

Lecture Notes

Part I: Corporate Social Responsibility

Chapter 1: What Is CSR?

Strategic Corporate Social Responsibility (5e) is organized into six distinct parts, each with two chapters and a case study. Each part presents CSR from a different perspective. Together, they draw on core concepts and innovative models to provide a comprehensive overview of CSR, as well as detailing the practical challenges faced by firms that grapple with this complex topic across all aspects of operations. Throughout the book and its accompanying instructor materials, useful teaching tools, contemporary examples, online resources, and provocative questions for discussion and debate allow easy application in the classroom.

In Part I, the first two chapters lay the foundation for the book by defining CSR, discussing its evolution over time, and providing a broad understanding of the key drivers of CSR for firms today.

Chapter Summary

Chapter 1 defines CSR, providing detail about where this subject came from and how it has evolved over time. In discussing this history, four different arguments for CSR are presented (ethical, moral, rational, and economic), which emphasize the breadth and depth of this complex topic.

Annotated Chapter Outline

1. Introduction

This opening section frames the chapter in terms of a general introduction to CSR. It does so by introducing the big-picture question that stimulated the thinking behind this book: “*What is the purpose of the for-profit firm?*” At its most macro level, the concept of *strategic CSR* has resulted from the consideration of this question. By incorporating what we know about economic exchange and human psychology, *strategic CSR* represents an extension (and a challenge to many aspects) of the mainstream CSR discussion.

2. A New Definition of CSR

This section is crucial to the book because it introduces the philosophy that separates it from other discussions of CSR or business ethics. Here, CSR is redefined as “a responsibility among firms to meet the needs of their stakeholders and a responsibility among stakeholders to hold firms to account for their actions.” By emphasizing the

iterative nature of CSR and the reciprocal role of stakeholders holding firms to account, this definition lays the foundation for discussions to come later in the book. In short, if firms exist to meet their stakeholders' expectations, then firms will act in ways that are rewarded by those stakeholders and avoid actions that are punished by those stakeholders.

3. The Evolution of CSR

This section provides some detail on the history of CSR, highlighting notable developments along the way, but also making the important point that CSR is not new. Ever since the rise of business and economic exchange, firms have existed to serve the needs and demands of their stakeholders, broadly defined. The nature of those needs and demands may have changed, but the process by which firms listen and respond remains the same.

4. Foundations of CSR

This concluding section of Chapter 1 provides an overview and definitions of the four competing perspectives on CSR (ethical, moral, rational, and economic) that have traditionally informed how this complex subject is taught. This section makes clear that this book favors the economic argument as a means of ensuring optimal value creation for the firm's broad set of stakeholders.

Strategic CSR Debate

Motion: There are no absolute ethical or moral standards.

The key word in this motion is "absolute." All values, norms, and laws in society are socially constructed and evolve over time. As such, a *strategic CSR* perspective supports the arguments in favor of this motion. While we all have individual ethical and moral standards (red lines that we personally will not cross and help us sleep well at night), at a macro level, there are no absolutes. Human beings have always come together to agree on what is acceptable or unacceptable at any given point in time, but those standards have always evolved and will continue to do so. Just as we look back in history and wonder why certain norms and practices were sanctioned at different points, future generations will similarly look back at our time and wonder why we allowed certain corporate practices.

Suggested Answers to Questions for Discussion and Review

1. What is the purpose of the for-profit firm? What value does it create for society?

In general terms, the for-profit firm exists to meet the needs and demands of its broad

range of stakeholders. By creating value for a wide section of society, the firm ensures it will be able to survive over the medium and long term. The value the firm creates is determined by its stakeholders, who should reward the behavior they want and punish the behavior they do not want.

2. **Define *corporate social responsibility*. What arguments in favor of CSR seem most important to you? Are these factors prevalent among firms today, or are they rare?**

CSR is defined as “a responsibility among firms to meet the needs of their stakeholders and a responsibility among stakeholders to hold firms to account for their actions.” This iterative definition and reciprocal emphasis on stakeholder responsibility differentiates the way CSR is conceptualized in this book, in contrast to more mainstream definitions. Students will have different views on which arguments they favor and whether they see such behavior among firms today. What is important, however, is to make sure they understand the definition and its iterative nature--CSR is not a one-way street.

3. **What are the four responsibilities of a firm outlined in Archie Carroll’s *pyramid of CSR* model? Illustrate your definitions of each level with corporate examples.**

Archie Carroll’s four corporate responsibilities are economic, legal, ethical, and discretionary. While the need to make a profit (economic) and obey the law (legal) are base responsibilities that the firm needs to fulfill in order to stay in business, its ability to do no harm (ethical) and proactively to do good (discretionary) are what define the *socially responsible* corporation in Carroll’s model.

4. **Milton Friedman stated that “few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.” What are two arguments in support of his assertion and two against?**

The validity of Friedman’s criticism rests on the definition of CSR. To the extent that CSR is defined as the *philanthropic* activities of the firm, Friedman would consider those activities to be a waste of time. To the extent that CSR is defined as the *economic* activities of the firm (as in *strategic CSR*), he would approve. In other words, the firm’s actions need to be justified in terms of advancing the organization’s economic interests. In an ideal world, these interests are aligned with the interests of

its stakeholders. For example, does a firm pay its employees a living wage because it feels sorry for them, or does it do so because higher pay increases loyalty, morale, and productivity while decreasing the costs associated with a high employee turnover rate? *Strategic CSR* suggests that Friedman would disagree with the first motivation but agree with the second.

5. Why does this book favor the economic argument for CSR? Why is this argument *better* than the ethical, moral, or rational arguments for CSR? Do you agree?

The ethical argument for CSR emphasizes two forms of ethical reasoning--*consequentialist* (utilitarian) and *categorical* (Kantian). The moral argument for CSR reflects the mutually beneficial relationship between a firm and the society in which it operates. The rational argument for CSR focuses on the benefits to performance of avoiding external constraints by adopting the path of least resistance. And the economic argument for CSR focuses on the firm's self-interest, which is to create value for its broad set of stakeholders. By reflecting the needs and concerns of its various stakeholder groups, the firm benefits from the legitimacy that underpins the social contract, which is essential for it to remain viable over the medium to long term.