

Business Ethics

L4 Sustainability & CSR

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Firenze, Italia
Feb 10-12 2026

ASSIGNMENT

Ch.



Review

Let's begin with..
building a
better world



Focus on Sustainability

What's Sustainability?

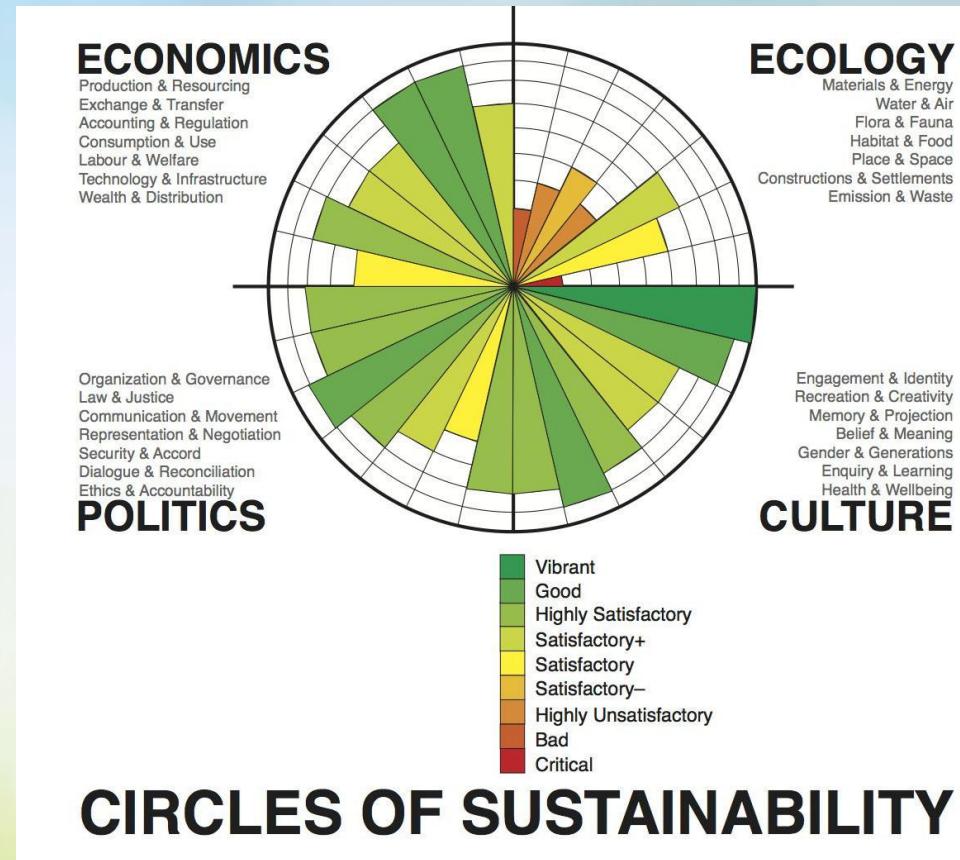
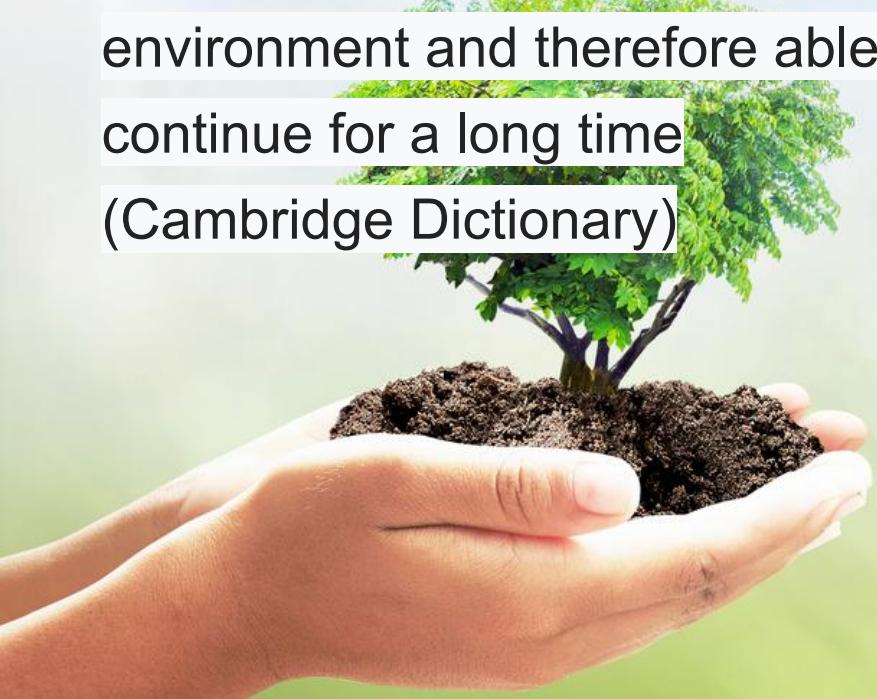




GIVE YOUR
DEFINITION

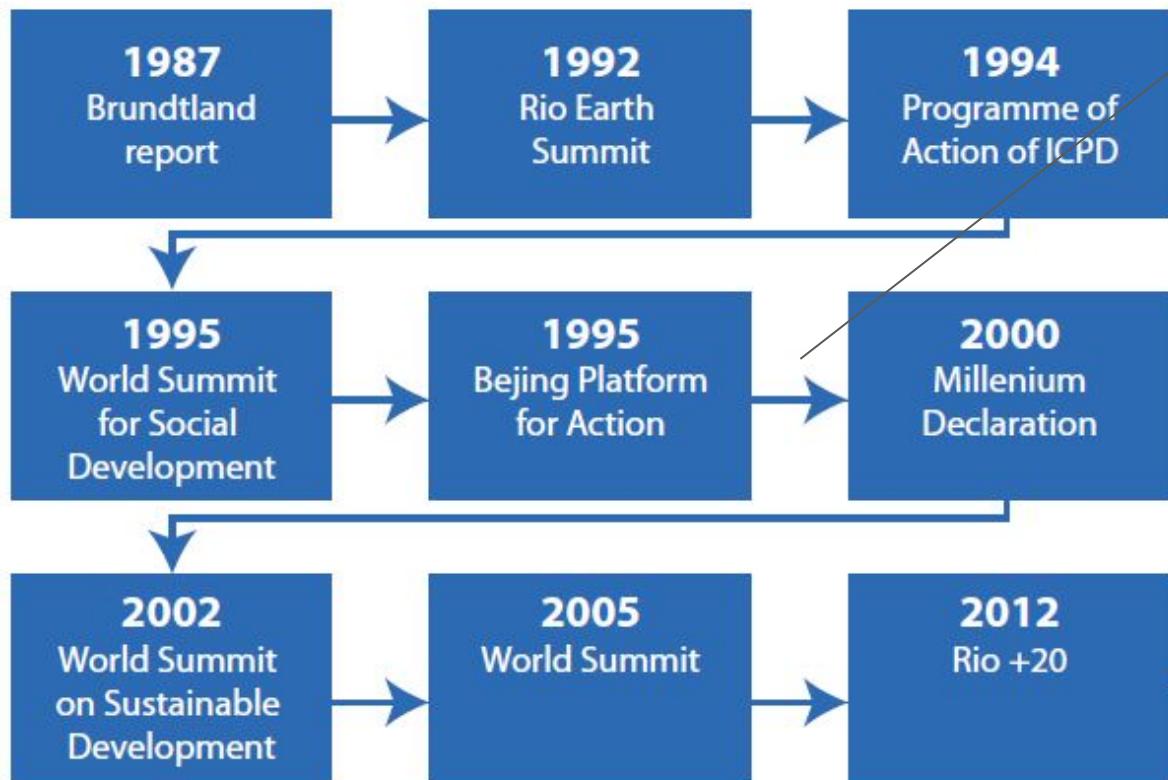
Sustainability

Causing little or no damage to the environment and therefore able to continue for a long time
(Cambridge Dictionary)



wikipedia.en

Sustainability timeline

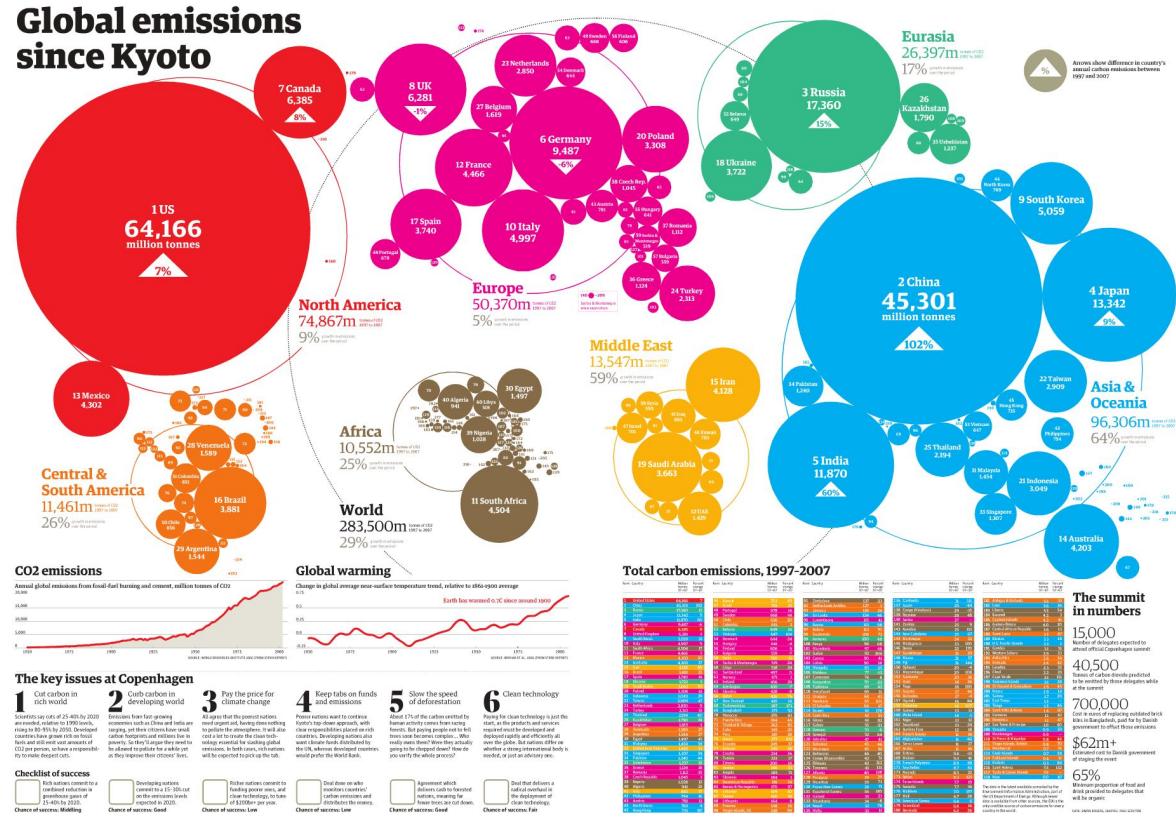




The UN Climate Agreements

Kyoto Protocol & Paris Agreement

Kyoto Protocol	Paris Agreement
	Signed in November of 2016. New commitments are due every 5 years
	Not legally binding commitment to reduce emissions, increase accountability
	Overall goal to limit global temperatures to 1.5 degrees celcius above pre-industrial levels
	Asked all nations to reduce emissions
	New set of targets declared after 5 years (these are now due in 2020)

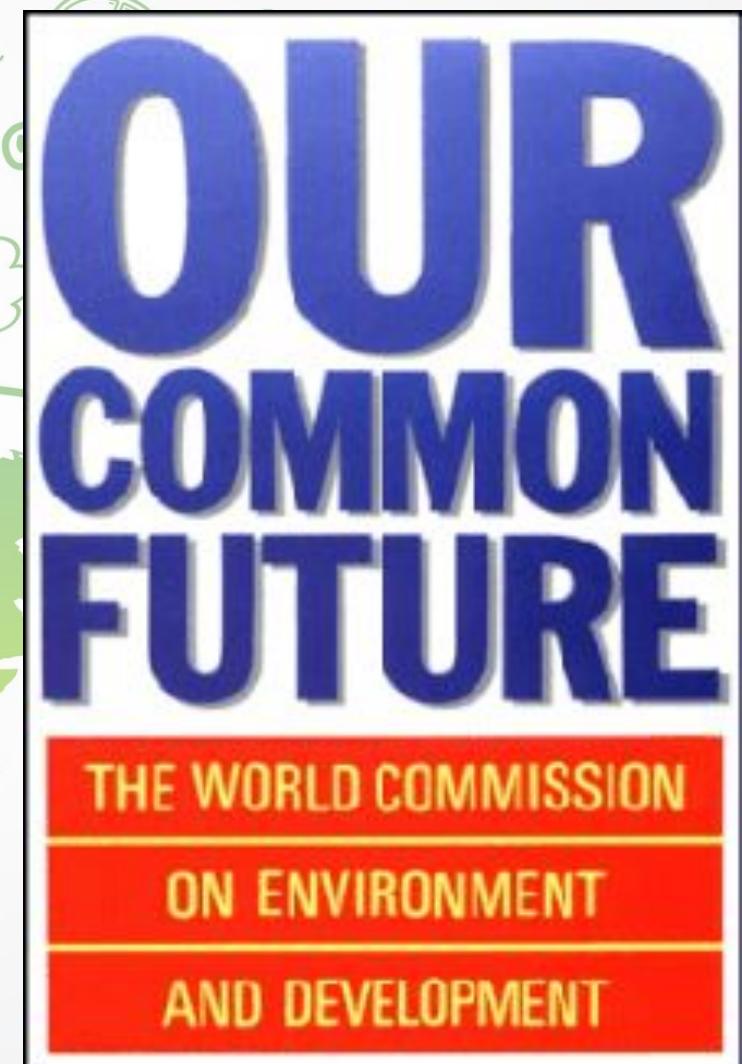




Is Sustainability just
about climate
change?

Sustainable development

1987, UN, Our Common Future, known as the Brundtland Report:
"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."



17 SDGs and the 2030 Agenda

Transforming our World: the 2030 Agenda for Sustainable Development including its 17 Sustainable Development Goals (SDGs) and 169 targets was adopted on 25 September 2015 by Heads of State and Government at a special UN summit. The Agenda is a commitment to eradicate poverty and achieve sustainable development by 2030 world-wide, ensuring that no one is left behind. The adoption of the 2030 Agenda was a landmark achievement, providing for a shared global vision towards sustainable development for all.







SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



SUSTAINABLE
DEVELOPMENT
GOALS



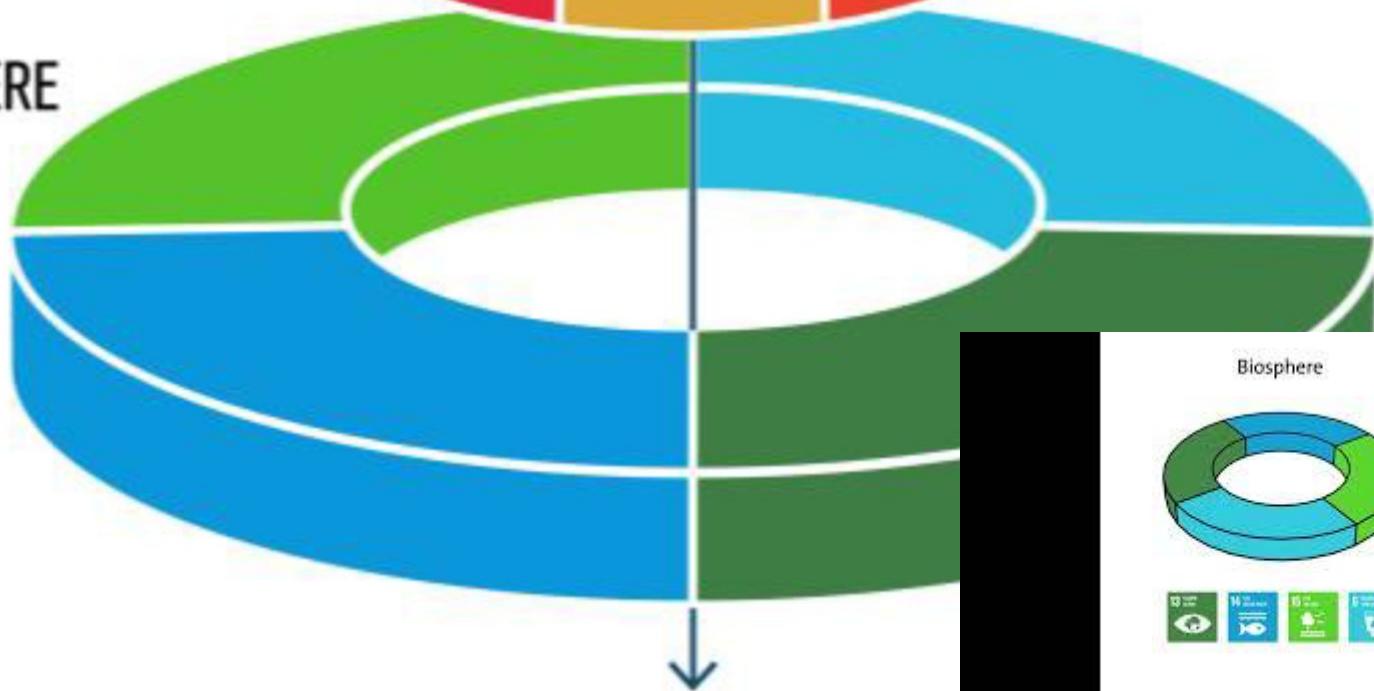
ECONOMY



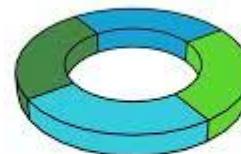
SOCIETY



BIOSPHERE



Biosphere

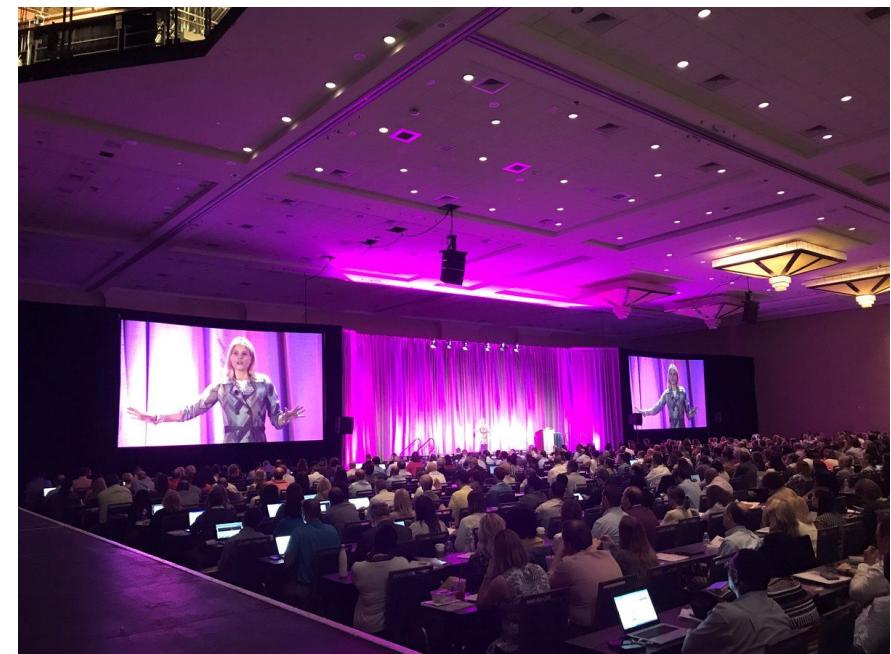


*what sustainability
is not...*

Corporate Shared Value

“We believe that ... shared value creation is about new business opportunities that create new markets, improve profitability and strengthen competitive positioning. CSR is about responsibility; CSV is about creating value.”

Creating shared value (CSV) is a business concept first introduced by ME Porter and MR Kramer in 2007 in [Harvard Business Review](#) article Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility. Then expanded in "Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society", January 2011.



Corporate Shared Value

“Shared value is not social responsibility, philanthropy, or sustainability, but a new way for companies to achieve economic success.”

Michael E. Porter and Mark Kramer, “Creating Shared Value,” Harvard Business Review

Shared value is a management strategy in which companies find business opportunities in social problems. While philanthropy and CSR focus efforts on “giving back” or minimizing the harm business has on society, shared value focuses company leaders on maximizing the competitive value of solving social problems in new customers and markets, cost savings, talent retention, and more. SVI, 2019

<https://www.sharedvalue.org/about-shared-value>



Sustainability
=>CSR

Corporate Social Responsibility

Corporate social responsibility (CSR) is a company's commitment to manage the social, environmental and economic effects of its operations responsibly and in line with public expectations.

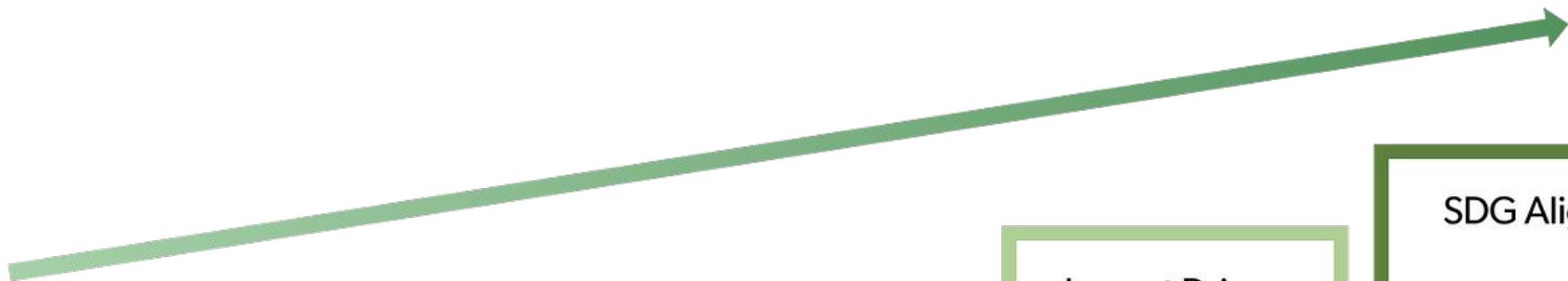
It is part of a company's approach to corporate governance and often touches every part of the business—operations, human resources, manufacturing, supply chain, health and safety, and more. CSR activities may include:

- Company policies that insist on working with partners who follow ethical business practices
- Reinvesting profits in health and safety or environmental programs
- Supporting charitable organizations in the communities where a company operates
- Promoting equal opportunities for men and women at the executive level

Some aspects of CSR may be required by law. For example, banks and hospitals are legally required to protect people's private information. Others are voluntary.

The Evolution of Sustainability in Business





Conventional

Responsible

Sustainable



Impact Driven

SDG Aligned



No Impact

Conventional for-profit businesses with no social/ environmental objectives or considerations

ESG Review

Implementation of Principles for Responsible Investment. No review of product/ business

ESG Mitigation

'No harm' approach considering company product & business

Direct Impact

Developing outcome metrics that can be tracked and measured

SDG Objectives

Embedding SDG indicator targets integrated into product and business

Avoid Harm

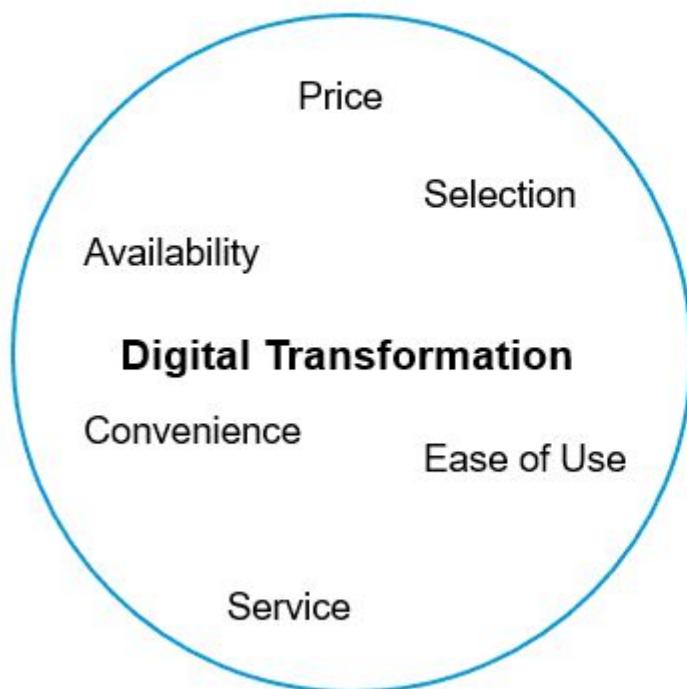
Benefit Stakeholders

Contribute to Solutions

**From Product/Service-Based Focus
(2010 to 2020)**



**...To Societal Focus
(2020 to 2030)**



Driven By:

- Climate change
- Declining Political Trust
- Polarization
- Transparency

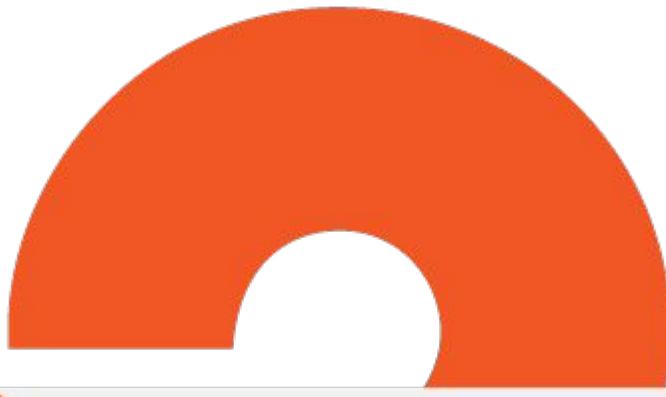
Expected By:

- Customers
- Employees
- Investors
- Regulators

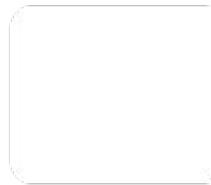


Quiz

1. Sustainable development can be defined as
 - a. the balance between environmental and social concerns and issues
 - b. an economic strategy for green growth
 - c. a new form of economic development based on the natural capital
 - d. taking care of present and future generations' needs
2. The sustainable development goals (SDGs) are
 - a. 15 with 150 indicators
 - b. 167 with 180 indicators
 - c. 17 with 169 indicators
 - d. 8 goals with 100 indicators
3. CSR refers to
 - a. a political economy oriented towards the green growth
 - b. a business strategy to balance social and economic issues
 - c. corporate citizenship and business ethics
 - d. a business strategy to balance profits with environmental awareness and social impact

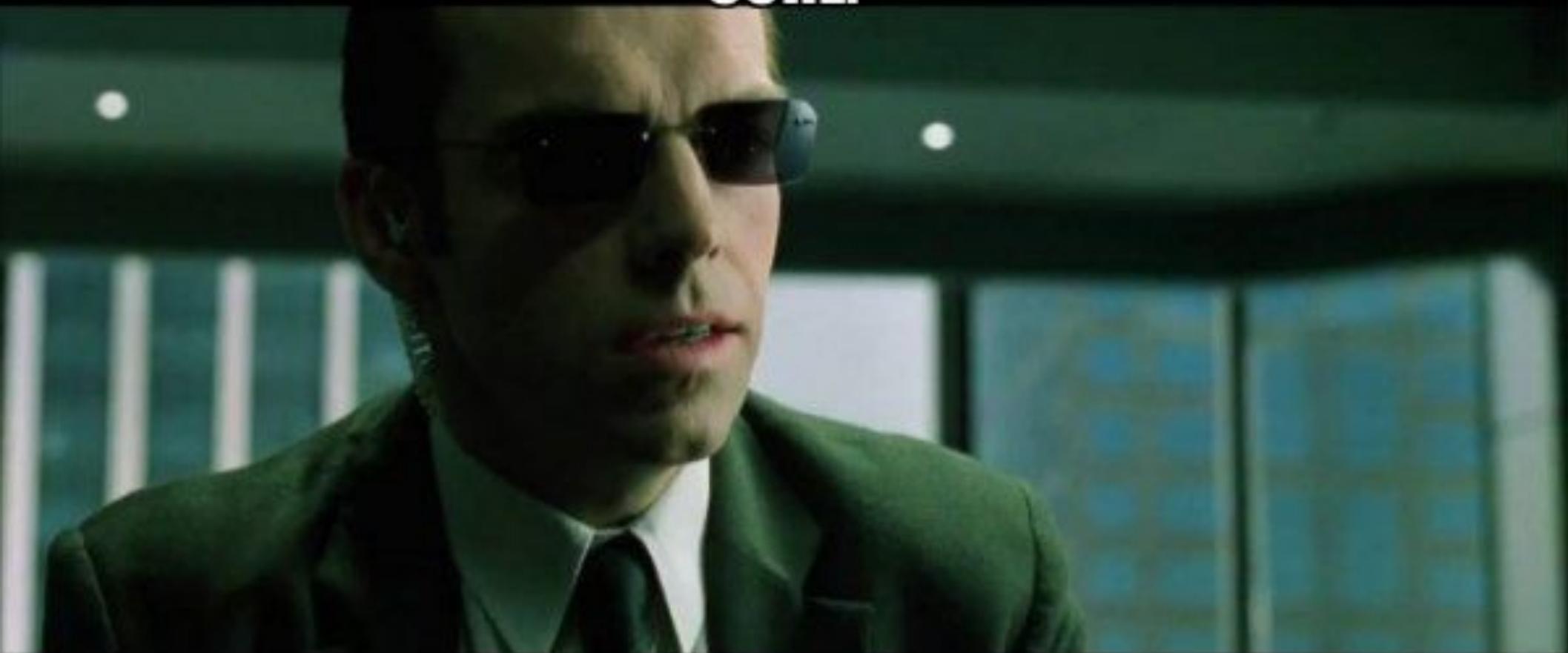


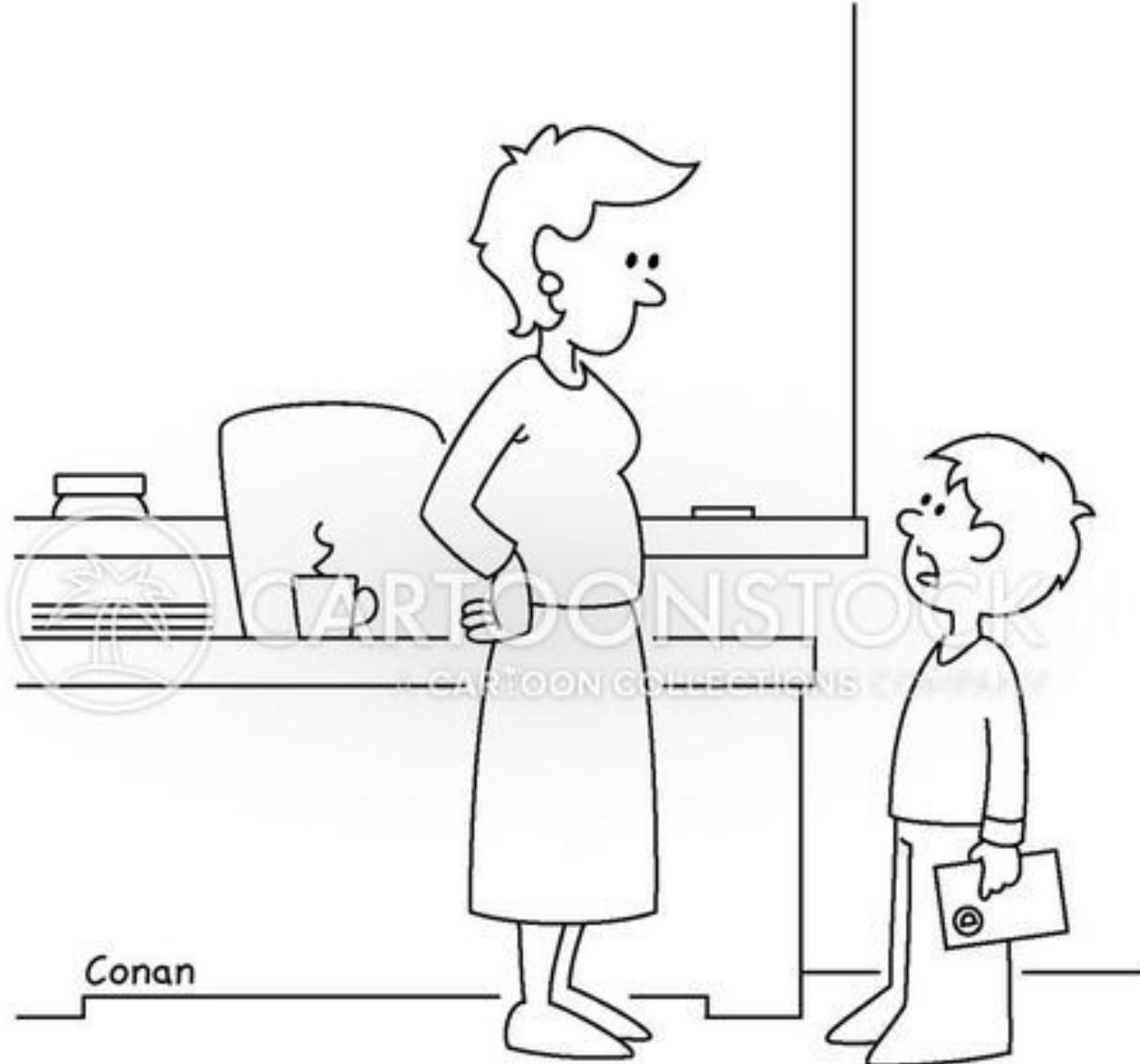
SO WHAT ELSE



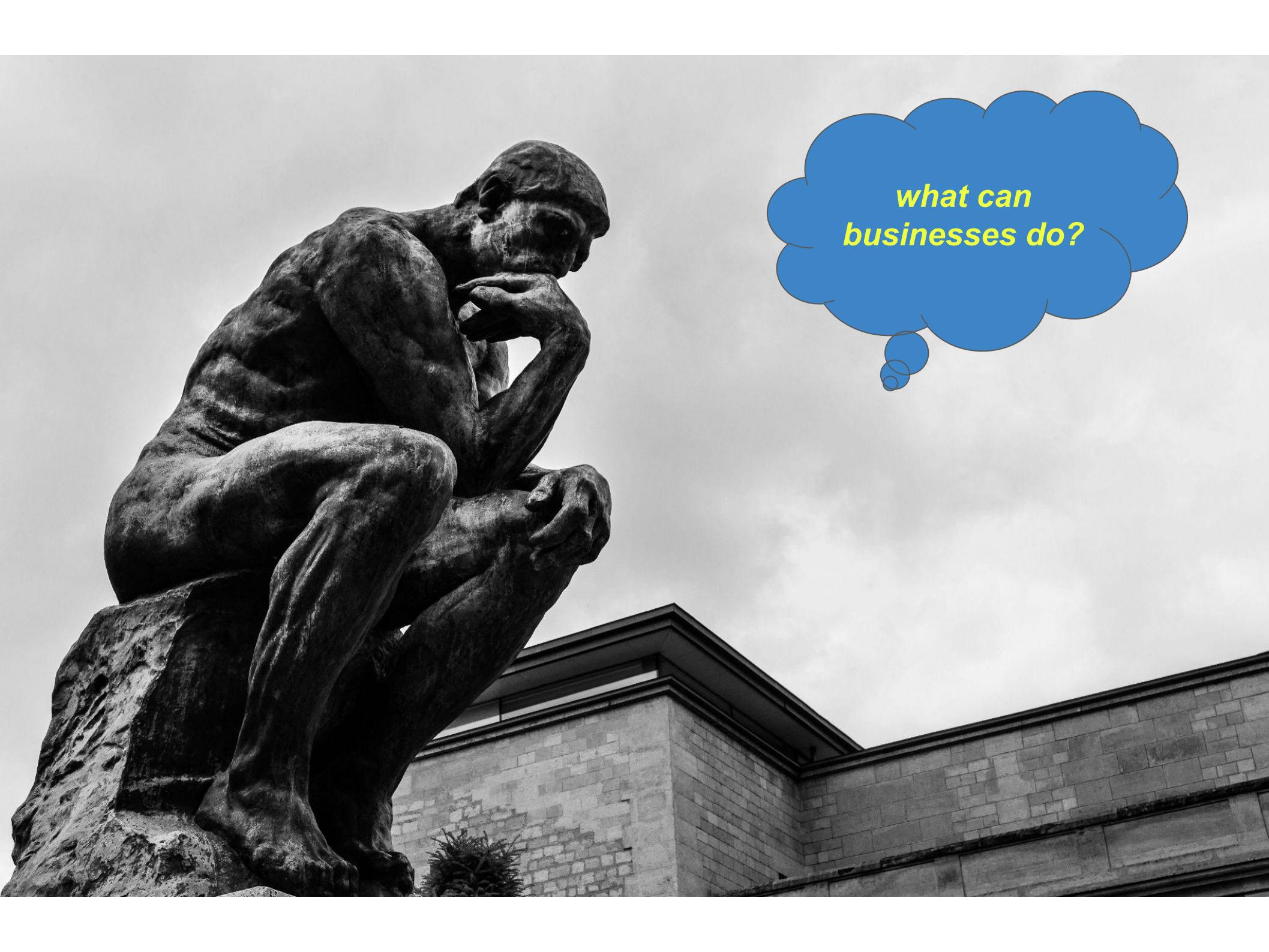
CAN WE DO TO HELP?

**HUMAN BEINGS ARE A DISEASE, A CANCER OF THIS
PLANET. YOU ARE A PLAGUE. AND WE ARE... THE
CURE.**





"It's not my fault I got a D.
The system is broken."



*what can
businesses do?*

Discussion prompt

Discuss

Why the Matrix Movie can be used to describe the “as usual” sustainability approach

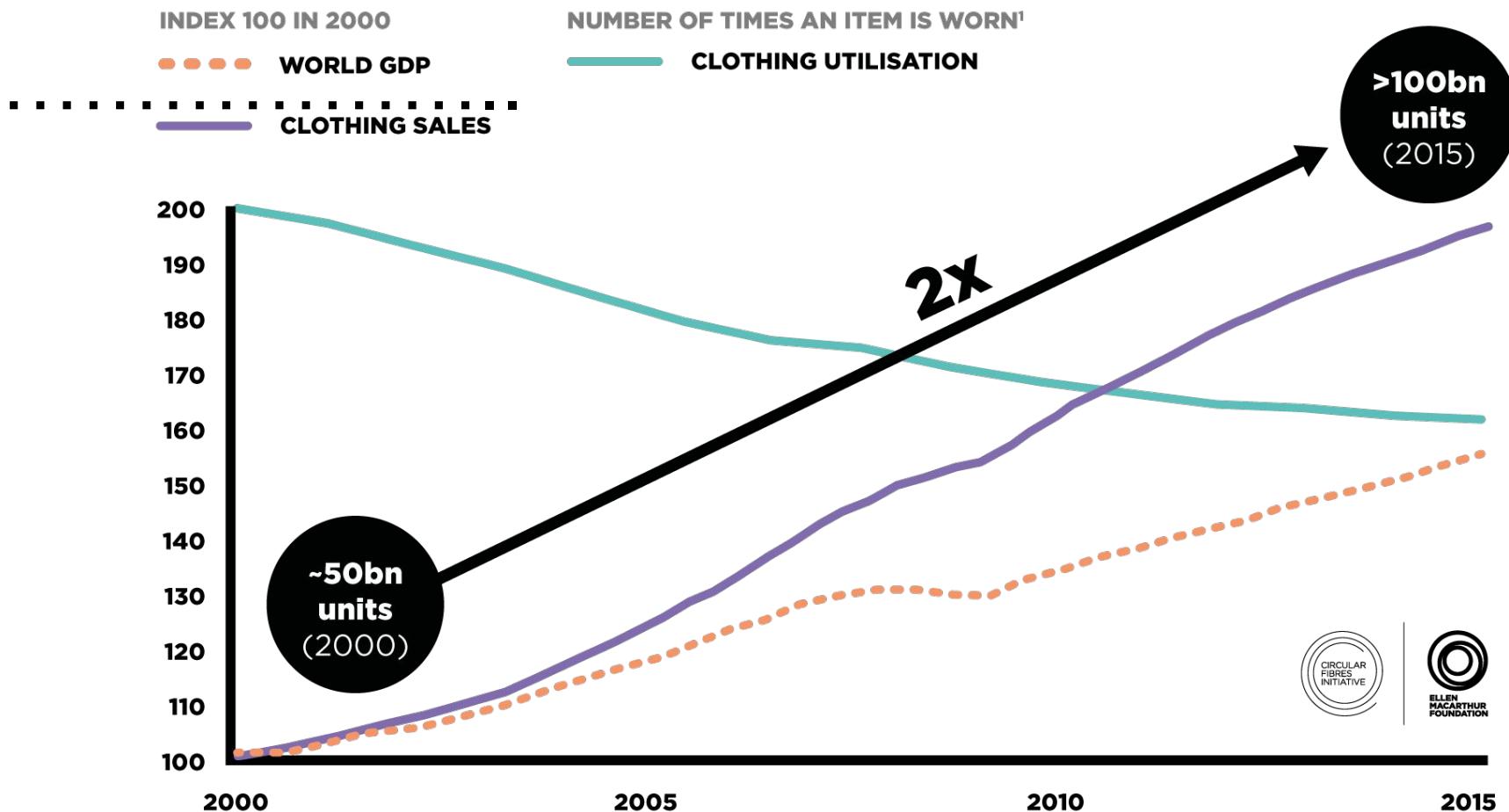
Sources

- <https://www.imperial.ac.uk/stories/climate-action/>
- <https://www.bbc.com/news/science-environment-24021772>
- <https://www.bgs.ac.uk/discovering-geology/climate-change/how-does-the-greenhouse-effect-work/>
- <https://carbonfootprintmanagement.com/background-climate-change/>
- <https://innovation.eurasia.undp.org/using-the-matrix-to-feel-climate-change/>

Shifting to better times

The role of firms & the creation of
Sustainable Value

What's Next ?



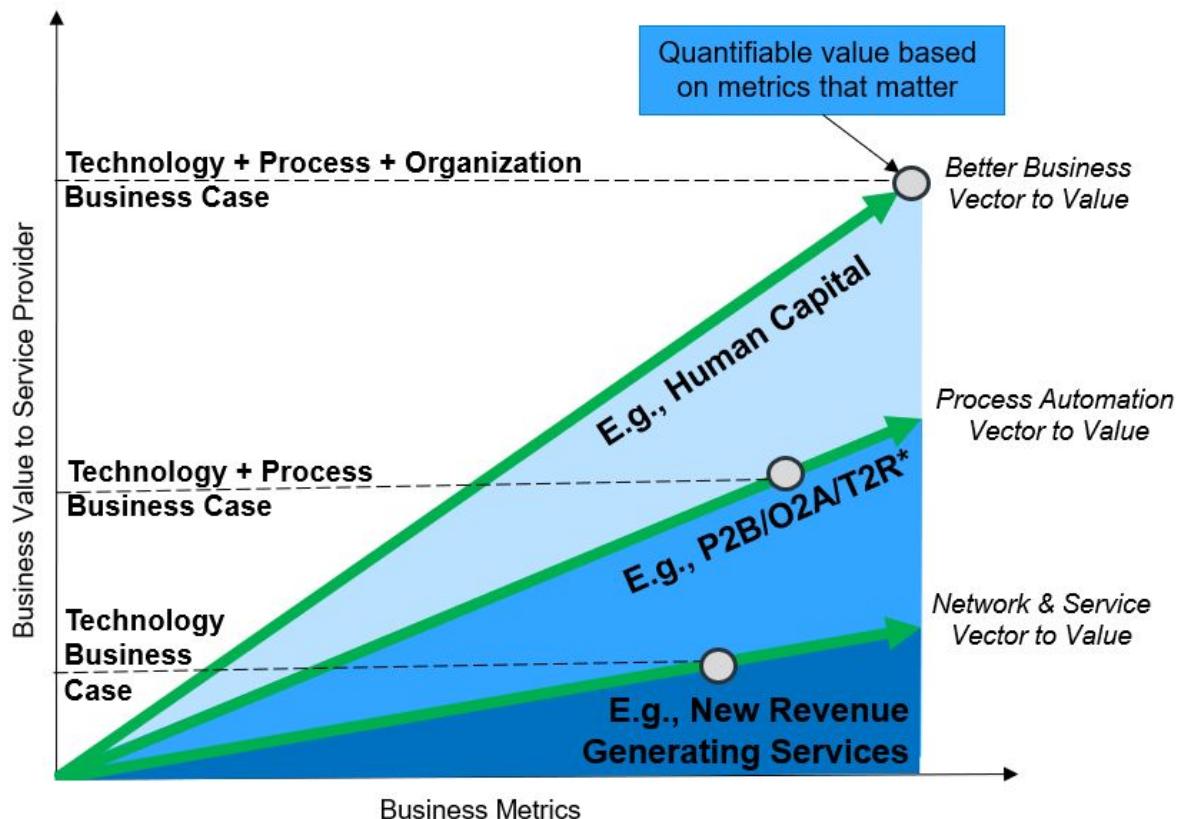
1 Average number of times a garment is worn before it ceases to be used

Source: Euromonitor International Apparel & Footwear 2016 Edition (volume sales trends 2005–2015); World Bank, *World development indicators - GD* (2017)

Discussion Prompt #2

- What is business value ?
- How do they create value?
- How do they measure value?
- Are those BMs different?

Business Value Map Results | Technology, Process & Organization



* **P2B:** Plan to Build (Service Definition)
O2A: Order to Activation (Fulfillment)
T2R: Trouble to Resolve (Assurance)

Reframing

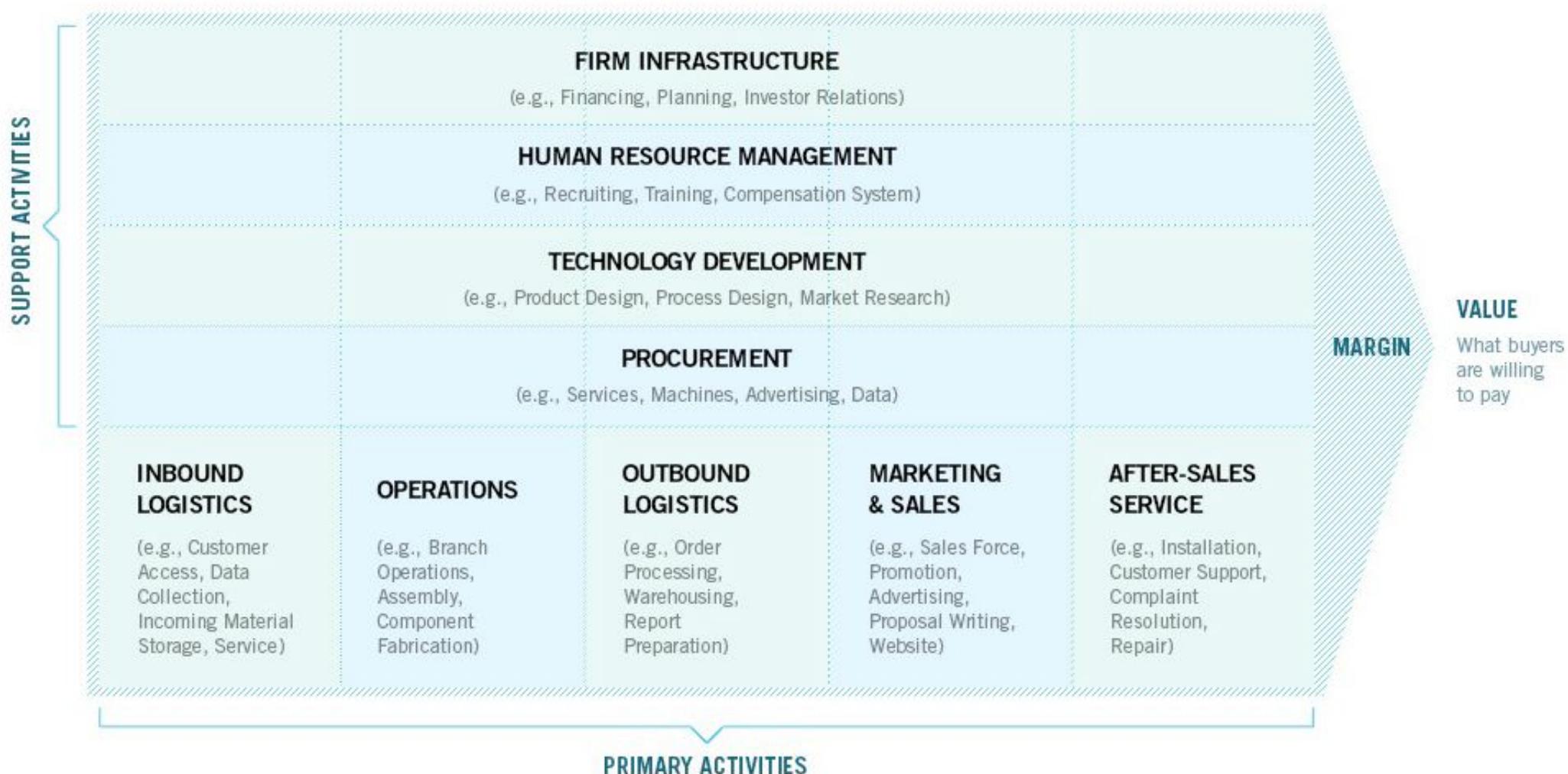
Why changing?

How?

What can we do?

The Value Chain

M.Porter, 1985





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Opt.#1: Linear Business/Value Chain

Don't change your business, the way you create and deliver value.
Wait for better and clearer times.

The idea of the value chain is based on **the process view of organisations**, the idea of seeing a *manufacturing (or service) organisation as a system, made up of subsystems each with inputs, transformation processes and outputs*.

Inputs, transformation processes, and outputs involve the acquisition and consumption of resources - money, labour, materials, equipment, buildings, land, administration and management.

How value chain activities are carried out determines costs and affects profits.

Michael Porter, 1985, *Competitive Advantage: Creating and Sustaining Superior Performance*

TIME TO ADAPT
★ ★ ★

TIME TO ADAPT

TIME TO ADAPT

Opt.#2 Sustainable Business

Business sustainability is often defined as **managing the triple bottom line** - a process by which companies manage their financial, social and environmental risks, obligations and opportunities. These three impacts are sometimes referred to as profits, people and planet [3P] (ft.com)

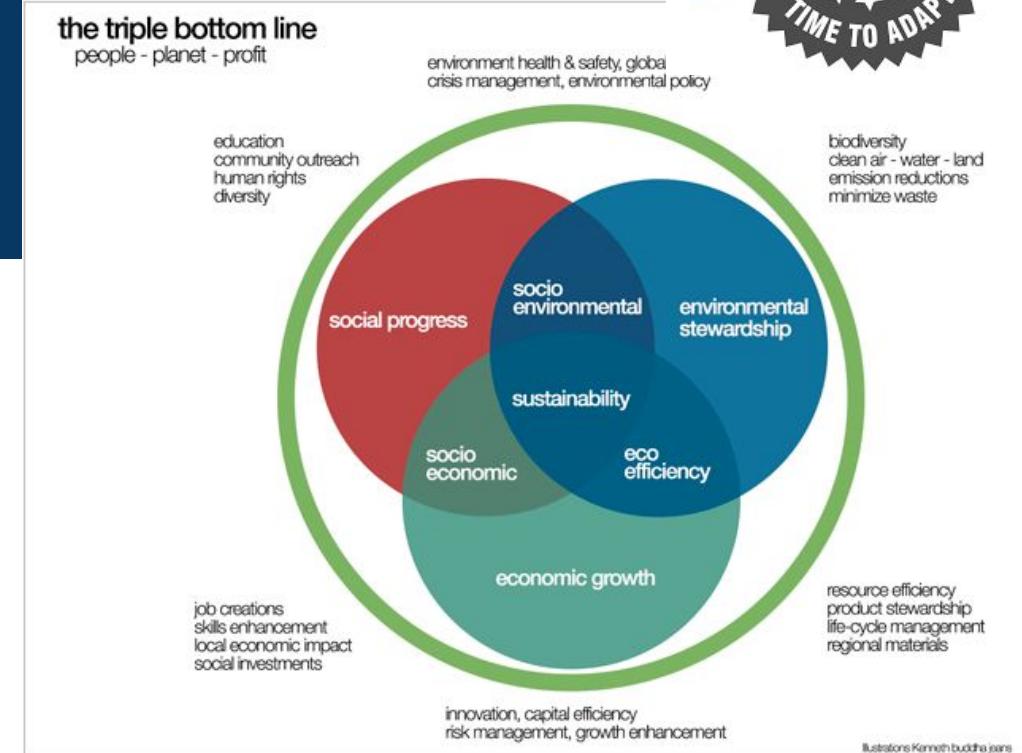


Table 2Six narratives describing the economic dimension of sustainability (based on [Franceschini and Pansera, 2015](#)).

Narrative	Definition
Business-as-usual	Economic growth is prioritized, environmental sustainability is not explicitly pursued. Sustainability is given by the efficient conversion of natural capital into human-made capital.
Relative decoupling	Natural and human-made capitals cannot be considered interchangeable. Negative environmental impacts can be partly avoided through increasing eco-efficiency in pursuing economic growth.
Green growth	Economic growth and environmental sustainability can be reconciled and can have mutual positive feedback. This process is fuelled by nature-based solutions, i.e. ecological adaptation and resilience; these are conceived in opposition of or in addition to techno-knowledge solutions.
Limits to growth	Technological development does not meet the needs of human society. The natural limits of the planet produce a shrink or collapse in economic growth.
Absolute decoupling	Natural and human-made capitals cannot be considered interchangeable. Economic growth is not excluded as long as negative environmental impacts can be completely avoided through increasing eco-efficiency. Environmental sustainability is thus prioritized over growth.
Green frugality	Awareness of ecological limits and limits to growth are sought; techno-knowledge solutions are substituted or complemented with nature-based solutions, ecological adaptation and resilience. ^a

^a Concrete solutions to the management of natural resources that build on the understanding of ecosystem services, e.g. using restoration of wetlands' ability to retain and purify water as part of water management ([Kettunen and Ten Brink, 2015](#)).

Table 3

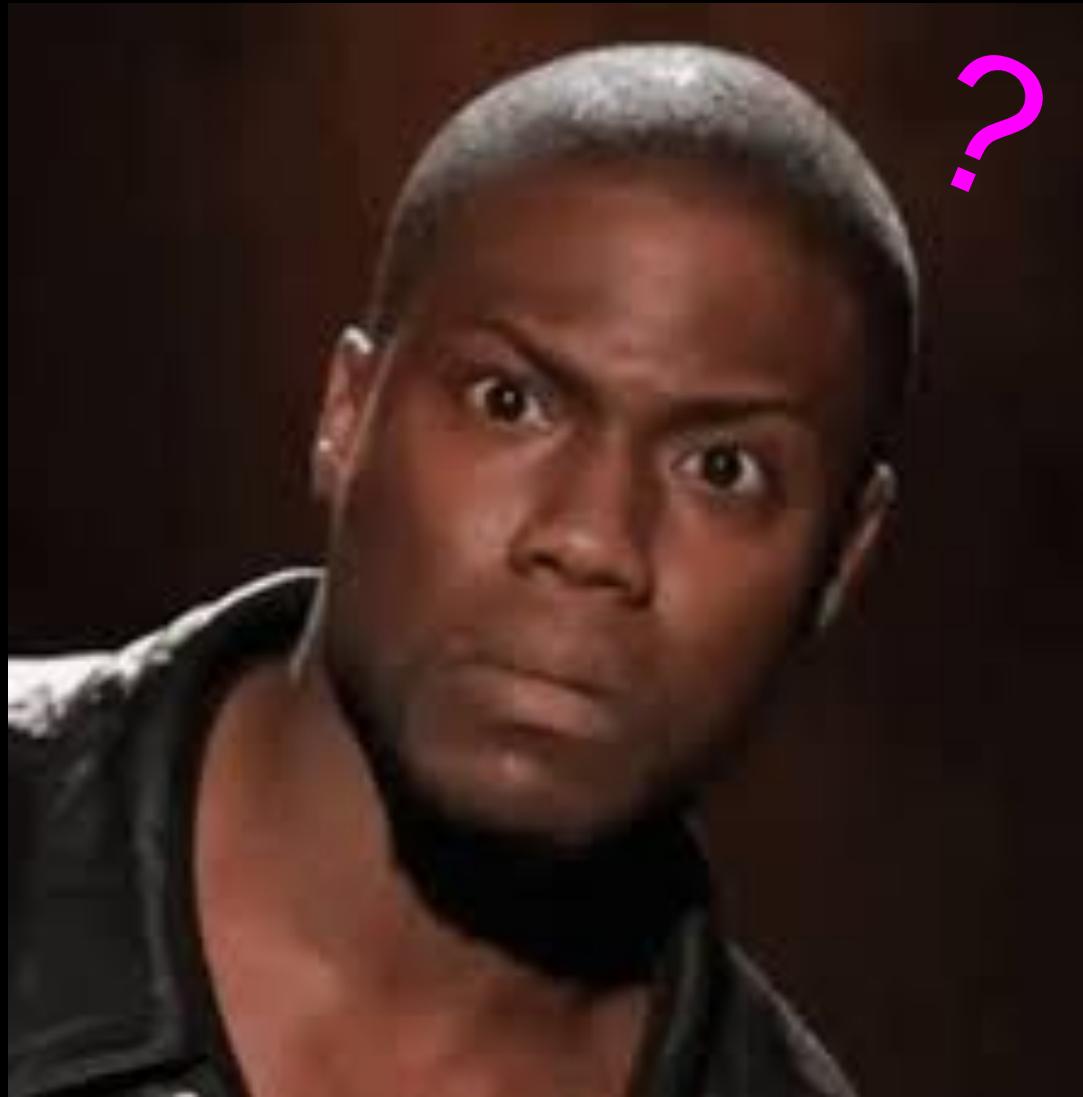
Main aspects included in the social and environmental dimensions of sustainability.

Sustainability dimensions	Definition
Social	Education and training, social justice (e.g. inter- and intra-generational), participation and democracy, health, quality of life and well-being, social inclusion, social capital, community network, safety, mixed tenure, employment and income (safety and equality), social order and cohesion, cultural traditions, recreation and tourism.
Environmental	Water, carbon and nutrient cycles (including emissions and waste); greening cities and logistics; quality of energy source and efficiency in production and use; maintenance of biodiversity, ecosystems and related services.



Opt.#3

What's Next?



No thanks!

**We are
too busy.**

The Circular Economy



**GIVE YOUR
DEFINITION**



From a Linear Economy...



lost value of materials and products

scarcity of resources and **unstable supply** of raw materials

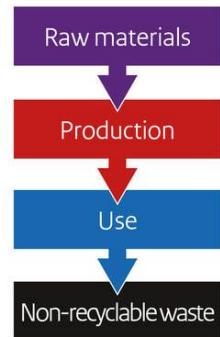
volatile prices of resources

waste generation

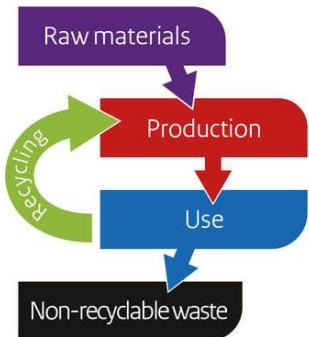
environmental degradation & climate change

From a linear to a circular economy

Linear economy



Reuse economy



Circular economy



From waste to resources...

Linear economy



Chain economy



Circular economy

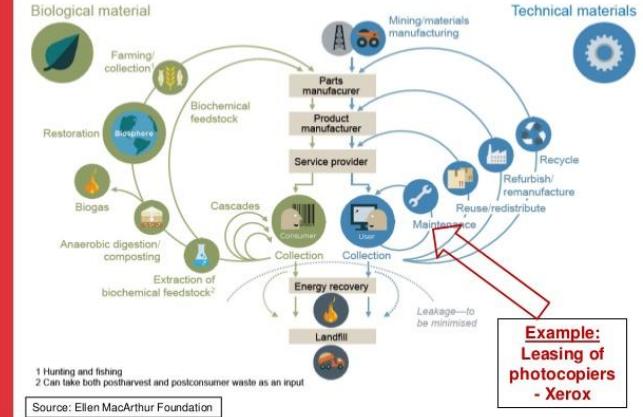


From waste to resources

Transition ...

Circular economy

Transition to a circular economy

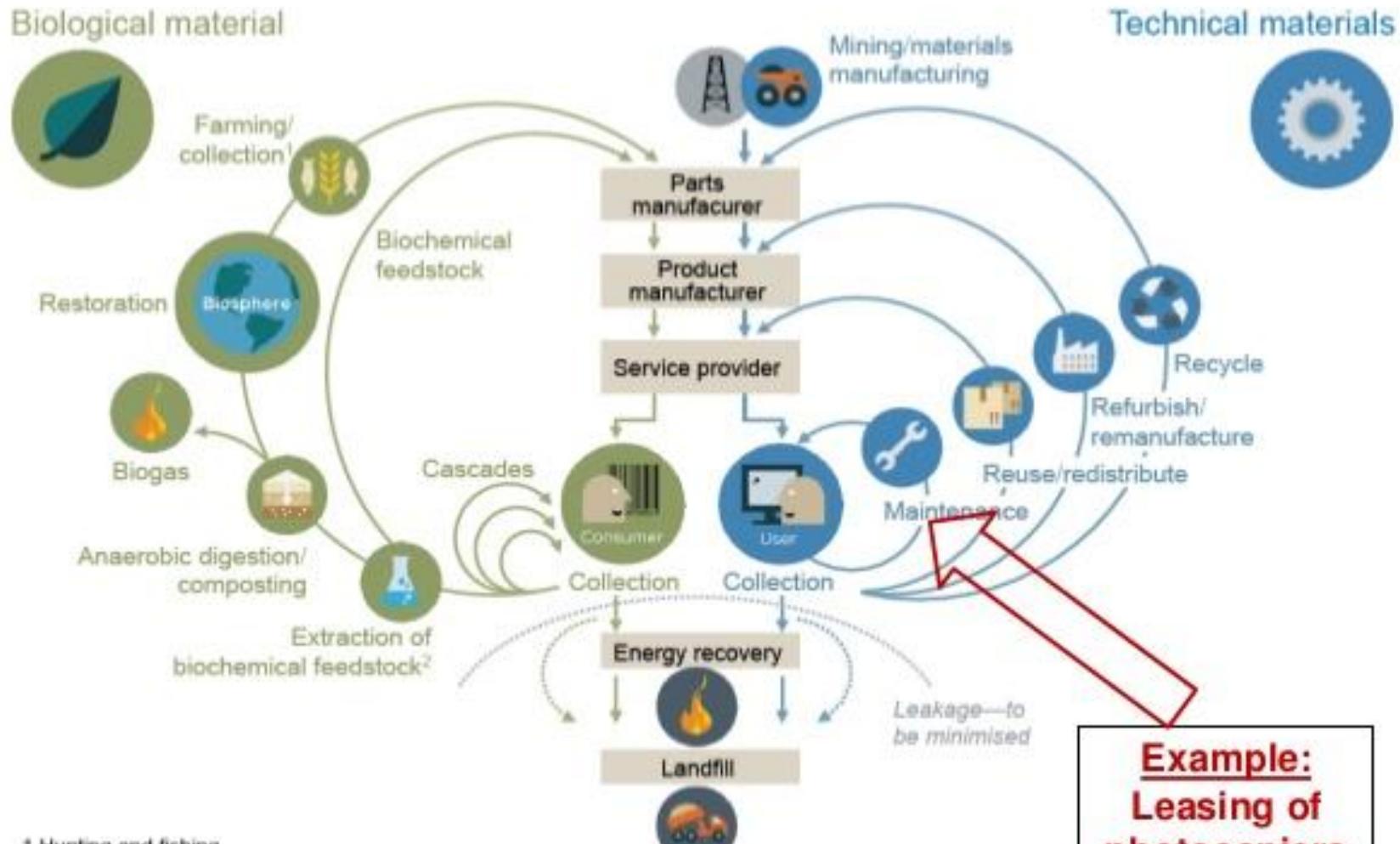


an industrial economy that is producing no waste and pollution, by design or intention, and in which material flows are of two types, biological nutrients, designed to reenter the biosphere safely, and technical nutrients, which are designed to circulate at high quality in the production system without entering the biosphere as well as being restorative and regenerative by design.

Ellen MacArthur Foundation

References: Pearce, Turner (1990) “Economics of Natural Resources and the Environment”

Transition to a circular economy



Example:
Leasing of
photocopiers
- Xerox

Source: Ellen MacArthur Foundation



ELLEN
MACARTHUR
FOUNDATION



The linear 'Take - Make - Dispose' system, which depletes natural resources and generates waste, is deeply flawed and can be productively replaced by a restorative model in which waste does not exist as such but is only food for the next cycle

— Ellen MacArthur —

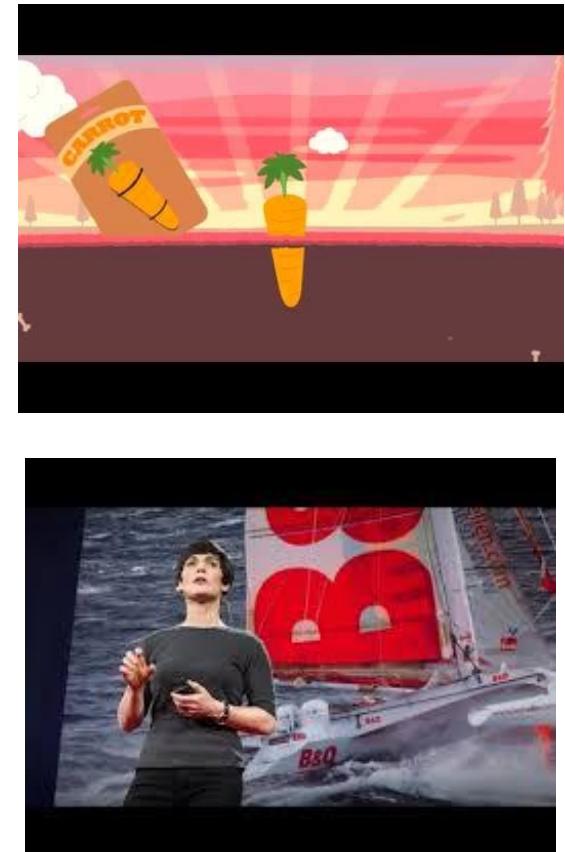
AZ QUOTES

<https://goo.gl/m4nAF2>



"Sustainability is about the 'big picture', it is about the connections we make between the economy, society and our environment.

"It is a profound challenge, at the end of an era of cheap oil and materials to rethink and redesign how we produce and consume; to reshape how we live and work, or even to imagine the jobs that will be needed for transition."



Circular economy



The circular economy is an economy “where the value of products, materials and resources is maintained in the economy for as long as possible, and the generation of waste minimised”.

The transition to a more circular economy would make “an essential contribution to the EU's efforts to develop a sustainable, low-carbon, resource-efficient and competitive economy”.

European Commission
(2015a)

CE: where does it
come from?

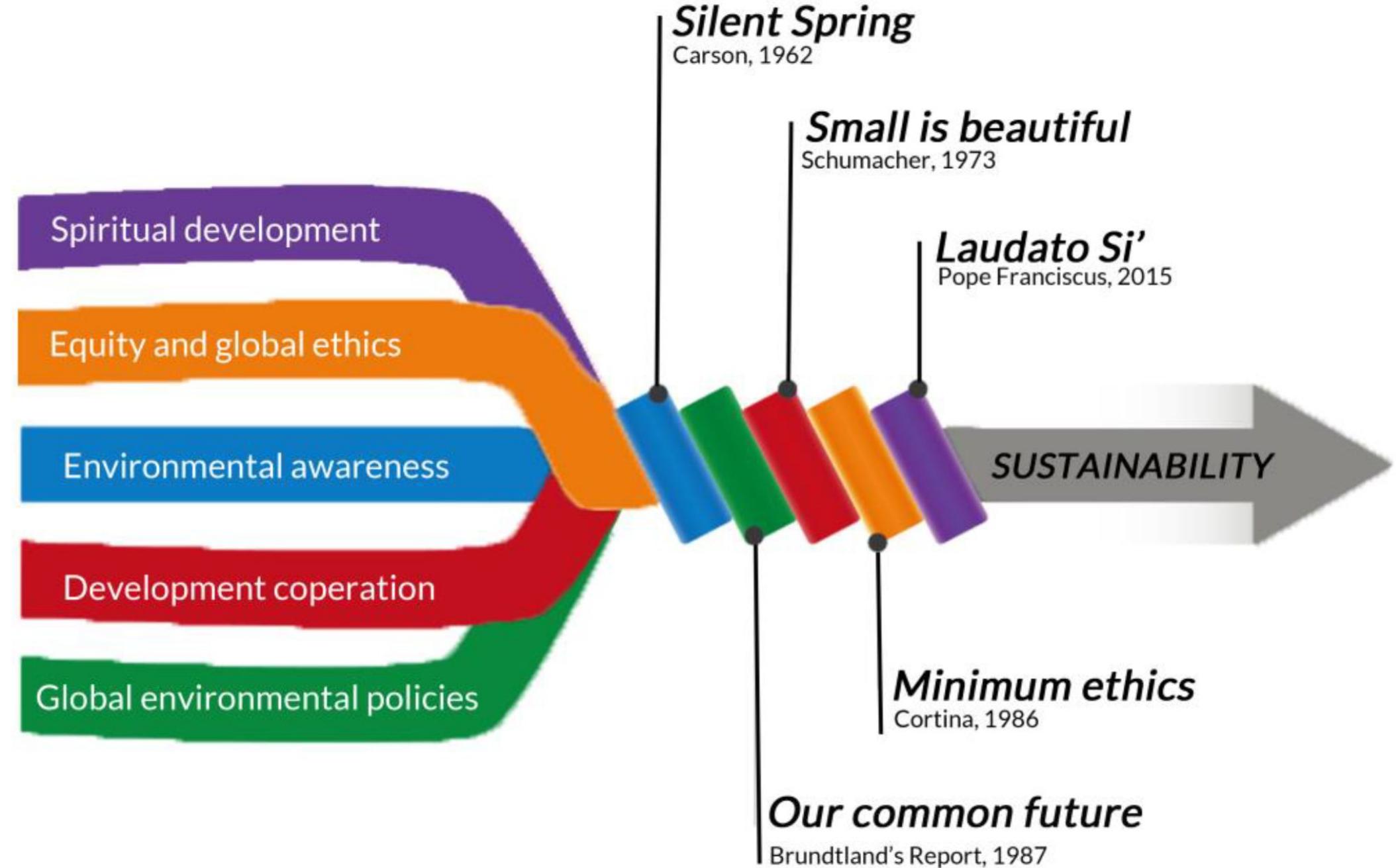




Fig. 1. Word Cloud used for selection of the literature
<https://www.mentimeter.com>> Accessed in June 2020,12:58.
 Source: Authors (2020).

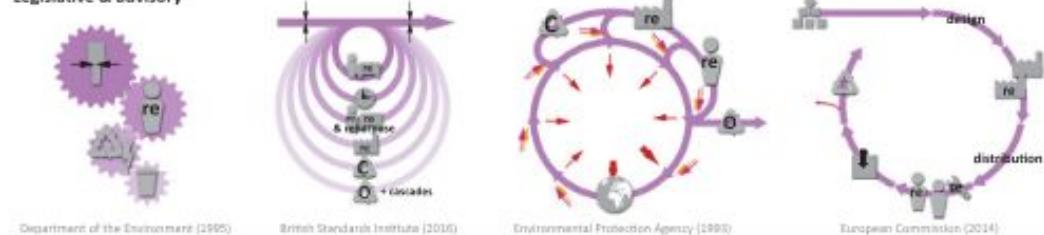
Seminal thinkers/ frameworks



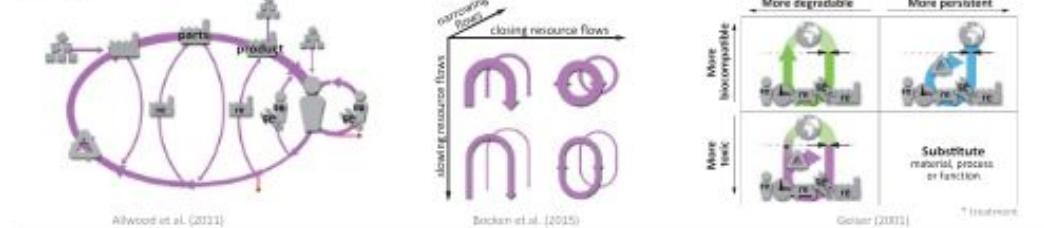
Think tanks



Legislative & advisory



Academia



Business



Legend:

- Electrical
- Biological
- No return to biosphere
- Biological or technical
- Protected flow/benefit
- Renewable/efficiency
- Losses or residuals
- Additional material or labor inputs
- Energy
- Information/knowledge
- Non-material input
- Industrial, logistic components to reduce the waste flows
- Qualifying
- Industrial or service business
- Reconditioning
- Secondary source to be treated
- Consumed user
- Maintain
- Recycle
- Product life extension
- Disposal, partly end-of-life
- Recycling
- A,B,C Resource-exchanged
- E.C.E. Circular economy approach
- Decreasing preference

Figure 1 Overview of a selection of interpretations of waste and resource management frameworks. These illustrations purposefully lack some detail so as to draw attention to the underlying structure of these interpretations: that is, the major role that "circular" or resource life-extending strategies play as well as the preoccupation with organizing the relationship between strategies.

Table 4

Six main topics emerging in CE, GE and BE concepts.

Topic	CE	GE	BE
1	Sustainable development in industrialization and urbanization	Sustainable development	Biomass and renewables in energy production
2	Recycling in products life cycle for waste reduction	Green investments, especially in urban context	Rural policies esp. in Europe
3	Industrial symbiosis, especially in EU	Tourism, business, education, employment	Biotechnology applications in health science
4	Efficiency evaluation techniques in logistic/supply chain management systems	Biomass and renewables in energy production	Biotechnology applications in materials science
5	Carbon emission and energy in production plants	Recycling, re-use, reduction in products life cycle	Biomass supply/demand, especially wood
6	Greening the supply chain	Conservation and land use	Biosecurity

Table 5

Main aspects included in CE, GE and BE concepts in regard to the social and environmental dimensions of sustainability.

Concepts	Sustainability dimensions	
	Environmental	Social
CE	Recycling/re-use, efficiency, industrial symbiosis, greener supply chain.	Economy, development, utilization.
GE	Conservation, water, land, biodiversity, food, security.	Sustainable development; Green investments, tourism, business, employment, education.
BE	Biosecurity, crops, species, risk, yield, invasive.	Rural policies; Research and applications in health science.

Table 1

List of evaluated articles and their main elements.

Author / Publication date	Title of article	General comparative aspects about the theme
Andrews, D. 2015	The circular economy, design thinking and education for sustainability	It incorporates the concept of biomimetics - "an approach to innovation that seeks sustainable solutions to human challenges, emulating the patterns and strategies tested by nature's time" - to EC through a parallel with bio-geochemical cycles.
[17]	Towards circular economy implementation: a comprehensive review in context of manufacturing industry	It divides academic works on CE into three different perspectives according to the motivation of the publication: scarcity of resources (energy and material consumption); environmental impact (solid waste, landfills, emissions or pollution); and economic benefits (financial aspects, such as cost reduction, increased revenue or gross domestic product).
[2]	The emergence of circular economy: a new framing around prolonging resource productivity	It defines CE as an umbrella concept, which encompasses other concepts based on resource life-extension strategies.
[6]	Green, circular, bio economy: A comparative analysis of sustainability avenues	It presents CE, the green economy and bioeconomy as concepts derived from the principles of sustainability; CE stands out for its concern with urban development and inter-governmental relations in supply chains.
[8]	Measuring Circular Economy Strategies Through index Methods: A Critical Analysis	It explains that, under a view of applicability, the metrics for evaluating processes that use the concept of CE must be specific, taking into account mainly the scope of the case.
[9]	The circular economy – A new sustainability paradigm?	It brings the element of the holistic view, where circular economy is incorporated into sustainability; makes a parallel between the two concepts, with sustainability being the basic concept and CE the practical application.
[11]	Sustainable supply chain management and the transition towards a circular economy: Evidence and some applications.	It features a case study that illustrates the benefits of applying CE in the supply chain; affirms the need to structure from top to bottom for the transition from the economic paradigm to happen.
[15]	Circular Economy: The Concept and its Limitations	It presents CE within the a perspective based on three dimensions of development, classifying it as a "collaborative economy".
[12]	A systematic review on drivers, barriers, and practices towards circular economy: a supply chain perspective	It points to the use of CE principles in urban development. The path proposed with the best potential for effectiveness is top-down implementation; highlights the legislative participation of public administrations in circularity processes.
[13]	The circular economy umbrella: Trends and gaps on integrating pathways	It exemplifies the application of CE as a mandatory regulation in China; shows the way in which the CE impacts the supply chains, prioritizing inter-organizational relations. The development of communication among government agencies is crucial to the transition process.
[16]	Circular economy as an essentially contested concept	It emphasizes that in order to understand the strict definition of CE, it is necessary to understand the holistic aspect applied to man-nature relations as the main element. The other aspects that make up the concept are derived from several areas of knowledge. It considers the application of CE flexible, according to the case and objective of the researcher.
[21]	The circular economy: new or refurbished as CE 3.0? - exploring controversies in the conceptualization of the circular economy through a focus on history and resource value retention options	It presents the roots of the CE concept, which develop from the first concerns of industrial production about the residues of its processes.

Source: authors (2020).

Table 1: List of evaluated articles and their main elements.

Complexity

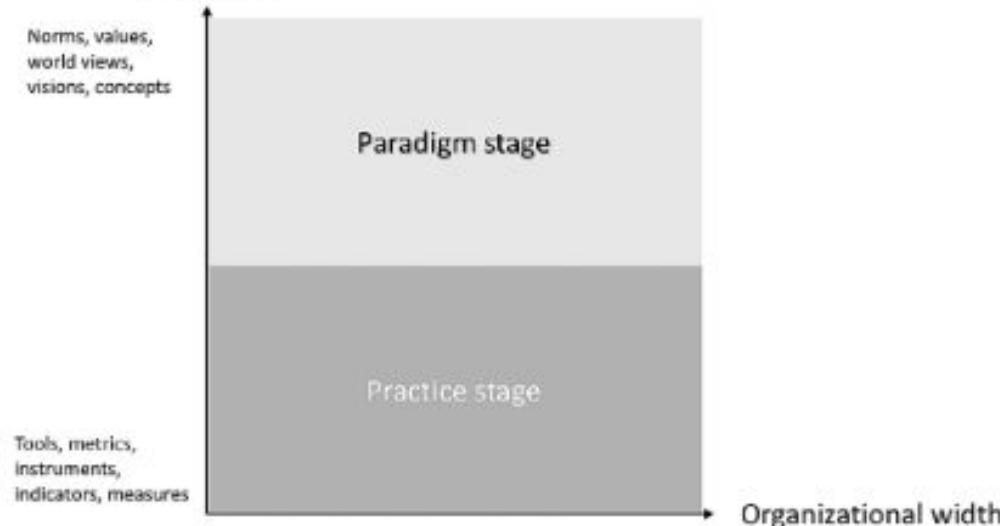


Fig. 2. The context of the unit of analysis, which can be used as a map to navigate inside a complex cluster concept such as circular economy. Together Fig. 2 and 3 constitute the early and tentative research framework for studying CE proposed in this paper.

Complexity

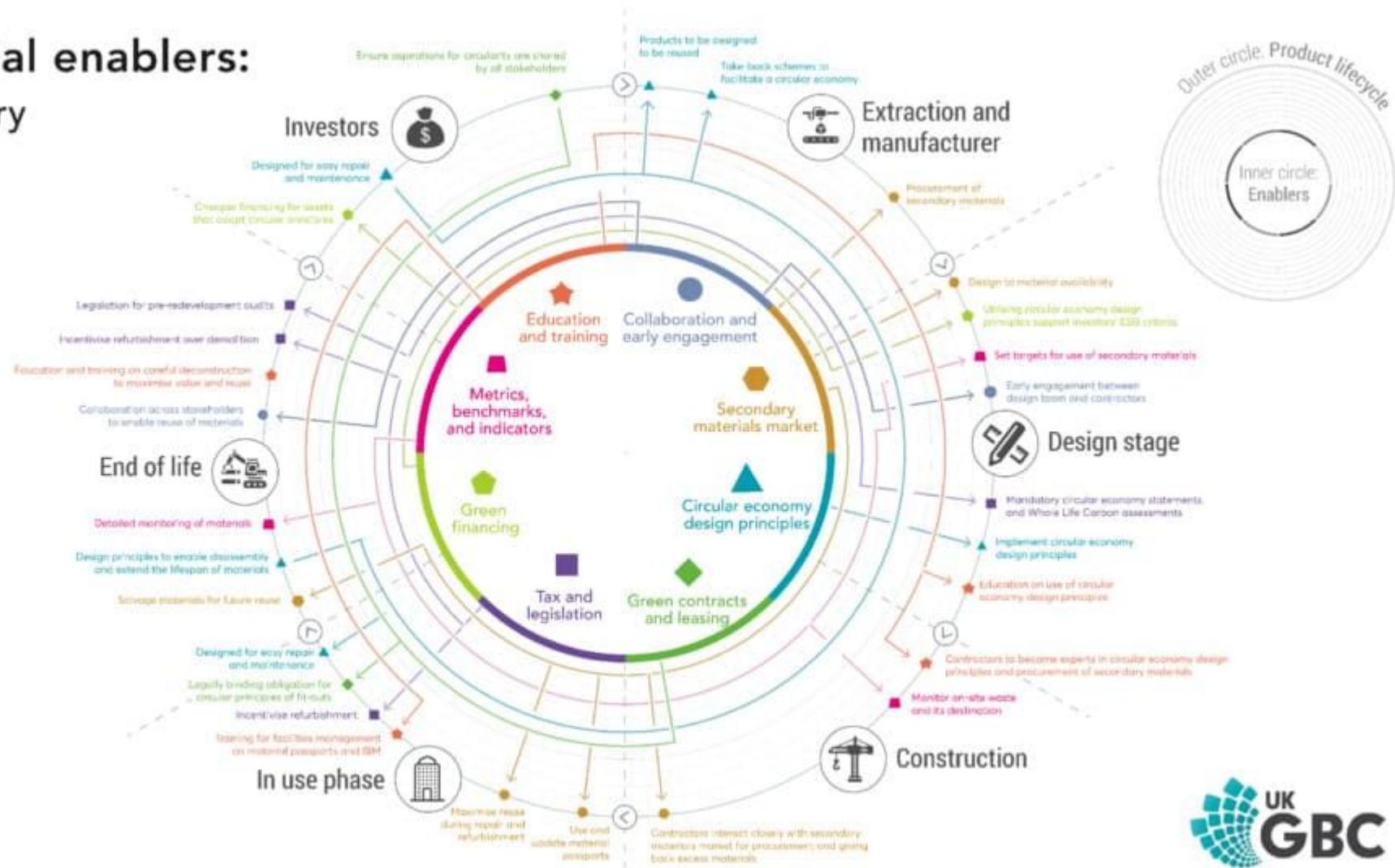


Fig. 3. The context of the unit of analysis, with examples. The message is that Fig. 2 and 3 show that the proposed research framework can help researchers and others to classify, structure and organize the actual study issues, topics, themes and research questions relevant for CE in light of sustainability. On level 1, themes such as organizational culture, learning, responsibility or the overall world-views and visions contributing to the culture of the sharing economy are important. While on the second level, practical and concrete physical flows of materials and energy are important, e.g. fuel, energy and resource inputs and wastes and emission outputs, the physical flows between nature and societal production-consumption systems.

CE: enabling forces

Industrial enablers:

A summary



Focus #1: The Performance economy

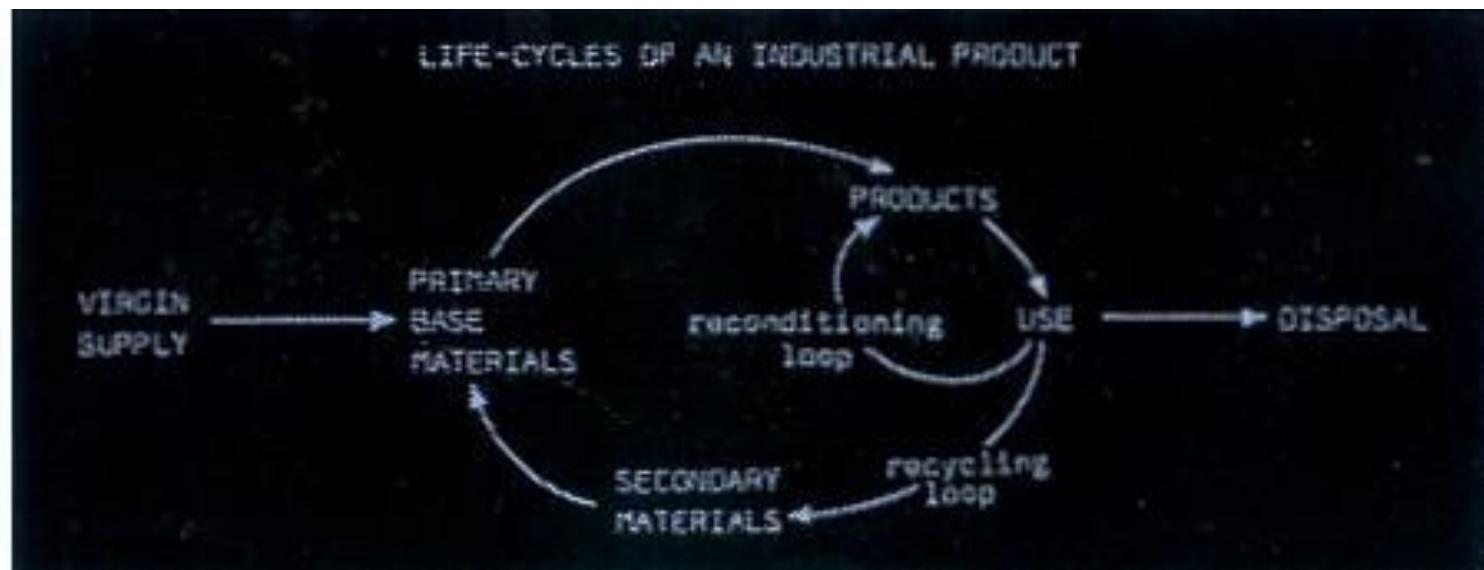
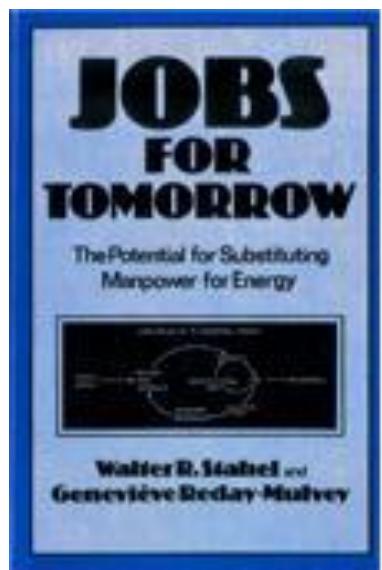
Walter Stahel, 2006

A shift from ownership to usage

Access to services is more important than ownership of products and capital

Idea: gives an incentive to the producers to make their products last longer, more energy efficient and suitable for reuse and recycling.

Adv: their profit is more security of income over time and the possibility to control their flow of raw materials avoiding price



Focus #2: The Digital World of The Data & Sharing economy

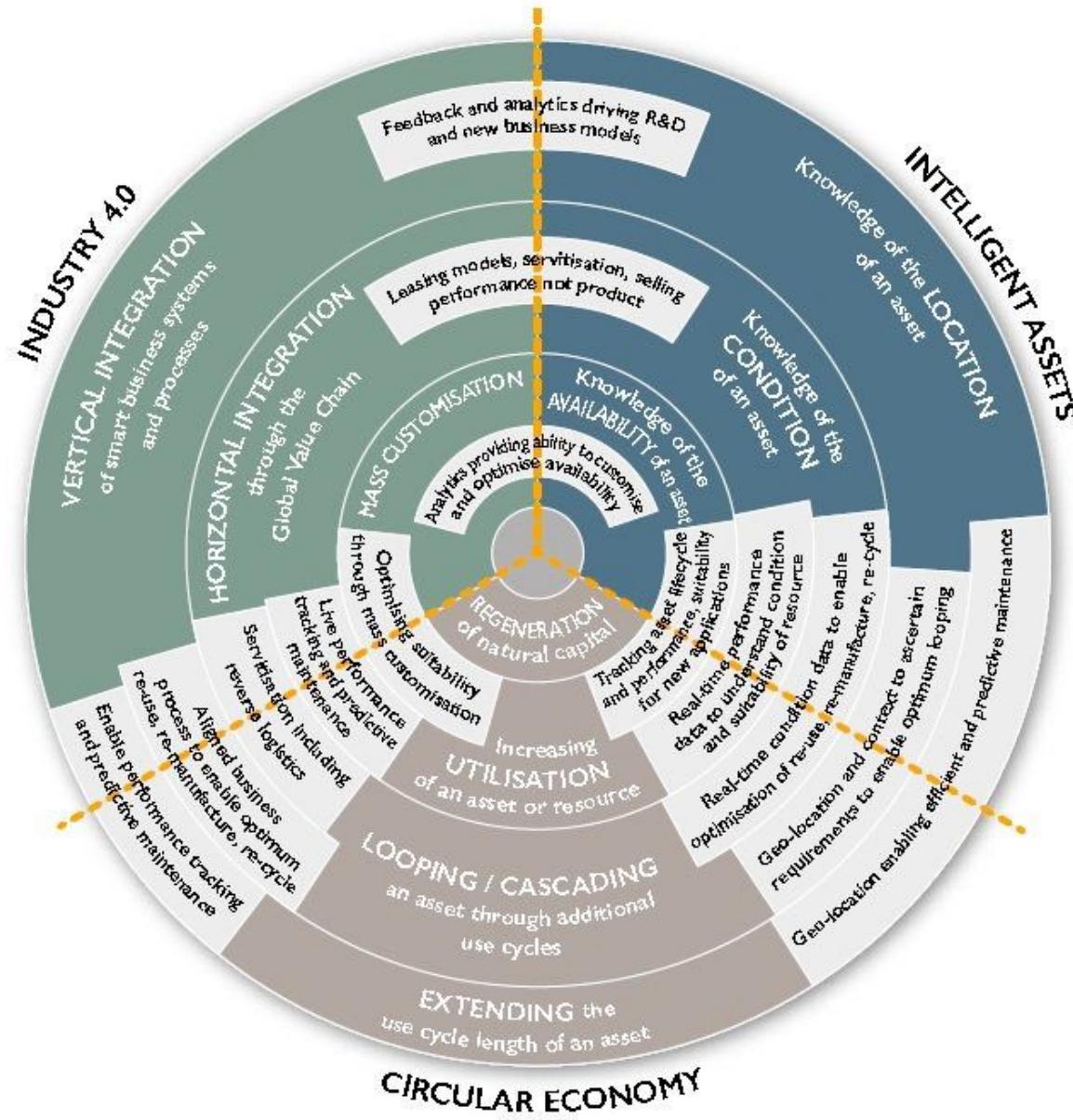
The sharing economy, is very much similar to the performance economy

A “service contract” between consumers instead of producer-consumer

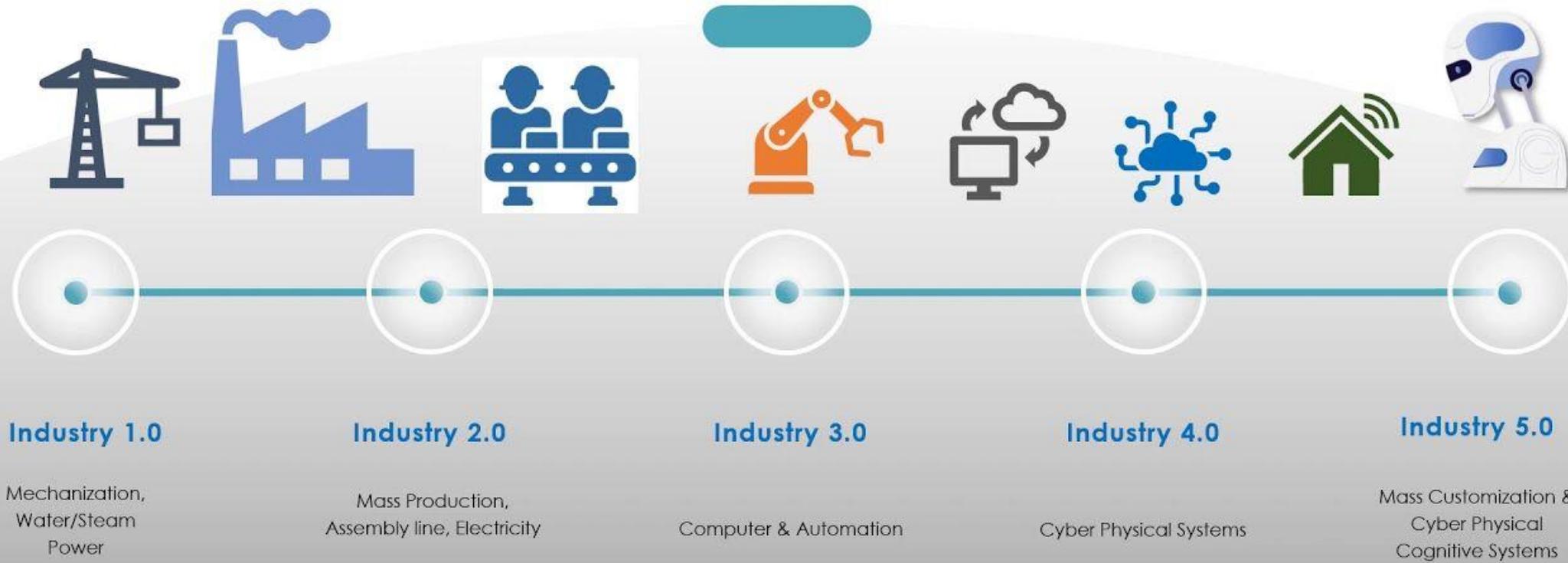
- It focuses on access and services instead of ownership
- Ownership of a product is still needed to be able to share
- These goods are shared among the public, often through platforms.
- sharing contracts are often only temporarily.
- True sharing-economy services are non-profit.

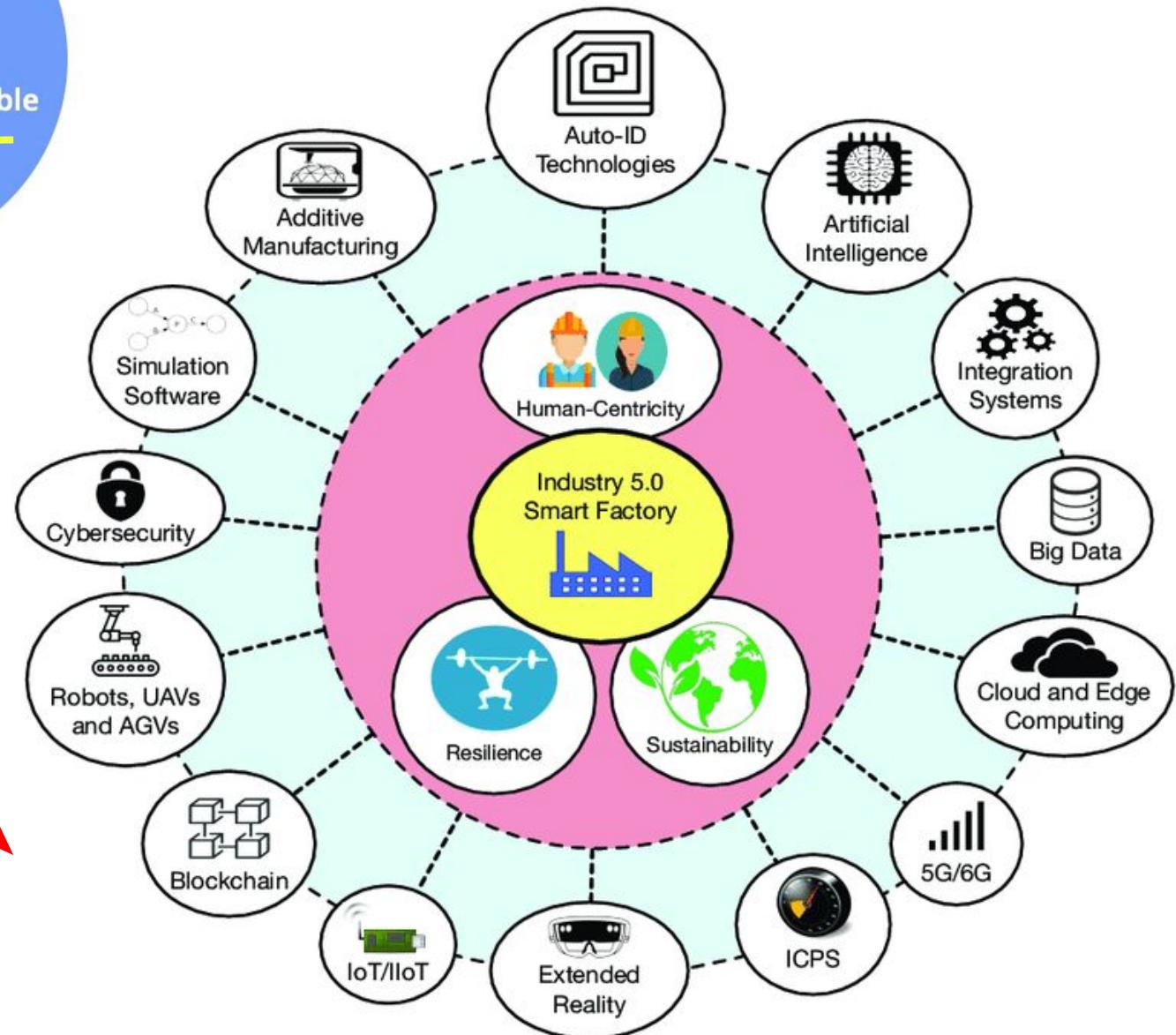
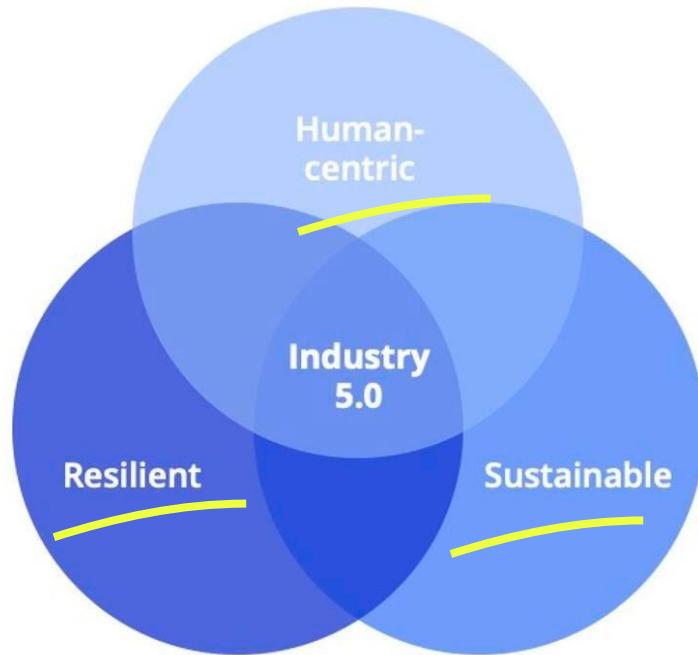


Focus #3: Industry 4.0



Industry 5.0







**Change
Ahead**

Quiz

1. What are the theoretical roots of the circular economy?
 - neoclassical economic theories
 - ecological and biological theories
 - focused theories mixing economic, ecological and innovative aspects
2. The performance economy is (more about)
 - the sharing economy
 - a productive way to reduce waste
 - an economic theory focusing on growth
3. The CE is based on how many flows?
 - 2
 - 3
 - 4
4. Industry 5.0 differs from I4.0 because it focuses
 - focuses mainly on AI and robotics
 - is human-centric

CSR in details

Components of Social Responsibility: Stakeholder Theory

Stakeholder Theory Origins

from the 1980s to 2010

CSR transferred fully from the fields of economics and law into the management arena, even as it added the component of philosophical grounding.

In 1984 R. Edward Freeman's work on stakeholders appeared.

The term was originally coined in a 1963 internal research memorandum of the Stanford Research Institute.

The original definition of stakeholder was “*a member of the groups without whose support the organization would cease to exist.*”

Components of Social Responsibility: Stakeholder Theory

Stakeholder Theory Origins from the 1980s to 2010

Freeman's work, which he has modified over the years, was grounded in a utilitarian approach, which was that corporations should function for the good of the whole.

Indeed, Freeman engaged in debate with himself. He went from a utilitarian “good of the whole view” to a Kantian view.

The definition of “good of the whole” was dependent upon a definition of stakeholder.

Components of Social Responsibility: Stakeholder Theory

Stakeholder Theory Origins
from the 1980s to 2010

Stakeholder Definitions

Freeman's definition in his initial work was "*any group or individual who is affected by or can affect the achievement of an organization's objectives.*"

Other definitions

- "an individual or group that asserts to have one or more stakes in a business,"
- "any individual or group who feel that they have a stake in the consequences of management's decisions and who have the power to influence current or future decisions,"
- "an individual, a coalition of people, or an organization whose support is essential or whose opposition must be negated if major strategic change is to be successfully implemented,"
- "persons that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future,"
- "stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity."

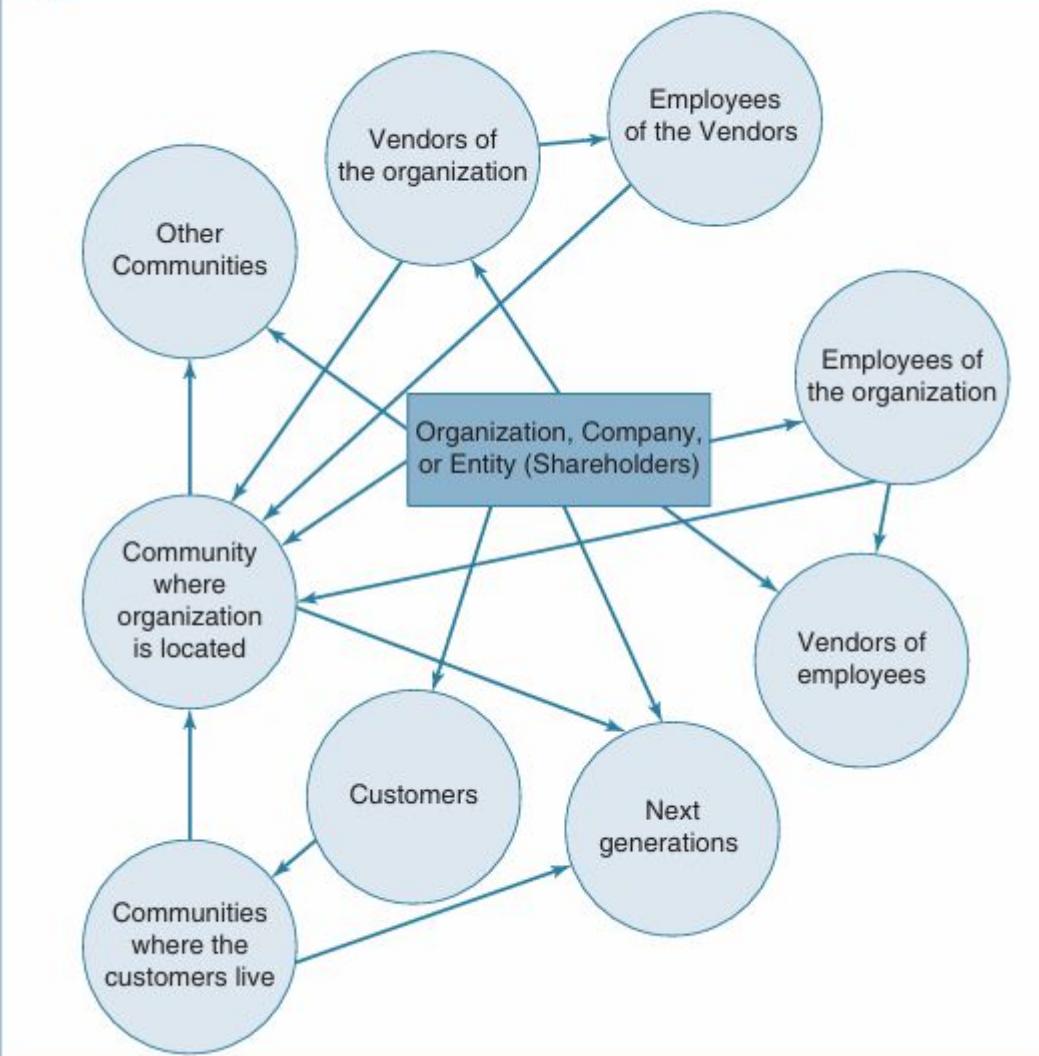
Components of Social Responsibility: Stakeholder Theory

Stakeholder Theory Origins
from the 1980s to 2010

Stakeholder Definitions

Broad expansion of stakeholder theory from its initial use in strategic planning to protection of both human and nonhuman interests with a significant shift in the application of the ST.

Figure 3.3 Stakeholders



Components of Social Responsibility: Stakeholder Theory

Stakeholder Theory Origins
from the 1980s to 2010

Stakeholder Definitions

This approach of applying the philosophical view of a normative contract between businesses and society for the use of roads, community resources, and capital was the management version of the Warren/Obama/Lakoff theorem “You didn’t build that,” which entitled the government to collect compensation from companies in the form of taxes

The underlying assumption of this shift toward broad protections under stakeholder theory was that businesses, by taking advantage of all the resources in a community (water, roads, employees, educational facilities, transportation, and waste management), entered into an implied contract to give back to that community and involve that community in their decisions.

Referred to as “fairness” or “social contract” theory, it seeks to avoid the “free-rider problem”

during this phase, stakeholder theory traveled from utilitarianism through Kant and into normative principles, and perhaps over to “You didn’t build this,” as enforced by informal sanctions and mechanisms.

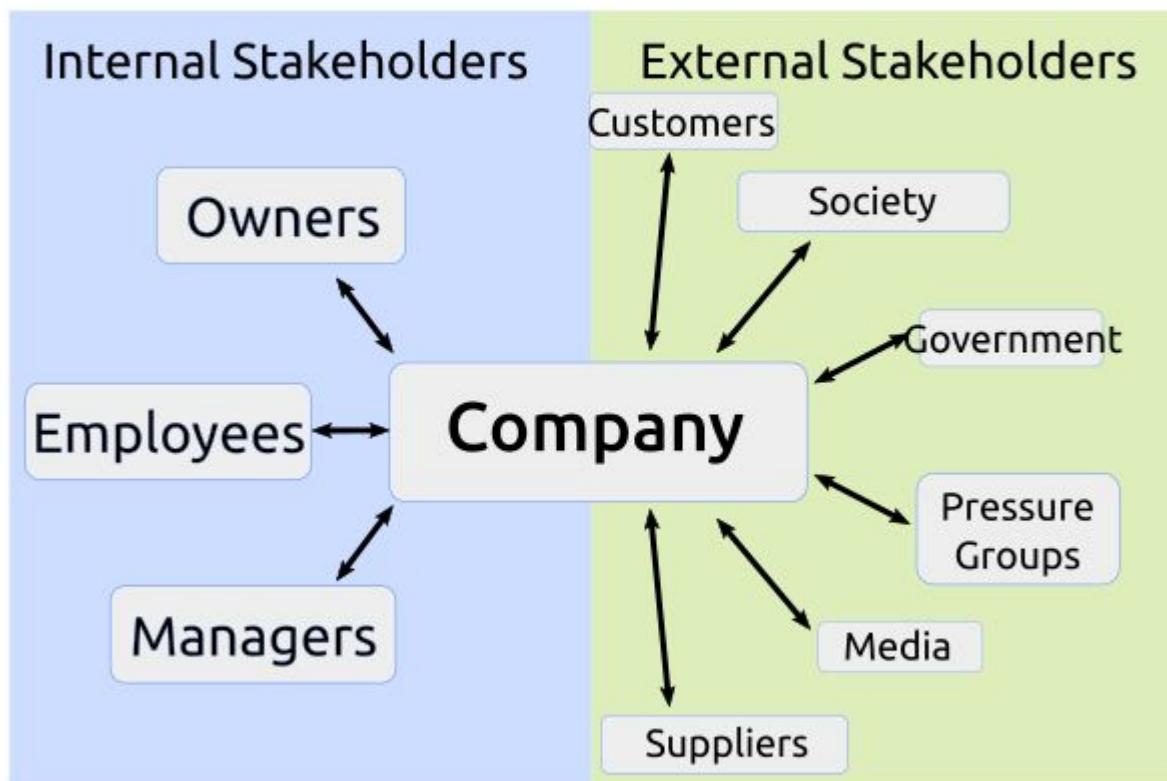


Free Rider Problem

[*'frē 'rī-dər 'prä-bləm*]

The burden on a shared resource that is created by its use or overuse by people who aren't paying their fair share.

Stakeholder Theory



Components of Social Responsibility: Stakeholder Theory

Which Stakeholders and What Priority?

Which of the stakeholders would or should have the ultimate say when the interests of the various stakeholders were conflicting?

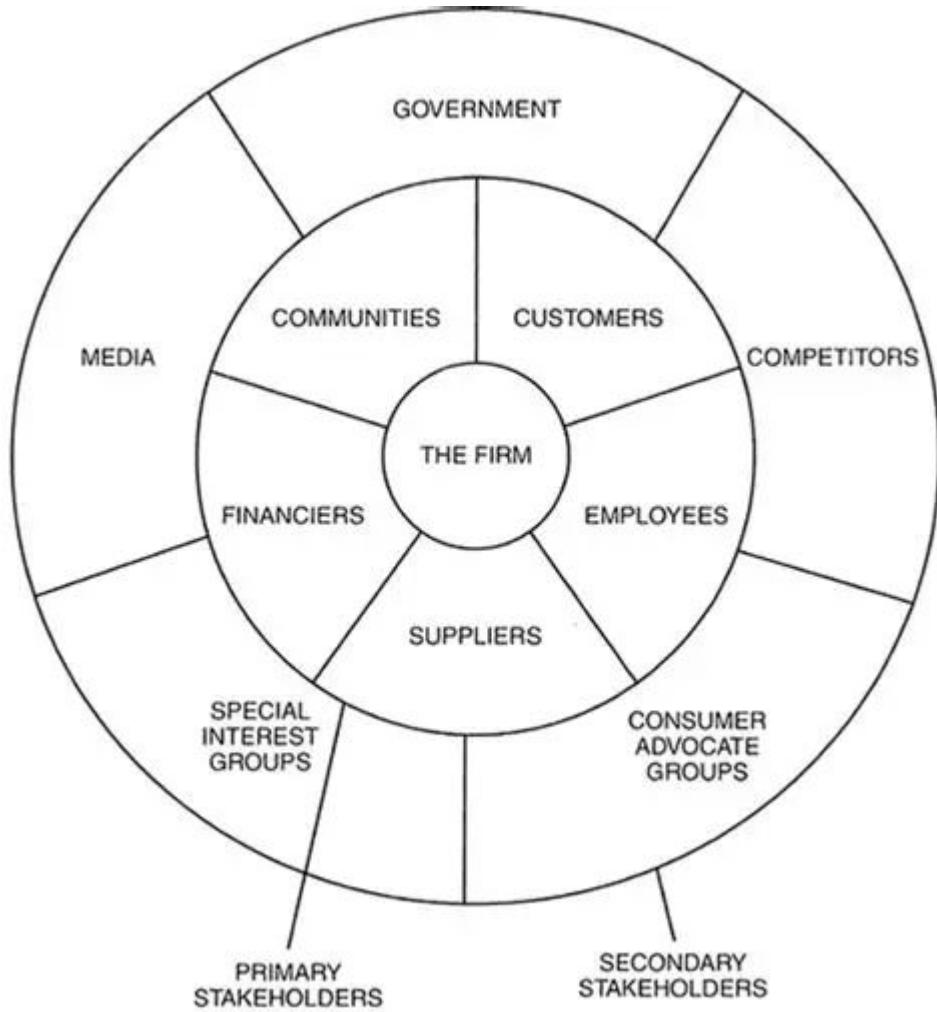
Who would set the controlling factors?
Who would be the stakeholder with the final say on the social contract?

The inherent assumption in stakeholder theory is that there would be clarity in assessing the differing interests and the impact on each group of stakeholders as well as on the business itself.

How to do so?

What do we have to avoid?

What consequences?





Who uses it?



Milton Friedman

Stakeholder Theory emerged in response to Milton Friedman's Stockholder Theory (1970), which holds that an organization is solely responsible to its owners (stockholders).

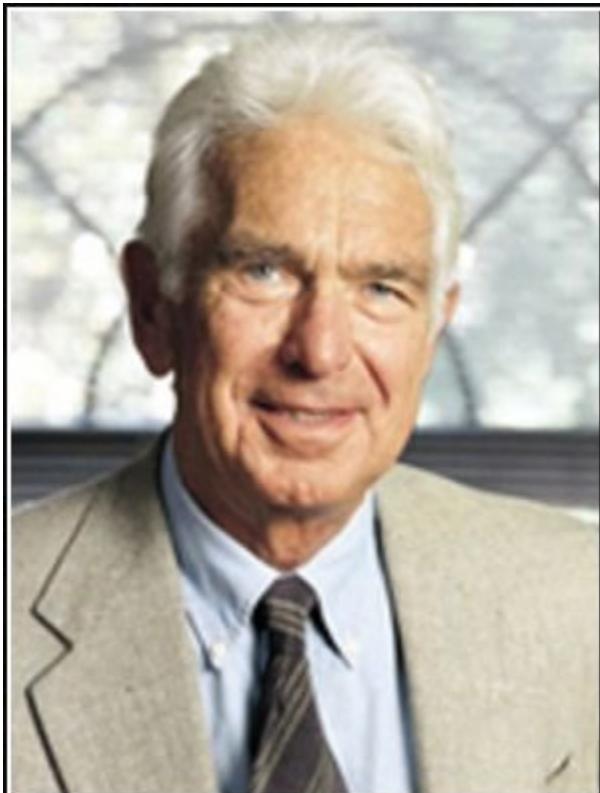


R. E. Freeman

In 1984, R.E. Freeman created Stakeholder Theory as an alternative to Friedman's Stockholder Theory. According to Freeman, firms are not solely responsible to stockholders, but instead, to stakeholders (customers, employees, etc.).

A STAKEHOLDER IN AN ORGANIZATION IS
(BY DEFINITION) ANY GROUP OR
INDIVIDUAL WHO CAN AFFECT OR IS
AFFECTED BY THE ACHIEVEMENT OF THE
ORGANIZATION'S OBJECTIVES.

- R. EDWARD FREEMAN -



Understand stakeholder symmetry:
Find the appropriate balance of
competing claims by various groups
of stakeholders.

— *Warren G. Bennis* —

AZ QUOTES



A situation where a solution to a stakeholder problem is imposed by a government agency or the courts must be seen as a managerial failure.

— *R. Edward Freeman* —

AZ QUOTES

2

MEASURING CORPORATE SOCIAL RESPONSIBILITY

Measuring Social Responsibility

The lack of clarity on aspects of stakeholder theory and different schools of thought on what is socially responsible behavior necessitated third-party creation of some measurement mechanism for what were and were not socially responsible companies

There was a **movement** from analysis of organizations' ethical decisions and processes to more of a checklist approach that made it easier **to classify companies as socially responsible and/or ethical.**

In addition, there was **market power** in being rated and ranked as a socially responsible company by third-party services.

- High social responsibility ratings and rankings bring customers and investors to companies.
- CSR began using the forces of the free markets as a means of exercising decision and behavioral control over businesses' ethical and social responsibility decisions.

Measuring Social Responsibility

There are three prongs to CSR ratings and rankings:

- 1. the screens for investment,**
- 2. the screens for consumer products,**
- 3. the screens for corporate philanthropy.**

Investors, both individual and institutional, respond to CSR screens developed by third-party groups in these three areas.

Measuring Social Responsibility

There are three prongs to CSR ratings and rankings:

- 1. the screens for investment,**
- 2. the screens for consumer products,**
- 3. the screens for corporate philanthropy.**

Ethics in Action 3.3

Googlers and the War and Weapons Screen

Discuss whether this issue of working for defense contractors is one that finds employees and customers on both sides. Consider this question: AI is used in ways to prevent having to resort to the force of weapons or sending in troops.

- 1. Does a powerful military deter war?**
- 2. Should these factors be part of the Google and CSR debates on the weapons screens?**

The initial screens for socially responsible investment focused on two criteria: no weapons and no vices (e.g., alcohol, gambling, tobacco, and pornography).

Initial screens, such as [the Kinder, Domini, and Lydenberg \(KDL\) index](#), were used by publications like *Business Ethics* to determine their ratings and rankings of CSR In companies.

Today, these basic bans and screens, however unwittingly, continue as measures of CSR

Measuring Social Responsibility

There are three prongs to CSR ratings and rankings:

- 1. the screens for investment,**
- 2. the screens for consumer products,**
- 3. the screens for corporate philanthropy.**

The screens have now evolved into **rankings** that include whether company products have earned labeling rights for certain screens such as “certified animal-free testing.”

These product labels are often focused on the newer environmental, social, and governance (**ESG**) screens.

The CSR investment screens developed by various organizations began adding more automatic disqualifiers from the CSR label, such as product safety, excessive compensation of executives, diversity, and nuclear power.

The effect of the screens was the power to dictate the resolution of ethical dilemmas by companies in predefined social responsibility areas.

- Other screens that focused on products and practices followed: greenhouse gases, mining, ozone layer depletion, climate change, pesticides, road builders, tropical hardwood, water polluters, animal testing, fur, and meat/dairy production.

Measuring Social Responsibility

The Regulatory Cycle and SEC Screens in Required Company Disclosures: New Regulation



SEC.GOV

The topical area of CSR screens has moved along a regulatory cycle for the past five years to a point of the promulgation of **the Securities Exchange Commission's (SEC) Regulation S-K** that took effect in **2020**.

What was once voluntary conduct on the part of companies **has been codified through disclosure mandates**.

- Publicly registered companies **must** make certain types of ESG disclosures in their mandatory SEC filings.
- Those areas are what the SEC views as **risk areas** that require disclosure because of their **material** effect on company earnings

Measuring Social Responsibility

The screens have now evolved into **rankings** that include whether company products have earned labeling rights for certain screens such as “certified animal-free testing.” These product labels are often focused on the newer environmental, social, and governance (**ESG**) screens.

- In **2021**, the **SEC** requested public comment on proposed **climate-related disclosures**.
- The final disclosure rule was adopted in 2022, yet another category of CSR and ESG disclosure regulation.
- In addition, the SEC also regulates investment advisers on their CSR and ESG ratings for companies to clients.
- The SEC has begun reviewing the now-mandated CSR and ESG disclosures for accuracy in the same way as the agency reviews the accuracy of company financial disclosures.

Measuring Social Responsibility

The Flaws in the Investment Screens and Rankings

No matter what the survey, the results are based on checklist evaluations of companies: *Do the companies hit the pre-defined CSR/ESG screens?*

There are hundreds of CSR and ESG rankings and ratings.

- Some are rankings by investment companies and advisors.
- Some are rankings by nonprofits and research organizations.
- Some are marketing surveys
- Some are surveys of consumers and their perceptions of companies.
- Some are surveys of businesses and their leaders' perceptions of companies

With so many CSR and ESG measurements and their checklist natures, *there are some counterintuitive and inconsistent results among and between the surveys and analyses.*

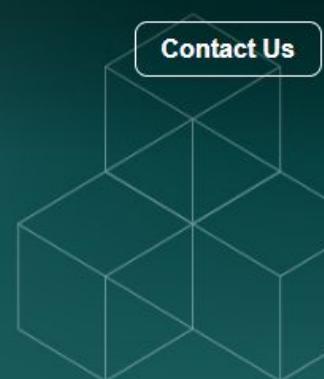
Figure 3.4 The Top 10 Consumer-Ranked CSR/ESG Companies for 2021

Rank	Company	Rating	Change in rank
1	Patagonia	82.7	Up 31
2	Honda	81.6	Up 14
3	Moderna	81.3	Same
4	Chick-fil-A	81.1	Up 7
5	SpaceX	81.1	Same
6	Chewy	80.9	Same
7	Pfizer	80.2	Up 54
8	Tesla	80.2	Up 18
9	Costco	80.1	Down 2
10	Amazon		

Rank	Company	HQ City	HQ State	Industry	Rank in Industry	Score Overall	Score Environmental Concerns	Score Social Concerns
1	Merck	Rahway	NJ	Health Care, Life Sciences & Pharmaceuticals	1	97.83	95.31	98.28
2	General Mills	Minneapolis	MN	Retail & Consumer Goods	1	96.85	96.97	100.00
3	Illumina	San Diego	CA	Health Care, Life Sciences & Pharmaceuticals	2	92.56	94.35	94.37
4	Applied Materials	Santa Clara	CA	Technology	1	91.88	94.92	90.50
5	Tapestry	New York City	NY	Retail & Consumer Goods	2	91.59	91.90	87.33
6	HP	Palo Alto	CA	Technology	2	91.44	91.18	98.33

2025 ESG Top-Rated Companies

Sustainalytics' list of companies with the best ESG Risk Rating Scores

[Request Details](#)

2025 ESG Top-Rated Badges

Sustainalytics is pleased to unveil its 2025 list of ESG Top-Rated Companies based on our industry leading ESG Risk Ratings. Sustainalytics' ESG Risk Ratings cover more than 15,000 companies across 42 industries. Using our comprehensive methodology, we identified the Global 50 Top-Rated companies, a distinction given to the top 50 ESG scores in our global research universe. Also, see the companies with the top ESG Risk Ratings scores by industry and region.

Companies which qualify as "Top-Rated" can obtain a license from Sustainalytics granting permission to use their Top-Rated Badge(s) for capital raising activities, marketing and promotional purposes, internal and external benchmarking, and more. The badge(s) can be used to communicate this industry achievement to investors, customers, employees, and other key stakeholders.

To learn more about ESG Top-Rated Badges and how your company can leverage them in its ESG story, download the brochure below:

What's Driving Corporate ESG?

CSR and Sustainability Professionals Have Their Say

Firms respond to a wide range of motivations and influences as they develop and implement corporate ESG mandates and address stakeholder expectations, but some stand out.

In this infographic, we look at what CSR and sustainability professionals say are the top motivations and influences on their firms' corporate ESG programs.

Top Motivations

We asked 556 CSR and sustainability professionals to rate the ESG motivations that are most important for their organizations.

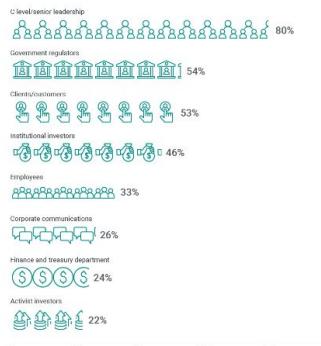
Please rate how important the following ESG motivations are for your organization.



Key Influences

We asked participants to tell us which stakeholders have the most influence over their organizations' ESG planning or strategy.

Please rate the influence the following stakeholders have over your organization's ESG planning or strategy.



Learn more about how CSR and sustainability teams are managing ESG challenges, priorities, planning, and strategy in *The Morningstar Sustainalytics Corporate ESG Survey Report 2022: CSR and Sustainability in Transition*. Click below to download the report today!

[BIT.LY/ESG-SURVEY-2022](https://bit.ly/ESG-SURVEY-2022)



Figure 3.6 Investment and Nonprofit Rankings of CSR and ESG

Company	Investors.com	Just Capital	Motley Fool	Alpha-Sense	Refinitiv.com	Investis
Microsoft	1	3	2	4	4	3
Salesforce.com	7	4	6	9	NR ¹⁰³	4
Nvidia	12	8	1	2	NR	8
Alphabet	54	1	NR	NR	NR	1
Apple	51	7	NR	NR	NR	7
GlaxoSmithKline	NR	NR	NR	10	6	7
PayPal	NR	6	NR	15	NR	6
Accenture	3	17	NR	NR	NR	NR
Qualcomm	16	63	NR	NR	NR	NR
HP	19	75	NR	NR	NR	NR
Intel	NR	2	NR	NR	NR	2
Lam Research	47	NR	10	NR	NR	NR
IBM	NR	19	NR	NR	1	NR
Danaher	81	NR	NR	13	NR	NR
Bank of America	NR	5	NR	NR	NR	5
Johnson & Johnson	MR	49	NR		5	NR
Merck	NR	26	NR	NR	14	NR
Verizon	NR	9	NR	NR	NR	9
Cisco	NR	10	NR	NR	NR	10
Best Buy	NR	95	3	NR	NR	NR

WHICH ISSUES MATTER MOST?

SASB's Materiality Maps, like this one for the health care sector, rate how relevant 43 environmental, social, and governance issues in five categories are to shareholders, on a scale from 0.5 to 5.0. The higher the number, the greater the probable impact on a firm's financial performance.

ESG ISSUES IN HEALTH CARE		BIOTECH	PHARMACEUTICALS	MEDICAL EQUIPMENT & SUPPLIES	HEALTH CARE DELIVERY	HEALTH CARE DISTRIBUTION	MANAGED CARE
ENVIRONMENT	Climate change risk	3.75	3.75	1.25	0.75	0.75	1.00
	Environmental accidents and remediation	0.75	1.25	1.50	1.00	1.00	0.75
	Water use and management	1.00	1.25	1.25	1.00	1.00	1.00
	Energy management	2.25	2.50	2.25	3.75	1.00	1.75
	Fuel management and transportation	0.50	0.75	0.75	0.50	2.25	0.50
	GHG emissions and air pollution	1.00	1.00	1.75	1.00	1.00	1.00
	Waste management and effluents	3.00	3.00	2.50	2.25	1.25	0.75
	Biodiversity impacts	1.00	0.75	1.00	1.25	1.00	1.00
SOCIAL CAPITAL	Communications and engagement	1.00	1.00	0.75	1.00	0.50	1.25
	Community development	0.50	0.75	0.75	1.75	1.25	0.50
	Impact from facilities	0.50	1.00	1.00	4.00	1.25	1.00
	Customer satisfaction	0.75	0.75	1.00	2.25	1.00	3.00
	Customer health and safety	5.00	5.00	3.00	3.00	1.50	2.50
	Disclosure and labeling	3.00	3.00	2.50	0.75	2.75	0.75
	Marketing and ethical advertising	2.50	2.50	2.50	1.75	2.00	1.75
	Access to services	4.25	4.50	2.50	3.00	3.00	3.00
	Customer privacy	0.75	0.75	1.00	2.25	1.75	2.75
	New markets	3.50	3.75	1.00	0.75	0.75	0.75

firm's financial performance.

		ESG ISSUES IN HEALTH CARE					
		BIOTECH	PHARMACEUTICALS	MEDICAL EQUIPMENT & SUPPLIES	HEALTH CARE DELIVERY	HEALTH CARE DISTRIBUTION	MANAGED CARE
HUMAN CAPITAL	Diversity and equal opportunity	1.25	1.25	1.00	1.25	1.25	1.25
	Training and development	3.00	2.75	2.00	2.50	1.50	2.00
	Recruitment and retention	2.25	2.50	1.50	3.00	1.75	1.50
	Compensation and benefits	1.75	1.75	1.50	1.25	1.25	1.00
	Labor relations and union practices	1.75	1.75	1.75	1.25	1.75	1.25
	Employee health, safety, and wellness	2.00	2.00	2.00	2.00	2.50	1.50
	Child and forced labor	0.50	0.75	0.75	0.50	0.50	0.50
BUSINESS MODEL & INNOVATION	Long-term viability of core business	0.75	0.75	0.75	0.50	0.75	3.50
	Accounting for externalities	0.50	0.50	0.50	0.50	0.50	3.00
	Research, development, and innovation	5.00	5.00	4.75	1.00	0.75	0.75
	Product societal value	2.75	3.00	3.00	3.00	0.50	2.50
	Product life-cycle use impact	3.75	3.75	4.50	0.75	2.25	0.75
	Packaging	1.00	1.00	1.00	0.50	0.75	0.50
	Product pricing	2.50	2.50	2.50	2.50	2.50	2.50
LEADERSHIP & GOVERNANCE	Product quality and safety	5.00	5.00	3.00	5.00	3.00	2.25
	Regulatory and legal challenges	3.00	3.00	3.00	3.00	3.00	3.00
	Policies, standards, and codes of conduct	2.50	2.50	2.25	1.00	1.75	1.00
	Shareholder engagement	0.75	0.75	0.75	0.75	0.75	3.00
	Business ethics and competitive behavior	2.50	2.50	2.50	2.50	3.00	2.00
	Board structure and independence	1.25	1.50	1.25	1.50	1.50	1.25
	Executive compensation	1.00	1.00	1.00	0.75	1.00	0.75

Measuring Social Responsibility

Ethics in Action 3.4

Why the CSR/ESG Rankings and Ratings for Companies?

Compare the companies at the top and bottom in the consumer rankings (3.4 and 3.5) lists. Think about the following questions:

1. Why are the lists so different? What explains the completely different results? Are there any companies that cross the lists? Think about this question to help you: What is being measured that makes the companies good or bad?
2. Pick two companies from the top and the bottom of each list as well as from the third-party rankings. Research those companies that give a list of reasons for their rankings as well as the wide variations in their rankings.

ESG vs. CSR vs. sustainability

ESG	CSR	Sustainability
Quantitative	Qualitative	Qualitative and quantitative
Externally regulated	Self-regulated	Both self- and externally regulated
Directly related to business valuation	Not directly related to business valuation	Often related to business valuation
Implemented through measurable goals and audits	Implemented through corporate culture, values and brand management	Implemented through a combination of CSR and ESG

Sustainability, CSR, ESG Integration Pathway

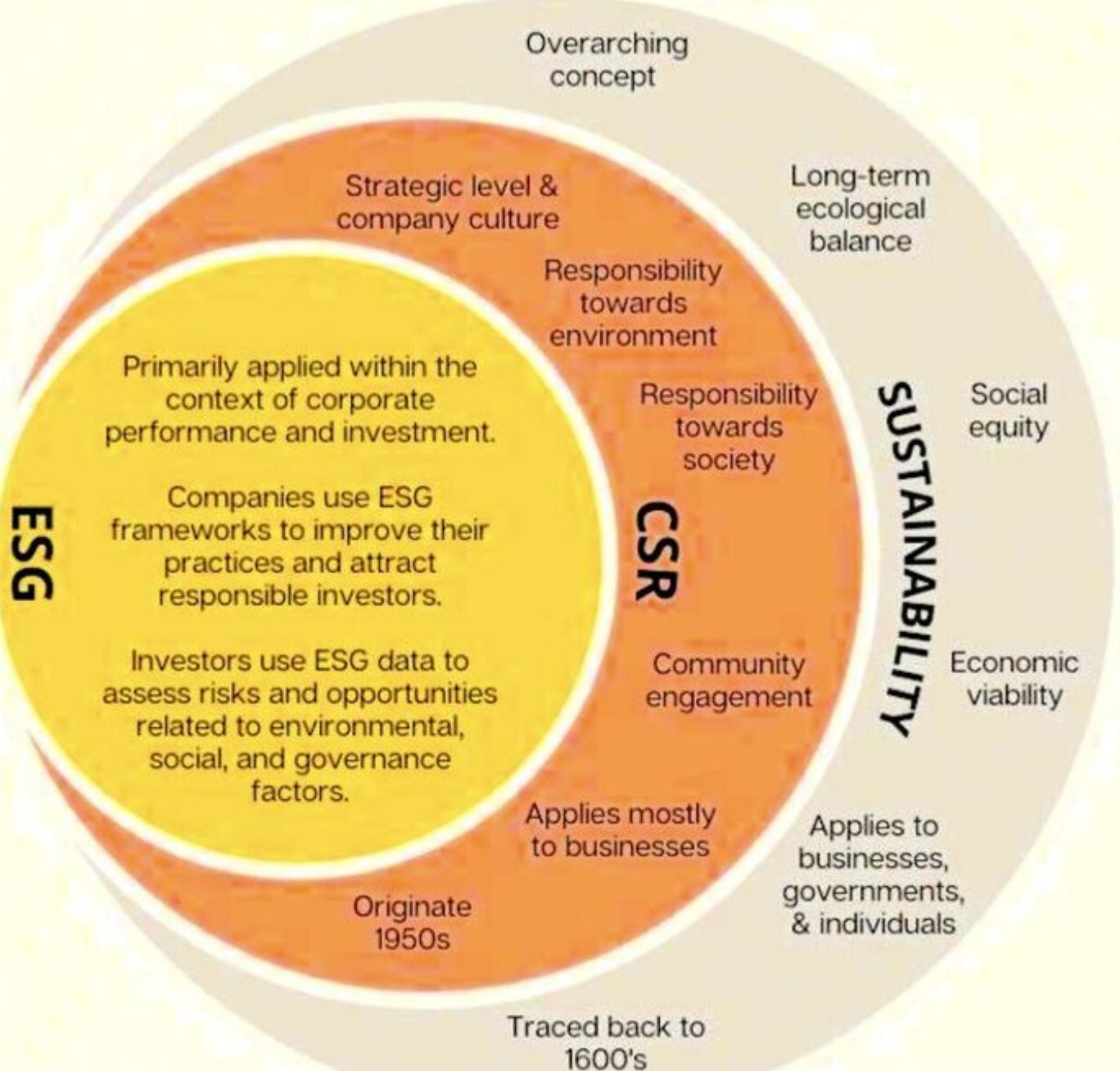
These are the key leverage points to embed sustainability into the company business model.

Internal Leverage Points



Check out this comprehensive [checklist tool](#) to benchmark your company's sustainability governance and management practices.


Strandberg
CONSULTING
www.corostrandberg.com





CSR

(corporate social responsibility)

a business model for companies that impacts their internal processes & culture

encompasses the activities a company undertakes to have a greater global impact

nowadays needs to be a priority, as consumers are demanding it

about building accountability

can be used for good but also to mislead



VS

ESG

(environmental, social, and governance)

a measurable sustainability assessment, popular with investors

has become a set of criteria for sustainability assessment

financial performance is a key purpose of ESG valuation

about quantifying existing accountability

can be used for good but also to mislead

CORPORATE SOCIAL RESPONSIBILITY

Target Audience:
Stakeholders

- Employees
- Consumers
- Clients
- Communities

ESG

MATERIAL ISSUES

Target Audience:
Capital Markets

- Shareholders
- Bondholders
- Lenders
- Insurers
- Proxy Advisors
- Rating Agencies
- Financial Regulators

The Lack of Virtue/Aristotelian Standards in CSR/ESG Evaluations and Surveys

The **missing components** in the rankings and in consumer perceptions are the **ethical and legal issues**.

There is also the possibility with the checklists of measures for rankings that companies can game the rating and ranking systems.

Researchers have noted that CSR and ESG rankings fail to capture the essence of ethics and social responsibility.

Beyond the rankings and ratings, companies should still be examined for the basic ethical categories

*Are they in compliance with the law?
Are they harming stakeholders through interpersonal and organizational abuse?
Are they allowing false impressions?*

The tools of ethical analysis are still necessary for evaluating a company commitment to social responsibility.

Discussion Questions

1. Most companies now disclose their carbon emissions each year. These disclosures include Scope 3 emissions, or greenhouse gases that are made by a company's vendors but are not under the company's control. For example, Microsoft, Apple, P&G, and McDonald's all report their Scope 3 emissions but rely on data furnished to them by their vendors. That data are not verified. However, as noted in the tables on rankings, Microsoft has high ratings because of its reduction in greenhouse emissions, 97% of which come from vendors.¹⁰⁹ Evaluate whether the rankings could be subject to gaming. What ethical categories are at issue in this reporting?

Business with a Soul: A Reexamination of What Counts in Business Ethics

Business and business ethics are much more complex than the breeziness of social responsibility.

Understanding the corporate soul requires far more than the shallow categories of the CSR.

The soul of a company is more complex than that of an individual.

Business with a Soul: A Reexamination of What Counts in Business Ethics

Determining the soul of a company requires looking beyond ever-changing political issues.

CSR has come to promote narrow and contradictory social agendas as opposed to universal measures of integrity.

For example, honesty in business dealings is a universal measure of a company's soul.

Looking beyond facile symbolism opens up an examination of ethics.

The following **eight questions** should be asked about a company in order to **determine the character of its soul**.

- 1. Does the company comply with the law?*
- 2. Does the company have a sense of propriety?*
- 3. How honestly do product claims match with reality?*
- 4. How forthcoming is the company with information?*
- 5. How does the company treat its employees?*
- 6. How does the company handle third-party ethics issues?*
- 7. How charitable is the company?*
- 8. How does the company react when faced with negative disclosures?*

Appeasing Stakeholders with Public Relations

The problem in today's era of corporate pseudo-ethics is that the pendulum has shifted too far. From genuine philanthropy "corporate responsibility" has mutated into a dangerous form of political correctness. The enlightened, entrepreneurial philanthropy of old has, through activist agitation, become the burden of today's so-called corporate responsibility.

At least four distinct trends are in evidence here:

- the rise of single-issue activist groups;
- the targeting of companies with dealings in specific countries or specific industries;
- a rise in public sympathy for such actions;
- a seal of approval guaranteed by many Western governments today.

Corporations have an obligation to anticipate and deal with these threats. This can be done in a number of ways.

1. First, **every important commercial activity should be rigorously assessed for its political risk**, meaning the risks or threats that a business may face (from pressure groups, governments, et al.) in undertaking a particular activity. Business needs to inform itself at the highest level of the political environment in which it operates.

As one commentator on these matters argues without hesitation: The lessons that need to be understood are simple. It does not matter where you are, or how big you are, if you are not prepared, pressure groups have the ability to make your company a member of the endangered species. You cannot respond effectively in six minutes to a campaign that has probably taken six months to organize. . . . Our first option is to ignore the increasing threat of pressure groups and lose everything. Our second option is to fight back, challenge, and probably win. We have the opportunity to deliver results by promoting morality; challenging credibility; setting policy and practices; offering solutions and advice.

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Once the political risks have been evaluated, then two actions are required:

- 1 **businesses must mount an efficient public relations campaign**, arguing the case for corporate capitalism and stressing how their activities are benefiting the national—or global—economy in which they operate. All businesses, forewarned, should be proactive, not reactive. They must be prepared to fight fire with fire and, if necessary, be prepared to take their case all the way to the courts.
- 2 Secondly, **companies across the spectrum must band together and act in unison to limit the unaccountable, undemocratic, and often extra-legal activities** of the activist groups they are up against

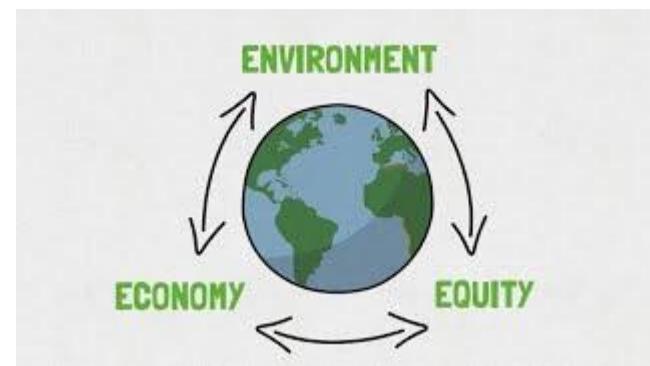


TABLE 10.1 The Components of Corporate Social Responsibility (CSR)

<i>Component of CSR</i>	<i>Key Thought to Understanding</i>	<i>Manifestations</i>
Economic	Be profitable	Maximize revenues Cut expenses Maximize profits Increase shareholder wealth
Legal	Obey the law	Abide by all legal regulations Stay within industry standards Maintain all contract and warranty obligations
Ethical	Avoid questionable practices	Go beyond just obeying the law, abide by the spirit of the law as well Avoid practices that may appear to be suspicious, even if they are legal Do the right thing, and be just and fair
Philanthropic	Be a good corporate citizen	Make financial contributions to stakeholders in the community Seek to be a good neighbor in the community by making it a better place to live Look for ways to support education, health/human services, and the arts

Source: Adapted from Carroll, A., & Buchholtz, A. (2003). *Business & Society: Ethics and Stakeholder Management* (5th ed.). Cincinnati, OH: Thompson South-Western, pp. 39–40.

Figure 2-2 Corporate Social Responsibility Related Concepts

Traditional CSR Concepts	Competing and Complementary Concepts
Corporate Social Responsibility (CSR) <i>Emphasizes obligation, accountability</i> ➡ Corporate Social Responsiveness <i>Emphasizes action, activity</i> ➡ Corporate Social Performance <i>Emphasizes outcomes, results</i>	Corporate Citizenship (CC) <i>companies are citizens and all this implies</i> Corporate Responsibility (CR) <i>broadly focuses on all categories of responsibility</i> Sustainability (SUS) <i>embraces longer term concern for people, planet, and profits</i> Creating Shared Value (CSV) <i>how companies generate economic value while producing societal value</i> Conscious Capitalism <i>four key principles: higher purpose; stakeholder orientation; conscious leadership; conscious culture</i> Purpose-Driven Business <i>higher purpose; company purpose is broader than products, services, and profits</i>

Figure 2-1 Business Criticism–Social Response Cycle

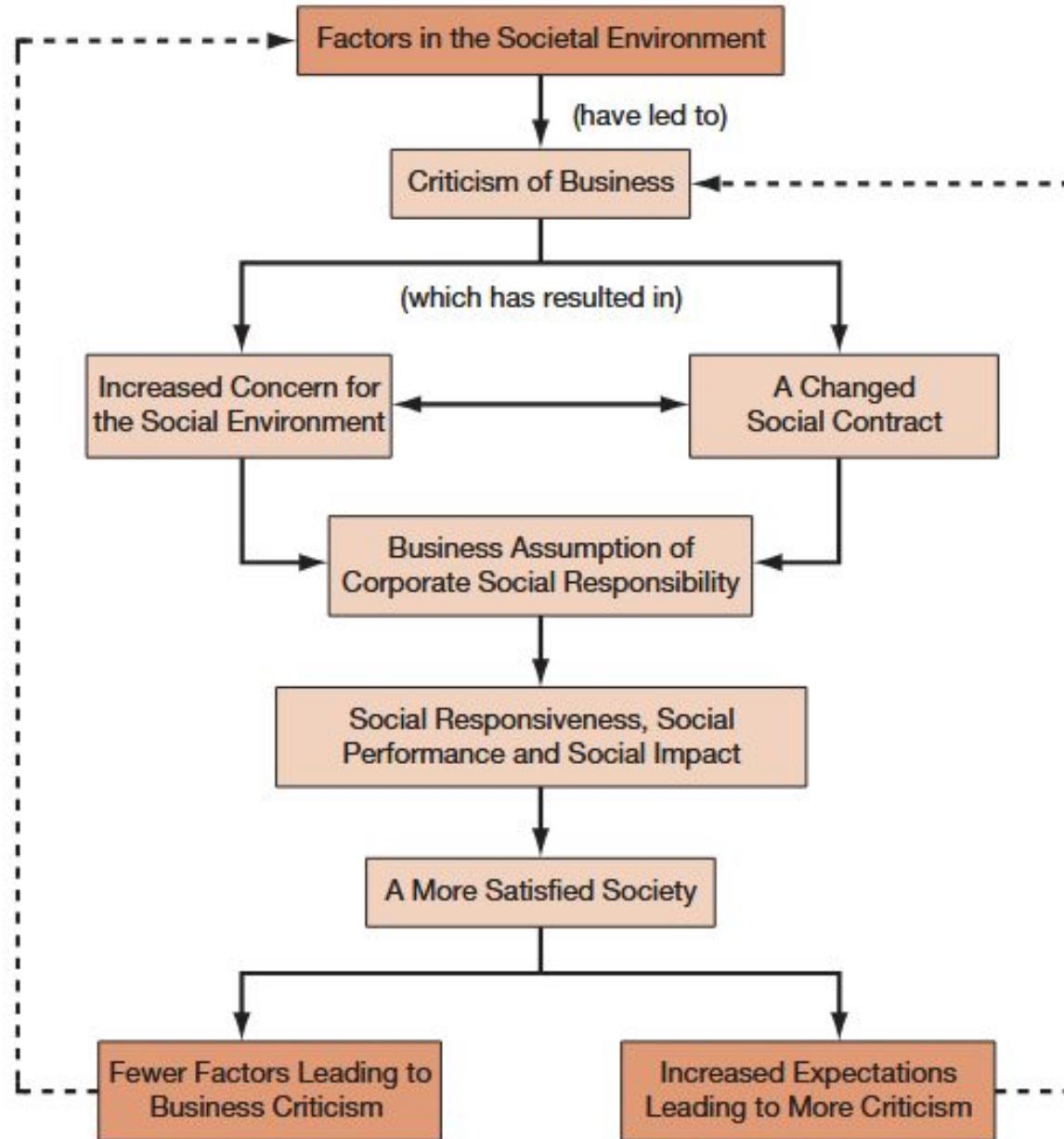
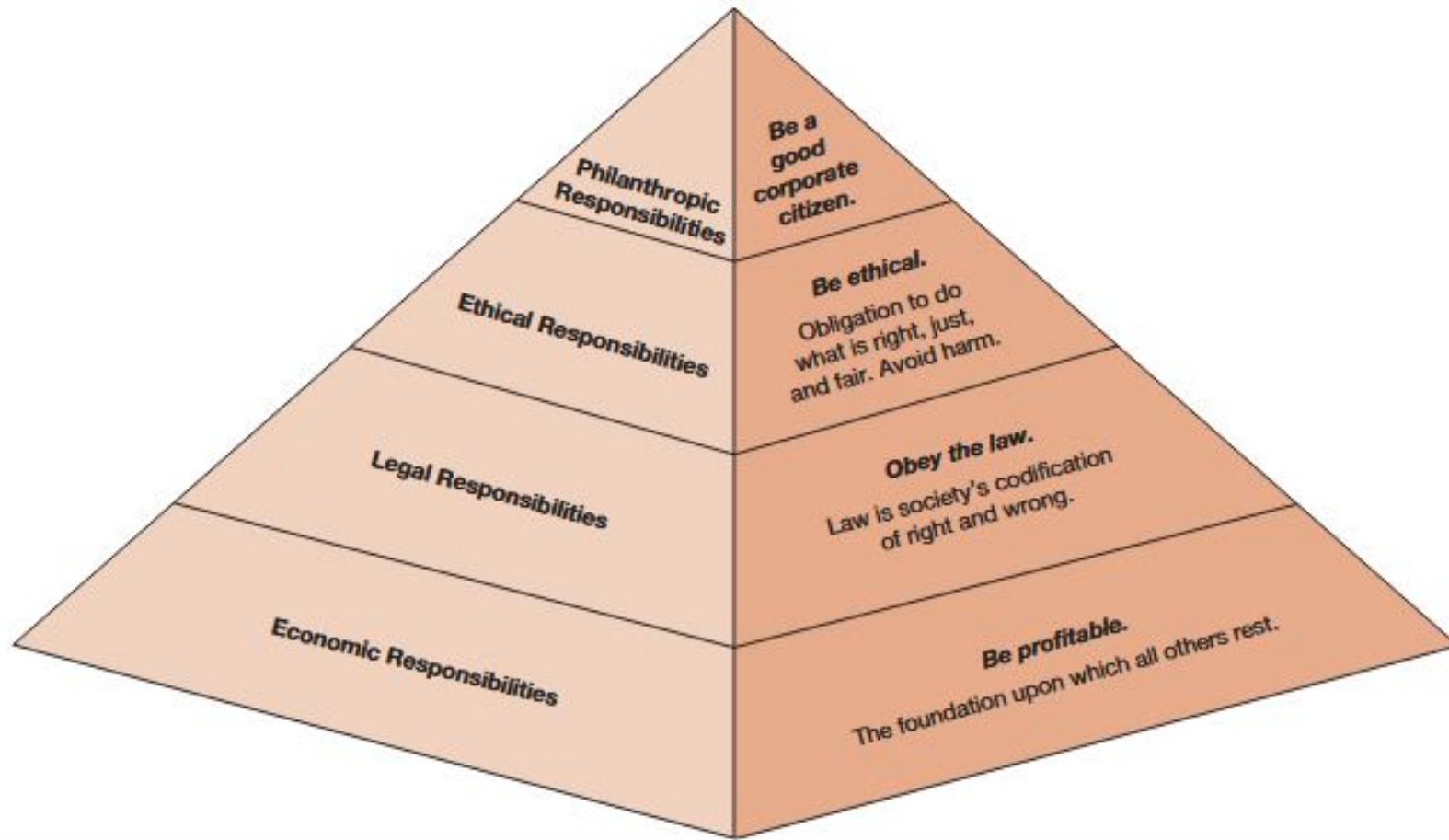


Figure 2-3 The Four Types of CSR: Expectations and Explanations/Examples

Type of Responsibility	Societal Expectations	Explanations/Examples
Economic responsibility	REQUIRED of business by society	Be profitable. Maximize sales, minimize costs. Make sound strategic decisions. Be attentive to dividend policy. Provide investors with adequate and attractive returns on their investments. Provide jobs.
Legal responsibility	REQUIRED of business by society	Obey all laws, adhere to all regulations. Environmental and consumer laws. Laws protecting employees. Fulfill all contractual obligations. Honor warranties and guarantees.
Ethical responsibility	EXPECTED of business by society	Avoid questionable practices. Respond to spirit as well as to letter of law. Assume law is a floor on practice, operate above minimum required. Do what is right, fair, and just. Assert ethical leadership.
Philanthropic responsibility	DESIRED/EXPECTED of business by society	Be a good corporate citizen. Give back. Make corporate contributions. Provide programs supporting community—education, health or human services, culture and arts, and civic. Provide for community betterment. Engage in volunteerism.

Figure 2-4 The Pyramid of Corporate Social Responsibility



Sources: Adapted from Archie B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons* (July–August 1991), 42. Copyright © 1991 by the Foundation for the School of Business at Indiana University. Used with permission. Also see Archie B. Carroll, "Managing Ethically with Global Stakeholders: A Present and Future Challenge," *Academy of Management Executive*, Vol. 18, No. 2, May 2004, 114–120.

Figure 2-5 Top 20 Activities, Characteristics, or Practices of Socially Responsible Companies

The following are activities, characteristics, or practices of socially responsible companies as identified by citizens.

- Makes products that are safe.
 - Does not pollute air or water.
 - Obeyes the law in all aspects of business.
 - Promotes honest or ethical employee behavior.
 - Commits to safe workplace ethics.
 - Does not use misleading or deceptive advertising.
 - Upholds stated policy banning discrimination.
 - Utilizes "sustainable" packaging.
 - Protects employees against sexual harassment.
 - Recycles within company.
 - Shows no past record of questionable activity.
 - Responds quickly to customer problems.
 - Maintains waste reduction program.
 - Provides or pays portion of medical costs.
 - Promotes energy conservation program.
 - Helps displaced workers with placement.
 - Gives money toward charitable or educational causes.
 - Utilizes only biodegradable or recyclable materials.
 - Employs friendly or courteous or responsive personnel.
 - Tries continually to improve quality.
-

Source: Walker Information. Used with permission.

Ethics In Practice Case

Do Small Businesses Have Social Responsibilities?

When we speak about CSR, it is usually targeted toward large corporations or firms. But what about small businesses? During the best of times, many if not most small businesses are living on the ragged edge of survival. Think of the small businesses you are familiar with. How many seem to be prospering?

The U.S. Small Business Administration defines small businesses in one way, but the ones we are interested in here are typically much, much smaller. These are the small businesses we deal with in our local communities: grocery stores, gift shops, barber shops, restaurants, bars, movie theaters, dry cleaners, fast-food vendors, repair shops, and so on. Researchers often lump together small and medium-sized enterprises (SMEs) into one group, and they all face many of the same challenges.

During the recent pandemic, the pressures on small businesses were especially stressful because of economic lockdowns in many states and cities. Also, with more and more families sheltering-in-place, they are only going out to spend money on necessities. If a small business has tough times when the economy is good, how is it to fare when the economy is down?

On the one hand, small businesses and SMEs do not have the resources to direct toward CSR as large corporations do. But on the other hand, how are they to compete if

they are not socially responsible? Maybe the question pertains to the nature and types of social responsibilities small businesses are able to provide.

1. Are small businesses expected to be socially responsible, or is CSR a concept best served by large businesses with ample resources?
2. What are the specific responsibilities small businesses might be expected to perform regarding the four-part CSR definition? In other words, what are their economic, legal, ethical, and philanthropic responsibilities? How would their implementation differ from a large, well-known, successful business?
3. Think of a couple small businesses you use. Evaluate their social responsibilities using the Pyramid of CSR.

Sources: Dale Cudmore, Digital.com, "Should Your Small Business Care about CSR? Here's the Honest Answer," October 7, 2020, <https://digital.com/blog/csr-small-business/>, accessed February 6, 2021; Laura Spence, "Small Business Responsibility: Expanding Core CSR Theory," *Business & Society*, April 25, 2014; Bridget Pollack, U.S. Small Business Administration, "Corporate Social Responsibility: What Your Small Business Needs to Know," July 6, 2017, <https://www.sba.gov/blog/corporate-social-responsibility-what-your-small-business-needs-know>, accessed February 6, 2021.

Figure 2-6 Reasons and Benefits Supporting the Business Case for CSR

Six Business Reasons for Engaging in CSR

Companies that understand CSR are using it to push the following business processes in the organization:

1. Customer engagement
 2. Employee engagement
 3. Brand differentiation
 4. Long-term plans
 5. Cutting costs
 6. Innovation
-

Benefits to Businesses of Corporate Social Responsibility Policies

Carefully implemented CSR policies can help the organization:

1. Win new business
 2. Increase customer retention
 3. Develop and enhance relationships with customers, suppliers, and networks
 4. Attract, retain, and maintain a happy workforce and be an Employer of Choice
 5. Save money on energy and operating costs and manage risk
 6. Differentiate itself from competitors
 7. Improve its business reputation and standing
 8. Provide access to investment and funding opportunities
 9. Generate positive publicity and media opportunities due to media interest in ethical business activities
-

Sources: "Six Reasons Companies Should Initiate Plans for CSR," <https://www.midas-pr.com/six-reasons-companies-should-initiate-plans-for-csr/>, accessed January 28, 2021; Simply CSR, "Business Benefits of CSR," <http://www.simplycsr.co.uk/the-benefits-of-csr.html>, accessed January 28, 2021.

Figure 2-9 The CSR Evolutionary Trajectory

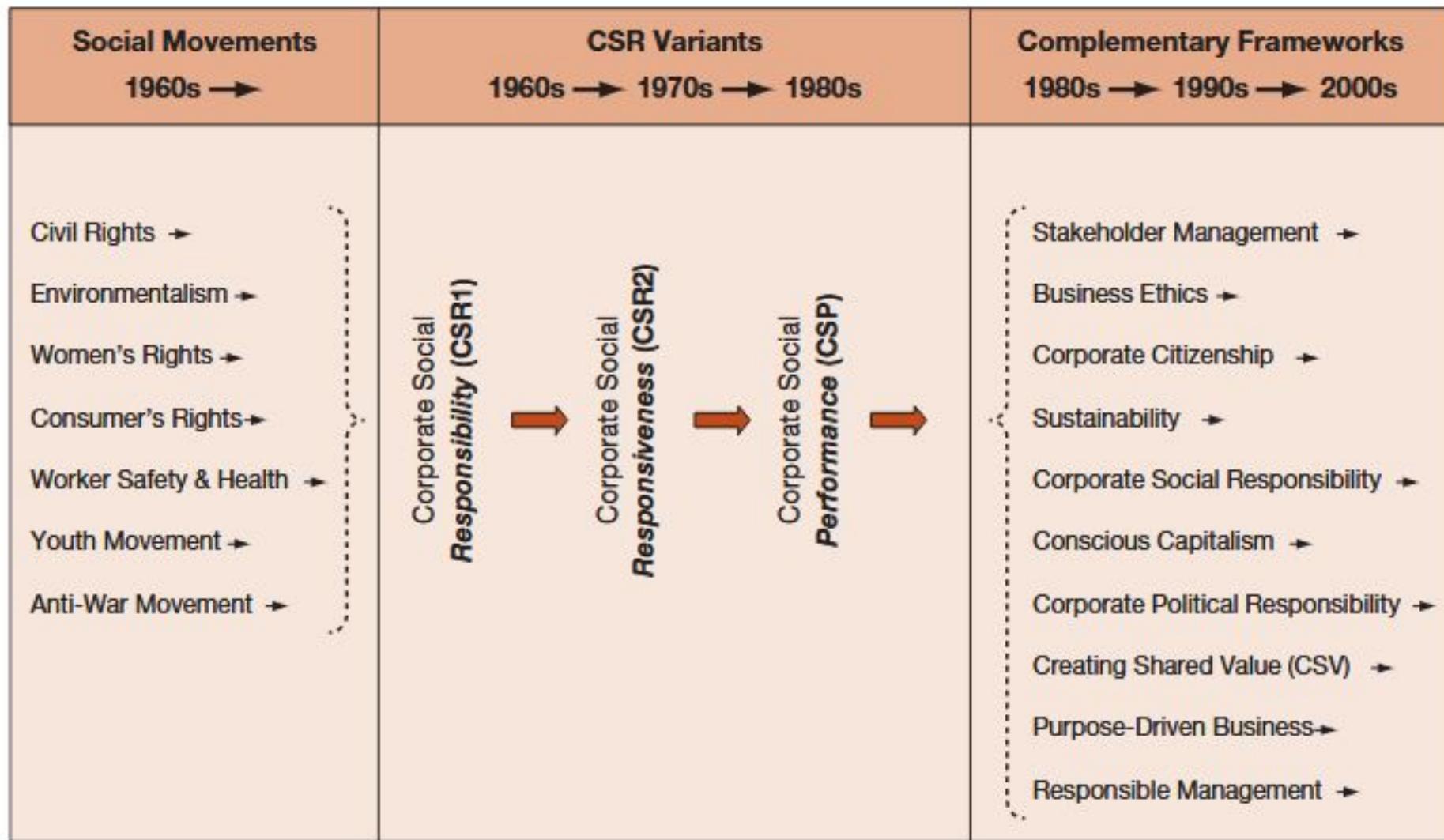
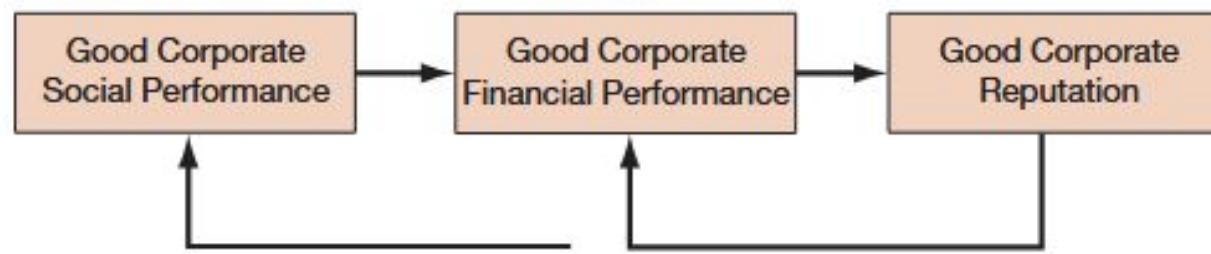
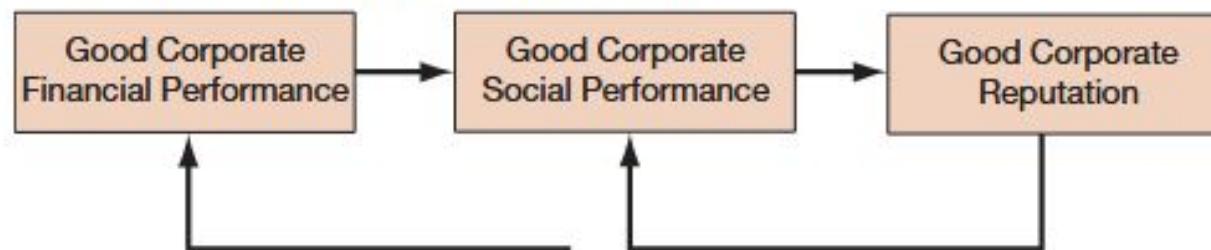


Figure 2-8 Relationships among Corporate Social Performance (CSP), Corporate Financial Performance (CFP), and Corporate Reputation (CR)

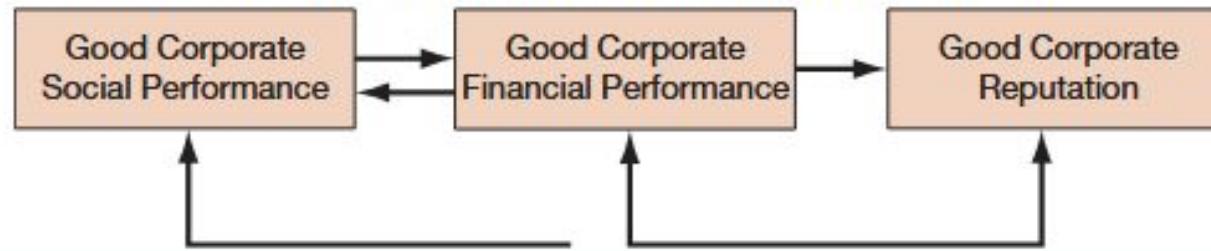
Perspective 1: CSP Drives the Relationship



Perspective 2: CFP Drives the Relationship



Perspective 3: Interactive Relationships Among CSP, CFP, and CR



Ethics In Practice Case

Fresh, Local, and Sustainable: Burgers with a Soul

Burgerville sells not only burgers but also good works. But if you don't live in Oregon or the state of Washington, you may have never heard about Burgerville, a company founded in 1961 in Vancouver, Washington. As of 2021, there were 40 Burgerville restaurants spanning those two states with more scheduled to come.

In the 1990s, when Burgerville began losing sales of its burgers to the national chains, Chief Executive Tom Mears decided to differentiate his product and sell "burgers with a soul." Mears, the son-in-law of the founder, decided to combine good food with good works. The company began to build its strategy around three key words—"fresh, local, and sustainable." It pursued this strategy through partnerships with local businesses, farms, and producers. *Gourmet* magazine once recognized Burgerville as the home of the nation's freshest fast food.

According to the company's website, "At Burgerville, doing business responsibly means doing business sustainably. One example of this is our commitment to purchasing 100 percent local wind power equal to the energy use of all our restaurants and corporate office." The company purchases its electricity from local windmills. Burgerville uses "sustainable agriculture," which means that its meat and produce are free from genetically modified seeds or livestock. In its cooking, the company avoids trans-fats, and once the cooking oils are used up, they are converted into biodiesel. The company buys its antibiotic- and hormone-free beef locally.

In addition to burgers, Burgerville offers a wild Coho salmon and Oregon hazelnut salad. Meals for children often come with seeds and gardening tools rather than the usual cheap toy offered at the national chains.

Burgerville extends its good works to its employees. The company pays 95 percent of the health insurance for its hundreds of workers. This adds \$1.5 million to its annual compensation expense. To get its affordable health care, employees have to work a minimum of 20 hours a week for at least six months, a more generous arrangement than most provided by stores.

Being a good corporate citizen is expensive when done the Burgerville way. Though the company won't reveal its financial bottom line, one industry consultant estimated that its margin is closer to 10 percent compared with McDonald's 15 percent. Like many other fast-food restaurants, Burgerville has had to adapt to a changing world during the COVID-19 pandemic period, but it hopes to restore its status when the critical period of the pandemic passes.

1. Is the world ready for a socially responsible, sustainable hamburger? How much extra would you be willing to pay, assuming the burgers really taste good?
2. What tensions among its economic, legal, ethical, and philanthropic responsibilities do you think are most pressing to Burgerville?
3. Does Burgerville sound like a business that might work in Oregon and Washington, but maybe not elsewhere? What is the future of Burgerville?

Sources: "Fast Food: Want a Cause with That?" *Forbes* (January 8, 2007), 83; "4 Secrets from HR Experts on Engaging Employees in Workplace Wellness," *Washington Business Journal*, <https://www.bizjournals.com/washington/how-to/human-resources/2015/10/4-secrets-from-hr-experts-on-workplace-wellness.html>, accessed March 1, 2021; "About Burgerville," <http://www.burgerville.com/about/>, accessed January 29, 2021.



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Femme ingénierie
observant des
machines
technologiques dans un
laboratoire.

Tech for good

Lita n,f Quand l'investissement devient votre voie la plus directe pour soutenir et transformer l'économie.

Main récoltant des épinards dans



FIGURE 2.1 Stakeholder Model for Implementing Social Responsibilities



TABLE 2.2 Stakeholder Attributes

Attributes	Example
Power	A well-established employee in a specialized field has power if replacing the employee would require extensive training and resources.
Legitimacy	Special-interest groups that are against genetically modified foods encourage protests after legislation favorable to biotechnology companies is passed.
Urgency	A company that has discovered a serious product defect that can cause injury must immediately implement a product recall.

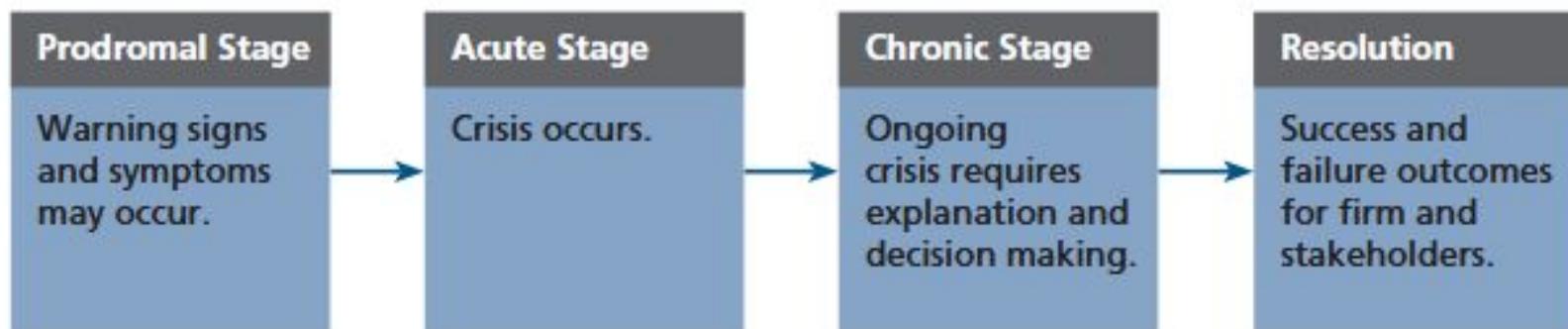
FIGURE 2.2 Crisis Management Process

TABLE 2.6 Six Steps for Utilizing a Stakeholder Framework

Steps	Example
Assess the corporate culture	New Belgium Brewing decides to invest in wind power because it aligns with its mission of environmental responsibility.
Identify stakeholder groups	Whole Foods recognizes the importance of working with animal activist organizations to ensure the animals supplying its meat products are treated humanely.
Identify stakeholder issues	Chevron identifies sustainability and the increasing concern over greenhouse gas emissions as important stakeholder considerations impacting the industry.
Assess the organization's commitment to social responsibility	CVS determines that eliminating cigarette sales will reinforce its commitment toward becoming a health services company.
Identify resources and determine urgency	Home Depot provides emergency supplies in areas that are struck by natural disasters.
Gain stakeholder feedback	Best Buy asked consumers for feedback and realized that the recycling of electronic waste was a major concern.

TABLE 2.7 The Reactive–Defensive–Accommodative–Proactive Scale

Rating	Strategy	Performance	Example
Reactive	Deny responsibility	Doing less than required	Exxon's refusal to continue oil spill cleanup after a certain date
Defensive	Admit responsibility, but fight it	Doing the least that is required	Valero Energy claims it meets federal regulation; therefore community complaints are not legitimate
Accommodative	Accept responsibility	Doing all that is required	General Motors promised job security if productivity gains were realized
Proactive	Anticipate responsibility	Doing more than is required	Xerox shares product blueprints with suppliers and takes suggestions before production

Source: Adapted from Max B. E. Clarkson, "A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance," *Academy of Management Review* 20 (January 1995): 92–117; I. M. Jawahar and Gary McLaughlin, "Toward a Descriptive Stakeholder Theory: An Organizational Life Cycle Approach," *Academy of Management Review* 26 (July 2001): 397–414; Ian Wilson, "What one company is doing about today's demands on business," in G. A. Steiner (Ed.), *Changing business-society interrelations*, Los Angeles, CA: Graduate School of Management, UCLA, 1975.

TABLE 2.3 Reputation Measures

Reputation List	Conducted By	Groups Surveyed	Primary Purpose
100 Best Companies to Work for in America	Fortune magazine, Great Place to Work Institute	Companies that are at least five years old and employ at least 1,000 employees; employees and top managers are surveyed	Publication
100 Best Corporate Citizens	Corporate Responsibility Magazine, Corporate Responsibility Officers Association (CROA)	Russell 1000 companies	Publication
America's Most Admired Companies	Fortune magazine, Hay Group	Fortune 1000 companies and Fortune's Global 500 with revenues at or over \$10 billion; company executives, directors, and analysts are surveyed	Publication
Best and Worst: Social Responsibility	Fortune magazine, Hay Group	Fortune 1000 companies and Fortune's Global 500 with revenues at or over \$10 billion; company executives, directors, and analysts are surveyed	Publication
Corporate Branding Index	CoreBrand, LLC	Business executives responsible for purchasing and strategic relationship decisions from the top brands with over \$50 million as well as high-level customers	Customized for clients
Global Reputation Pulse	Reputation Institute	All of the company's stakeholders	Customized for clients
Reputation Quotient	Reputation Institute and Harris Interactive	General public	Customized for Clients
World's Most Respected Companies	Barron's	Professional money managers	Publication

WRAP UP

The word "WRAP UP" is displayed in large, bold, black capital letters. Each letter is filled with a different holiday-themed graphic. The 'W' features a red and green striped pattern. The 'R' has a blue and white striped pattern with a small yellow star at the top. The 'A' is filled with a red and green patterned background. The 'P' has a blue and white striped pattern with a small green sprig at the bottom. The 'U' has a black background with a white snowflake outline and a small red and green striped pattern at the bottom right.

Thanks and have a nice day !

Contacts

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