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THE EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY AMONG LARGE,  
PUBLICLY TRADED FIRMS

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## ABSTRACT

Corporate social responsibility (CSR) has evolved tremendously in the past decade. Motivations to engage in CSR have transitioned from satisfying moral imperatives and external demands to enhancing business performance. Formal and informal institutions such as regulations and social norms have played significant roles in the progression of CSR. The outcome is a transition from retroactive programming and diffused giving to proactive approaches that leverage the assets of the company. Key informant interviews are used to characterize past and present motivations of CSR from the vantage point of employees. The interviews seek to identify key influences of CSR that are external and internal to the firm as well. Eight key informants from four individual companies were chosen based on their work with CSR at a publicly traded company. The participants represented the chemical, building materials, apparel, and food industries. The results provide a basis for both firms and society to think critically about the strategies and implications of corporate social responsibility. Business cannot account for key influences of CSR in the planning and implementation processes without first being aware of them. If it is expected that firms define and provide for the public good through CSR, it is also essential to consider who is advantaged and disadvantaged and how the needs of those that are not incorporated into CSR strategies can be known and met by other entities.

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## **Introduction**

The European Commission defines Corporate Social Responsibility (CSR) as “the responsibility of enterprises for their impacts on society” (2011). The scope of CSR is extremely broad and encompasses social, economic, and environmental issues. For example, CSR efforts address human rights and environmental issues as well as corruption avoidance and community development. A company’s decision to engage in social responsibility is viewed as voluntary and in addition to legal obligations.

The concept of CSR has evolved substantially in the last century. Firms’ motivations to engage in CSR have shifted from satisfying moral imperatives and external demands to enhancing business performance (Moura-Leite, 2011). Formal and informal institutions, such as regulations and social norms, have played a significant role in transforming the motivations of CSR. Chapter 1 outlines theories of CSR and examines the interdependency of society, government, and business through the lens of institutional economics theory. Moral, responsive, and strategic motivations categorize the stages of CSR from the early 1900s to 2000s.

Chapter 2 explains the research methods used to investigate past and present CSR motivations through the insights of employees’ at large, publicly traded firms. The main research questions were to determine the perceptions of CSR in the past versus the present and to identify informal and formal institutions that influence the motivations of CSR. Key informant interviews were conducted with eight employees across four companies to accomplish this goal.

Chapter 3 details the results of the key informant interviews. The participants represented four unique industries including chemicals, building materials, food, and apparel. All participants cited a shift from morals-based and responsive motives to performance driven CSR. Key

informants reported that stakeholder expectations (consumer, stockholder, leadership, and employee), climate change, industry trends, and increased communications and scale of operations instigated the evolution of CSR. Other factors cited as influencing CSR included culture and history, industry, geographic location, company size, and corporate employee gender. The results are interpreted through the lens of institutional economics theory throughout the chapter to understand the role of institutions in shaping CSR.

Factors that influence the formation of institutions and the significance of the research are discussed in Chapter 4. Increased communications, climate change, and globalization are identified as changes in social, economic, and environmental systems that have evolved the institutions of society, government, and business, thus firms' CSR strategies.

Additionally, the results provide a basis for both firms and society to think critically about the strategies and implications of corporate social responsibility. Business cannot account for key influences of CSR in the planning and implementation processes without first being aware of them. If it is expected that firms define and provide for the public good through CSR, it is also essential to consider who is advantaged and disadvantaged and how the needs of those that are not incorporated into CSR strategies can be known and met by other entities.

Possible limitations to the research and further research opportunities are also discussed. These include the generalizability of key informant interviews and potential quantitative research regarding the impact of the identified factors on a firm's CSR.



## **Chapter 1**

### **History of Corporate Social Responsibility**

Corporate social responsibility (CSR) has evolved substantially in the last century. Firms' motivations to engage in CSR have shifted from satisfying moral imperatives and external demands to enhancing business performance. Formal and informal institutions, such as regulations and social norms, have played a significant role in transforming the motivations of CSR. The following history outlines the evolution of theories and practices of CSR and examines the interdependency of society, government, and business through the lens of institutional economics theory. Moral, responsive, and strategic motivations categorize the stages of CSR from the early 1900s to 2000s.

#### **Institutional Economics Theory**

Motivations of corporate social responsibility are largely the result of evolving informal and formal institutions. One way to describe institutions is as formal and informal norms. Veblen (1919) explains that an institution is “a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people” (Schmid, 2004, p. 7). Institutions are not laws of nature that exist independent of context, and they are not permanent like the law of gravity. Quite the opposite, institutions are interdependent and evolve over time (Schmid, 2004).

There are both informal and formal institutions. Formal institutions are those set by constitutions, laws, and regulations. Informal institutions are “norms of behavior, conventions, and internally imposed rules of conduct” (North, 1994; Schmid, 2004, p. 7). Both are a result of

collective action by individuals to institutionalize a “thought or action of prevalence and permanence” (Schmid, 2004). Formal and informal institutions are also interdependent. The two send feedback that reinforces or evolves the institutions. Essentially, informal and formal institutions shape each other (Schmid, 2004).

Institutions are a major component of economic systems. For example, firms do not make decisions or establish themselves simply because they are “called for by market conditions.” In reality, “they still may not arise if no group's social structure can sustain them” (Granovetter, 1992, p. 7). Economic institutions are thus a result of collective action and firms’ formalization of them.

The concept of institutions applies directly to corporate social responsibility. For example, formal institutions such as government regulations may arise in response to formal institutions of firms that harm the environment such as irresponsible waste disposal policies. These regulations influence how firms operate by creating a formal institution that the firm must align to in order to stay competitive. Garriga and Mele (2004) explain, “The content of business responsibility is limited to the space and time of each situation depending on the values of society at that moment, and comes through the company’s functional roles” (p. 57-58). The history highlights the interdependency of institutions and its effect on the motivations of CSR.

### **Morals-based CSR**

#### ***Early 1900s to late 1950s***

The belief that firms have an obligation to contribute positively to society characterized the first motivations of CSR. Morals-based CSR extended from roughly 1900 to late 1950 and was driven by business leaders’ moral imperative rather than by the motivation to achieve business

performance through social responsibility. The following sections detail the decades of morals-based CSR and the effect of institutions on the morals-based motivations.

### **Pre-1950**

The early 1900s is referred to as the progressive era and is described as a time when unions grew and firms sought to establish legitimacy by molding to the desires of employees and society.

“The Gospel of Wealth” was a concept that implied those with wealth had the moral imperative to give back to society. Andrew Carnegie supported this theory with donations of roughly \$310 million to various social causes (Hoffman, 2007). Milton Hershey felt similarly, constructing a school for orphans in 1908 out of pure compassion and donating roughly \$60 million in the form of company stocks to the schools’ trustees for operations and maintenance into the future (Erdman, 1994). Henry Ford also contributed to this era, putting forward the reduction in the price of Model T vehicles and the expansion of production plants. Ford believed these actions fulfilled his mission of business which was “to do as much as possible for everybody concerned, to make money and use it, give employment, and send out the car where the people can use it ... and incidentally to make money ... Business is a service not a bonanza” (Lewis, 1976; Lee, 2008, p. 54).

However, the individual beliefs and actions of business leaders were not collective or formalized enough to evolve the institutions of the economy and transcend all actors at the time. Ford was required to defend his beliefs and actions in 1917. Shareholders sought maximum dividends and disagreed that the concept of business as a service to society was appropriate. The Supreme Court reflected the shareholders’ deviation from Ford’s opinion and granted the case in favor of the shareholders (Lee, 2008). Essentially, the informal and formal rules that existed

between firm leaders, shareholders, government, and society contradicted each other. The beliefs and actions of shareholders and government ultimately trumped those of individual businessmen and the institutions of society, made up of the concept of “Gospel of Wealth” and union formation. The prevailing perception was that social responsibility did not benefit business performance and that business had a responsibility to maximize returns for shareholders.

Society’s expectations of firms reflected shareholders’ and government opinion following 1920. Unions began to fade, for the time being, and government support of business as a driver for economic growth increased. Firms achieved society’s approval by being the main instigator of economic growth versus giving back to society (Hoffman, 2007). CSR was essentially at the discretion of the firm because of their position of power. Social responsibility remained philanthropic, and companies’ moral imperative, rather than the demands of society or internal performance goals, motivated the giving.

### **1950s**

Howard Bowen began the modern foundation of corporate social responsibility literature in his book, *Social Responsibilities of the Businessman* in 1953. Bowen believed that the power of companies affected society in a variety of negative ways. He explained that firms have a duty to account for these effects by making decisions “which are desirable in terms of the objectives and values of our society” (Moura-Leite, 2011, p. 530). Drucker (1954) shared this view, recognizing that CSR should reflect social and political expectations and be well beyond the scope of simply contributing positively to the economy (Moura-Leite, 2011).

Bowen and Drucker recognized that informal institutions exist external to the firm, such as the expectations of society, and that firms should formalize them by making decisions that

support the external demands. Essentially, companies should respond to the “objectives and values of society” by evolving their institutions, both formal and informal, through social responsibility practices to reflect them.

Many businesses had begun to embrace this concept. However, little attention was given to potential economic benefits of CSR and efforts were exclusively in the form of philanthropic giving as in previous decades (Carroll, 2015).

## **Responsive CSR**

### *Early 1960s to late 1980s*

The demands of society and government motivated the second phase of CSR. Responsive CSR answered to the social issues identified by stakeholders in order for companies to ensure compliance and positive brand reputation. Social responsibility was loosely coupled with business performance during this era and, in practice, focused on philanthropic giving and retroactive programming. The following sections detail the decades of responsive CSR from roughly 1960 to late 1980.

### **1960s**

The development of a positive relationship between social responsibility and business began in the 1960s at the macro level. Frederick (1960) explained CSR as the result of collapsing laissez faire support. Formal and informal institutions shifted towards the belief that the free market could not account for the public good and only promoted business interests. Movements during this time raised awareness of social issues and their tie to business practices. Social movements spanned environmental protection and civil, women’s, and consumer’s rights. Legislation in the

United States during late 1950s and 1960s such as the Textile Fiber Identification Act (1958), Equal Pay Act (1963), and Civil Rights Act (1964) are examples of formal institutions developed in response to poor company practices. Public legitimacy motivated companies to act socially responsible as the consciousness of negative impacts of business on consumers, the workforce, and the environment increased. Firms' internalization of government regulations and the public discourse is symbolic of responsive CSR (Moura-Leite, 2011).

Keith Davis (1967) connected CSR and economic gains more tightly in the late 1960s. Davis expressed that "a healthy business cannot exist with a sick society, since there is mutual dependence between business and society" (Moura-Leite, 2011, p. 531). However, Milton Friedman challenged the concept of an interdependency between the health of business and society. Friedman (1962) believed that CSR contradicted itself if performing socially meant failing to reach profit maximization. Theodore Levitt had shared this outlook previously claiming that "corporate welfare makes good sense if it makes good economic sense" (Levitt, 1958; Moura-Leite, 2011, p. 530).

Two main points can be extracted from this decade. The first is that firms, in a sense, take the role of the government to allocate nonexcludable and nonrival goods in the interest of the public when the market cannot accomplish the allocation. Collapsing laissez faire support, increased regulation, and firms' responses are examples support this recognition. Although contested, there was also the general sense that acting in regard for the health of society benefited business performance.

Both of these points rest on the recognition that institutions create a feedback loop of affirmation and rejection that evolves the institutions over time. The establishment of formal institutions in the form of government regulation was in response to public outcry over poor

company practices and lack of formal institutions within firms to account for these negative externalities. Equally, the belief that companies and society are intertwined marked the start of a paradigm shift in internal, informal institutions from viewing CSR as incentivized by morals to being for the health and economic benefit of the firm.

The majority of companies engaged in initiatives that were in response to society and government and continued to exert the core belief that CSR damaged financial performance however. The resulting efforts were programmatic versus philanthropic, but they were often hasty and lacked much thought of strategy (Ackerman, 1973; Lee, 2008).

### **1970s**

The concept of “corporate social responsiveness” continued to evolve toward “corporate social performance” in the 1970s. Milton Friedman (1970) reconsidered his original opinion on CSR and approved its implementation in the face of social demands that would benefit the firm’s long-term profits. Wallich and McGown (1970) also stressed long-term benefits of CSR. The pair stated that it was in shareholders’ best interest to invest in socially responsible companies given the economic benefits (Lee, 2008).

Keith Davis (1973) referred to CSR in terms of the individual firm. He believed social responsibility was an obligation of the firm and emphasized its importance in order to achieve competitive advantage. A firm risks losses if it acts irresponsibly and another, more responsible firm comes into the market (Moura-Leite, 2011).

These theories suggest that as the institutions of society and business shift to social responsibility, other companies will formalize the institutions in order to stay competitive.

Ackerman (1973) coined the process of firms' responding to CSR issues of other firms and society as the "process of institutionalization" (Garriga and Mele, 2004, p. 58).

The 1970s did not result in large overhauls of firms' operations or detailed methods of implementing CSR however (Lee, 2008). Society continued to demand ownership of the negative impacts of company operations, and the government continued to create formal institutions in response. For example, units such as the Environmental Protection Agency and Consumer Product Safety Commission were developed to create formal institutions that would account for the negative externalities of firms. Firms would then be required to internalize their impacts on society or operate illegally.

The enlightened self-interest model of CSR paired with government actions led to a stronger attempt by companies to "formalize and institutionalize their responses to social and public issues" (Carroll, 2015, p. 88) and maintain previous approaches of philanthropy and retroactive programming.

## **1980s**

There was a significant diversification in definitions of CSR between the 70s and 80s. These included business ethics, corporate citizenship, stakeholder management and others. Each had its own emphasis on the motives for participating in CSR and appropriate approaches.

Archie Carroll (1979) presented a model that integrated these various CSR frameworks into "corporate social performance". The concept was a concrete recognition that firms could positively affect society while achieving business goals. Carroll proposed that CSR interconnect economic, legal, ethical, and discretionary issues. He took a pragmatic approach and built a framework for managers to understand and determine how they should act on social issues that



included defensive, proactive, reactive, and accommodating approaches (Lee, 2008). Carroll's research coupled social responsibility and business performance and shifted the focus of scholarship from theories to methods to engage in social responsibility. Corporate social performance represents the beginning of a shift in informal institutions surrounding the benefits and motivations of CSR.

Preston and Post (1981) believed there was more than acting in response to apparent demands of society and government as well. The pair believed that companies should look beyond issues management when determining CSR efforts and consider public policy which included "not only the literal text of law and regulation but also the broad pattern of social direction reflected in public opinion, emerging issues, formal legal requirements and enforcement or implementation practices" (Preston and Post, 1981; Garriga and Mele, 2004, p. 58).

Freeman (1984) echoed the need for companies to expand their concept of stakeholders to "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Moura-Leite, 2011, p. 533). He also stressed the importance of engaging stakeholders during decision-making processes in order to better understand their interests (Moura-Leite, 2011). Preston, Post, and Freeman essentially altered the scope of formal and informal institutions for firms to consider in their CSR practices.

Ronald Reagan formally affirmed the idea and merit of CSR in this decade. In his time as president, he made the bold claim that business should be a main instigator of social responsibility efforts. Reagan specifically called on firms to compensate for the loss that many federal and state social programs would be facing with budget cuts (Carroll, 2015).

Public knowledge of poor ethical decisions made by firms grew in this decade and centered on the criminal behavior of companies as well. Instead of a philanthropic and community relations theme, firms were called upon to identify and solve their illegal and immoral internal behaviors (Carroll, 2015). The exposure of poor formal and informal practices of firms altered the public's understanding of business in society. This is different from previous changes in institutions, because more often, the evolution flowed in the opposite direction: from society to the firm. In this case, firms' actions influenced the informal institutions of society. President Reagan's speech paired with citizens' waning approval and increased scrutiny of business strongly incentivized CSR for public legitimacy and arguably financial reasons (Carroll, 2015).

## **Strategic CSR**

### *Early 1990s to today*

Motivations for strategic CSR were significantly more tied to business interests. Strategic CSR aligned to firm's core activities and was guided by the same frameworks used to make business decisions. The issues that the firm believes it will most effectively be able to address and/or cares the most about guided the decision making process of CSR efforts. The following sections detail the era of strategic CSR from roughly 1990 to today.

### **1990s**

CSR increased in scale and exposure in the 1990s. Globalization tested firms to act socially responsible outside of the nation's borders. At the same time, the improvement and expansion of telecommunications made company actions more visible and society was able to make their

concerns and demands more widely known. These changes in the economy and communications increased the awareness, attention, monitoring and expectation of CSR as the informal institutions of society were easily recognized and firms' efforts were more easily checked (Moura-Leite, 2011).

Why and how firms engaged in CSR continued to evolve from moral and macrosocial to strategic and organizational. Strategic CSR acknowledged that the previously perceived roadblock between social responsibility and economic performance did not exist (Lee, 2008). The embeddedness of social responsibility in a firm's core activities characterized strategic CSR as inherent to business performance. Firms would select the social and environmental issues that they were able to address the most effectively and/or cared the most about (Belz, 2012). Carroll (2015) described CSR in the 1990s as going "beyond philanthropy and community relations to embrace advancement of minorities and women, consumer practices, and environment and sustainability initiatives" (p. 88). Figure 1 illustrates the difference between responsive and strategic CSR through examples of approaches to social and environmental issues described below.

1. Generic: Issues perceived to be important to the public but do not offer any competitive advantage or relate to the specific operations of the firm.
2. Value chain: Issues considered tightly linked to business operations and take into account the entire life cycle of a product or service.
3. Competitive context: Issues that affect the performance of a company that vary significantly by industry and location (Belz, 2012).

Generic issues	Value chain issues	Issues of competitive context
Good citizenship	Mitigate harm from value chain activities	Philanthropy that leverages capabilities to improve salient areas of competitive context
<b>Responsive CSR</b>	Transform value chain activities to benefit society while reinforcing strategy	<b>Strategic CSR</b>

Figure 1: Responsive and strategic CSR by social and environmental issues (Belz, 2012)

The internal, informal institutions surrounding CSR changed dramatically from the early 1900s to the 1990s. William Clay Ford Jr., Henry Ford’s great-grandson, returned to the notion of business as a service to society in 1999 and stated the company’s mission was “to find ingenious new ways to delight consumers, provide superior returns to shareholders, and make the world a better place for us all” (Meredith, 1999; Lee, 2008, p. 54). No lawsuits followed these comments as they did in 1917. This was a testament to the transition of CSR from simply doing “good” for society to drawing clear connections to performance. While William Clay Ford Jr. did not recommend lowering the price of cars or building more factories to benefit society specifically, the positive reaction from shareholders is an example of the paradigm shift in the perception of outcomes of CSR. The connection between performance and CSR made socially responsible efforts significantly more relatable to shareholders as they were able to assume and identify the beneficial economic impacts that would result, largely altering their informal institutions. Inherently, William Clay Ford Jr.’s mission of business as a service to society was much more logical compared to when the link to economic gains was missing (Lee, 2008).

As the internal and formal institutions of firms began to shift toward a strategic framework, so did those that were external. In 1992, the *Business for Social Responsibility* business association formed and called to action a collective of businesses to facilitate and

incorporate social responsibility into their operations (Carroll, 2015). In 1999, The United Nations launched the Global Compact, a declaration of ten responsibilities related to anti-corruption, environment, labor, and human rights. The agreement “demonstrates the business case, emphasizes practical solutions” related to CSR, and highlights the benefits of collaboration across companies and countries (United Nations, 2015). Perhaps most symbolic of the coupling between performance and CSR was the creation of the Dow Sustainability Index launched in 1999. The index acts as a reference for investors and an avenue for companies to implement social and environmental practices (RobecoSam, 2016). These entities symbolize another step toward the institutionalization of CSR inside and outside of companies.

### **Early 2000s**

Firms pursued the implementation of strategic CSR in the early 2000s. Continued globalization and increasing global market volatility, supply chain complexity, and middle-class population incentivized big brands to incorporate CSR into their operations. Companies implemented strategic CSR by connecting with suppliers to ensure compliance and quality and engaging in practices to reduce resource use and generate less waste. Kraft’s vice president for sustainability explained in 2010, “Taking care of farmers’ livelihoods ensures the stability of our supply chain and our long-term viability”. CSR allowed firms to respond to risk effectively and increase brand loyalty, market reach, and supply chain control. This era of CSR could be characterized as “eco-business”, or the use of sustainability as a tool to drive growth under the image of corporate social responsibility (Dauvergne and Lister, 2013).

The formal and informal institutions of current and potential employees also motivated CSR for business performance purposes and inspired new approaches. A 2015 survey by Deloitte

found that 9 out of 10 companies considered “Culture and Engagement” their top challenge, a topic that hardly appeared in the rankings in previous years. This could have been due to the fact that millennials, the newest generation of high school and college graduates under recruitment, placed significant importance on the CSR efforts of a company. A PriceWaterhouseCooper report indicated that 9 of 10 millennials would lean toward a company with a clear CSR plan and 86% would leave the company if the CSR plan failed to meet their hopes. The perceived result was 66% of Human Resource respondents altering their strategies to meet these demands (Lucore, 2015).

The expectations of current employees are a component of strategic CSR as well. Employees are twice more interested in work passions than work ambitions (Deloitte, 2015). Firms responded to this informal institution by incorporating skills based volunteerism (Lucore, 2015) and professional growth opportunities into their CSR efforts in place of conventional volunteerism (Quantum Workplace, 2015).

The interplay between institutions of current and potential employees and formalized mechanisms within a firm to meet these demands was clear. Not only did companies benefit from CSR by attracting top talent millennials, they increased retention, profit, sales, and market share (Quantum Workplace, 2015). In these ways, CSR mainly evolved in practice versus in theory and rationale.

Shifting CSR scholarship concerned the internal institutions of firms. Two specific research studies sought to understand the impact of the political ideology of a CEO as well as board diversity and gender makeup. Chin et al. (2013) coded political donations of 249 CEOs 10 years from when they took the position and also considered PAC funding to understand the

effect of political leaning. The research found that a liberal CEO's CSR initiatives were less focused on recent performance and showed greater advances in CSR than a conservative CEO's.

Bear et al. (2010) considered the influence of board diversity and gender composition. The results did not find a significant impact on CSR when board members' diversity of background was taken into account. However, it did find a positive correlation between CSR institutional strength ratings and the number of females on the board. Characteristics of women such as participative decision-making and high sensitivity to CSR issues were assumed to shape the informal institutions of the board differently than males. These two research studies acknowledged that individuals within the firm could influence formal and informal internal institutions surrounding CSR.

Paradigm shifts are apparent in the history of corporate social responsibility. While moral imperative and external demands continue to strongly influence CSR, they no longer strictly define it. The interdependency between formal and informal institutions as well as those internal and external to the firm contributed significantly to this evolution. The following research seeks to investigate motivations of CSR throughout history by utilizing the perceptions of employees at large, publicly traded firms. The main research objectives are to determine the perceptions of CSR in the past versus present and to identify factors that affect the motivations of CSR and its implementation.

## **Chapter 2**

### **Research Methods**

The focus of this research is to determine the perceptions of CSR motivations throughout history at large, publicly traded firms. The objectives include characterizing past and present CSR motivations and determining the factors that have shaped them. Key informant interviews were used to address these research questions.

A realistic target of eight total key informants from four companies was set based on time restrictions and ability to identify additional participants. Faculty and staff at The Pennsylvania State University helped to identify the initial four key informants. Key informants were strictly considered based on their past or current role with CSR and employment with a publicly traded company.

The four potential participants were contacted with an e-mail message explaining the research, their role, and consent procedures. They were each ensured that no identifying information, including their name or company name, would be included in the research report. Interviews were established with the key informants that agreed to participate. Upon completion of the initial four interviews, the participants were asked to refer a second current or past CSR employee of the company. The second round participants were then contacted and interviews were scheduled.

Interviews were conducted over the phone and recorded using an iPhone application. Interviews lasted roughly half an hour and up to one hour following the protocol in Appendix A. The protocol was designed to answer the main research questions, (1) Was there an evolution in CSR? (2) What were the characteristics of the evolution? (3) What factors led to the evolution? (4) And what additional company characteristics contribute to CSR? Question 3 and 4 were



differentiated in order to gather broader perceptions of the internal and external factors influencing CSR. Question 3 specifically addressed factors that instigated an evolution in CSR while question 4 sought to identify additional influences of CSR independent of their role in the evolution.

### **Coding of Results**

The interviews were transcribed manually and coded using two different methods depending on the research question. In order to characterize stages of CSR at the firm, the literature review was used as a reference and categories including morals-based, responsive, and strategic CSR were used to code the responses. Descriptions of the categories follow.

#### *Morals-based CSR*

Morals-based motivations are those that drove the beginning of CSR as described in the literature review with the examples of Andrew Carnegie, Milton Hershey, and Henry Ford. These actors' approaches and motivations represent CSR that is performed with the main goal of serving the public good as defined by the business leaders with the intention of creating a healthy, productive society. In practice, approaches to CSR are mainly philanthropic. Morals-based motivations are grounded in the belief that firms have an obligation to contribute positively to society with no relation to the performance of the firm.

#### *Responsive CSR*

Responsive CSR is the transition area between morals-based and performance-driven CSR. These kinds of motivations and approaches can be classified as CSR that is induced by the

demands of society and government. The theories that guide responsive CSR are a function of a broad array of stakeholders' opinions, such as those of interest groups, political parties, non-governmental organizations, and of the general public discourse. Responsive CSR takes the form of company initiatives that answer to social issues but does not offer competitive advantage or any other long-term business benefits.

### *Strategic CSR*

Strategic CSR is motivated by a firm link between social responsibility and economic performance. Motivations of strategic CSR are more aligned to long-term benefits such as competitive advantage. When strategic CSR is in place, social responsibility is embedded throughout the firm's core activities and is guided by the same framework used to make business decisions. CSR approaches are also chosen based on the issues that the firm believes it will most effectively be able to address and/or cares the most about.

Responses related to the remaining research questions, factors that influence CSR motivations, were coded using schemes that emerged from the transcripts ex post. Once coding was completed, tables were constructed to display the information from each participant visually. This was an important step in aggregating the data for interpretation.

### **Strengths and Weaknesses of Key Informant Interviews**

The nature of key informant interviews allow for participants to clarify a question and for the interviewer to clarify a response. The conversational nature captures participants' personal experiences and perceptions versus generalized responses that other methods such as surveys and

secondary research could capture. Key informant interviews also allow themes to emerge from the results versus a priori consideration and can bring out ideas not considered central tendency.

The snowball method seeks to capture more than one view of CSR at each company. This potentially diversifies the responses and adds to the breadth and depth of the perceptions of CSR at the specific company. The snowball method is also beneficial given the lack of resources to identify additional participants.

One of the drawbacks to using key informant interviews is the possibility of an interviewer's biases influencing participants' responses. The results of key informant interviews also lack generalizability. Key informants' insights are the result of individual, unique experiences that cannot be generalized to every other employee at the company or to all companies in the industry. It is possible that the snowball method could create bias as well, because the initial key informant selects the second participant based on their personal determination of who is qualified to contribute to the research. This is opposed to a random sampling of all CSR employees at a company that could have produced a more random sampling.

## Chapter 3

### Results and Analysis

Key informant interviews were used to determine company motivations for engaging in corporate social responsibility (CSR). Key informants provided unique perceptions of past and present motivations of CSR and the factors that have shaped these motives. The following results and analysis are organized by the research questions. “Part 1: The Evolution of CSR” describes the reported motivations associated with past and present CSR and relates the results to morals-based, responsive, and strategic CSR as described in the literature review. “Part 2: Factors that Influenced an Evolution in CSR” and “Part 3: Additional Factors that Influence CSR” outline what internal and external factors shape CSR.

Eight participants were interviewed and represented the chemical, building materials, apparel, and food industries. Key informants identified the companies’ industries through the interview process, thus the particular industries are not a representation of formal industry designations such as the Global Industry Classification Standard or New York Stock Exchange.

Of the eight key informants, half were female. Five participants were current employees at the company while the other three had been previously employed and had left the company within the past five years. Seven of the participants worked in the company’s CSR department while the eighth participant worked indirectly with CSR through his or her placement in an outside department and/or leadership position. The majority of the participants had been employees of the company for four to six years. On the high end, one participant was employed by the company for over twenty years. On the other end of the spectrum, one participant had been employed for only one year.

The diversity in gender, tenure, and industry was an unintentional result of the research methods. Potential participants were identified based on a small network and solely for their known knowledge of CSR. Table 1 explains the abbreviations used to identify participants' responses throughout the text and in table form at the close of each section.

**Table 1: Legend for company and participant response identification**

<b>Company ID</b>	<b>Industry</b>	<b>Initial participant ID</b>	<b>Referred participant ID</b>
Company 1 (C1)	Chemicals	Participant 1 (P1)	Participant 5 (P5)
Company 2 (C2)	Building Materials	Participant 2 (P2)	Participant 6 (P6)
Company 3 (C3)	Food	Participant 3 (P3)	Participant 7 (P7)
Company 4 (C4)	Apparel	Participant 4 (P4)	Participant 8 (P8)

### **Part 1: The Evolution of CSR**

Each participant recognized a transition in corporate social responsibility at his or her company. All informants cited a general shift in the framing and motivations of CSR from a “nice to do” to a “must do”. To explain the transition in more detail, participants often gave examples of changing approaches to CSR.

Approaches were described as evolving from broad giving to strategic philanthropy and programming that aligned to business goals. Current CSR efforts represented issues that the companies believed they could make the greatest positive impact. Companies were not asked to identify timeframes, thus the following findings are categorized by past and current CSR efforts and considered for their morals-based, responsive, and strategic characteristics.

Past CSR was specifically described in ways symbolic of morals-based and responsive CSR, thus “past CSR” is divided into these two categories. Current CSR was represented by

participants as a combination of the three categories, although strategic CSR was the main perception of present CSR motivations and practices.

### ***Past Motivations of CSR: Morals-based***

All participants cited morals-based CSR in the history of their companies. Social responsibility initiatives motivated by ethics included community and employee relations. Many participants specifically traced the belief of contributing positively to society back to their founders (P2, P3, P4, P7, P8). One of the participants explained CSR as foremost about “continuing the founders legacy in the U.S.” by “giving back to the community” (P7). The other participant of the company referenced the importance of employee happiness, acknowledging that the founder was “committed to making it a better place to work” (P3). Employee relations was also noted by two other participants in terms of ensuring safety in the workplace (P2) and providing volunteer opportunities (P5). Past CSR motivated by moral imperative took the form of broad giving and volunteerism that lacked alignment to business objectives or expertise. In this light, CSR was simply a “nice to do”.

### ***Past Motivations of CSR: Responsive***

Additional motivations of CSR in the past were characterized as responsive CSR. These motivations included brand management and compliance. In reference to brand management, one company reported its past motivations to engage in CSR as in response to public outcry over scandals involving their operations. One of the participants from the company explained that, at that time, CSR “was simply to protect the reputation of the brands” (P8). In response to the scandals, the company partnered with organizations to uncover the negative impacts associated

with their operations and developed programs to better their supply chain practices. This is representative of responsive CSR given the retroactive programming and recognition that, to an extent, business performance depends on a positive brand image.

Moreover, two additional companies perceived compliance as a motivation of CSR. One participant explained that CSR was foremost “to have a license to operate and have this awareness in the community that you’re committed” (P5). A second participant echoed this belief, “If you have a bad relationship with the community, that could keep us from getting a permit, and if we don’t get a permit, the plant shuts down, and they are extremely capital intensive to build” (P2).

The tie between business and social responsibility is more apparent in responsive CSR than with morals-based CSR. At the time, the companies rationalized CSR as a necessary response to public demand in order to achieve business performance through brand reputation and compliance. In terms of implementation, similar strategies were used with the addition of programming that internalized the external demands. Philanthropic giving, volunteering, and attendance at fundraisers like dinners and golf outings rounded out the CSR efforts. One of the participants explained that these approaches came from the need “to have this awareness in the community that you’re committed in order to have a license to operate. That’s sort of what the company felt it needed to do” (P5). Table 2 summarizes participant’s individual perceptions of past motivations to engage in CSR that include ethics, brand reputation, and compliance.

**Table 2: Perceptions of past CSR motivations**

Past Motivations	C1		C2		C3		C4	
	P1	P5	P2	P6	P3	P7	P4	P8
Ethics	X	X	X		X	X	X	
Brand management							X	X
Compliance	X	X	X					

### *Current Motivations of CSR*

Participants described present CSR as a combination of morals-based, responsive, and strategic theories. The main difference between past and present efforts was the belief that CSR is “a fundamental driver for business continuity and the resilience of the company to exist” (P8). The “business case” for CSR includes existing and new motivations that are differentiated from those in the past because of the resulting approaches. In practice, CSR has become more aligned to business strategy, significantly broadening the scope of motivations to engage in CSR and making efforts more proactive. Participants perceived the motivations of present CSR to be:

- Ethics
- Compliance
- Access to emerging markets
- Customer acquisition
- Employee recruitment, retention, and performance
- Brand management
- Shareholder expectations
- Sustainability of commodity

### **Ethics**

Participants that referenced a sense of moral imperative in past CSR efforts agreed that this remains a major aspect of CSR in regard to company culture and following through on company traditions. Additionally, one participant (P6) explained the nature of their industry as grounds for



ethically motivated CSR, noting an individual responsibility to give back due to the company's intense resource use for operations.

*“There has always been, from the founders, a strong moral sense of the company and a culture from executives on down, the owners on down, of trying to do the right thing in terms of operating ethically.” (P4)*

Ethical motivations of CSR were perceived to be more strategic in practice. Instead of broad, disordered giving, CSR was described as focused on the areas where the firm believed it could have the most impact and advantage company assets. One participant explained the difference between past and present morals-based CSR as the difference between writing a check and “evolving to the next level and really contributing expertise” (P7). This trend appears throughout all current motivations of CSR and is a major indicator of a transition to strategic CSR.

For example, two companies (C1, C2) detailed methods for determining communities' priorities to give back to the community in the most effective way possible. With this information, the companies were able to define how they can leverage their assets and have the greatest impact at the sites. This was noted as a significant shift from more diffused philanthropy in the past. Current perceptions were that community engagement entails more effort to understand and meet the communities' needs by conducting surveys and town hall meetings and creating community committees. In terms of acting on the findings from these methods, participants perceived a shift from writing checks to engaging in projects with the community through employee volunteers.

*“Instead of doing a lot of little things, we wanted to really hone in and say ‘what are the key areas that we think we can move the needle on with innovations to positively impact people's lives?’”(P5)*

## Compliance

Entangled in the ethical motivations to give back to the community as explained above, is the importance of “building up trust and goodwill” where the company operates in order to secure a license to operate and maintain positive community relations. One participant explained the desire of the company to “improve the quality of life in the communities” and to “help small non-profits in the communities” (P1). While this desire has ethical undertones, the participant also noted the importance of the community welcoming them “with open arms” and knowing that “our company is a place that is a good neighbor” (P1). These desires and needs were met through community engagement as a part of CSR efforts. The shift from past to present CSR in terms of compliance is in how the community engagement is approached. As previously described, programming and philanthropic giving became significantly more strategic.

In terms of compliance with the law, the building materials company (C2) discussed CSR as a framework to prepare for increased regulations in the United States and other countries. Specifically, both participants noted the implications of stronger greenhouse gas emissions regulations as climate change comes more and more into focus as a global issue. The company’s operations require “a lot of energy to run” and result in a “huge global footprint”, giving the company a reason to utilize CSR as a platform to show its commitment to reducing its emissions and gain competitive advantage over companies not yet performing in such a way. One of the company’s participants stressed that a piece of the motivation to engage in CSR is that they “have to do it” or they “won’t be in business” (P6). Specifically, the participant referenced the recent climate pledge in Paris, France as “going to directly affect” their industry. This relationship between social responsibility and compliance has framed CSR as a path to business

innovations in terms of creating lower carbon products in order to meet new and potential regulations.

### **Access to emerging markets**

Two respondents from individual companies (P1, P4) referenced access to emerging markets as a motivation to engage in CSR. Both respondents noted that CSR offered a competitive advantage when looking to introduce the company “in new communities when someone is not aware of the company name” (P1). It is possible to consider access to emerging marketing as an extension of compliance, given the evolution in what is required by the locations where emerging markets are located and their attention to CSR. One participant explained that “Some of the countries are very concerned about the social responsibility efforts of the company as a whole as they are negotiating terms and licenses” (P4).

### **Customer acquisition**

Two companies (C3, C4) viewed meeting consumer expectations as a motivation of CSR. This motivation is related to access to emerging markets, but in the sense of securing customers versus a permit to operate in a geographic area. Meeting consumer demand is inherently tied to business performance given that consumers “vote with their money” (P3) and there are “signals from them that they want to buy products from companies that are doing good in the world rather than bad or feigning ignorance” (P8).

### **Employee recruitment, retention, and performance**

Participants perceived motivations for CSR related to employees as extending beyond simply keeping them happy and safe for ethical reasons. Informants referred to employee recruitment, retention, and performance as motivations to engage in social responsibility. In terms of employee recruitment, both participants from two companies and an additional key informant recognized that prospective employees seek strong CSR programs (P1, P3, P4, P5, P7). Thus, CSR was seen as integral in order to attract the top talent and retain a strong talent pipeline into the companies.

All key informants cited CSR as an avenue for employee retention for similar reasons. One participant explained, “You [the company] want to have programs that make people feel like they’re working for a good company” (P4) and as a result, the company has motivated and committed employees.

Both participants from the building materials company (C2) continued to stress the safety of employees as a top CSR priority. The motivations for safety were described as ethical and could be framed as strategic given that the company can have one of the biggest impacts in this area and the safety of employees is essential to retention and performance. This is an example of the continuation of past motivations into present day CSR.

In terms of employee performance, efficiency and skill development were noted as motives to engage in CSR. One key informant (P4) described the importance of employees’ well-being for the sake of the product. This was based on the theory that overworked and unhappy employees would produce worse products and create additional costs. Through this lens, the motivation for CSR is employee efficiency and the business case is clear.

Another participant (P5) referenced employee skill development as a motivation of CSR.

The key informant described CSR programs as an opportunity for skill development and showcased the potential with an example of employees' feedback after participating in CSR efforts that leverage their passions and experiences. Participating in the program had "really grown and stretched" their communications skills (P5). Employee skill development was cited as beneficial for employee performance as well as retention.

### **Brand management**

Brand management was included in current CSR motivations by at least one participant from each company (P1, P3, P4, P6, P7, P8). In the past, CSR was in response to scandals and external demands in order to maintain brand reputation. Current approaches to CSR as a form of brand management were reported as proactive versus retroactive however.

*"Intangibles are 70% of market capitalization of most major companies. That's not all reputation, that's not all CSR, but that is a part of it. That's important." (P4)*

### **Shareholder expectations**

Three participants noted shareholder expectations as motivations for CSR efforts at their companies (P3, P6, P7). Shareholders' role as owners of the company essentially place them in a position to make changes in order to achieve better returns if necessary. If a company hopes to maintain its stock value for reputational and operational reasons, it must consider the interests of shareholders.

*"A lot of it is about investors asking 'Do I want to invest in an oil and gas company that's not going to be allowed to produce oil and gas because of climate change?' for example. This is a group that's typically more conservative and has less interest in sustainability that's continuing to show some real interest." (P7)*

### Sustainability of commodity

Sustainability of commodity was a new motivation for CSR not described in the past and was referenced by participants from the food and apparel companies (C3, C4). The recognition that climate change paired with unsustainable farming practices could potentially affect the companies' existence in the long run made a strong case for CSR. Therefore, efforts that could mitigate the impact of company operations and increase the likelihood that the commodity is available in the future were seen as imperative. One participant from the apparel company acknowledged that there is "no longer a debate" over whether climate change is happening, stressing the need for CSR efforts that can mitigate the consequences. Otherwise, "if there's no more cotton left in the world of if the supply shrinks by 50%, a company like ours would be screwed" (P8). Table 3 summarizes participant's individual perceptions of current motivations to engage in CSR.

**Table 3: Perceptions of the current motivations of CSR**

Current Motivations	C1		C2		C3		C4	
	P1	P5	P2	P6	P3	P7	P4	P8
Ethics	X	X	X	X	X	X	X	X
Compliance	X		X	X				
Access to emerging markets	X					X	X	
Customer acquisition					X	X	X	X
Employee recruitment	X	X			X	X	X	
Employee retention	X	X	X	X	X	X	X	X
Employee performance		X					X	
Brand management	X			X	X	X	X	X
Shareholder expectations				X	X	X		
Sustainability of commodity					X			X

## **Part 2: Factors that Influenced an Evolution in CSR**

Participants cited an array of factors that influenced the evolution of why and how companies engaged in CSR. As described in Part 1, there had been a clear transition from CSR motivated by moral imperative and external demands that, in practice, resulted in diffused philanthropy and hasty, retroactive programming. Current CSR motivations and initiatives were considered significantly more performance based. Key informants were asked about their perceptions of the factors that led to this evolution. Specific influences referenced by participants were:

- Stakeholder expectations
  - Customer
  - Shareholder
  - Leadership
  - Employee
- Climate change
- Industry trends
- Transition from local to global operations
- Increased communication methods and reach

### **Customer expectations**

Both participants from two companies (P3, P4, P7, P8) cited changes in consumer expectations. In general, the heightened interest and awareness of consumers in terms of company's CSR led to shifts in practices. Millennials were particularly considered a driving force in the evolution of consumer expectations. One participant related this motivation to their industry specifically, explaining, "More and more consumers want transparency about where their food is coming from and how companies are being proactive" (P7). This is a contributing factor to an evolution in CSR for clear business purposes. Given the consumer drives the revenues and, in part, the reputation of a firm, there are clear incentives to internalize their interests. CSR is "something

you [the company] need to be aware of because you [the company] want to get those new customers” (P4).

### **Shareholder expectations**

Two respondents from the same company and one respondent from another referenced shifts in expectations of shareholders as factors in evolving CSR motivations (P3, P6, P7). An explanation for this increased interest was changes in the global political, social, and economic landscapes. As these climates changed, shareholder interests responded in order to ensure positive returns on investment. One participant described shareholders as pushing the company to make sure it is “doing the right thing for the environment, human rights of our employees, and communities we [the company] operates in” (P6). Again, the incentive to internalize the institutions assumed by shareholders is for business purposes, because “investors can go look at the Dow Sustainability Index and see who is sustainable and make choices with their investment dollars” (P3).

### **Leadership expectations**

Both participants from one company and one respondent from two separate companies referenced expectations of corporate leadership as contributing to shifts in CSR motivations (P4, P6, P7, P8). One participant described the company CEO’s mandate that all employees volunteer as an influence over CSR strategy (P6). Transition among leadership was also noted for influencing CSR “attitudes, approaches, and strategies” (P4) potentially due to the “fresh look” (P1) that new leadership could offer.



*“I’ve been able to see the impact of invested and driving leaders. Our Chief Supply Chain Officer is now really interested in sustainability and is always asking how we can do more for sustainability in CSR, supply chains, and plants.” P7*

### **Employee expectations**

Two respondents, both from the same company, cited changes in employee expectations as a factor in changing the motivations of CSR (P1, P5). Specifically, the recruitment and retention of millennials were noted as motivations because of the generation’s increased interest in related initiatives. “CSR is now critical to attracting and retaining top talent” (P1), because “young people are trying to understand the positive impacts that they can make, and they want to work for companies that they feel can equip them to do that” (P5).

### **Climate change**

Two respondents from the same company and two additional respondents from individual companies cited it as a contributing factor to shifting motivations of CSR (P2, P3, P6, P8). In all cases, there was the recognition that climate change would have a significant impact on the company’s industry whether related to commodity production or regulation. Therefore, the motivation to engage in CSR is for sustainability of commodity and compliance with the law.

In terms of sustainability of commodity, a participant explained that one of their major concerns is whether their commodities would be around in the next ten to twenty years. In practice, climate change has made it more “important to work with farmers to ensure a safe and plentiful crop” (P3). Another key informant described their motivation to engage in CSR for compliance due to potential climate change pledges and laws given the large carbon footprint of the company (P2).

### **Industry trends**

One company referenced trends in its industry as a contributing factor to changing CSR (P4).

This was specifically in reference to the tone that companies set through CSR practices. As companies “take leadership positions on specific issues, they eventually move the needle for the industry... the baseline moves and laggards see they should do something. The shifted baseline is what is expected” (P4). In this light, the motivation of CSR is to remain competitive within the industry.

### **Transition from local to global operations**

The transition from local to global operations for four of the respondents was a contributing factor in evolving CSR (P1, P3, P4, P8). The motivations of CSR remained relatively similar and focused on ethics, compliance, access to emerging markets, and sustainability of commodity. However, the companies’ scope increased significantly during this transition. One participant explained that CSR is now “more about what the company is doing on the global scale: how we [the company] interact with communities, the people, and the environment... especially with commodities” (P3). In practice, the participant described the transition to “showing farmers what it takes to have high yield, be more successful, and send their kids to school.”

### **Increased communication methods and reach**

Changes in stakeholder expectations are largely a product of increased knowledge and interest in CSR issues and related initiatives. A major contributor to this increase in knowledge and interest is growing communications methods and reach. Rising access to communications methods such as the internet (social media and online newspapers for example) has greatly increased the

exposure of CSR related issues and companies' actions. Two respondents from the same company and an additional respondent from another cited this as a factor in shifting CSR (P4, P7, P8).

*“With social media and the internet, people can find out more and in a shorter amount of time. So now they go on Facebook and see that one of their friends linked them to something when before, the learning curve was much longer, and that's increased people's interest in these kinds of things.” (P7)*

A major influence that altered one company's CSR was the media's exposure of human rights scandals. Both participants from the firm referenced scandals as major learning events. One participant acknowledged that there was “generally a lot of ignorance about what really went on at a factory when the customer [the company] left” (P4). Increased communications, specifically through social media as noted by one participant (P8), enabled the spread of the company's human rights violations that awakened them to the issues and sparked a shift in CSR. The result was a major shift in the approach to CSR that included conducting audits of factories, increasing transparency and openness, and developing consequence models for suppliers. Through the exposure of human rights issues in the supply chain also came the recognition that one company could not achieve major successes alone. Thus, the company began collaborating with others in the industry to work towards streamlining standards alongside governments, development agencies, human rights groups, trade organizations, and others. Table 4 summarizes participant's individual perceptions of the factors that contributed to an evolution in CSR at the companies.

**Table 4: Perceptions of factors that contributed to the evolution of CSR**

Factors	C1		C2		C3		C4	
	P1	P5	P2	P6	P3	P7	P4	P8
Consumer expectations					X	X	X	X
Stockholder expectations				X	X	X		
Leadership expectations				X		X	X	X
Employee expectations	X	X						
Climate change			X	X	X			X
Industry trends							X	
Transition from local to global operations	X				X		X	X
Increased communication methods and reach						X	X	X

### Part 3: Additional Factors that Influence CSR

Part 3 builds on the influences of CSR acknowledged in part 2. Aside from the factors that instigated shifts in company motives and implementation strategies are those that are perceived to be currently affecting CSR. Key informants were asked to identify these factors in order to more fully understand what shapes CSR. Additional factors included:

- Culture and history
- Industry
- Geographic location
- Company size
- Corporate employee gender

#### Culture and history

The culture and history of the company were considered by a majority of the participants as factors of their motivations to engage in CSR (P1, P2, P3, P4, P5, P7, P8). In terms of culture, respondents cited employees' desired engagement and genuine interest in CSR as an influence over why and how CSR is implemented.

*“It [CSR] is the culture of our people. Our people are naturally very engaged in their communities and are very motivated to go above and beyond themselves to do something that will have a lasting impact.” (P5)*

The reason a company is motivated to engage in CSR was also a result of its history. The interests of the founder and historic giving in general impacted current CSR motives and strategies. One participant explained that “a lot of past giving drives where we [the company] give today” (P1). Another, described their unique history as motivating the company to engage in CSR in order to carry out their founders’ legacy.

A different angle on the effect of company history on motivations to engage in CSR was one participant’s explanation of a historic relationship that instilled proactive CSR measures to maintain and build stakeholder relationships. The participant detailed a story of the founders’ close connection to an individual that was forced to respond to a scandal over the negative impacts of his or her product. From observing the fall out, the participant explained that the company learned the importance of community relations very early on. The connection taught the business about “being more transparent and on top of your stuff in terms of not ruffling feathers with stakeholders” leading to a much more progressive versus retroactive approach to CSR (P2).

## **Industry**

The nature of the company’s work strongly influenced the approaches and motivations of CSR as seen in at least one participant’s response at each company (P2, P3, P4, P5, P8). For the apparel company, its position in developing countries centers their CSR around human rights and supply chain management, because production involves “very vulnerable populations that are not necessarily enabled or empowered to advocate for their own rights” (P8). Another respondent

characterized this industry as making decisions based on “emotion and gut feeling versus data” as well, creating a CSR plan with strong moral grounding and a focus on innovation (P4).

At the food company, a major concern addressed in the climate change portion of the last section was the sustainability of the commodity crops that fuel their business. The nature of the industry was also noted as contributing to the motivations and approaches to CSR. One participant described the “the interaction with the farmer and agriculture and how it impacts the family and our general lives” as influencing why and how CSR is implemented.

The building materials company had different concerns in the fact that they contribute a large footprint and must be strategic about how to respond to informal and formal institutions that arise around climate change. Being a manufacturing company also makes “safety a religion and our [the company’s] top priority” (P2) given that employees risk their health and lives on the job each day. Therefore, ensuring that employees work in a safe environment is a major component of their CSR.

The chemicals company also had different influences over their CSR given its industry. The duration of time and processing from the creation of a product and delivery to the consumer places it in a “unique position” in the supply chain and value chain. This attribute contributes to a CSR plan that drives partnerships with businesses that utilize the company’s products and looks “across all levels of the value chain to figure out ways to bring the product to the consumer in a more sustainable and efficient way” (P5). The general nature of a chemical company’s work also places an importance on educating generations that will be entering the workforce, thus steering CSR toward educational programming for the next generations.

The chemical company’s expertise puts it in the position to create the solutions necessary to mitigate global challenges as well. This is different from other companies that could support

water quality by sending water to communities but is unable to produce the technology to increase water quality in these regions itself (P5). This affects the CSR plan by placing an emphasis on solving the world's challenges using the company's expertise.

### **Geographic location**

Numerous participants identified geographic location, in reference to their company headquarters and factories, as a contributing factor to CSR (P2, P4, P7, P8). Headquarters were specifically mentioned in regard to the area's "political leanings" (P8). Three participants cited this factor and represented two separate companies, one with headquarters in the U.S. and one with headquarters in Europe.

For the one in the U.S., the location provides an environment where "people generally care about the environment and human rights considerations" (P4). For the company with headquarters in Europe, the region was described as "more progressive" than the U.S., implying greater regard for CSR initiatives. The location of factories also played a hand in determining CSR based on the communities where a factory operates, because "there are different needs dependent on the area... some [communities] could say food and water are not an issue, the community needs education, while somewhere else needs to meet those basic needs first" (P1). Varying circumstances by region thus impact how CSR is implemented.

### **Company size**

One participant identified the size of their company as a factor in their CSR plans. The effect of company size appeared to have a different effect than other characteristics, because it influenced the planning of CSR in regards to the need to be "very thoughtful" about where the company





## **Chapter 4**

### **Discussion**

The research identifies formal and informal institutions that have molded corporate social responsibility (CSR) theories and firms' approaches. The transition from diffused, hasty giving and programming to strategic, business driven approaches is apparent in both the literature review and key informant interviews.

For example, the collective customer expectation that a company integrate CSR into its business strategy is an informal institution. The firm is aware of this demand and, given the vital role customers play in the success of the business, the firm formalizes the institution by implementing CSR practices that align to its business model and reflect company values. A similar story could be told for the additional influential factors identified in the key informant interviews.

Embedded in key informants' responses was also the recognition that new technologies and economic systems have attributed to shaping the informal and formal institutions that influence CSR. Building off the previous example, the informal institutions of customers evolved in part because of increased communication methods and reach. Key informant responses indicated that communications have made the social responsibility of a company more easily known. Increased access to this information has allowed consumers to grow their understanding of CSR and announce their individual opinions using online methods. As more and more individuals respond to the socially responsible or irresponsible practices of business, informal institutions of society evolve to demand more from companies, similar to the social movements of the 1960s. Increased communications has made it possible for society's informal institutions

to be more easily identified and accounted for by companies as well. Similar factors to communications included globalization and climate change.

In practice, the research provides a starting point for firms to think critically about the factors that are influencing CSR. The key influences of CSR identified in the research are variables that companies could consider when determining and implementing strategies. For example, history and culture were identified as major contributors to CSR. As companies expand to new locations, how will the history and culture of the company be communicated and manifested? If the history and culture deteriorate or evolve, what is the impact on the outcomes of CSR programs?

In this way, the research plays an important role in internal CSR conversations. Firms cannot account for the influences of CSR throughout the planning and implementation processes without first being aware of them. The consideration of what internal and external factors are influencing the direction and impact of CSR could potentially make for more holistic and impactful strategies.

Again, if the “culture” of the company is specifically considered integral to the success and direction of CSR, it would be important to consider CSR strategies that reflect the culture of the business. While this company characteristic could seem pre-defined, it would be important to conduct ground truthing by potentially sending surveys and holding focus groups with employees. This step would be integral to determining what CSR strategies most align to the *real* versus *perceived* culture of the company in order for initiatives to have the most impact.

Additionally, the research raises important questions about the implications of CSR for society and the environment. The literature review and key informant interviews strongly recognize that CSR is a mechanism for contributing to a healthy society and environment. In the

1980s, President Reagan acknowledged CSR as a major supplement to the government's ability to address social problems, especially as government funding was reduced (Carroll, 2015). The increased attention, support, and implementation of CSR in the last century demand a critical examination of this concept.

The current focus on the business alignment of CSR could be interpreted both positively and negatively. Strategic CSR implies that the impact firms have on CSR issues is greater than in past years given the alignment to business performance and focus on specific issues versus diffused, hasty giving and programming. While it is respectable that firms are becoming more and more willing to account for their poor impacts on society and the environment, the implication of business defining the "public good" is potentially negative.

CSR inherently advantages or disadvantages groups of people based on what the firm deems as the public good. As the key informant interviews displayed, firms select the issues they will focus on largely based on alignment to business performance and expertise as well as external demands and moral imperative. Thus, CSR appears to take the form of the issues that are most important to the firm, most leverage business assets, and are most important to respond to for business reasons.

The subjectivity of CSR could mean that the issues firms choose to concentrate on are, overall, not a reflection of what is perceived as most necessary by members of society or for the sustainability of natural resources. Friedman recognized a piece of this puzzle in 1962 when he claimed that CSR could simply be the misappropriation of funds to meet personal social status needs of executives (Lee, 2008). Unlike when the government provides for the public good and must appease a broad set of citizens to be reelected, citizens are unable to vote for the issues that CSR addresses aside from "voting with their money" (P3).

An example of this concept from the key informant interviews is the chemical company's emphasis on educating future generations about the skills related to its industry in order to create a quality talent pool for the future and provide skills based volunteerism. These motivations create a focus on science, technology, engineering, and math (STEM) in the schools where this program is implemented. In this case, the firm has defined the public good to mean access to STEM education. However, this definition disadvantages students with interests in other fields and industries with skills unrelated to STEM. If the majority of industries are representative of STEM fields, it is unlikely a balance would be struck in these educational institutions, unless other organizations implement programs that support the development of abilities separate from STEM, such as communication, leadership, and interpersonal skills.

At the same time, important issues, such as the negative impact of a product on human or environmental health, could fail to be present in CSR strategies. A major finding of the research is the emphasis in CSR of meeting customer demands and driving business performance. If customers are unaware of the negative impacts of a product, possibly due to lack of access to the information or the failure of the company to disclose this information, the issue will go unaddressed.

The literature review does demonstrate however, that individuals can act collectively to shift the focus of firms' CSR strategies such as through social movements. Nevertheless, it is possible that only the issues that are raised by the efficacious will be heard and institutionalized. Those that feel powerless are potentially not capable of communicating their needs or are not given the platform to do so, skewing the firms' recognition of the public's needs and resulting in the misguided use of resources.

Overall, the research provides a basis for both firms and society to think critically about the strategies and implications of corporate social responsibility. The factors identified in the research offer a framework for companies to consider how their CSR programs can be the most successful at meeting the stakeholder's needs and satisfying business performance given the factors' influence over CSR. The increased attention, support, and implementation of CSR in the last century truly necessitate a critical examination of the consequences for society and the environment as well. If it is expected that firms define and provide for the public good, it is essential to consider who is advantaged and disadvantaged and how the needs of those that are not incorporated into CSR can be known and met by other entities.

### **Further Research**

The key informant interview results present multiple opportunities for further research. First, participants' perceptions of factors that contributed to the evolution of CSR represent variables that could be tested with quantitative research. This extension of the research could judge the significance of each factor in the evolution of CSR across many more large, publicly traded companies using random sampling and a survey method for example.

The perceptions of company characteristics that shape CSR could also be tested in this way. It would be most interesting to use quantitative research to judge the significance of the identified variables at various companies and develop a model that would essentially hypothesize the investment in CSR given characteristics of a firm.

Lastly, further research is necessary to understand the implications of CSR in respect to society and the environment. More research is key to understand the true impact of CSR as business plays a crucial role in shaping and defining the "public good". The majority of research,

including this study, tends to focus on the implications of engaging in social responsibility for firms versus for society. A reversal of this thought process is important so that the issues not addressed by CSR or the negative consequences that it potentially creates can be acted on proactively.

### **Research Limitations**

The nature of key informant interviews limits the generalizability of the results. Interviews with two employees from the same large, publicly traded company cannot be generalized to reflect the perceptions of every individual at the firm. The key informants' responses were the result of unique frames of reference that do not entirely reflect other employees' experiences with the company. The results showed that perceptions of past and present CSR and influential factors differ based on time with the company, position, geographic location, etc., because respondents from the same company often cited different factors. Proposed questions could have been interpreted in different ways given contributing to the varying responses also.

The results cannot generalize the firm as a whole either. Due to time limitations and/or knowledge of the company's past and present CSR strategies, it is very possible that participants did not note one or more motivations or factors of CSR even though those elements are indeed a part the company's strategy and history. The limitation exists in terms of generalizing CSR motivations and influential factors across companies as well. Eight participants from four industries is not a fair representation of all companies in the specific industries or the status of CSR across the United States or the world.

Lastly, research design, implementation, and interpretation is subjective. The researcher's personal interest in particular CSR topics is one potential bias in the research. In terms of the key

informant interviews, follow-up questions could have been asked that specifically related to one component of the discussion and ignored others, giving in-depth results of one motivation or factor and leaving the others shallowly developed. This is important, because there could be result categories that appear less developed but are in fact equally or more important than others.

## **Chapter 5**

### **Conclusion**

The motives to engage in corporate social responsibility (CSR) have transformed from satisfying moral imperatives and external demands to enhancing business performance. Formal and informal institutions, such as regulations and social norms, have played a significant role in the evolving motivations of CSR. Institutional economics theory was applied to the research to interpret the influence of institutions on firms' decisions to employ CSR.

The main research objectives were to determine the perceptions of CSR in the past versus the present and to identify factors that affect CSR. Key informant interviews were used to inform the objectives. The participants represented the chemical, building materials, food, and apparel industries. All participants recognized an evolution in their motivations of CSR and articulated a variety of institutions that affect their social responsibility. For all key informants, CSR has become more strategic and aligned to business objectives. Key influences of the evolution in CSR were identified as stakeholder expectations (consumer, stockholder, leadership, and employee), climate change, industry trends, and increased communications and scale of operations. Other influences of CSR included culture and history, industry, geographic location, company size, and corporate employee gender.

The study provided insight into the history and status of CSR and the factors that influence motivations from the perspective of employees at large, publicly traded firms. The results outlined a framework for firms to think critically about the institutions that are influencing their CSR motivations and strategies. Business cannot account for these institutions in the planning and implementation processes without first being aware of them.



The findings can be the starting point for further quantitative research as well. The factors that were identified as influencing CSR could be analyzed across firms for their real impact on shaping CSR motivations. A model could also be constructed to determine the investment and impact of CSR given a variety of company characteristics.

Additionally, the effects of CSR on society and the environment are inherent given the interdependency of institutions acknowledged in the research. The self-regulatory nature of CSR and its business performance oriented strategies call into question the implications. CSR has been defined as businesses accounting for their impacts, but which ones? Who will meet the social, economic, and environmental needs where there are gaps in CSR plans? It is necessary to think critically about the advantages and disadvantages of companies defining the “public good” in order to account for the needs of those that are not incorporated into CSR strategies.

## Appendix A

### Key Informant Protocol

#### Introduction

- Thank you for being willing to participate. This research is a part of my undergraduate thesis for the Schreyer Honors College at the Pennsylvania State University. The purpose of the study is to determine past and present motivations for Corporate Social Responsibility among large, publicly traded firms and the factors that influence CSR. The interview will last roughly half an hour and no longer than an hour.

#### Consent Information

- Do you have any questions or concerns about the consent form?
- The interview will be recorded. Personally identifying information won't be shared. Your confidentiality will be kept to the degree permitted by the technology used. All personal information such as contact information will be kept confidential. Although, no guarantees can be made regarding the interception of data sent via the internet by third parties. Your decision to be a part of this research is voluntary. You can stop at any time. You don't have to answer any questions you don't want to answer.

#### Defining CSR

1. How do you believe your company defines CSR?

#### Motivations for Corporate Social Responsibility

2. How would you describe the motivations for CSR at your company?

##### *Probes*

- a. What would you define as the biggest motivator for CSR at your company?
- b. What so you believe are the benefits of engaging in CSR?

#### Evolving Motivations of CSR

3. In what ways have the motivations for CSR evolved at your company over the years?

##### *Probes*

- c. What was your perception of the motivations of CSR at your start with the company?
- d. What is your perception of the motivations behind CSR at your company today?

#### Key Influences of Corporate Social Responsibility

4. What factors have influenced any changes in the motivations of CSR at your company?
5. What other factors do you believe have an influence on CSR efforts, such as the degree of CSR engaged in and level of impact of CSR?

**Conclusion and Referral Request**

- Thank you for taking the time to participate in the research.
- Is there another contact at your company that works in CSR that you believe would be willing and enjoy participating in this research? If so, I will contact him or her with a similar email and consent form within the next week to be a part of the study.
- Would you like to receive an executive summary of the report once it is finalized in April?
- Do you have any final questions about the study?
- Thank you again, and please don't hesitate to contact me if you have any further questions.

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## ACADEMIC VITA

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