

## Chapter 12

### *Corporate Social Responsibility*

#### CHAPTER SUMMARY

The meaning of corporate social responsibility (CSR) and the arguments for it, as well as the attitudes of business toward it, have changed dramatically over the past 50 years. The vigorous debate over the normative case for CSR gave way eventually to a wary acceptance and then an enthusiastic embrace of the business case. Somewhere along the way, the question about CSR changed from whether to how. However, whether the meaning of CSR also shifted to fit with what business was willing and able to do is an open question. What is undeniable is that, in the words of the *Economist* magazine, “CSR is thriving.” CSR has become a virtual industry, with most large corporations proclaiming long lists of activities. The challenge now for corporations is to be strategic about CSR and develop programs that provide the greatest benefit for themselves and society. The challenge for society is to make demands on corporations that best utilize their capabilities and resources.

#### CHAPTER OBJECTIVES

- 12.1: Recognize the significance and implications of corporate social responsibility for businesses, how CSR is commonly demonstrated, and its related concepts
- 12.2: Describe the dominant moral arguments against the concept of CSR and the counterarguments and justifications for CSR as a requirement of companies
- 12.3: Analyze the arguments that a market for virtue makes CSR a profitable strategy and a source of competitive advantage
- 12.4: Summarize the important aspects of successful CSR programs, the difficulties with measuring the social performance of companies, and various attempts at measurement
- 12.5: Compare how nonprofit and for-profit social enterprises operate and can compete successfully in the marketplace

#### SUGGESTED DISCUSSION PROMPTS

- 1. What does it mean for a corporation to be “socially responsible”?
- 2. To what extent do you think companies are motivated to be socially responsible for publicity reasons?
- 3. In what ways would a company that only does what the law requires not be living up to CSR?
- 4. What is corporate citizenship, and how does it relate to corporate social responsibility?
- 5. How can companies be profitable and pursue CSR at the same time?

## ASSESSMENT FOR IN-CLASS USE

### *Multiple Choice Questions*

Choose the BEST possible answer for each of the following.

1. CSR as a worldwide movement has over the years been \_\_\_\_\_.
- A. mainly manifested among medium-sized companies
  - B. mostly confined to the United States
  - C. increasingly under criticism
  - D. gaining increased acceptance

Correct Answer: D

12.1: Recognize the significance and implications of corporate social responsibility for businesses, how CSR is commonly demonstrated, and its related concepts

Topic/Concept: The CSR Debate

Difficulty Level: Easy

Skill Level: Understanding

2. Milton Friedman argued that CSR \_\_\_\_\_.
- A. is harmful to the community
  - B. fails to serve the interests of company's stockholders
  - C. is acceptable if carried out by the government
  - D. would be a passing fad

Correct Answer: B

12.2: Describe the dominant moral arguments against the concept of CSR and the counterarguments and justifications for CSR as a requirement of companies

Topic/Concept: Normative Case for CSR

Difficulty Level: Easy

Skill Level: Understanding

3. A company's ethical responsibilities \_\_\_\_\_.
- A. bring it in line with social norms
  - B. are a subset of its legal responsibilities
  - C. always directly advance its profit making
  - D. are the same as its economic responsibilities

Correct Answer: A

12.1: Recognize the significance and implications of corporate social responsibility for businesses, how CSR is commonly demonstrated, and its related concepts

Topic/Concept: The CSR Debate

Difficulty Level: Easy

Skill Level: Understanding

4. CSR as exercised toward a company's employees may include \_\_\_\_\_.
- A. providing safe working facilities
  - B. providing paid time off
  - C. improving employees' quality of life
  - D. abiding by minimum-wage laws

Correct Answer: C

12.1: Recognize the significance and implications of corporate social responsibility for businesses, how CSR is commonly demonstrated, and its related concepts

Topic/Concept: The CSR Debate

Difficulty Level: Easy

Skill Level: Understanding

5. Corporate citizenship is an area of CSR that always involves \_\_\_\_\_.
- A. specific ways a company treats its employees
  - B. a company's awareness of its broader social context
  - C. a company's products that it produces
  - D. a company's involvement in the government

Correct Answer: B

12.1: Recognize the significance and implications of corporate social responsibility for businesses, how CSR is commonly demonstrated, and its related concepts

Topic/Concept: The CSR Debate

Difficulty Level: Easy

Skill Level: Understanding

6. In addition to accurately measuring CSR results, a company must also ensure that the data are \_\_\_\_\_.
- A. interpreted using well-respected guidelines
  - B. reflected in a positive manner
  - C. controlled by the company
  - D. selectively released

Correct Answer: A

12.4: Summarize the important aspects of successful CSR programs, the difficulties with measuring the social performance of companies, and various attempts at measurement

Topic/Concept: Implementing CSR

Difficulty Level: Easy

Skill Level: Understanding

7. According to the "classical view," companies \_\_\_\_\_.
- A. have a responsibility to their environment
  - B. can promote CSR without sacrificing profitability
  - C. are not essentially different from other types of organizations
  - D. exist for reasons other than promoting social responsibility

Correct Answer: D

12.2: Describe the dominant moral arguments against the concept of CSR and the counterarguments and justifications for CSR as a requirement of companies

Topic/Concept: Normative Case for CSR

Difficulty Level: Easy

Skill Level: Understanding

8. Friedman supported socially responsible corporate decisions as long as they \_\_\_\_\_.

- A. are recognized as philanthropic activities
- B. benefit society at large
- C. further a company's self-interest
- D. do not break the law

Correct Answer: C

12.2: Describe the dominant moral arguments against the concept of CSR and the counterarguments and justifications for CSR as a requirement of companies

Topic/Concept: Normative Case for CSR

Difficulty Level: Easy

Skill Level: Understanding

9. Friedman argued that social spending by corporations is a form of taxation on \_\_\_\_\_.

- A. the public
- B. the employees
- C. the shareholders
- D. the board of directors

Correct Answer: C

12.2: Describe the dominant moral arguments against the concept of CSR and the counterarguments and justifications for CSR as a requirement of companies

Topic/Concept: Normative Case for CSR

Difficulty Level: Easy

Skill Level: Understanding

10. Companies that pursue CSR are most likely to gain a competitive advantage if its CSR efforts \_\_\_\_\_.

- A. target popular special-interest groups
- B. are integrated into a corporate strategy
- C. are pursued as frugally as possible
- D. involve as many employees as possible

Correct Answer: B

12.3: Analyze the arguments that a market for virtue makes CSR a profitable strategy and a source of competitive advantage

Topic/Concept: Business Case for CSR

Difficulty Level: Moderate

Skill Level: Analyze

### *Essay Questions*

1. Describe the current status of corporate social responsibility as an expectation for businesses.

12.3: Analyze the arguments that a market for virtue makes CSR a profitable strategy and a source of competitive advantage

Topic/Concept: Business Case for CSR

Difficulty Level: Easy

Skill Level: Understanding

2. Compare and contrast the different ways in which companies are motivated to be socially responsible.

12.3: Analyze the arguments that a market for virtue makes CSR a profitable strategy and a source of competitive advantage

Topic/Concept: Business Case for CSR

Difficulty Level: Moderate

Skill Level: Analyze

3. Compare how nonprofit and for-profit social enterprises operate and can compete successfully in the marketplace.

12.5: Compare how nonprofit and for-profit social enterprises operate and can compete successfully in the marketplace

Topic/Concept: Business with a Mission

Difficulty Level: Moderate

Skill Level: Analyze