1 Structural drivers of corporate social responsibility

CSR was defined in the introduction as a subject and field of study that sits at the interface between business and society. I also emphasised the contested, or controversial, nature of CSR, which connects to normative arguments about social duty and provision, allied to its discretionary or voluntary dimension. The complexity of motivations for CSR were outlined, which will now be examined in more detail. They are divided into structural motives (this chapter) and agential motives in Chapter 2. Here, the structural motives for CSR have been described in three parts: first, business strategy and stakeholder lobbying; second, business strategy and image management; and third, the organisation’s own corporate culture. It is in these structural motivations that the political quality of CSR is most evident.

Business strategy and stakeholder lobbying

Corporate lobbying by stakeholders may be perceived as a structural influence for CSR, comprising inducements from governments and from public and institutional lobbying and activism (Baron and Diermeier, 2007). The lobbying of stakeholders by corporations is also significant.

Indeed, Moon (2004) described government as a significant driver for CSR in the UK. He referred to CSR as the new agenda for business, i.e. the sharing of responsibility for social provision between government and not-for-profit organisations as a result of governments being ‘unable to govern responses to unemployment and economic development unaided’ (Moon, 2004: 11). Furthermore, he explained how social changes in the post-war period led to the Thatcher, Blair and coalition governments being unable to provide for society’s needs in the way previous governments had done via ‘statism’ in the pre-war period. Therefore successive administrations have persuaded business
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to become more involved with social issues, to take on many of the responsibilities that were previously expected of government, thereby shifting CSR from a paternalistic and philanthropic model, described above as implicit CSR, to a more explicit model of involvement, as seen in the USA. A mechanism for the British governments’ encouragement for greater involvement in CSR has been soft legislation such as the OECD Guidelines for Multi-national Enterprises and the Ethical Trade Initiative.

Such partnerships are based on reciprocity, legitimising both government and business and motivated by concerns on both sides (Moon, 2004). For instance the strategic CSR agenda for business, whereby the corporate image is manipulated to avoid negative customer perceptions and market sanctions and diffuse the potential for negative media coverage. The motivation for government, argued Moon, has been to encourage the CSR agenda through fear of being perceived by the electorate as failing to provide adequate social provision and the possibility of ensuing social unrest. Interestingly, he identified a paradox, whereby the business case for explicit CSR may also be tempered by the firm through fear of customer backlash, i.e. the firm’s anticipation that its attempts at social provision could be judged by the public as derisory. The implication of this is that social provision falls into a black hole, whereby neither government nor business accepts complete responsibility. Any reticence on the part of business towards CSR might also be fuelled by the conventional economic efficiency argument (Friedman, 1970). This would be in addition to resistance to potential increases in bureaucracy, as a result of the formalisation of corporate governance and the costs associated with such measures. Importantly, though, the mandatory American requirements for CSR, referred to by Matten and Moon (2004) in the introduction to this book, manifest as significantly different legislative frameworks for corporate governance between the USA and the UK. Nevertheless, in describing the formalisation of CSR by American corporations, Painter-Morland (2008) highlighted the prevalence of US ethics officers and their tendency to approach their role as one of compliance to the recommendations of the US Federal Sentencing Guidelines, as opposed to ethical leadership. The latter approach would involve a more proactive and holistic approach in the development of an ethical organisation and an interpretation of the spirit of those recommendations. Instead, the compliance approach has produced an ineffectual tick-box mentality amongst US ethics officers.
This serves to introduce my argument in this book that systemic forces for governance, such as legal frameworks, need to be bolstered by the vigilance and creative talent of employees. Corporate governance measures, whilst necessary, are insufficient. This theme is picked up again in the next chapter.

Indeed, Monbiot (2000) was cynical about business–government partnerships. He claimed that in its pursuit of global trade agreements, big business has managed to repeal much protectionist national legislation, whilst at the same time forcing governments to compromise their environmental and human rights legislation in their desire to attract and keep foreign investors. This amounted to a sell-out by many governments. He quoted Timothy Hauser, the US acting undersecretary of commerce (1997): ‘We should put the business “horse” before the government “cart”’, which, affirmed Monbiot, represents a real threat to liberal democracy:

There is, in principle, nothing wrong with global agreement governing fair trade. Fair, transparent rules are essential to prevent rich nations from crushing poor ones: the powerful have long insisted on freedom for their own traders and restrictions on the traders from weaker countries. But negotiations on such agreements appear, time and time again, to conform to a certain pattern: they are conducted in private by committees far removed from democratic scrutiny and control, providing splendid opportunities for lobbyists to infiltrate and direct them. Corporations have repeatedly steered and controlled such negotiations to ensure that they respond to their needs. (Monbiot, 2000: 304)

So, does a corporation’s involvement with schools, or the sponsorship of university research or university departments (such as British American Tobacco’s sponsorship of the International Centre for Corporate Social Responsibility at the University of Nottingham) represent a corporate takeover? This illustrates the controversial or contested nature of CSR.

Hence Monbiot advocated citizenship as the only way to curb what he saw as ‘the corporate leviathan’ (Monbiot, 2000: 360). This introduces public lobbying or activism as another means of imparting pressure on corporations for CSR. So in the introduction to this book I stated that CSR can be perceived as the right thing to do from different perspectives: as a public relations activity, as integrated into business strategy in pursuit of the ‘win–win’ outcome between business and society, or even as the firm’s duty in a multi-fiduciary manner. But
whichever way we regard CSR, we have to understand it in terms of the corporation’s effect on – and also the influence on the corporation from – stakeholder groups: consumers, the organisation’s suppliers, employees, NGOs/environmental activists and the local community and other interest groups. These groups can ‘raise concerns about the practices of firms and pressure them to change those practices’ via corporate lobbying, demonstrations, boycotts and/or media coverage and lobbying of government (Baron, 2003b: 108; Reed, 1999). Indeed, anti-corporate activism was identified by Monbiot (2000) as a force that caused big business and governments to modify their new multilateral trade legislation, thereby safeguarding the environment and human rights, which otherwise would have been under threat. As a consequence, the corporation’s CSR may be regarded as a reaction to actual or anticipated stakeholder pressure from consumers:

Heinz’s decision not to purchase tuna caught in purse seine nets served the interests of various constituencies, and ethical consensus in society may well have supported that decision . . . That Heinz took 2 years to change its policy and not until it had become a boycott target suggests that its motive was to reduce the pressure. (Baron, 2003a: 659)

Another manifestation of ethical consumerism and stakeholder pressure has been the growth of socially responsible investment (SRI) funds, managed by the financial services industry, which assesses the risks of the company’s impact on society for individual and institutional investors:

Historically, ethical investing meant avoiding things – polluters, tobacco companies, businesses supplying armaments and so on. These days, ethical investors are looking not just to avoid bad behaviour but to encourage good. That means ‘engaging’ companies in active dialogue to persuade them to improve their behaviour. (Connon, 2002: 39)

Examples of ethical investment and lobbying in action are the FTSE4Good climate change criteria (Oulton, 2007) and the release from prison of Aung San Suu Kyi, attributed to pressure ‘brought by a group of funds on the western companies that . . . operate[d] in Burma’ (Slavin, 2002). Most recently, the so-called Shareholder Spring emerged in 2012, whereby a number of financial sector CEOs were ousted as a result of revolts by shareholders, protesting at proposed annual pay increases and excessive remuneration of company chiefs.
in the light of their very poor company performance and poor share-
holder returns (Mandoyan, 2012). But if economic efficiency and profit
maximisation are compromised by CSR activity, why would anyone
buy shares in a CSR company?

The answer is that some people derive satisfaction from the CSR
orientation of the firm, in the same way that buying a fairly traded
chocolate bar or engaging directly in social good makes us feel good.
This might be motivated by altruism, sometimes known as prosocial
behaviour (Bierhoff, 2002), or it might be psychological egoism, i.e.
motivated by self-interest to impress others, or to make ourselves feel
good (Maclagan, 1998: 30). So not all shareholders view CSR in terms
of cost to the business. Indeed, the growth of ethical consumerism in
the UK bears witness to the popularity of the principle of ‘supporting
a cause’. This was valued at £43.2 billion, i.e. a growth by value of
47% since 2005 and 9% year on year over the last two years, despite a
2% fall in UK household expenditure over the last year (Co-operative
Group, 2010 and Anderson, 2007). And SRI is paralleling this growth:
green and ethical funds were worth £19.3 billion in 2009. Thus it is
my contention that this growth may also reflect a social change, which
we could regard as a shift in personal values. Nevertheless, it would be
nonsense to underestimate the dominance of the commercial impera-
tive and economic motive behind any corporate activity. Hence all of
the motives for CSR discussed above could be attributed to the rise
of CSR on the corporate communications agenda. Indeed, marketing
communications represent the most prevalent vehicle through which
we observe CSR and the ensuing publicity generated can sometimes be
perceived as the sole reason for the organisation’s apparent prosocial
activity, regardless of whether CSR is or is not an integral part of the
modus operandi of the firm.

Business strategy and corporate image management

The business case for CSR is that the concern of management is to
maximise shareholder value. As such, “the business case” . . . considers
CSR as part of the process of adding value to the corporation’ (Moon,
2004: 3). This perspective represents the strategic approach to CSR and
it involves the management, or manipulation, of stakeholder groups.
Here, the motive for CSR is the long-term sustainability of the business,
and/or because ‘being seen to be doing’ CSR will facilitate stake-
holder management. But it requires a degree of investment, whether for
short-term tactical purposes or as part of a longer-term, strategic plan. Indeed the evidence is inconclusive as to whether engaging in CSR can actually improve the profitability of the firm (Barnett, 2007), although Orlitzky’s meta-analysis of the relationship between corporate social performance and financial performance showed that ‘they are positively correlated, most likely because social performance helps enhance corporate reputations, and, to a lesser extent, improve managerial learning and internal efficiencies’ (Orlitzky 2008: 127).

With regard to business sustainability, the reciprocal partnerships between government and big business that were described above represent one facet of CSR, concerned with the facilitation of the organisation’s continued license to trade. Indeed, according to Davis (2005: 87), ‘From a defensive point of view, companies that ignore public sentiment make themselves vulnerable to attack.’ Moreover, the social legitimacy imbued in firms through its CSR was examined by Kell and Ruggie, who ascribed ‘the corporate interest in business ethics and good citizenship’ to the necessity for corporations to be able to integrate ‘the increasing number of diverse cultures of their officers and employees’ as a result of their global operations (Kell and Ruggie 2001: 326). Similarly, Moon attributed business community involvement to issues of recruitment, the economic development of the area and business’s anticipation of threats of social upheaval (Moon, 2002). In these instances, the firm needs to publicise its activities and to be seen to be engaging in CSR. It is thus notable that the Confederation of British Industry (CBI), the UK organisation of employers, defined CSR as ‘the extent to which companies should promote human rights, democracy, community improvement and sustainable development objectives throughout the world’ (Confederation of British Industry, 2001a). The phrase ‘the extent to which’ underlines my point regarding the voluntary, discretionary nature of CSR and thus the likely variation in its implementation. As the CBI’s mission is ‘to help create and sustain the conditions in which business in the UK can compete and prosper’ (Confederation of British Industry, 2001b), the trade-off for the CBI is the balance between being seen to be supporting human rights and other CSR initiatives, and at the same time not alienating other parties such as the governments of undemocratic regimes, in order that its members should have access to global markets. This apparent ambiguity illustrates the business sustainability orientation and the complexities involved in adopting a stakeholder approach. It also suggests that in
terms of the motivation for CSR, its application is open to interpretation and that not all companies may be proactively responsible, i.e. take responsibility for their activities regardless of public opinion. Thus an alternative approach to CSR is a reactive, or image-management ‘responsive’ level of commitment (Carroll, 1979; Wood, 1991).

From this perspective, CSR is a response to the competitive environment and the demands on managers from various stakeholder groups (Menon and Menon, 1997; McWilliams and Siegel, 2001). It may also entail manipulation of those stakeholder groups in order to seek the survival of the firm (Anastasiadis, 2006; Desmond and Crane, 2004: 1228). Similarly, the inclusion of stakeholders in corporate affairs and CSR reporting was identified as ‘mechanisms by which the organisations satisfy (and manipulate)’ pressures on them to demonstrate satisfactory CSR performance (Gray, Kouhy and Lavers, 1995: 65).

Hence CSR disclosure and reporting, such as The Sunday Times Corporate Responsibility Index (Stone, 2007), may be cynically viewed in terms of corporate image management, a strategic marketing activity. Here the tools of marketing communications are employed, notably public relations activity, in order to improve the competitive position by delivering the messages designed to create or maintain a good image (Adkins, 1999; Darby, 1999). Consequently, with regard to CSR, the marketing literature concentrates on marketing’s role in the management of stakeholder (especially customer) perceptions and CSR’s effect on the (corporate) brand (Sen and Bhattacharya, 2001). ‘Doing good deeds’ produces a positive public relations story and the widespread adoption of marketing communications for this purpose by the top British companies has led to the commercialisation of CSR and the growth of a CSR industry. Indeed, Friedman acknowledged the public relations role of CSR: ‘this is one way for a corporation to generate goodwill as a by-product of expenditures that are entirely justified in its own self-interest’, although he also denounced this as ‘hypocritical window dressing’ (Friedman, 1970: 6).

Worse, it has also been argued that corporations adopt CSR to cover up the impact of corporate misdemeanour. Sceptics have accused companies of taking a public ethical stance in order to project a good image, regardless of their unpublicised unethical practices (Caulkin, 2002). John Monks, general secretary of the British Trades Union Congress (TUC), ‘questioned the CBI’s commitment to corporate social responsibility’, saying that most firms had adopted it as a ‘fig leaf
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to avoid awkward questions at annual general meetings’ (Macalister, 2001). An example of this from the USA was the discredited company Enron, which, while continuing to use three different sets of accounts, also gave its four-page ethical code to all new employees to sign on their first day. It also had a community relations department and was the largest corporate contributor in Houston, Texas (Davis, 2002). Enron was cited as an example of a company that used ‘good causes to buy reputation, in the way it uses politicians to buy power and auditors to buy shareholder value’ (Caulkin, 2002).

A concern for corporate reputation at the expense of everything else illustrates responsiveness as opposed to responsibility: doing such things as product recall because they are expedient (Reidenbach and Robin, 1991: 278). Indeed, Desmond and Crane referred to the ‘blind faith’ of economic egoism; that is, the pervading economic morality of the firm: of delivering enhanced financial performance at the expense of any other kind of morality (Desmond and Crane, 2004: 1228). Comparative sentiments have been expressed by economists as well as business ethicists. For example, the political philosopher Michael Sandel claimed that we have moved from a market economy to a market society, where people are mainly motivated by money (Sandel, 2012), and a critique of market fundamentalism was produced by the financier George Soros (2008). So whilst Jones (1995) advocated that the relationship between stakeholder groups and the firm must be based on mutual trust and co-operation (as opposed to opportunism) in order to facilitate competitive advantage, his perspective remains an instrumental, or consequentialist, approach to stakeholder theory and CSR. This can be contrasted with the multi-fiduciary, deontological approach from moral philosophy:

We need to make a distinction between good as a means and good as an end. If something is valued for its own sake, it is good as an end, intrinsically good. But if a thing is valued for the sake of something else which it produces, then it is good as a means. (Raphael, 1981: 34)

Therefore a discussion of strategic motives for CSR may be conflated with the argument that the motivation for engaging in CSR is always driven by some kind of self-interest, in contrast to the possibility of an altruistic or idealistic impulse among business leaders or managers. But there is also a middle ground of enlightened self-interest: whereby ‘the business case’ for CSR is motivated by the win–win of social
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good for its own sake, combined with the motivation for positive benefits for the corporation. And whilst Rollinson observed that ‘it is always difficult to tell whether behaving ethically towards external stakeholders is prompted by altruism or self-preservation’ (Rollinson, 2002: 44), my contention is that reductionist debate of an either–or nature is unrealistic as well as futile. This will be elaborated in Part II.

However, in many cases nowadays, and with the growth of the CSR movement, the likelihood is a combination of these two motives, in the sense of enlightened self-interest. Thus, to recap, the concept of psychological egoism (‘feeling good by doing good’) has already been acknowledged in this chapter and cited as one of the motives for CSR. Further to this, prosocial behaviour, which may or may not be regarded as altruism, is discussed in Chapter 2. Moreover, the firm may have a reputation for philanthropy, which has been assimilated into its corporate values and manifests as part of the organisation’s culture. This is considered next.

Organisational culture

According to Treviño, ethical decision making in organisations may be partly influenced by situational moderators such as the immediate job context, the characteristics of the work and the organisational culture. Most adults, she said, are susceptible to situational variables that either restrict or encourage, because most adults operate at the conventional level of cognitive moral development, i.e. compliance (see Chapter 2 for a fuller explanation of this). Treviño’s view supported the idea that most managers may be amoral (Carroll, 1987), perhaps displaying pragmatism and conformity in order to achieve organisational ends. Hence one can expect the organisational (and thus the industrial and legal) environment to influence the degree to which individuals are encouraged to take CSR initiatives (see Leidtka, 1989; Reidenbach and Robin, 1991), thereby supporting the notion of the individual’s environment as constraining or enabling (Archer, 2003).

Moreover, Treviño described the organisational culture as having ‘a profound effect on ethical/unethical behaviour in most people’ (Treviño, 1986: 614). She defined organisational culture in terms of the normative structure (‘how we do things around here’), referent others (influential people in the organisation), levels of obedience to authority and the levels of ascription and adoption of responsibility
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for consequences. ‘How things are done’ included how suppliers and employees are treated and involvement with the local community, for example. Indeed, many corporate reputations for socially responsible activity have been acquired as a result of philanthropic activities: arguably the most obvious example of so-called altruistic values in CSR are historically associated in British and American history with the Quakers.

In particular, ‘Quakers became known for integrity both in personal relationships and in business affairs; they honoured contractual promises and they maintained fixed prices for goods’ (Murray-Rust, 1995) (see Chapter 6 for an exposition of the role of integrity in CSR). Well-known British corporations with Quaker origins are the philanthropic chocolate manufacturers Rowntree, Fry and Cadbury (the Quakers approved of drinking chocolate as a healthier alternative to alcohol). However, Rowlinson and Hassard presented a more critical perspective on the motivations of the early philanthropists, ascribing the ‘invention of the Cadbury corporate culture’ to books and articles that were specifically commissioned by the Cadbury family for public relations purposes. Also, particular labour management practices of the firm were ‘developed . . . in response to contemporary social movements rather than Quaker inspiration’, and evidence appears to show that working conditions at the Cadbury company were no different to those of other companies (Rowlinson and Hassard, 1993: 311). At this point it is necessary to acknowledge the scholarly debate with regard to whether or not a corporate culture exists.

Treviño’s (1986) perspective of an organisational culture was echoed by Hoffman: ‘As organisations form a structured set of norms and values, a collective evolves in the form of organisational culture’ (Hoffman 1993: 12). This can be contrasted with the notion that organisations ‘don’t have values; senior managers do. And they vary. Hence there is no such thing as organizational culture but cultures’ (Furnham, 2005: 29). Indeed, the myth of ‘a single coherent organization’ was argued via a study of a UK college of higher education, when senior management had attempted and failed to change the status of the college to that of university (Humphreys and Brown, 2002: 430). But Fiol differentiated between ‘culture as observable manifestations’ and ‘cultural belief systems’ or ‘culture as deep meanings’ (Fiol, 1991: 196).

Fiol identified three broad schools of thought in the organisational culture debate. First, the ‘culture pragmatists’ are those scholars who
describe culture change as a result of observing the existing manifestations of organisational culture, such as Peters and Waterman (1982), or Alvord, Brown and Letts (2003) in the arena of social change. A second group, the ‘culture purists’, ‘argue that cognitive processes reside in and are ruled by deeply ingrained repertoires that are beyond conscious manipulation’ (Fiol, 1991: 192). A third approach requires accessing ‘webs of meaning’ and ‘peoples’ understanding of themselves in relation to the system’ (Fiol, 1991: 200). Fiol quoted Fiol and Dunbar (1990): ‘a common set of core values underlies and governs the meanings of even the most behaviorally diverse firms’ (Fiol, 1991: 202). Indeed, using qualitative marketing research, business strategists or corporate marketers can produce common organisational cultural themes perceived and agreed by employees as representative of a common culture. This is the same process adopted by the academic researcher, who builds common or overriding themes up from the literature in a subject, or, from qualitative data, in the development of theory.

Three aspects are apparent here. First, a distinction needs to be made between the existence (or not) of a corporate culture and, if it is believed to exist, the question raised is whether or not corporate culture change is possible. The business strategist would not attempt culture change without first understanding the nature of the existing culture, in order to build the new strategy based on existing organisational values, thereby aiding the adoption of the new plan by the employees. The importance of establishing the essence of the existing organisational culture as a starting point upon which to build a new strategy is evident in the mantra of the business strategist: ‘Where are we now, where do we want to be and how do we get there’. Moreover, the necessity of employee ‘buy-in’ to the success of any planned organisational change is prevalent in the transformation literature (and seems to be a stage that was overlooked by the college managers in the 2002 Humphreys and Brown study) (Fisher, 1986; Irvin, Pedro and Gennaro, 2003; Lacey and Andersen, 2004: 6).

Second, in attempting to establish whether organisational culture exists, or whether organisational change is possible, there may be greater validity in comparing ‘apples with apples’ and investigating either public sector or private sector organisations and not generalising across the sectors. For example, one might expect the existence of a more coherent organisational culture within a corporation than
within a public sector organisation, by virtue of the former's longer association with the principles of business strategy. Third, one could speculate that the acceptance and adoption of organisational values may be higher amongst corporate staff than amongst public sector organisation staff, for reasons akin to ideas regarding the notion of career choice and personality type (Hardigan, Cohen and Carvajal, 2001; Holland, 1985; Rubinstein, 2003). For example, stereotypes regarding respective professionals in both the public and private sectors may or may not involve relative differences in employees’ levels of dynamism or creativity, their resistance to change, or their levels of compliance. Nevertheless, my presupposition here is of the existence of organisational (corporate) culture as an antecedent of ethical behaviour at work. And that organisational culture may be a manifestation of organisational values, which, in the case of a multinational company, can be influenced by the personal values of the owners or CEO, the industry (category) values, the home country and the local community (Agie and Caldwell, 1999) – see Chapter 4 for a fuller explanation of a value. Certainly, organisational culture and CSR have been linked in the management and marketing literatures (Agie, Mitchell and Sonnenfeld, 1999; Maignan, Ferrell and Hult, 1999).

I have now described the structural forces for CSR – such as overtures from and to governments, the public, consumers and other stakeholder groups – and how CSR can be embodied as part of the firm’s (or industry’s) culture. These structural forces were also described as predominantly economically motivated. However, my central concern is with the actions of employees, and so my thesis states that personal values combine with personality variables, in addition to the impact of the wider cultural and organisational context, to determine an individual’s unethical behaviour, or, conversely, to drive CSR. Thus, in the next chapter, the notion of the employee as moral agent is explored more thoroughly.