PhD supervisor; Ram Cnaan and Femida Handy, who worked with me during my post-doctoral fellowship many years ago and whose teaching is still echoed in what I do; Robert Widing, who gave me my first academic job and believed in my work wholeheartedly; and Stephen Brummer, an expert in CSR and former Dean at Macquarie Business School who mentored me. I thank my many colleagues and friends who inspire and encourage me every day, often without even knowing it.

I would like to thank Macquarie University and the Macquarie Business School for enabling me to spend time and effort on developing CSR knowledge. A special thank you goes to the many hundreds of business students whom I have had the pleasure of teaching to date. Since I do not see my role as that of a lecturer standing in front of a class, but as an enabler of shared learning, I have gained enormous knowledge from my students. Through their discussions and presentations, many of the ideas, concepts and cases presented in this book came to my knowledge. The passion of so many business students to ensure the sustainable development of our society makes me believe that a better world than the one I grew up in is possible and that the next generation of business leaders will understand, like no one before them, that the world that we want presents both an enormous responsibility and unprecedented opportunities.

Last but not least, I am grateful to Akriti Mehra who has put so much time, energy and effort into this book. In 2020, she was working from India with a young baby in the midst of a global pandemic that hit her country hard but continued to support me in rewriting this book.

Online Resources

This second edition of *Strategic Corporate Social Responsibility* is supported by online resources for lecturers to use with students, which are available for lecturers to access at: **study.sagepub.com/haski2e**.

For Lecturers

- **Support your teaching** by making use of the **teaching guide** structured to help teach each chapter, provide **additional materials** and **guide class activities and discussions**.
- **Incorporate the chapters** into your weekly teaching using the **PowerPoint slides** prepared by the author.
- **Plan your lessons** using the **syllabus** designed to include the main topics of CSR in your teaching.

Prologue: An Introduction to the Book

Businesses acting as businesses, not as charitable donors, are the most powerful force for addressing the issues we face. (Porter and Kramer, 2011: 64)

On strategic corporate social responsibility (CSR)

As I write the second edition of this book, a global pandemic is changing the way we live, work, travel and connect. Lives and livelihoods are under constant threat everywhere, and governments, not-for-profit organisations and individuals are striving to find creative ways to create a new normal. But together with the daunting reality that COVID-19 has brought to our world, it has unleashed new waves of creativity, innovation, connectedness, kindness and, on some levels, responsibility. This was also echoed in a deep change in the business world, where many companies utilised their resources to provide help – from the more obvious contribution of pharmaceutical companies developing treatments and vaccines, to surprising endeavours such as Disneyland turning into a vaccination venue, Crocs donating millions of its shoes to medical staff and Hyundai uplifting spirits with its social marketing campaign *This is Us*.

These actions are aligned with a massive global change in the perception of business responsibility, which occurred in the last century. If it was believed in the 1970s that 'the only social responsibility of a business is to maximise profit', and if the 1980s and 1990s saw much greenwashing and CSR as PR, things have changed since. Still, for many companies and people, CSR is about corporate philanthropy and numerous companies behave like a charitable donor, instead of demonstrating a holistic approach, embedding their responsibility in every part of the business.

However, a transformation is occurring towards strategic and holistic social and environmental responsibility and sustainability. This is not a new approach, but its magnitude and the number of companies who are shifting towards this approach is growing rapidly. Pioneers such as Ben & Jerry's, The Body Shop and Patagonia, which were founded on principles of social mission, fair trade and fighting for this planet, are now joined by millions of multinational and national companies, small businesses, social enterprises and individuals from all around the globe. This movement is projecting loud and clear that business as usual is no longer an option. That growth at any cost, including to human lives and the environment, is no longer an option. That treating the planet as an open sewer is no longer an option. That having only one stakeholder group prioritised far and above everyone else, is no longer an option. We must change our approach and our mindset before it is too late.

In a way, COVID-19 provided an essential and crucial 'wake-up call' to humanity and the corporate world, as well as a hope that we can achieve great things if we act jointly and boldly. What 2020 has shown us is that when humanity is threatened, we learn quickly and change swiftly in order to survive. We work together, despite differences, to find solutions and provide preventive measures to avoid catastrophe. If we can give up international travel to save lives, we can also make profound and urgent changes to save the planet. If we can beat up COVID-19, we can address other wicked problems on our doorstep (see Chapter 5). We have the ability, but we need to choose to do so despite the costs. If we don't, not only will all the lessons drawn from this pandemic be wasted, but worse scenarios could become realities.

Indeed, businesses have enormous power, resources, networks, knowledge and skills. When all of these are harnessed towards ending poverty, hunger and war, there is no limit to what can be achieved. With the changing expectations of consumers, employees and regulators, being the best in the world is no longer enough. Businesses are now also expected to be the best *for* the world: to be socially and environmentally responsible, sustainable and ethical. For financial, moral, relational and other reasons, business leaders need to know how to be more strategic about their CSR, create shared value and work with their internal and external stakeholders.

Strategic CSR is not about doing less harm or donating money to charity. Instead, it is focused on a holistic business approach that demonstrates responsibility in its strategy and core operations, while working from a multi-stakeholder perspective and with a long-term focus. It is not only a shift away from the narrow and short-term view of maximising profit, but also a transition from corporate philanthropy that is based on random acts of charity and CSR as a marketing strategy, which could lead to greenwashing. It is about tying the company's CSR to what it knows best and what it stands for. By achieving this alignment, the power of business can be effectively harnessed to benefit the world. This is the story behind this book.

About this book

This book came to be out of mere personal necessity. After years of teaching CSR to hundreds of MBA students, I could not find a CSR textbook that ties both theory and practice well enough together. Believing that students and practitioners need to know the concepts, theories and philosophical approaches to CSR, but also to acquire the practical tools that enable the effective implementation of knowledge, is what motivated me to write this book. Since business schools have a growing duty to develop leaders who are responsible and ethical, a textbook providing theory and practical examples related to CSR was required.

Further, I see this book as another milestone in responsible management education. After the business scandals and ethical meltdowns of the 2000s, a debate started about the role of business schools in ensuring their graduates are ethical and responsible. As the president of Texas A&M University, Robert Gates said in 2002: 'All of these liars and cheats and thieves are graduates of our universities' (Gates, 2002). The response was the formation of the United Nations Principle of Responsible Management Education (PRME) by the UN Global Compact and a shift in many business schools' curricula. Consequently, teaching materials that are aligned with responsible management are required and this is one of the reasons for a CSR book connecting theory and practice with a holistic and positive approach. Together with PRME, I have been involved in conducting several rounds of a bi-annual international study on business students and their attitudes towards CSR and responsible management education. The results of these surveys (some of which are discussed in Chapter 2) demonstrate students' enthusiasm and support for CSR and sustainability. In 2020, I published my second book, *The Purpose-Driven University*, which captures these ideas and applies many of the concepts in this book to the context of higher education.

Inspired by positive psychology, positive management and positive frameworks such as Appreciative Inquiry, this book is aimed at showcasing what is good in business and what is possible with CSR. It does not imply an ignorance of corporate irresponsibility nor does it imply naivety. It is based on the conviction that by exhibiting mainly positive examples of CSR, an increasing number of companies and leaders will be inspired to become more ethical and responsible. The world does not yet have (and may never have) perfect companies, impeccable CEOs or flawless people. However, by celebrating positive business aspects, we can demonstrate that CSR is possible and that it can have a positive impact on all stakeholders. While the book also offers a critical approach and sporadically discusses cases of irresponsibility and the negative impact of business, the focus is primarily positive.

It is important to note that the book is both descriptive and normative. It is descriptive in the way it presents existing knowledge, models and concepts and in the way it describes the current and past events, behaviour and practices of corporations and organisations. However, it is also normative as it is based on certain

values and worldviews, according to which business has a remarkable opportunity to address the mammoth and wicked problems that we face, from COVID-19 to climate change. To do so, it needs to take full responsibility for all its actions and impact, avoid harm and shift to a genuine contribution beyond philanthropy. Some CSR and business ethics books and articles take a more detached approach, while this book is part of a movement in which scholars take a value-based stand on the role of business.

The second edition of this book

This is the second edition of *Strategic Corporate Social Responsibility*, which offers a more comprehensive and innovative approach to the first edition. Firstly, I established my own definition and approach to CSR. Subsequently, at the core of this edition is the following description of social responsibility in business:

> *Strategic CSR is a holistic and long-term approach to the broad responsibilities of business, based on stakeholder integration and ethical behaviour while utilising the firm's resources and brand to address societal and environmental issues.*

The definition and its components are detailed in Chapters 1 and 2 and are used throughout the book. It offers a more holistic approach compared to many previous definitions and shifts away from stakeholder management to stakeholder integration (which will be fully explained and utilised in Chapters 3 and 8). It is also unique insofar as it ties a company's CSR to its brand (what it is known for) and its resources. These include money, talent, knowledge, skills, physical venues, platforms and anything else that may be used by a company in its journey towards becoming a force for good.

Secondly, a new chapter has been added to this second edition. Chapter 5, 'The S in CSR: Social and Global Issues', was added to shed more light on social responsibility. While the book is on CSR, the previous edition did not have a full chapter on this topic, but instead, embedded ideas on social responsibility throughout the book. The new chapter presented an opportunity to discuss some of the cutting-edge ideas in CSR, including working towards the sustainable development goals (SDGs), human rights, poverty and hunger, corporate political activism and business for peace. This chapter also discusses the role of business in light of the current (2020–21) global pandemic.

Thirdly, all other chapters were updated with new case studies and recent examples, sources, data and articles. New case studies incorporate some well-known companies such as Whole Foods, Salesforce, and Ben & Jerry's, alongside lesser-known cases from outside the USA: Infosys (India), Tony Chocolonely (The Netherlands) and PUMA (Germany). The existing cases have all been updated, and it was inspirational to see their journey in the few years since the previous edition

was published, with special attention given to their contribution during COVID-19. New ideas, concepts and frameworks have been added to the various chapters, such as business as a force for good (Chapter 1), explicit and implicit CSR, political activism (Chapter 2); climate action, activism and CSR in natural disasters (Chapter 6); and social intrapreneurship and impact investing (Chapter 8), and many others. The new edition also offers insights for small and medium enterprises (SMEs) and sheds light on CSR in other parts of the world, such as in China and India. Since the first edition of this book was published, I have authored a further book (*The Purpose-Driven University*) and co-edited another (*Employee Engagement in CSR*). Both of these books contain important fresh ideas, some of which are now included in this new edition.

The book now includes 13 chapters organised in three parts. The first part, 'CSR Thought', provides the theoretical background of CSR. Chapter 1 examines CSR thought, definitions, concepts and critical perspectives. Next, Chapter 2 focuses on CSR theories and models, including CSR stages, CSR congruence, creating shared value and strategic CSR. Following that, Chapter 3 is based on stakeholder theory and examines various approaches to stakeholder management and integration.

The second part, 'CSR Approaches and Implementation', examines various CSR approaches and how they might be implemented to create and lead a responsible, ethical and sustainable organisation. It begins with Chapter 4 on business ethics, which examines the way that philosophy can assist us in making sound business decisions. Next, Chapter 5 focuses on social responsibility, the community and major global issues. Chapter 6 discusses environmental sustainability and the role of business in assuring the future of this planet. Chapter 7, thereafter, offers insights on responsible leadership and applies various leadership approaches and models to the context of CSR. Finally, Chapter 8 discusses ways to practically involve stakeholders, particularly employees, consumers and investors, in the CSR efforts of a company.

The third and final part of this book is 'CSR Measurement and Communication'. It begins with Chapter 9, which displays social impact and assessment methods, followed by Chapter 10 on benchmarking tools. Chapter 11 discusses CSR reporting and Chapter 12 focuses on CSR marketing and storytelling, both of which can become powerful channels to involve more stakeholders in the CSR efforts of a company and inspire others to follow. Finally, Chapter 13 looks at making the shift towards CSR and the way forward. It also details the future of CSR and offers a conclusion to the book.

Each chapter begins with an opening case study: a positive example of what one company does in relation to the topic discussed in that chapter. None of the companies presented here is perfect but they all do outstanding work in the area presented and this is what we focus on. Each case is followed by questions that can be discussed in class or in small groups. Every chapter then begins with an introduction to the topic and why it is an important component of strategic CSR,

followed by various aspects of these topics. All chapters include case studies, questions for reflection and discussion, and exercises. Each chapter ends with a summary, key definitions, general questions, references and further reading and links, all of which can be used to enhance class discussion and learning.

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Abbreviations

ABCD	Asset-based community development
AI	Artificial intelligence
AMA	American Marketing Association
B Corps	Benefit corporations
CC	Corporate citizenship
CED	Committee for Economic Development
CLMRS	Child Labor Monitoring and Remediation System
C_NSR	Consumer social responsibility
CO_2	Carbon dioxide
CoP	Communication on progress
COVID-19	Coronavirus disease 2019
CPA	Corporate political activism
CR	Corporate responsibility
CRM	Cause-related marketing
CRM	Customer relationship management
CSO	Chief sustainability officer
CSR	Corporate social responsibility
CSRCB	Corporate sustainability and reporting for competitive business
CSV	Creating shared values
DACA	Deferred Action for Childhood Arrivals
DSJI	Dow Jones Sustainability Index
EI/EQ	Emotional intelligence
EnTA	Environmental technology assessments
ESG	Environment, social and governance
ESR	Employees' social responsibility
FSC	Forest Stewardship Council
GRI	Global Reporting Initiative
GDPR	General Data Protection Regulation

GHG	Greenhouse gases
GM	Gender mainstreaming
G250	Top 250 companies on sustainability
HBR	Harvard Business Review
HRW	Human Rights Watch
IAIA	International Association for Impact Assessment
ICC	International Chamber of Commerce
ILO	International Labour Organization
ISO	International Standardization Organization
IWC	Industrial Welfare Commission
J&J	Johnson & Johnson
LCA	Life cycle assessment
LGBTQ+	Lesbian, gay, bisexual, transgender, queer, plus
MDGs	Millennium Development Goals
MSIs	Multi-stakeholder initiatives
M&S	Marks & Spencer
NASDAQ	National Association of Securities Dealers Automated Quotation
NAB	National Australia Bank
NGOs	Non-government organisations
N100	Top 100 companies by revenue (KPMG report)
PPP	Purchasing power parity
PRME	Principles of Responsible Management Education
REDF	Roberts Enterprise Development Fund
ROI	Return on investment
SAA	Social accounting and audit
SAM	Sustainable asset management
SDGs	Sustainable Development Goals
SIA	Social impact assessment
SIMPLE	Social IMPact Measurement for Local Economies
SMEs	Small and medium enterprises
SQ	Spiritual intelligence
SR	Social responsibility
SRI	Socially responsible investment
SROI	Social return on investment
STEM	Science, technology, engineering and math
UN	United Nations
UNEP	UN Environment Programme
UNFCCC	UN Framework Convention on Climate Change
UNGC	United Nations Global Compact
USLP	Unilever Sustainable Living Plan
WCED	World Commission on Economic Development
WWF	World Wildlife Fund

Part I
CSR Thought

Our Changing World and the Evolution of CSR

1

Main topics

Case study

Learning outcomes

By the end of this chapter, students should be able to:

- articulate several definitions and names of CSR and understand the evolvement of the concept
- contextualise CSR thought in history

(Continued)

- explain what CSR is and what it is not
- define CSR and strategic CSR
- detail the importance of CSR in our changing world
- critically reflect on current approaches to CSR in theory and practice.

CASE STUDY   Whole Foods Market: Taking a holistic approach

Driven by its higher purpose 'to nourish people and the planet', its core values and the company motto of '*Whole Foods, Whole People, Whole Planet*', Whole Foods Market is a mission-driven chain of natural and organic supermarkets with 500+ stores located in the USA, Canada and the UK (Whole Foods Market, 2021). The company was founded in 1978 by John Mackey (author of *Conscious Capitalism*), with a few partners and a loan of US$45,000 (Whole Foods Market, 2016). The first store opened in 1980 in Austin, Texas, USA in 1988, under the name 'Safer Foods', which was later changed to its current name. In representing its deep commitment to consumer wellbeing and the preservation of organic integrity, Whole Foods Market voluntarily certified all its stores and operations to become the first national 'Certified Organic' grocer in the USA.

Source: QualityHD/Shutterstock.com

CSR has been at the heart of the company, with its higher purpose including the wellbeing of all its stakeholders. Whole Foods sells only food with no artificial flavours, colours, preservatives or sweeteners, sourcing the fresh meat of animals that has been assessed for animal welfare, procuring seafood that is sourced from responsibly-managed

fish farms and sustainable fisheries, as well as obtaining eggs from cage-free hens (Whole Foods Market, 2021).

In addition, the company is known for its stakeholder integration, which aims to benefit all: 'customer satisfaction, team member happiness and excellence, return on invested capital, active environmental stewardship, service in local and global communities, and win-win supplier partnerships, among other things' (Whole Foods Market, 2016: 10). For example, Whole Foods Market attempts to provide fair compensation to employees and suppliers with open access to the annual individual compensation report. The vision of providing fairness to employees stems from leadership. In 2007, the then CEO, John Mackey, voluntarily reduced his salary to US1 and elected to forgo future bonuses or equity (Whole Foods Market, 2016).

Further, Whole Foods Market commits itself to the communities in which it operates and to the environment. To achieve this significant goal, Whole Foods Market operates three foundations:

1. **Whole Planet Foundation**: created in 2005, this is an independent, non-profit organisation with a mission to empower the poor through microcredit, with a focus on developing world communities that supply Whole Foods Market. To date, Whole Foods Planet Foundation has contributed over US$101 million in funds, with over 4.3 million loans enabling just under 1 million entrepreneurs and their families to come out of poverty. Of this, 89 per cent were women, borrowing US$174 on average (Whole Planet Foundation, 2021).
2. **Whole Kids Foundation**: created in 2011 to improve children's nutrition by supporting schools and inspiring families (Whole Foods Market, 2016). In 2020, the Foundation engaged with 8 million children across 11,760 schools, setting up 6,000 gardens and 500 beehives (Whole Kids Foundation, 2021).
3. **Whole Cities Foundation**: this foundation is 'committed to individual and community health through collaborative partnerships, education and broader access to nutritious food in underserved communities' (Whole Foods Market, 2016: 17). Since its founding in 2014, Whole Cities Foundation has partnered with over 191 not-for-profits across 106 cities in the USA and Canada, contributing more than $2.1 million to local communities.

Whole Foods Market is also strongly committed to environmental stewardship, with various initiatives such as a food waste reduction strategy, use of alternative energy in stores and facilities, charging stations for electric vehicles at stores as well as green buildings, with several stores used as case studies for sustainability (Whole Foods Market, 2021).

(Continued)

In June 2017, Amazon purchased Whole Foods Market for US$13.7 billion. The health foods grocer was struggling as larger competitors moved into the space of speciality and organic supermarkets. Even though Whole Foods was the first to enter this space, many of these retailers benefited from their scale, infrastructure and technology, and were therefore able to offer similar products at a lower cost. Since the acquisition, there are a few aspects that have changed, including the merchandise that is being sold at the stores (which includes Amazon products such as Echo), discounts offered at Whole Foods Market for Amazon Prime members, free delivery for Prime members, the centralising of merchandising – leading to fewer employees in stores, and the centralising of supplier bases, in order to cut costs. Additionally, even though many small brands looked to Whole Foods to market their products, those brands that weren't driving sales may well come under the scanner and therefore lose shelf life at Whole Foods (Banker, 2019). Some people have accused Whole Foods of 'selling out'. Time will tell if its commitments to CSR and its stakeholders will remain solid.

Source: 'Amazon Echo at Whole Foods' by Phillip Pessar is licensed under CC BY 2.0

Questions

1. How integral is CSR to the core operations of Whole Foods Market?
2. Describe the various CSR aspects that Whole Foods Market focuses on?
3. Based on the example of founder and former CEO John Mackey, how central do you think leadership is to CSR? Can it be done without the support of the CEO?
4. How is Whole Foods Market's commitment to its stakeholders unique? Support your answer with examples.
5. How might the Amazon takeover of Whole Foods change the company's outlook and commitment to CSR?

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Introduction: The importance of corporate social responsibility (CSR)

CSR, once a do-good sideshow, is now seen as mainstream. But as yet, too few companies are doing it well. (*The Economist*, 2008)

CSR has been gaining attention, popularity and prominence in the last few decades. It is perceived as being important because it offers a remarkable opportunity to discuss the role of business in society following decades (if not centuries) during which business was not always acting in the best interests of our global society.

CSR illustrates a direction for business to take so it can help address the biggest challenges of our time. It is an important alternative to the extreme capitalism that possibly led markets to the financial crises and ethical meltdowns of recent years. Social movements such as Occupy Wall Street, activists and leaders have been calling for a deep reflection on the direction of capitalism and what alternatives should be considered. It is now acknowledged that responsible and ethical business is essential for the future of our world. In times of climate change, globalisation, frequent humanitarian crises and a global pandemic, business, with its resources,

knowledge and power, can offer much more than doing less harm. There are grow-ing signals from the market that companies are expected to be more responsible throughout their entire value chain, and CSR can be an effective pathway to meet-ing these expectations. With a holistic approach to CSR, business can become a force for good and the solution to the world's most pressing problems.

The business sector has delivered essential goods to society and the economy: manufacturing products that are important to people's quality of lives; provid-ing people with the dignity of a job and a career; paying taxes and contributing to economic growth. On the other hand, businesses are also responsible for vast destruction of the environment and (at least partially) climate change; to slavery, illness and human suffering; and to animal cruelty. Somewhere between these two extremes, emerges the important role of CSR. As our world, economy and society rapidly change, CSR can offer a way for business to be responsible and ethical.

Furthermore, companies that adopt a broader view of their responsibilities and a holistic approach to sustainability, companies that genuinely contribute to the world and ensure responsibility and sustainability in everything that they do, see many benefits for all stakeholders. As will be demonstrated in the following chapters, employees are more highly engaged when working for a company with a strong purpose. Consumers often prefer to buy from companies that have a good reputa-tion in the community, and are willing to pay a higher premium for sustainable products. The community benefits from strong and ongoing partnerships with the corporations that operate within them. Governments and international organisa-tions gain a genuine partner to help them address society's biggest challenges, far beyond the boon of those firms paying their taxes. The environment is then looked after, and our only planet is taken better care of. Consequently, shareholders ben-efit when all the other stakeholders are satisfied, and should receive a better return on investment from a company that is sustainable and as such can yield a profit (however, not necessarily maximise profit) for longer. Holistic CSR can contribute to positive outcomes for the company as well as for all its other stakeholders.

CSR is a growing trend in many big and small companies around the world, but the perceptions of CSR can change with rapidity. While some companies continue to hold to 'business as usual', many others understand that they need to step up and become part of the solution. Some companies still cause harm to humans, animals and the environment through their actions. Others are only using CSR for marketing and public relations purposes, while neglecting to address the harm caused by their core operations. Others yet see CSR only as philanthropy, focusing on the donations and volunteering of their employees.

However, an increasing number of companies began adopting a holistic approach to their corporate responsibility, ensuring sustainability and responsibil-ity in everything that they do, and aligning their CSR to their business core mission and strategy. The latter is often referred to as 'strategic CSR', and it is this approach that this book is based upon.

In this chapter, CSR will be defined and debated, while shedding light on the aforementioned changes in CSR perceptions and practices and the drivers for this change. We will examine the shift from a narrow view to a broad view of business responsibility, and observe the current motivations of business to engage in CSR.

CSR defined and debated

Examining the evolvement of CSR definitions can assist us in gaining a better understanding of CSR approaches and trends, and in capturing the underlying shifts in the role of business in society. While it is impossible to cover all the definitions of CSR in this chapter, three definitions of CSR will be examined to discuss changes over time in content and perceptions. A fourth definition of strategic CSR will then be offered to guide this book.

The first definition hails from 1979 and Archie Carroll who claimed that 'CSR encompasses the economic, legal, ethical and philanthropic expectations that society has of organisations at a given point in time' (Carroll, 1979: 500). The main point of this definition is that companies have responsibilities in addition to maximising profit: legal responsibility (to obey the law); ethical responsibility (to do the right thing); and philanthropic responsibility (to give money to charity). Conversely, listing these four responsibilities in this order might implicitly suggest that financial responsibility always comes first, even if it implies unethical behaviour. Another issue with this definition is that it puts organisations in a very passive position – CSR is about the expectations that society has of the organisation, not the responsibility that the organisation should have and act upon. Since what is acceptable today could become unacceptable very quickly in the future, taking a passive position towards CSR instead of a proactive one could be risky.

The second definition of CSR was offered by Edward Freeman in 1984. Freeman introduced the term 'stakeholders' and an approach according to which corporations have a role in society that is greater than just pursuing profit. Since Freeman defined stakeholders as those people who are affected by the company's achievement of its goals, it is not difficult to see that such stakeholders include other groups beyond shareholders/owners. Based on stakeholder theory, the European Commission 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' (as cited in Strand and Freeman, 2015: 66). This perception of CSR requires a more holistic business management approach than one just maximising profit.

A lesser-known definition of CSR is found in an article by Aaronson (2003: 310), in which CSR is defined as 'business decision making linked to ethical values, compliance with legal requirements, and respect for people, communities, and the environment around the world'. Accordingly, CSR is about managerial practices

such as decision making, but it is also aligned with ethical and legal responsibilities. While the first part is a reference to Carroll's definition, the second part about respect for people, communities and the environment might suggest a more holistic approach. This definition specifically includes the environment, which has become more relevant in recent years, while also referring to global responsibilities according to which companies are responsible for their employees and other stakeholders, regardless of their global location.

However, the focus of this book is strategic and holistic CSR, an approach and a mindset that are embedded in every aspect of the organisation. Since none of the existing definitions of CSR that I found was holistic enough, I am offering a fresh one that will serve as the basis for this book. With a shift *from* corporate philanthropy and doing less harm *to* the power of business becoming a force for good in this world, the new definition touches on every aspect of CSR that will be covered in this book. As such, I define strategic CSR as follows:

> *Strategic CSR is a holistic and long-term approach to the broad responsibilities of business, based on stakeholder integration and ethical behaviour, while utilising the firm's resources and brand to address societal and environmental issues.*

Questions for reflection and discussion

Return to the case study of Whole Foods Market. Under which of the above definitions would this be a case of CSR? Would you say it is a case of strategic CSR? Why or why not?

CSR: What's in the name?

While this book is focused on the concept of CSR, and more specifically on strategic CSR, many other similar concepts are often used interchangeably with CSR. These include (but are not limited to) corporate responsibility, corporate citizenship, sustainability, conscious business, social business, and creating shared value or CSV. There are some shared meanings but also differences between these terms. Figure 1.1 details some of these alternative concepts and terms.

Many companies choose to use the concept of *corporate responsibility* (CR) instead of CSR. Their main rationale is that firms need to be fully responsible, not just socially, and therefore they broaden their scope of responsibility by omitting the S. Some claim that CSR does not include environmental responsibility, while CR does, and they therefore opt to use the latter instead. Similarly, some organisations have started using *social responsibility* (SR) because it can be applied to any organisation, not just corporates.

Figure 1.1   Alternative concepts and terms to CSR

Another common name is *corporate citizenship* (CC). CC has emerged as a prominent term in the management literature, particularly after the 2002 UN Global Corporate Citizenship summit in New York. It is based on the meaning of good citizenship behaviour (responsible, contributing to the community and obeying the law). Matten and Crane (2005) argued that CC is broader than CSR and includes greater responsibilities. Maignan et al. (1999: 457) defined CC as 'the extent to which businesses meet the economic, legal, ethical and discretionary responsibilities imposed on them by their stakeholders'. While this is almost identical to Carroll's definition of CSR, it emphasises actively meeting responsibilities as opposed to detailing the responsibilities as a list.

Another relevant concept that has gained more support recently and will be referred to often in this book, is *conscious capitalism* and, accordingly, *conscious business* (Mackey and Sisodia, 2014). This concept is based on a movement started by John Mackey, the founder and CEO of Whole Foods Market in the USA, pushing for a values-based economy with social and environmental concerns at both global and local levels. Conscious business refers to business galvanised by higher purposes that serve and align the interests of all major stakeholders. This is one of

the few concepts in the CSR literature that emphasises the importance of purpose and it will be used to a great extent in this book.

When searching for any company's description of its CSR, it is often found under a web page entitled 'Sustainability'. While sustainability is often seen as being related to the impact of a firm on the natural environment, it gained a more holistic perspective when it started to include the triple bottom line: financial, social and environmental sustainability (Elkington, 2004). As such, instead of speaking about responsible business, people sometimes speak about sustainable business, based on the idea that businesses that are more responsible would also be more sustainable in the future. This term will be discussed further in Chapter 6.

Another way of describing a responsible business is through the terms *social business* and *social enterprise*. Social enterprises are about using business models and knowledge to achieve both financial sustainability and social purpose. Social enterprises are positioned between CSR and revenue-generating non-profit organisations (Dees, 1998). While a social business is more purpose driven than a business with CSR, it is sometimes difficult to tell the difference. There are socially responsible businesses that are quite similar to social enterprise. This will also be discussed further, later in this chapter.

Some companies have replaced their CSR with *creating shared value* (CSV), a concept developed by Michael Porter and Mark Kramer. The concept is covered extensively in Chapter 2 and focuses on identifying and expanding the link between economic and societal progress. It is based on the premise of making a positive change in society through creating innovative products and new markets (Porter and Kramer, 2011).

However, in this book the term CSR is mainly used. While some people argue that CSR is only about corporate philanthropy (e.g. Porter and Kramer, 2011), it is time to reclaim CSR for what it really is – responsibility in every aspect of this word. Further, the term CSR was chosen rather than its alternatives for several reasons. Firstly, it is the most commonly known and used term by people who study and practise business responsibility. Using Google Scholar, CSR yields far more results than any other term mentioned above. In many business schools, CSR and business ethics are now taught as part of their commitment to responsible management education. More importantly, this book is based mainly on the concept of strategic CSR, and this is the concept used in this approach. However, it is important to bear in mind that scholars and practitioners use other terms and concepts, so that they can be identified and used properly.

A brief history of CSR thought

Although the concept of corporate social responsibility and its acronym CSR have only been in use for several decades, the origins of CSR thought can be traced to

early human thought, from religion and Greek philosophy, to scholars of the 17th and 18th centuries. To somewhat limit the discussion, it begins with Adam Smith (although older sources will be covered in Chapter 4 on business ethics) and only covers some highlights in the evolution of CSR thought. Figure 1.2 summarises some of the pivotal conceptual developments in this process.

1759: Adam Smith's *The Theory of Moral Sentiments*

1940: Elton Mayo's Hawthorne study

1970: Milton Friedman

1979: Archie Carroll's pyramid

1980s–1990s: Social businesses

2010: Strategic CSR, Conscious Capitalism

1913: Industrial Welfare Commission

1953: *Social Responsibilities of the Businessman*, Howard Bowen

1971: CED, *Social Responsibilities of Business Corporations*

1984: Edward Freeman's Stakeholder Theory

2002: Porter and Kramer's Strategic Corporate Philanthropy

2011: Porter and Kramer's Creating Shared Value

Figure 1.2   CSR thought timeline

Many business students and scholars know Adam Smith as the father of modern economics and capitalism. Born in 1723, his well-known book *The Wealth of Nations* (Smith, 1776) is considered the first modern work on economics. It was the first book to introduce core economic concepts, many of which are currently still in use, such as the division of labour, productivity and the free market. It is particularly the latter concept (the free market and the invisible hand) that encouraged political and economic leaders in the last century to decrease market regulation (particularly in the USA), which can be carefully referred to as 'extreme capitalism' in which power and money are the chief goals. However, Adam Smith's earlier work, which is lesser known, was the foundation of *The Wealth of Nations*. In *The Theory of Moral Sentiments* (1759), Smith talks about altruism and empathy, our need to care for others, and how, in addition to the famous 'invisible hand' of free markets, markets also need a 'caring hand' in their dealings with society. Smith outlined an ethical approach that is based on the human ability to empathise with others. When *The Wealth of Nations* is read against the moral foundations offered in *Moral Sentiments*, a more compassionate capitalism emerges. In the book *Conscious Capitalism* (Mackey and Sisodia, 2014), *Moral Sentiments* is used to argue that capitalism is not evil and that it can be used in a way that contributes to the betterment of all stakeholders.

Adam Smith wrote his book at the beginning of the industrial revolution and it is interesting to see how this revolution changed our society both for better and

for worse. While the revolution brought with it the creation of machines and factories to produce items and make our lives more convenient, this came at a cost. Moving from an agricultural society of farmers to the industrial society of employees, people somewhat became disposable machine parts. While the industrial revolution introduced and increased the standard of living, not everyone benefited from it. Women, children and other socially disadvantaged groups were particularly affected. At the beginning of the 20th century, concerns about the welfare of workers were more vocally raised. These issues were discussed by Karl Marx, particularly in his book *Capital* (1867), and captured in the Charlie Chaplin film *Modern Times* (1936). Eventually, in 1913 the Industrial Welfare Commission (IWC) was established in California to regulate working conditions for employees, including wages, hours and safety measures. This is an important step in the process in which CSR was directed towards employees (i.e. internal CSR).

This welfare approach was strengthened by the Hawthorne study conducted by Elton Mayo in the USA (Mayo, 1945). In this study, which focused on the productivity of workers in an electric factory outside Chicago, the researchers studied the effect of light on the workers' performance (remember that the approach to employees at the time, led by scientific management, was as parts of a machine that need to perform well). What the researchers ultimately discovered was that it was not the physical conditions that impacted the results, but rather the attention given to the workers, treating them like human beings, asking them about their working conditions and how these can be improved. This and other studies laid the foundations for the development of organisational behaviour as a field of study and the humanistic management approach.

In 1953, a book was published entitled *Social Responsibilities of the Businessman* by Howard Bowen. It was the first time that someone had written specifically about CSR and on social entrepreneurship, both of which only became popular years later. It is therefore often seen as the milestone of modern-era CSR. Bowen (1953) argued that large corporations in the USA are vital centres of power, which impact many lives every day. The key question that Bowen (1953) asked (and it is possible to say that it is still being asked today) was: What responsibilities to society are businesspeople reasonably expected to assume?

Bowen's book started a debate on CSR, which was argued against most strongly in 1970 by the Nobel Laureate economist Milton Friedman. In a well-known article in *The New York Times*, 'The Social Responsibility of Business is to Increase its Profits', Friedman (1970) argued that the only social responsibility of a company is to maximise shareholder value and that CSR, unless used as a means to increase profit, is immoral. Friedman was a strong advocate of the 'narrow approach' to business responsibility (which will be discussed further next). His main argument was that shareholders invest money in the company and managers therefore have no moral right to use this money in any other way than to maximise profits. Just as this money cannot be used to build a villa in Tuscany, managers cannot use it to give to charity. They can use it for CSR only as a marketing strategy to maximise profit (Friedman, 1970).

A counter approach was that corporates have responsibilities beyond their financial duty to maximise shareholder value. In 1971, the Committee for Economic Development (CED) published the *Social Responsibilities of Business Corporations*. CED observed that business functions by public consent, and its basic purpose is to serve constructively the needs of society to the satisfaction of society. As such, the social contract between business and society was changing substantially and business was expected to assume broader responsibilities to society. Furthermore, the CED noted that business assumes a role in contributing to the quality of life and that this role amounts to more than just providing goods and services.

Similarly, in 1979, Archie Carroll argued that in addition to financial responsibility, companies have a legal responsibility (to obey the law and regulations), an ethical responsibility (to do what is right, fair and just) and a philanthropic or discretionary responsibility (to be a good corporate citizen, to give back to the community). Later (Carroll, 1991, 1999), this was portrayed as a pyramid of responsibilities: the first of these, the legal responsibility, is required; the ethical responsibility is expected; and the last one – the philanthropic responsibility – is only desired (by society, that is). Figure 1.3 captures the essence of this pyramid, which will be discussed further in Chapter 2.

In 1984, there was another leap forward in CSR thought, when Edward Freeman developed the stakeholder theory and argued that companies are not accountable only to their shareholders but to a broad set of stakeholders. Freeman defined stakeholders as any individual, group or institution who is affected, positively or negatively, by the achievement of an organisation's purpose. As such, stakeholders include employees, consumers, governments, the community in which the company operates and even the environment. This was another attempt to broaden the responsibility of business from being financial alone to social and environmental as well. Stakeholder theory will be discussed further in Chapter 3.
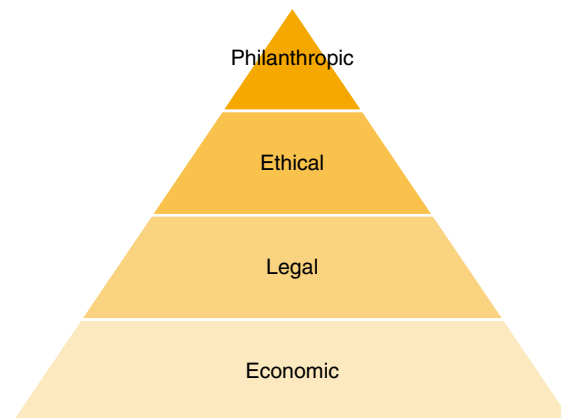

Figure 1.3   Carroll's pyramid of business responsibilities (based on Carroll, 1991)

Source: Carroll, A. B. (1991) 'The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders', *Business Horizons*, 34(4): 39–48. © Elsevier (1991), used with permission.

In the 1970s and 1980s, there was an increase in the number of scholarly works on CSR, with theories, concepts and empirical studies starting to emerge. It gradually became relevant for companies, managers and other stakeholders. Some companies that were established at the time, such as Ben & Jerry's and The Body Shop, showed that having a social mission and working for a higher-level purpose, instead of solely maximising profit, could be good business. The focus, however, was on corporate philanthropy, and in 2002 Porter and Kramer published an article in *Harvard Business Review* (HBR) arguing that companies that are not good for society would not be able to maintain their competitive advantage in the future. However, to do so, companies need to tie their giving (philanthropy) to their overall strategy and give to charities that are more aligned with their brand and what they stand for. In 2011, the two authors further developed their ideas and published another HBR article on 'creating shared value', which was about making financial value and social value at the same time (Porter and Kramer, 2011).

EXERCISE

Read Milton Friedman's *New York Times* article from 1970 on the web (www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html) and answer the following questions:

1. What are the main arguments he makes for the narrow view of business responsibility?
2. What are the counter arguments?
3. What do you agree with? What do you disagree with?

From a narrow view to a broad view of business responsibilities

As can be seen in the aforementioned evolution of CSR thought, a shift occurred from a narrow view of business responsibility, one that focused on maximising profit, to a broader view that includes other responsibilities as well.

The narrow view

The narrow view, such as that presented by Milton Friedman, argues that business exists to deliver products and services to maximise profit. This is what corporations are legally bound to do. Shareholders invest money in the company to gain a good return on investment, not to solve societal issues. As such, Friedman and others

went as far as to call CSR immoral. Accordingly, the responsibility of business is to provide people with jobs and salaries, allowing employees to live well and consume, and this is the essence of business's contribution to society. Subsequently, there is no need for CSR.

Another argument for the narrow view is based on the concept of the invisible hand (Smith, 1776), according to which markets will ensure business responsibility since if they behave illegally or immorally, the market will penalise them. Others claim that societal issues are not business problems. Business pays taxes to the government and it is the government's role to address issues such as homelessness, food insecurity and poverty. Not only is it not the responsibility of business, but business also lacks the knowledge, capacity and capability to deal with such issues. Such business leaders claim that it is the government's responsibility to address societal and environmental issues, including those created by business.

Finally, an argument against CSR comes from another extreme perspective (one could say from a more left-wing one). Anti-capitalists argue that CSR is not good because it is mostly 'greenwashing', being used instrumentally to brainwash us, to manipulate consumers to believe that a business is good for the world. It is often just paying lip service, allowing businesses to patch up their immoral behaviour and the harm they cause to people, animals and the ecosystem. Business needs to change more radically, they argue, than simply giving some of its money to charity. Moreover, CSR allows businesses to impose their capitalist values upon us and they have enough power in the world already.

The broad view

On the other hand, many scholars (e.g. Carroll and Shabana, 2010) argue that businesses have additional responsibilities to making a profit. Business operates within society and only thrives because of people – people who are employees, consumers and even shareholders. As such, business has an enormous responsibility to ensure the wellbeing of people and to avoid harm. A concept that has been used frequently over the past two decades is that of business possessing a social licence to operate (Moffat and Zhang, 2014). In addition to the legal licence required by businesses to operate, companies also need to be legitimate by societal standards, cause no harm and create a positive impact on our society and the community in which they operate.

If scholars use Adam Smith's idea of the invisible hand, they should also use his idea of the caring hand and promote a society that is built on morality, caring and empathy to drive our wealth and health. Furthermore, with information asymmetry (the inability of consumers, governments and others to know what truly occurs within a firm), companies can get away with immoral behaviour for years without being penalised by the market, if at all, and as such, the invisible hand is not always an effective regulator.

Even shareholders, who are often perceived as being profit-driven only, have started to shift towards a more holistic point of view of business responsibility. As will be seen in Chapter 8, many investors are looking for sustainable businesses to invest in, not only because they are morally driven to do so, but also because they understand that sustainable companies have a better likelihood of survival in the future, and in recent years also yielded better returns on investment (at least in some parts of the world).

In addition, some companies have realised that they need a stronger purpose than one of just maximising profit. Many business leaders realise that being number one in the world and crashing all competition is no longer engaging. Instead of the obsession to be the best *in* the world, companies need to be the best *for* the world, to fully engage their stakeholders and create a trustworthy brand. While profit is extremely important for the survival of any business, it is only the result of a good business, not its purpose. People are not just profit-driven creatures, but also purpose-driven ones, and companies that lack purpose will not be able to engage people for the long term. As Peter Drucker, the management guru, once said (as cited in Kramer, 2017: 47): 'Profit for a company is like oxygen for a person. If you don't have enough of it, you're out of the game. But if you think your life is about breathing, you're really missing something'.

As for the claim that business lacks the capacity and capability to be socially responsible and to address local, national and global needs, many argue otherwise. Porter and Kramer (2011) claim that if a business acts as a business, not as a charitable donor to address societal challenges, there is no limit to what can be achieved. Business has remarkable resources, knowledge, talent, networks and power. If only some of these would be used to collaborate with governments and non-profit organisations to address issues such as poverty, food insecurity and even conflict and war, these issues could be solved much faster. By using their existing value chains and resources, businesses could make a real contribution to better humanity and society.

It is indeed true that often, perhaps too often, business sees CSR as an instrument to maximise profit. In a way, this practice is the remains of the narrow view. Companies use CSR to enhance their brand, create positive marketing campaigns and engage their employees through corporate volunteering. While there is nothing wrong in leveraging the benefits of CSR for the company, it is usually genuine and holistic CSR that gains these benefits, not an instrumental one. When a company known for unethical behaviour markets its CSR, not only will it not be trusted with its CSR, but also the overall cynicism towards CSR will grow. This is precisely why this book adopts a strategic and holistic approach to CSR, tying CSR to a company's strategic planning and core operations, and embedding it in every aspect of the organisation. Figure 1.4 shows the main arguments for the narrow view that were detailed above along with the counter arguments, which are the basis for a broad view of business responsibilities.

Main argument	What they say	Counter argument
CSR is unethical	Companies only exist to maximise profit	Companies need to be responsible and purposeful to engage people and gain legitimacy
The invisible hand	The market will ensure responsibility	We also need a caring hand-information asymmetry
Governmental responsibility	We pay taxes and the government needs to do its work	Business has a growing role in helping governments achieve societal goals
Lack of capability	Businesses do not have the knowledge and capacity to work on social issues	Business has knowledge and resources that can be used for additional goals
Anti-capitalism	Corporations will impose their values on us, pay lip service and patch up negative social impact	Strategic CSR is about a holistic approach

Figure 1.4   Main arguments for the narrow view and counter arguments (for a broad view)

Questions for reflection and discussion

1. Can you think of any other arguments against CSR?
2. What would be the counter arguments?

Drivers for change

There have been many drivers for a shift towards the broader view of business responsibility, particularly in the last four decades. Some have had a more direct effect, while others have had an indirect effect on the fast growth of CSR. Examples of these drivers include successful responsible companies; consumers' growing awareness; globalisation and the free flow of information; and financial crises and the results of unethical business (see Figure 1.5).

To begin with the more positive drivers, *successful responsible companies* inspired many others to become purpose-driven organisations and CSR leaders. In the 1970s, several companies emerged with a social purpose as their goal in addition to making a profit. The Body Shop was founded by Anita Roddick in 1976, and became well known for its social activism, particularly after it aligned with Greenpeace in 1986 (Austin and Herman, 2008). While not without controversy,

the company prides itself on products that are based on fair trade (with its slogan 'Trade, not aid'), are environmentally friendly and are not tested on animals. It is affiliated with several social causes, such as stopping human trafficking. In 2006, it was acquired by L'Oréal, and while many criticised the acquisition due to the mother company's animal testing and other practices, it was acknowledged that The Body Shop was a desirable brand due to its CSR. Similarly, Ben & Jerry's and Patagonia are 'social icons' with strong and popular brands (Austin and Herman, 2008). Other companies opted to follow these practices and thus adopted a broad view of business responsibility, and so these social icons became drivers for change.

Source: mrfiza/Shutterstock.com

Figure 1.5   Drivers for change

In addition, the last few decades have witnessed a *rise in consumer awareness and activism*. In the 1980s, there was a report on the CBS channel in the USA that showed the unethical practices and sweatshops Nike was using to manufacture shoes and apparel. This was followed by a large consumer movement, calling on shoppers to boycott the company (with the slogan 'Boycott Nike, just do it!'). The company first denied these practices, but was still put under a lot of pressure. With the growing level of consumer awareness of social issues, labour and human rights and the environmental impact of business, many companies tried to take a proactive approach and to demonstrate CSR to avoid such scrutiny and criticism (Zadek, 2004). Today, with social media, negative public opinion can spread fast and wide, and companies that only react to such criticism may lose face. This shift in consumer awareness and activism has led many companies to take a proactive approach and to change their practices towards CSR.

Globalisation is another strong driver for CSR. It consists of the increasingly global relationships of culture, people and economic activity. It is generally used to refer to economic globalisation: the global distribution of the production of goods and services, through a reduction in barriers to international trade such as tariffs, export fees and import quotas. In his book *The World is Flat*, Thomas Friedman (2005) argued that globalised trade, outsourcing, supply-chaining and political forces had permanently changed the world, for better and worse. He showed that there are three phases of globalisation (see Figure 1.6).

PHASES *OF* GLOBALISATION

1 PHASE 1:
Empowered nations
(1492–1800)

2 PHASE 2:
Empowered corporations
(1800–2000)

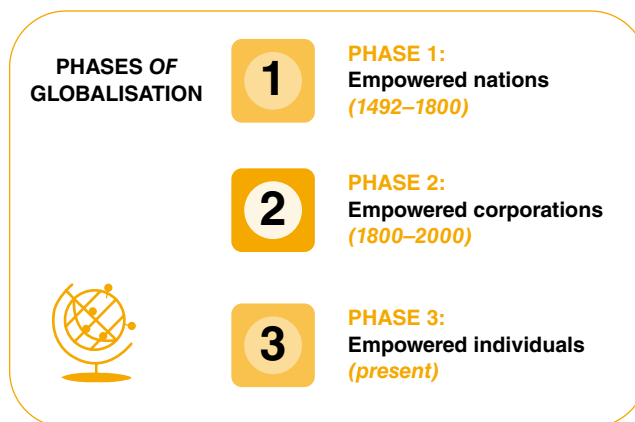**3** PHASE 3:
Empowered individuals
(present)

Figure 1.6   **The three phases of globalisation (based on Friedman, 2005)**

The second phase led many companies to work and have a presence in various parts of the world, but also to outsource and offshore some of their manufacturing to the developing world, often without ensuring the basic rights of employees in these places. In the third and current phase, the empowered individuals are well connected and can lead a global change to ensure CSR globally. In addition, globalisation was characterised by the free flow of information, particularly after the fall of the Soviet Union and the rise of the internet and social media, which have also resulted in consumer awareness and activism.

Furthermore, several *corporate ethical scandals and meltdowns* were prominent over the last two decades. The best-known example is Enron. In 2001, it was revealed that Enron's financial reports were based on institutionalised, systematic and creatively planned accounting fraud (known as the 'Enron Scandal'). Enron has since become synonymous with corporate fraud and corruption, and the scandal brought to light the unethical accounting practices and activities of many corporations in the USA. As the company collapsed, it took down with it the savings and retirement funds of many people, particularly in the USA (McLean and Elkind, 2013). This led not only to new legislation and regulation, but also to a growing demand from the public that companies will not put their financial gain before their legal and ethical obligations. However, in 2008 the world witnessed new corporate scandals, particularly in financial institutions and home loan providers, which resulted in a global financial crisis. The discourse on capitalism and the responsibility of business was rapidly changing. The impact of irresponsible business and unethical behaviour was so evident that the public started demanding a much higher level of responsibility and ethics.

Business motivation for CSR

Based on their set of corporate values (see Chapter 4), companies develop various motivations to participate in CSR, which, according to Aguilera and colleagues (2007), can be divided into three groups: moral, relational and economic motivations (see Figure 1.7). The first set of motivations is seen as being more altruistic, while the other two are viewed as more self-centred.

Moral motivations can be found among companies with strong benevolence values, who often reflect on their role in society and are (or are becoming) socially and environmentally responsible because it is the right thing to do. Based on a strong sense of duty and gratitude, these companies know that society makes business possible and that it therefore has a reciprocal obligation to be responsible. Moreover, these companies and their leadership understand that