

## Chapter 3

# Corporate Responsibility

## The Principle of Integrated Goodness

Megan Brewster

*The truly exciting thing about this generation we are a part of is that business and doing good in the world are not mutually exclusive. They are hand-in-hand, and that's how it should be.*

*Maxine Bedat*

For those who care about integrating their desire to improve the world with their day-to-day work life, now is an exciting time to be alive. From social enterprise to corporate responsibility, from greening workplaces to diversity and inclusion, organizations are creating and sustaining social value in new ways with a level of maturity in these initiatives never seen before.

No longer is doing good the mandate only for nonprofits, or using sophisticated analytics and management approaches only expected of corporations. The roles, definitions, and strategies of organizations across the sectors (private, public/government, and nonprofit) are blurring. This is particularly true when it comes to the desire to leverage organizational resources to do good.

The premise of this book is that we can take all this good intention a step further, endowing every facet of our organizations with an approach to value maximization and intentional, congruent virtue that makes doing good and being good the deep purpose for every organization.

This chapter rests on the assertion that two foundational principles undergird the virtuous future of organizational strategy: congruence and value maximization. Together, these identify the difference between virtuous organizations and organizations that merely engage in prosocial initiatives: virtuous organizations have their prosocial intentions and practices inextricably woven throughout their systems of checks and balances.

Throughout this book, we cover many of the key principles virtuous organizations must practice, from accountability to humanizing interactions with people to environmental proactiveness. This chapter covers perhaps the most “meta” of these topics: how to practice corporate responsibility and social impact in a more virtuous way. First, the chapter explores a paradigm shift needed to bring a sense of integration to the virtuous efforts of organizations. Next, it explores the evolution of corporate efforts to achieve good in the world. Finally, it provides a roadmap for organizations to lead change through more integrated goodness. Each of these sections is intended to help organizations and their leaders reflect as they build a new concept of what it means to not only do good but to be good.

# Concinnity and the maximization problem

The idea of multiple departments, systems, and efforts working together cohesively for an integrated purpose is called concinnity.

As noted in the leading text, *Firms of Endearment*,<sup>[1]</sup> concinnity is about organizational decisions that reinforce one another to create a virtuous system—as compared with the kinds of competing value conflicts that can fragment an organization. When an organization can develop a state of concinnity, it can gain and give greater value overall since its many people and processes are centered on the same purpose. Organizations that demonstrate concinnity show congruence in how their business strategies, people operations, prosocial efforts, systems, products, and processes all fit together to advance the central purpose and mission of the organization.

Integrated, mission-driven corporate responsibility (CR) means that there is no one-size-fits-all approach that will work for all organizations. In fact, good CR should look different at each organization because the highest and best CR will leverage the organization's unique strengths, capabilities, insights, partnerships, and more.

Pluralsight is an educational technology company that recently completed a \$310 million IPO<sup>[2]</sup> and employs a robust social impact arm titled Pluralsight One focused on “democratizing technology skills.” Their initiatives in this portfolio include providing nonprofits with discounted access to their educational platform, partnering with Code.org and the Computer Science Teachers Association to increase computer science education opportunities for underrepresented groups, incentivizing employees to volunteer expertise and time in technology skills training, and funding and mentoring ventures working to close the technology skills gap. Pluralsight's corporate responsibility initiatives are unique compared to other technology companies, and each initiative directs back to the central mission of the company, which is “creating progress through technology that lifts the human condition.”<sup>[3]</sup>

In addition to strategic congruence, virtuous organizations and virtuous corporate responsibility are centered on a philosophy of multi-faceted value maximization. We cannot prioritize certain stakeholders at the peril of other groups or praise our efforts in one department as we seek to hide our efforts in another.

Virtue is not a zero-sum game. It is a maximization problem.

This paradigm shift suggests that instead of trying to offset or make up for the harms we cause in the course of ordinary business, we need to minimize those harms at their source. It suggests that we needn't consider how many organizational resources to divert from profit margins to prosocial initiatives because, in the value-centered paradigm, profit margins and prosocial initiatives should be two different measures of how the organization fulfills the same mission.

The sooner we stop viewing wealth and goodness as tradeoffs and start realizing that we can maximize total value—including financial prosperity and other kinds of social value—the sooner we can make the kinds of investments in the systems and skills that will help us succeed in creating efforts that leverage and reinforce one another while simultaneously advancing the strategic objectives of an organization.

Profit is often the most prominent measure of a business; as discussed below, this measure extends to corporate responsibility as well, with the bulk of evidence and research on CR focusing on establishing that CR makes organizations more profitable. Certainly, making money is a key objective for any organization and any CR effort, but it cannot be the only measure of success or even the main measure of success. Instead, virtuous organizations should have a mandate to deliver value to multiple groups of stakeholders, recognizing that their responsibility and opportunity go beyond simply enriching shareholders. This value maximization philosophy can prepare them to solve some of the world's toughest challenges, while also improving financially and creating a positive work environment and development opportunity for employees, among benefits to other groups as well.

## An evolution of organized goodness

While business has long been concerned with social welfare, the concept of corporate responsibility as we know it now began to take shape in the 1950s and has expanded over the decades since.<sup>[4]</sup> The terminology has moved from social responsibility to corporate social responsibility to corporate responsibility (CR) over the years. From the 1950s to the 1980s, philanthropy dominated as the primary CR method for companies. In the '70s, managers and executives began to widen their approach, considering more inclusive hiring and environmental awareness as part of corporate responsibility, while business ethics and balancing stakeholder obligations became part of the discussion in the 1980s. The 1990s saw the inclusion of the corporate citizen concept and sustainability in this space, as well as significant research on the financial impacts of corporate responsibility. In the 2000s, CR took shape as a global movement supported by well-established research and popular narratives based on the business case.<sup>[5]</sup>

Today, the concept of corporate responsibility indicates an expectation—held by both internal and external stakeholders—for organizations to be responsible for the impacts they have on the environment and society.

Why does it matter that companies and organizations practice corporate responsibility and engage with the community around them? Certainly, there are instrumental reasons, such as gaining greater public trust and goodwill, avoiding problems created by an unhappy community, and marketing a value proposition to consumers and talent pipelines in local areas. There are other reasons too: creating greater prosperity, equity, and opportunity for individuals in the communities a business uses and serves or instilling a greater sense of meaning and purpose in an organization's culture by contributing to solving a problem larger than the organization.

Being in touch with and serving the community can also help an organization foresee specific mistakes or challenges and create a brand legacy that, ideally, benefits the community in a lasting way. There are many instrumental reasons for organizations to be involved with their communities—but this is not to suggest that there aren't also meaningful, value-driven reasons as well.

Today's generations of leadership, consumers, and talent have a greater interest in and expectation of CR than previous generations, contributing to the rise of social entrepreneurship and consistent pressure on leading organizations to be ethically, socially, fiscally, and environmentally sound.

On the consumer front, research suggests that 70% of millennials will spend more on brands supporting causes they care about.<sup>[6]</sup> In today's talent marketplace, corporate responsibility plays a key role as well, with more than 30% of millennials saying they would trade off responsibility or advancement to work for a business whose purpose they believed in—compared to only 19% of Gen Xers—and 78% saying their employer's values should match their own.<sup>[7]</sup>

Value-centered attitudes are also found at the top of hierarchies, with today's founders and CEOs advocating for more purpose in business. This is evidenced by everything from Blackrock's mandate that firms who want its support must contribute to society<sup>[8]</sup> to the rise of firms with built-in corporate responsibility models like one-to-one giving.

Defining CR specifically as it is practiced today presents a challenge since the ways companies and organizations deploy CR are often proprietary and the institutional values advanced by CR can vary in interpretation across cultural contexts. Though corporate philanthropy has been the historical face of corporate responsibility, in modern businesses we see a diverse array of corporate responsibility initiatives, from donations to cause marketing or corporate advocacy.

## The good, the bad, and the ugly

As shared understanding of the role and nature of corporate responsibility has evolved and taken shape, so too have criticisms about such efforts. Critics often see the CR movement as fundamentally flawed, though they generally acknowledge that CR is well intentioned. Four of the most common critiques are outlined below.

## The minuses of the credits/debits approach

Too often, community engagement and corporate responsibility have been used as cover-ups or distractions from harm or negative impacts on people or the environment happening in other parts of the organization. This approach reflects an accounting-style focus on debits and credits: if we do harm here, then do good there; it all evens out. This attitude is common even among the most highly resourced organizations. For example, one article<sup>[9]</sup> describes how several prominent automobile organizations lauded their environmental stewardship efforts in community engagement reports—but simultaneously lobbied to loosen environmental standards.

At its most innocent, this “credits vs. debits” attitude reflects a lack of strategy and concinnity in an organization. At its most pernicious, this attitude reflects a conscious attempt to misdirect the public with falsehoods about an organization’s value commitments.

For organizations that truly want to lead in virtue, our assertion is that they must seek to maximize value in all facets of their operations. This means simultaneously working to maximize wealth and prosperity, maximize the inherent benefits of the product or service being sold, maximize the good that comes from strategically related efforts like philanthropy, and minimize harm.

It may not be possible to have 100% of the wealth, product benefits, philanthropy, and harm reduction that we want, but that’s why we call it a maximization problem. And this is why organizations should employ the tools of strategy to make careful decisions in each of these areas rather than relegating the objective of “do-gooding” to an isolated corner of the company’s budget and action plan.

## The hazard of haphazard giving

A second common flaw in current corporate responsibility is the lack of systematic care in the use of funds and other resources toward social or environmental causes. For many such organizations, it is clear that their philanthropic efforts have little purpose other than to divert funds from the payment of taxes.

How often do charitable causes identify corporations whose values seem to align with their own, only to find that the company has spent its philanthropic allotment on causes unrelated to their ostensibly shared mission?

Giving to unrelated causes—or for unrelated reasons—undermines the ability of the organization to focus its resources on those efforts that are value aligned. It also dilutes the brand of the organization. Both of these drawbacks undermine the organization’s ability to create value and achieve the mission.

Why would a recognition and corporate rewards company cut a check to a well-funded children’s hospital? Why would a food product company focus on supporting reading programs rather than ensuring that hungry children in the community have enough food to eat?

Obviously, there is nothing inherently wrong with donating to children’s hospitals or reading programs. And obviously, hospitals and reading programs are important—essential—and should be funded generously. But so should housing programs. And emergency shelters. And animal shelters. And environmental causes. And social justice programs. And prison to work programs. And refugee resettlement programs. And victim assistance funds. And cancer research.

Throwing money haphazardly at the world’s causes will not leverage organizational expertise toward a desired social end.

Why donate a dollar, when giving an aligned dollar could easily triple the impact of the social investment?

Organizations should leverage their expertise—not just their money—to make a difference in the world.

For example, what if the food product company sponsored a local food bank, offering not only money and volunteer time but also operational and safety expertise while fostering a deep sense of community by uniting two food-related brands in the local area?

Sometimes haphazard social contributions have resulted from the pet projects or relationships of a senior executive; more often, they have arisen from an interest in doing good without taking the time to figure out what good the company intends to achieve or how it intends to achieve it.

A virtuous organization makes purposeful, strategic decisions about its giving priorities in pursuit of its overall mission.

Organizations can create the greatest good by leveraging their proprietary mission, capabilities, talent, and other assets to make a unique, strategic contribution in an area that aligns with their expertise, industry, and values. Additionally, organizations that truly want to lead out in virtue will make a concerted, measurable effort to integrate practices that create social and environmental good not only as independent CR efforts but as core ways of doing business that reflect a deeply entrenched organizational purpose.

## The problem with doing well by doing good

Much of the established literature on corporate responsibility posits that organizations should care about CR and doing social good because it will increase their profitability by generating public goodwill, talent interest, reputational “warm glow,” and more.

To be fair, there is a pervasive narrative in corporate culture that suggests it is somehow unethical or even illegal to do anything but maximize returns to shareholders. This belief—however erroneous—threatens the existence of environmental, prosocial, or philanthropic efforts. So it is no wonder that people who embrace the idea of corporate goodness would focus on proving that doing good does not prevent—and might even enhance—profit.

Through one lens, the well-established finding that CR efforts can increase financial performance is exciting because it suggests that doing good need not detract from fiscal success. However, this approach can prevent organizations from achieving the societal impact they could have through their CR because they are measuring it only in financial terms.

The problem is that the profit motive—central to these kinds of findings—can be at odds with a mission-driven motive. When profit and goodness come into conflict, the “do well by doing good” philosophy maintains the primacy of “doing well.”

In contrast, when profit and goodness come into conflict within a mission-driven virtue perspective, we have tools for maximizing the sum benefit of both “doing well” and “doing good.”

One additional study suggests that executives don’t believe the research on “doing well by doing good” anyway. In an article published in the Harvard Business Review,<sup>[101](#)</sup> two researchers investigated whether empirical evidence supports the “business case” for CR-motivated executives to direct more resources toward CR. They found that business executives only believed the business case when they had a prior ideology that welcomed the finding. This means that believing in the business case was based on personal characteristics, not data presented. Executives who believed in the business case as the rationale for CR also underestimated the severity of social problems, seemingly believing that “strong business case for support” was synonymous with “less need to invest.”

These findings suggest that while well intentioned, emphasizing the primacy of financial outcomes as the rationale for CR can actually be counterproductive.

Instead, the case for CR should be integrated with the case for every other activity carried out by the organization. Virtuous organizations make the case for CR and profit-generating activities simultaneously. We don’t do CR in order to profit from it. We do CR to achieve our organizational mission.

## The ignorance of the “we know best” approach

Many well-intentioned organizations and leaders are motivated to address a social problem after witnessing the negative impacts of that problem, quickly designing multi-level impact initiatives they are sure will help address the problem.

However, many organizations don't take the time to truly partner with and empower the people and communities they are seeking to serve; the result can be initiatives that actually aggravate the severity of social issues, create new problems, or displace local autonomy, culture, economy, and expertise in the process.

A recent example of this flaw and a successful change in direction is the story of TOMS Shoes. Created in 2006, TOMS Shoes employed a one-to-one business/giving model where the company gave away a pair of shoes to an underserved child for every pair of shoes bought. Though the approach was popular with consumers, the company learned that their approach created unintended negative consequences: their shoes contributed to creating a dependency in the kids who received the shoes and disrupted local economies.<sup>[11]</sup> TOMS changed its approach after these findings and engaged in new ways of driving social good and economic prosperity, including working to ensure a certain percentage of their products were produced in the economies they sought to help.<sup>[12]</sup> Though the company's current social good portfolio is diverse and divergent (including addressing gun violence, maternal health, vision loss, and more) rather than focused on a coordinated strategic objective, its story of changing its approach from a "we know best" to one that better reflects community needs is laudable.

Organizations that truly care about mission fulfillment will partner with organizations that understand deeply the roots of social and environmental issues and choose to employ approaches to their CR that uphold the dignity and wisdom of the communities they serve.

## The virtue of integrated goodness

Given some of the short-sighted approaches that can derail CR, what does it look like to design and deploy strategic, successful CR—particularly when CR looks different at each organization? Halme and Laurila<sup>[13]</sup> assert that good CR falls into three categories: philanthropy, integration, and innovation.

1. Philanthropy: Philanthropy includes charitable giving, sponsorships, employee volunteerism, and other "donation" types of CR. It's also marked by an attitude that separates CR from core business objectives and operations.
2. Integration: Integration includes embedding CR as a part of business operations and conducting business more responsibly, such as building a more ethical supply chain or offering equitable compensation models.
3. Innovation: Innovation includes developing new business models that inherently address social and environmental problems in the process of creating business, such as creating new financial products that bring in revenue and meet an underserved need of a vulnerable population.

The authors suggest that integration and innovation are the more virtuous ways to practice CR because they drive change as a part of normalized business operations, rather than seeing CR as a way of depleting corporate funds and being outside of the expected mission of the company. Additionally, Rangan et al.<sup>[14]</sup> demonstrate that organizations with CR portfolios whose initiatives support each other across all three categories (concinnity!) are often most successful in generating real impact and deriving corporate benefits from CR.

Virtuous CR initiatives are also effectively measured. If one idiom rules American organizations, perhaps it is "What is measured matters." Like in other aspects of organizational success, effective measurement and evaluation is critical in driving resources and results for CR. And like in other aspects of virtuous organizations, it is the organization's responsibility to be the first to identify any harms or potential harms that might result from corporate action.

## A roadmap for more virtuous CR

We've explored the what and why of virtuous CR—now it's time for the how. Recalling our foundational principles of strategic congruence and value maximization, we can explore a roadmap for how to put successful initiatives into place. This section draws heavily on Rangan et al.'s framework<sup>[15]</sup> for moving toward more virtuous CR within the paradigm that good CR is aligned with a company's business purpose, the values of stakeholders, and the needs of the

communities in which companies operate. These principles apply both to small organizations developing their missions, visions, and values and large organizations who are looking to revise their historical CR efforts.

## **1. Choose initiatives that both address an important social/environmental challenge and align with the organization's mission, vision, and values.**

If your organization has existed for a longer period of time and built a diverse and multifaceted CR portfolio, consider how to phase out initiatives that do not meet both of these criteria. If your organization is just starting, prioritize an issue area that makes sense in alignment with your core business products and organizational purpose; this choice will help you make a significant contribution and embed CR as part of your strategy and contribution.

## **2. Design initiatives in partnership with the people they are meant to serve and by defining a clear theory of change.**

As discussed earlier in this chapter, many well-intentioned initiatives fail because they take an approach that condescendingly suggests organizational leaders know what communities need better than the people dealing with a specific challenge each day. By using human-centered design principles that empower and dignify the people your CR efforts seek to serve, you can build initiatives that are more likely to have a positive impact. Developing a clear theory of change—how your organization's efforts will specifically lead to the change you hope to see—is also important. Organizations should consider why they are equipped to address a certain challenge and how they will do this in a way that adds additional value.

## **3. Develop and deploy metrics to track performance.**

As discussed above, what is measured is what matters. Organizations should measure inputs, outputs, outcomes, and impact to truly understand the success of their CR efforts. Given the popular framework of couching CR efforts primarily in financial contribution, it's also important for organizations to reject this and measure the true social and environmental impact of their efforts. Organizations should also be thoughtful about how the methodology they use in measuring success can change the direction of their initiatives.

## **4. Coordinate your portfolio of efforts across theaters and disciplines.**

As discussed above, organizations may choose to develop CR initiatives in philanthropy, integration, or innovation, or more likely, some combination of the three areas. It's essential that each level of these efforts coordinates with those in the other categories rather than detracting from or competing with them. Each of these three categories and the initiatives within them should drive back to the organization's central purpose and mission. Leadership and management for these efforts should also ensure they effectively manage and integrate stakeholder relationships and leverage expertise across disciplines in the organization.

## **5. Engage in the wider landscape, including creating new education, sharing findings, and building partnerships.**

A common critique of the way the nonprofit sector has approached social good is the rampant fragmentation of the service landscape—meaning that despite having the same vision, many nonprofits spend their resources competing with each other for funding or other resources rather than partnering for impact. Organizations designing virtuous CR efforts can overcome this by mapping the ecosystem of other organizations (public, private, and government) that address the strategic challenge(s) they have selected, and then choosing their partners selectively. Additionally, organizations should participate in the wider landscape by educating their stakeholders on the issues within their CR portfolio and why it makes sense for their organization to be addressing those challenges.



# Conclusion

A more virtuous version of corporate responsibility is possible. Focusing on new and better ways of doing corporate responsibility is a natural extension of the holistic focus on the virtuous organization. The strategic alignment and value maximization elements of the virtuous organizations approach can help organizations to both identify better CR initiatives and maximize value by leveraging their unique skills and values.

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