Corporate Social Responsibility:
Instrumental Approaches for a Fruitful Interplay between Business and Society

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Framework Paper
Introduction

“Make America great again!” – was the now-iconic campaign slogan with which Donald Trump became the 45th President of the United States of America (USA) in 2017. While the slogan can be interpreted in a number of ways, for many voters, it tapped into their dissatisfaction and anxiety regarding the development of the economy. It spoke to the voters who felt like they have been left behind by the global spread of capitalism (Lamont et al. 2017; Walley 2017):

“I have visited the laid-off factory workers, and the communities crushed by our horrible and unfair trade deals. These are the forgotten men and women of our country, and they are forgotten, but they will not be forgotten long. These are people who work hard but no longer have a voice. I am your voice” (Excerpt from Donald Trump’s Republican Party’s Presidential Nomination Acceptance Speech in 2016; Gaskell 2016).

In fact, many of Trump’s voters are blue-collar workers located in the Rust Belt states (Pacewicz 2016) – a region in the USA that has experienced a massive economic decline over the past decades (Millsap 2017). Due to the automation of industrial processes and outsourcing of production, people in this region – once a major driving force behind America’s accession to economic superpower – have been increasingly struggling with job losses, population stagnation, and cultural marginalization (McQuarrie 2017). Donald Trump appealed to these people and their economic anxieties and promised to bring back manufacturing jobs to the USA and end the “unfair” free-trade deals like NAFTA that, according to him, were largely responsible for the decline of the manufacturing industry (Alden 2016).

As much as Trumps’ victory was a surprise to many intellectuals and political scientists, it is indicative of a larger societal phenomenon – the trend toward a critical view on globalization and the market economic system, which is also reflected in the pro-Brexit vote in the United Kingdom and the rise of right- and left-wing populist parties across Europe (Inglehart & Norris 2016; Rodrik 2018). The emerging anti-globalization movement is driven by people’s growing feeling of alienation from the economy and the underlying perception that business has increasingly become disconnected from the rest of society. To many people, it seems that the pursuit of self-interest, that is characteristic of the market economic system, undermines fundamental social norms and values and destroys social ties (Bhattacharjee et al.
2017; Clark & Lee 2011). As a consequence, people are calling for more ethics in business to ensure that business serves the interests of society (Crane & Matten 2016).

The debate about ethics in business is often expressed through the concept of corporate social responsibility (CSR). Generally speaking, corporations have the responsibility to contribute to societal well-being (Davis & Blomstrom 1975). The academic discussion of CSR specifies the responsibilities of corporations toward society and develops propositions for how socially responsible behavior can be institutionalized in practice. The mainstream CSR research is thereby rooted in an instrumental paradigm in which CSR is treated as a potential means to improve the corporate bottom line. Many scholars within this paradigm hence pursue the objective of uncovering the “business case for CSR” (Vogel 2005). Proponents of the instrumental paradigm put forth that the evidence that CSR pays off rationalizes the assumption of social responsibility in the corporate world (Lee 2008) and in doing so, allows to realize a variety of hitherto undiscovered win-win scenarios between corporations and society (e.g., Porter & Kramer 2011). By contrast, critics of the paradigm contend that the quest for the business case for CSR, per se, runs counter the interests of society as it corrodes the ethical foundation of CSR (e.g., Nijhof & Jeurissen 2010) and serves as a smokescreen to legitimize and consolidate the power of corporations (e.g., Banerjee 2008).

This framework paper argues for a differentiated view on the business case for CSR by adopting a societal perspective. On the one hand, it highlights the societal relevance of the existence of the business case for CSR for the institutionalization of CSR in the market economic system and hence, the promotion of a fruitful interplay between business and society. On the other hand, the framework paper cautions against the business-society relationship related dangers that might arise from making sense of CSR through the lens of the instrumental paradigm and thereby reducing the concept to what pays off for corporations.

The remainder of this framework paper is structured as follows. The next section illuminates the theoretical foundations of the relationship between business and society. On this basis, it will be argued that CSR is an important pillar for realizing a fruitful relationship between business and society. Subsequently, it will be demonstrated that the existence of the business case for CSR is crucial in achieving this objective in reality. Then, the argument will be developed that a reductionist interpretation of the assumption of social responsibility in terms of a readily discernible business case risks limiting or even undermining CSR’s potential to
promote a fruitful interplay between business and society. This will lay the foundation to outline the aims and the main outcomes of this dissertation thesis.

**Business Ethics and the Relationship between Business and Society**

Since the collapse of the Soviet Union in 1991 at the very least, the market economic system has become the dominant economic system around the world (Beckert 2009; Swedberg 2005). This system has proven itself to be more socially preferable than a centrally planned economy (Homann & Suchanek 2005). The social power of the market economic system is thereby encapsulated by the “doux commerce thesis” (Hirschman 1982), which holds that the self-interested activities of economic actors, coordinated by competitive markets, bring a plethora of material and non-material benefits to society and therefore, inherently serve societal well-being (Fourcade and Healy 2007).

The logic of the doux commerce thesis is most visibly reflected in propositions of classical and neo-classical economics (e.g., Mankiw 2010; Samuelson & Nordhaus 1998; Smith 1905; Walras 1954). According to this stream of research, the pursuit of self-interest in competitive markets creates value for all individuals and society at large by inducing economic actors to strive for the most efficient use of scarce resources, which ultimately leads to large-scale economic growth (Herzog 2017). In the face of people’s unlimited demands for goods and services, the efficient allocation of scarce resources is seen as a fundamental challenge to building a good society, such that markets’ ability to channel the pursuit of self-interest toward this end is deemed a central benefit of the market economic system (e.g., Mankiw 2010; Samuelson & Nordhaus 1998; Shleifer & Vishny 1997; Varian 2010). In this respect, it is also held that the self-interested quest for the most efficient use of scarce resources further benefits society by incentivizing economic actors to unleash their creativity and foster the discovery of knowledge (Hayek 1945), thus sparking innovations that improve the lives of all people in the long run (e.g., Ahlstrom 2010; Baumol & Strom 2007; Schumpeter 1942).

Notably, the doux commerce thesis goes beyond purely efficiency-based arguments by emphasizing that markets promote morality (e.g., Clark & Lee 2011; Maitland 1997; Wagner-Tsukamoto 2005; Wilson 1995). Specifically, it is held that the market economic system puts the pursuit of self-interest into the service of society by inducing economic actors to strive for
the realization of mutually beneficial cooperative relationships and the fulfillment of other actors’ needs, thereby disciplining them to act in compliance with social norms and values (e.g., Homann and Suchanek 2005; Kleinau and Lin-Hi 2014; Smith 1905; Vanberg 2007). Against this backdrop, the market economic system is seen as a “civilizing force” (Fourcade and Healy 2007, p. 286), i.e. as an arena for economic actors to voluntarily exchange goods and services and where exchange is free from coercion but instead, is based on civic virtues such as honesty, integrity, and reciprocity (e.g., Hülsmann 2008; Lee & McKenzie 1995; Maitland 1997; McCloskey 2006). In the absence of coercion, people are free to choose between cooperation partners and the goods and services they consume. Hence, it is also argued that markets empower people (Bhattacharjee et al. 2017; Forbes & Ames 2009). Thereby, it is held that the moral virtue of individual freedom is upheld (e.g., Hayek 1944; Friedman 1962) and, at the same time, the potential for the accumulation and concentration of economic power, that could be misused by economic actors at the detriment of society, is counteracted (Böhm 1961; Homann & Suchanek 2005). In sum, according to the doux commerce thesis, the market economic system is a social asset as it channels self-interested actions via competitive markets in such way that the pursuit of self-interest leads to the creation of the “wealth of nations” (Smith 1905) and promotes morally valuable outcomes that make every individual better off in the long run.

The above described positive view on the social desirability of the market economic system is questioned by proponents of the so-called “self-destruction thesis” (Hirschman 1982), according to which, all in all, the market economic system rather harms than improves societal well-being. Most notably, proponents of the self-destruction thesis draw on theories of market failure (e.g., Bator 1958; Randall 1983) to highlight that the pursuit of self-interest in competitive markets creates a variety of negative, mass production- and consumption-driven externalities, including environmental pollution and sweatshops (Buckley & Casson 2001; Kapp 1971; Wright 2013). Furthermore, it is argued that market competition encourages excessive risk-taking behaviors, which yield negative externalities such as socio-economic crises (e.g., Bresser-Pereira 2010; Mander 2012; Purcell 2016). Against this backdrop, the pursuit of self-interest in competitive markets is held to incentivize economic actors to behave opportunistically and disregard the effects of their actions on the well-being of others (e.g., Falk & Szech 2013; Sandel 2012; Shleifer 2004). Hence, the self-destruction thesis postulates that by stimulating opportunistic behaviors, the pursuit of self-interest in competitive markets creates social costs and negatively affects social welfare (Fourcade & Healy 2007).
In light of the postulated negative societal outcomes of the pursuit of self-interest, the self-destruction thesis challenges the notion that markets promote morality and instead holds that markets exhibit “a pronounced proclivity toward undermining the moral foundations” of societies (Hirschman 1982, p. 1466). In this respect, it is argued that, besides promoting opportunism and greed, markets corrupt morality by commodifying social relationships and subordinating ethical considerations to self-interest calculations (e.g., Satz 2010; Scheper-Hughes & Wacquant 2002). This notion, for example, features in Veblen’s (1994) theory of the leisure class which postulates that people do not consume goods and services to satisfy their needs but to enhance their status and reputation which, in turn, is argued to foster human vices such as love for money and envy (Fourcade & Healy 2007; Knippenberg & de Jong 2010). In a similar vein, proponents of neo-Marxist theory hold that instead of enhancing people’s freedoms, markets foster coercion and (self-)exploitation of individuals and cement socioeconomic inequalities (e.g., Böhm et al. 2012; Cairó-i-Céspedes & Castells-Quintana 2016; Roemer 1988). Likewise, sometimes drawing on Schumpeter’s (1942) concept of “creative destruction”, scholars contend that the technological progress driven by the pursuit of self-interest effectively destroys established social ties and imposes massive hardships on individuals (e.g., Komlos 2016; Wisman & Capehart 2010). In sum, according to the self-destruction thesis, self-interested actions in the market economic system corrode morality and worsen the lives of members of society, such that to “allow the market mechanism to be sole director of the fate of human beings and their natural environment […] would result in the demolition of society” (Polanyi 1944, p. 76).

Observation of reality provides evidence supporting both the doux commerce thesis and the self-destruction thesis. On the one hand, over the past decades, the pursuit of self-interest in competitive markets has yielded an unprecedented increase in global prosperity (DeLong 2000), resulted in groundbreaking innovations (Ahlstrom 2010), and promoted peaceful and free human coexistence in many countries around the world (Gartzke 2007; Mousseau 2009). In line with the famous metaphor of the “invisible hand” (Smith 1905, p. 345), reality thus demonstrates that the pursuit of self-interest in the market economic system can enhance societal welfare. On the other hand, reality shows that the pursuit of self-interest in the market economic system also creates various social costs. As if guided by an “invisible foot” (Hunt and d’Arge 1973, p. 348), the drive for wealth accumulation, technological change, and mass consumption have led to the over-exploitation of natural and human resources and climate
change (Booth 1998), thereby enhancing socio-economic insecurities and undermining the conditions of a good life for current and future generations.

In sum, both theory and practice paint a mixed picture of the social desirability of the pursuit of self-interest in the market economic system, thus clarifying the necessity of business ethics as an academic and practical discipline. In general terms, business ethics is concerned with the study of morality in business (Crane & Matten 2016; Ferrell et al. 2011; Schwartz 2007) and more specifically, deals with the ethical foundations and challenges surrounding the relationship between business and society (Epstein 1987; Jeurissen 2000; Swanson 1999). Conceptually, business ethics is frequently grounded in social contract theory (Hasnas 1998) which postulates that business is not given by nature but is a social institution (Donaldson & Dunfee 1994; Dunfee 1991). As a social institution, business is bound by an implicit social contract in which members of society grant business the social license to operate and in return, expect that business’ pursuit of self-interest serves societal well-being (Hasnas 1998; Shocker & Sethi 1973; Swanson 2018). From the perspective of business ethics, the social contract creates the societal obligation for business “to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen 1953, p. 6).

Given that the market economic system exhibits the features of both doux commerce and self-destruction thesis, business ethics devotes particular attention to the challenges surrounding the disharmony between business’ and societal interests (e.g., Beckmann et al. 2014; Frederick 1995; Stark 1993). To this end, scholars theorize about the root causes of the (potential) conflicts between business and society and formulate focal points for effective conflict management (e.g., Jeurissen 2000; Lin-Hi & Suchanek 2011; Suchanek 2007). The latter often includes the application of moral norms and values, such as fairness, honesty, integrity, and justice (e.g., Phillips 1997; Solomon 1992; Schwartz 2005), to the realm of business and the development of strategies for ensuring that the pursuit of self-interest is in line with these norms and values. The overall objective of business ethics is thus to enable a reciprocal relationship between self- and societal interests and in doing so, promote a fruitful interplay between business and society (Carroll & Buchholtz 2014; Jeurissen 2000; Swanson 1999).
In striving for a fruitful interplay between business and society, business ethics addresses different layers and actors across the entire economy (e.g., Enderle 2015; Goodpaster 1992; Göbel 2017; Solomon 1997), yet devotes particular attention to the role organizations, i.e. business corporations, in this regard (Beckmann et al. 2014). It is widely acknowledged by sociological and organizational theories that the modern society is an “organizational society” (Presthus 1962) with organizations occupying a central role in the shaping of social life (Coleman 1990; Kieser & Kubicek 1976; King et al. 2010; Simon 1991). In this respect, according to Coleman (1974), corporations have the status of “corporate actors”, i.e. autonomous actors that pursue their own ends, control social events, and affect a large number of economic exchanges. Accordingly, corporations, as corporate actors, de facto, have a profound effect on the lives of members of society and on the mode of operation of the market economic system on a global scale (Sethi 2003). Accordingly, business ethicists acknowledge that without the support of corporations, it is difficult to achieve a fruitful interplay between business and society (Bansal 2002; Carcano 2013; Figge & Hahn 2012). In consequence, the debate about corporate social responsibility (CSR) constitutes a crucial pillar of the business ethics debate.

Corporate Social Responsibility and a Fruitful Interplay between Business and Society

CSR is one of the earliest concepts in the academic study of the relationship between business and society (Windsor 2001). In general terms, the concept is concerned with moral issues surrounding the interactions of corporations with and their associated impacts on society (Branco & Rodriguez 2006; Epstein 1987; Wood 1991). In line with social contract theory, the concept of CSR thereby often rests on the assumption that corporations and society are interwoven entities (Davis 1967; Porter & Kramer 2006; Preston & Post 1975; Wood 1991), which means that, in return for the rights and freedoms corporations are granted by society, they are responsible for ensuring that their pursuit of self-interest produces outcomes that are in line with social norms and values (Carroll 1991; Maignan & Ferrell 2004; Sethi 1975). Conformity with social norms and values thereby constitutes the basis for corporations as corporate actors to be able to maintain their moral legitimacy and social acceptability (Palazzo & Scherer 2006; Suchman 1995). Accordingly, CSR has an intrinsically normative foundation (Garriga & Melé 2004; Schreck et al. 2013; Wettstein 2009), meaning that conformity with
social norms and values is an ethical duty of corporations, so that the assumption of social responsibility is justifiably demanded of corporations (Whetten et al. 2002). This renders the assumption of social responsibility categorical in the sense that behaving responsibly is a moral imperative, i.e. it is the “right” thing to do (Dentchev 2009; Donaldson & Preston 1995; Garriga & Melé 2004).

While CSR is a diverse and highly contested concept (Okoye 2009; Orlitzky et al. 2011), whereby numerous proposals for nailing down the concrete responsibilities of corporations exist (for an overview, see, e.g., Carroll & Brown 2018; Kakabadse et al. 2005), CSR boils down to the notion that corporations have the responsibility to contribute to societal well-being: “The most obvious and distinctive characteristic of an act of CSR is its focus on increasing social welfare” (Barnett 2007, p. 798). The CSR debate frequently specifies this contribution in terms of corporations’ satisfaction of the various expectations of the members of society (e.g., Carroll 1979, 1991; Maignan & Ferrell 2004; Podnar & Golob 2007). Such a conceptualization is closely related to stakeholder thinking (Freeman 1984), according to which the very purpose of the corporation is to create value for society by serving the interests of all its constituencies (Buchholz & Rosenthal 2005; Evan & Freeman 1993). The responsibility to satisfy stakeholder expectations creates a diverse spectrum of potential CSR action fields for corporations. Examples include cause-related marketing (e.g., Varadarajan & Menon 1988), corporate engagement in social work via corporate volunteering (e.g., Jones 2010) or the employment of disadvantaged groups (Bučiūnienė & Kazlauskaitė 2012), corporate philanthropy (e.g., Godfrey 2005), environmental protection (e.g., Lyon & Maxwell 2008), and gender mainstreaming (e.g., Grosser & Moon 2005).

Overall, CSR encompasses the normative notion that corporations have the duty to work for the betterment of stakeholders and society as a whole and conform with prevailing social norms and values (Davis & Blomstrom 1975; Frederick 1994; Wartick & Corchan 1985). The relevance of CSR becomes evident in light of the fact that many of the conflicts between business and society arise from the conflicts between corporations’ pursuit of self-interest in competitive markets and the interests of society (Heal 2005; Lin-Hi & Suchanek 2011; Sethi 1994). In cases where corporations abuse their freedoms and pursue their own self-interest without taking into account the ethical implications of their actions, they might eventually harm the well-being of stakeholders and society as a whole and hence, exacerbate the negative societal impacts of the market economic system and bring it closer to the state described by the self-destruction thesis.
In this regard, CSR provides an important means of resolving the conflicts between corporations and society (Heal 2005; Lin-Hi & Suchanek 2011; Knippenberg & de Jong 2010). Embracing the concept of CSR exerts normative pressure on corporations to pursue their self-interest in a manner that is in line with the interests of society. Because CSR embodies the notion that failure to act in a socially responsible manner undermines corporations’ moral legitimacy and hence, poses a threat to their survival as corporate actors (Deephouse & Suchman 2008; Palazzo & Scherer 2006), it represents a means of social control of corporations (Valor 2005). In other words, CSR acts as a “civilizing force” (Bowie 2018) that harmonizes the interests of corporations and the interests of society by demanding that corporations integrate social expectations into their business operations. In this sense, from a corporate perspective, CSR provides a vehicle for corporations to uphold their end of the social contract (Carroll 1991; Steiner 1972). Thus, assuming that the notion of CSR becomes institutionalized in the market economic system, CSR fosters a fruitful interplay between business and society and, in doing so, brings the market economic system closer to the ideals of the doux commerce thesis.

Due to the central role of CSR in the promotion of a fruitful interplay between business and society, it is in the interest of society to motivate corporations to assume social responsibility in practice. While the normative character of CSR makes an important contribution in this respect, it cannot be assumed that moral arguments alone are sufficient to institutionalize socially responsible behavior in practice on a broad scale (Branco & Rodriguez 2006; Suchanek 2007). As emphasized by economic theories of CSR, the assumption of social responsibility incurs extra costs for corporations, in particular, in terms of increased costs of capital, labor, and material, which might undermine their competitiveness vis-à-vis less responsible rivals (Baron 2001; McWilliams & Siegel 2001; Quairel-Lanoizelée 2011). Accordingly, corporations will not be able to engage themselves for the well-being of stakeholders and society in the long run if practicing CSR systematically leads to a competitive disadvantage (Husted & de Jesus Salazar 2006; Lin-Hi 2009; Pies et al. 2009) – which is not in the interest of society (Fifka & Berg 2014). This means that a practically feasible approach to CSR needs to consider both the normative and the economic foundation of CSR (Lin-Hi 2009). Therefore, a major challenge to promoting CSR in practice lies establishing a compatibility of CSR with the market-based principle of economic rationality, which requires corporations to use their resources in the most efficient manner (Mises 1949; Rothbard 2011). As the next
section demonstrates, being able to evidence a business case for CSR is vital in order for the assumption of social responsibility to be institutionalized in the market economic system.

Instrumental CSR and a Fruitful Interplay between Business and Society: The Promises

Much of CSR research is rooted in an instrumental paradigm (Gond et al. 2009; Grosser & Moon 2017) which aims to uncover empirically testable causal relationships in the social world in order to predict the outcomes of and deriving managerial recommendations for practicing CSR (Gond & Matten 2007; Scherer & Palazzo 2007). The instrumental paradigm is functionalist in nature (Scherer & Palazzo 2007), i.e. the associated approaches treat the assumption of social responsibility as a means of the corporate pursuit of self-interest (Hahn & Figge 2011; Garriga & Melé 2004; Jones 1995). Accordingly, many of the scholars within the instrumental paradigm are concerned with the question whether and how individual CSR activities pay off for corporations (Lee 2008; Vogel 2005).

Over the past years, instrumental CSR studies have accumulated growing evidence that, under certain conditions, there is a positive causal link between CSR and corporate success, i.e. there is a “business case for CSR” (Carroll & Shabana 2010; Kurucz et al. 2008; Schreck 2011; Weber 2008). Formally, the business case for CSR exists when the benefits of practicing CSR outweigh its costs and hence, allow corporations to improve their competitive position in the marketplace (Carroll & Shabana 2010; Kurucz et al. 2008). Drawing on strategic management literature, such as the theory of generic competitive strategies (Porter 1980), research suggests that CSR can strengthen a corporation’s cost-leadership strategy (Ramachandran 2011) by leading to cost and risk reductions (e.g., Hart & Milstein 2003; Porter & van der Linde 1995). CSR can also be implemented as a product differentiation strategy, whereby new consumer demand is created and consumers’ higher willingness to pay for products with CSR attributes leads to a higher profit margin (e.g., McWilliams & Siegel 2001; Siegel & Vitaliano 2007). In line with the resource-based view of the firm (Barney 1991; Wernerfelt 1984), research further indicates that CSR can contribute to developing valuable, rare, and imperfectly imitable resources (e.g., Branco & Rodriguez 2006; Russo & Fouts 1997), such as committed employees (e.g., Mueller et al. 2012), a good corporate reputation (Fombrun & Shanley 1990), and public goodwill (e.g., Godfrey et al. 2009). In sum, there is evidence that CSR can pay off for
corporations and that the business case for CSR does not only exist in a narrow form, i.e. in terms of improved financial performance, but also in a broad form, i.e. in terms of favorable stakeholder attitudes and behaviors (Carroll & Shabana 2010; Perrini et al. 2011).

In situations where the business case for CSR exists, the assumption of social responsibility becomes compatible with the principle of economic rationality and win-win scenarios between corporations and society are realized in competitive markets (Burke & Logsdon 1996; Falck & Heblich 2007; Lantos 2001; Porter & Kramer 2011). In other words, where the business case exists, society benefits from the self-interested activities of corporations (Heal 2005). In this sense, the business case for CSR can be seen as a manifestation of the doux commerce thesis as it promotes “social cooperation for mutual advantage” (Suchanek 2007) and hence, bolsters civic virtues in competitive markets. Accordingly, the existence of the business case for CSR overcomes an important boundary condition which might restrain corporations in serving the well-being of society in competitive markets (Lin-Hi & Müller 2013) and hence, lays the foundation for a reciprocal relationship between self- and societal interests in the market economic system.

Moreover, the existence of the business case for CSR helps to leverage the power of market competition to promote societal well-being. In cases where corporations can reap sufficient benefits from CSR, the assumption of social responsibility becomes a strategic imperative (Sheehy 2015) as corporations that do not practice CSR, risk encountering a competitive disadvantage vis-à-vis more responsible rivals. Hence, by accumulating evidence for the positive bottom-line effects of CSR, instrumental research provides an impetus for a growing institutionalization of responsible business practices and a race to the top in the assumption of social responsibility on behalf of corporations. Simply put, the more evidence for the business case for CSR exists, the more likely it is that CSR becomes institutionalized in the market economic system.

In sum, the existence of the business case for CSR both enables and promotes the institutionalization of socially responsible behavior in competitive markets. Because CSR contributes to the well-being of stakeholders and society and because the existence of the business case for CSR renders the assumption of social responsibility economically rational in the market economic system, the business case for CSR facilitates the realization of the social contract between business and society. Therefore, it can be argued that the business case for CSR, in principle, serves the interests of society by bringing the market economic system closer
to the ideal captured by the doux commerce thesis. However, as the next chapter argues, the instrumental paradigm might yield a problematic understanding of CSR which might not only limit CSR’s power to promote a fruitful interplay between business and society but even undermine it.

Instrumental CSR and a Fruitful Interplay between Business and Society:
The Perils

According to the business case logic, CSR should be treated in the same manner as any other investment a corporation undertakes to improve its competitive position in the market place (McWilliams & Siegel 2001; Husted & de Jesus Salazar 2006). This means that the overall notion of CSR is split into single investment projects which are assessed regarding their potential contribution to the corporate bottom line based on a cost/benefit analysis (McWilliams & Siegel 2001). In line with the principle of economic rationality, the CSR activities which offer the best return on investment in a reasonable timeframe should be supplied via the market. By implication, those CSR activities for which the business case cannot be made are dismissed as valueless or a waste of corporate resources (Sheehy 2015).

It can be argued that the instrumental paradigm might lead to reductionist view of CSR (Hahn et al. 2018; Sandoval 2015) because, according to the paradigm, the ultimate criterion by which the engagement in CSR is judged lies in the assessment of the degree to which individual CSR activities contribute to the corporate bottom line: “The ultimate measure of strategic benefits from CSR activities is the value they create for the firm. Value creation refers to the readily measurable stream of economic benefits that the firm expects to receive” (Burke & Logsdon 1996, p. 499). In other words, making sense of the assumption of social responsibility through the lens of the instrumental paradigm raises the risk of treating CSR as an ordinary profit-making tool (Scherer & Palazzo 2007), with the result that any CSR action fields for which the business case is not readily discernible, i.e. the corporate “win” cannot be identified in a measurable and reliable manner, might be simply defined away to be not part of the social responsibility of corporations as they do not fit the “strait-jacket of economic rationality” (Brooks 2010). Accordingly, making sense of CSR through the lens of the instrumental paradigm might restrict the scope of the social responsibility of corporations to
simple cases of compatibility between corporate and societal interests (Nijhof & Jeurissen 2010; Hahn et al. 2010).

However, several researchers highlight that markets do not always reward CSR and that for many CSR action fields, the business case cannot be made easily (Barnett 2007; Kuhn & Weibler 2011; Margolis & Elfenbein 2008; Paine 2000; Vogel 2005). That is, it is not always possible to translate CSR into easy-to-measure benefits within a reasonable timeframe, so that they do not necessarily yield a readily discernible business case. Accordingly, the danger prevails that many socially desirable but unprofitable CSR action fields might “fall through the crack” when making sense of CSR through the lens of the instrumental paradigm. Preuss (2011, p. 20) puts the problem in a nutshell: “From a societal perspective, if all companies rigidly followed the business case, then much societal demand for corporate social and environmental initiatives would remain unmet”.

The danger of a reductionist view of CSR is particularly evident in cases of (potential) conflicts between corporations’ pursuit of self-interest and the interests of stakeholders and society as a whole which are, time and again, fostered by market competition (Lin-Hi & Suchanek 2011). Research demonstrates that, under certain conditions, there is a business case for socially irresponsible behavior (Kuhn & Weibler 2011; Schreck 2011). In other words, the opportunistic pursuit of self-interest by which corporations improve their bottom line, mostly in the short run, but thereby violate prevailing social norms and values and harm the legitimate interests of members of society, may be lucrative (Lin-Hi & Müller 2013; Strike et al. 2006). In situations where irresponsible behavior pays off, the abstinence from such harmful practices creates opportunity costs. Applying the business case logic this implies that undertaking investments in the prevention of irresponsible behavior is only reasonable to the extent that the costs of prevention are compensated by the respective benefits. Hence, a reductionist interpretation of CSR limits the social responsibility of corporations to abstain from upholding their very basic societal duties to those situations where there is a readily discernible business case. In doing so, a reductionist interpretation of CSR might not only be insufficient for counteracting the manifestation of the self-destruction thesis in the market economy but might even foster it.

Overall, approaching CSR in a reductionist manner creates the risk of immunizing corporations from fulfilling many of the duties embodied in the social contract. Put differently, making sense of CSR through the lens of the instrumental paradigm might lead to a selective
and opportunistic alignment of the interests of corporations and society. This, in turn, undermines the normative foundation of CSR, prevents ethical reflection about CSR itself (Kreps & Monin 2011; Nijhof & Jeurissen 2010; Scherer & Palazzo 2007) and, ultimately not only limits CSR’s potential to contribute to a fruitful interplay between business and society, but might even widen the gap between the two.

Implications and Description of the Research Program

As has been mentioned above, the mainstream CSR discussion is strongly rooted in the instrumental paradigm (Grosser & Moon 2017; Scherer & Palazzo 2007) and research is heavily focused toward the question of whether and how individual CSR activities pay off for corporations (Vogel 2005). This is evidenced by the fact that, during the past decades, scholars have been predominantly concerned with finding statistical evidence of a causal relationship between specific CSR activities and corporate financial performance (Margolis & Walsh 2003; Wood 2010). Against this backdrop, the mainstream CSR research runs the risk of instilling a one-sided view of CSR, whereby the overall notion of CSR is reduced to cases where there is a clear-cut and measurable causal link between the assumption of social responsibility and corporate profits. Because in reality, many CSR action fields do not yield a readily discernible business case, mainstream CSR research is rather limited in its ability to provide guidance on how corporations can uphold their end of the social contract beyond simple win-win scenarios. This constitutes an important blind spot in the mainstream CSR debate.

The present dissertation aims to ameliorate this blind spot by addressing CSR action fields that, by tendency, “fall through the crack” within the mainstream CSR research. Specifically, the purpose of the present dissertation is to develop approaches that enable CSR action fields without a readily discernible business case to be identified, perceived as relevant, and addressed, both in theory and in practice. Since the existence of the business case for CSR is a critical precondition and promoter of the institutionalization of CSR in the market economic system and abandoning the business case logic altogether is therefore not in the interest of society, the present dissertation aims to fill the blind spot in the literature via an instrumental approach to CSR. In other words, the dissertation uses the social power of the business case for CSR within a bigger picture to demonstrate why – despite and precisely because of a lack of a readily discernible business case – it is instrumentally important to pay particular attention to
such problematic CSR action fields and how this can be achieved. The overall aim is therefore to better enable corporations to fulfill their social contract and, in doing so, promote a fruitful interplay between business and society.

Given that a fruitful interplay between business and society rests on a reciprocal relationship between self- and societal interests, the six papers collected in the present dissertation pay particular attention to cases where these interests diverge. In particular, the dissertation focuses on the concept of corporate social irresponsibility (CSI), i.e. corporate actions that cause illegitimate harm to the well-being of stakeholders and society as a whole (Lin-Hi & Müller 2013). The relevance of this focus is evidenced by the fact that – despite growing engagement of corporations in CSR – CSI is widespread in the corporate world (Fiaschi et al. 2017; Piazza & Jourdan 2018; Skarmeas & Leonidou 2013). By addressing problematic cases of irresponsible behavior, the dissertation makes an important contribution to the literature since the concept of CSI is largely neglected in the mainstream CSR debate (Lange & Washburn 2012; Lin-Hi & Müller 2013; Riera & Iborra 2017).

The dissertation argues that, while it is difficult to build a readily discernable business case for the avoidance of irresponsible behavior, the abstinence from CSI is nevertheless instrumentally important for corporations, particularly, if a long-term perspective is adopted. Most importantly, the dissertation indicates that corporations are unlikely to benefit from CSR in the long run if they fail to systematically avoid CSI. This underscores the notion that treating CSR in a reductionist manner, i.e. focusing individual CSR “lighthouses” that are particularly promising for generating quick payoffs, is not a viable approach to CSR. Instead, the dissertation highlights the value of conceptualizing CSR as an ongoing and long-term oriented process, whereby the interrelationships between the various CSR action fields are taken into account in a holistic manner. Since CSI can occur in different areas of corporate operations (Lin-Hi & Blumberg 2018), the dissertation indicates that the avoidance of CSI is an indispensable part of CSR and that CSR is a cross-functional management task that covers the entire corporate value chain.

Collectively, the six papers included in the dissertation thesis suggest that addressing CSR action fields for which the business case is not readily discernible is a fruitful undertaking for both theory and practice. To be able to achieve this objective, is arguably necessary to approach CSR in a holistic manner, i.e. as a philosophy of doing business in a socially responsible fashion, whereby the goal of the abstinence from irresponsible behavior is
embedded in all organizational structures and corporate culture. This thesis propounds that, in this way, CSR can unfold its full potential for contributing to a fruitful interplay between business and society and strengthen people’s confidence in the market economic system. The next section provides an overview of the six papers which comprise the dissertation thesis.

**Overview of the Papers Included in the Dissertation Thesis**

**The link between self- and societal interests in theory and practice**

The first paper deals with the relationship between corporations’ pursuit of self-interest and the interests of society. In particular, the paper critically evaluates the societal function of profit-making and answers the question how the self-interested activities of business can be put into the service of society. To this end, the paper distinguishes between socially responsible and socially irresponsible forms of profit making. It is put forward that irresponsible profit-making is often fostered by competitive markets that pressure companies to deliver short-term financial results. Accordingly, the paper argues that in order to achieve a compatibility between corporate and societal interests, corporations need to be discouraged from short-term oriented behaviors and instead be encouraged to pursue long-term value creation. On this basis, the paper proposes several mechanisms that can promote long-term oriented decision making hence, foster a fruitful relationship between business and society.

The paper contributes to the business ethics literature by conceptually demonstrating that realizing a fruitful interplay between business and society is a challenging task that goes beyond simply relying on the power of markets to promote win-win scenarios. In reality, generating a mutually beneficial relationship between business and society critically depends on the creation of deliberate policies that allow for the prevention of socially harmful ways of the pursuit of self-interest. By developing some public policy recommendations for counteracting irresponsible behavior, the paper answers the call for more research on measures to prevent CSI in corporate practice (e.g., Riera & Iborra 2017).
Managing the social acceptance of business: Three core competencies in business ethics

The second paper is motivated by the paradoxical observation that – despite growing engagement in CSR – corporations have been consistently losing trust around the world (Porter & Kramer 2011). Against this backdrop, the paper derives three inter-related competencies in business ethics which can enable business leaders to win back society’s trust and sustainably secure the social acceptance of business. Specifically, it is argued that because profit making, in principle, serves the interest of society, leaders need the competence of being able to credibly explain and provide evidence of this beneficial function to stakeholders. Second, the argument is developed that leaders must be aware of the fact that executing responsible behavior is a holistic task, which specifically requires irresponsible behavior to be systematically avoided and that the abstinence from irresponsible behavior is in the enlightened self-interest of business. Third, it is shown that leaders must possess skills for systematically organizing the avoidance of CSI.

The paper contributes to the business ethics literature by conceptually demonstrating that profit-making can be put into the service of society. The relevance of this contribution is evident due to the lack of scholarly consensus on the relationship between profit-making and societal welfare as well to the prevailing semantics, whereby self-interest and ethics are seen as being at odds with each other (Clark & Lee 2011; Pies et al. 2009). By highlighting the relevance of the interplay between corporate governance and corporate culture in curbing CSI within corporations, the paper answers the calls for more research on the internal organization of socially responsible behavior (e.g., Baumann-Pauly et al. 2013; Lock & Seele 2016). Finally, by linking the social legitimacy of business with corporations’ ability to abstain from CSI, the paper highlights the importance of the avoidance of CSI for a fruitful interplay between business and society.

Business case-driven management of CSR: Does managers’ “cherry picking” behavior foster irresponsible business practices?

The third paper is devoted to the negative outcomes of the reductionist logic inherent in a business-case driven approach to CSR in corporate practice. In particular, it develops the argument that a business case-driven management of CSR increases the danger of irresponsible behavior. To this end, the paper introduces the concept of “perceived business case for CSR” and argues that managers choose those CSR activities that promise the best perceived business
case, i.e. the best CSR cost/benefit ratio ex ante. The distinction between CSR in terms of the voluntary engagement for society (“doing good”) and in terms of the prevention of irresponsible behavior (“avoiding bad”) is used to demonstrate that the perceived business case for the former is better than the perceived business case for the latter. On this basis, the paper argues that business case-driven management of CSR might bias managers to neglect the importance of “avoiding bad”. This argument is used to explain the prevalence of irresponsible behavior in corporate practice.

By highlighting the detrimental effects of a business case-driven management of CSR, the paper contributes to the literature by responding the calls on more critical research on the business case for CSR (e.g., Barnett 2016; Prasad & Holzinger 2013; Sandoval 2015). By developing the concept of “perceived business case”, the paper additionally advances the scarce literature on the cognitive factors affecting CSR-related decision making (Hahn & Aragón-Correa 2015; Hockerts 2015; Muñoz 2018). Finally, in tracing back the prevalence of irresponsible behavior to a narrow focus on building the business case for “doing good”, the paper contributes to the scarce literature on the antecedents of CSI (Keig et al. 2015; Riera & Iborra 2017).

The power(lessness) of industry self-regulation to promote responsible labor standards: Insights from the Chinese toy industry

The fourth paper is motivated by the observation that, despite a variety of Western companies’ collective CSR efforts toward the avoidance of irresponsible behavior via industry self-regulation, CSI in form of human and labor rights violations is still widespread in supplier factories in developing and emerging countries (Locke & Samel 2018). In this light, the paper analyzes the pre-requisites for effective industry self-regulation by conducting a case study of the ICTI CARE Process (ICP), the self-regulation initiative of the international toy industry. The paper demonstrates that buying companies’ active support of their suppliers in the implementation of labor standards is a critical success factor for industry self-regulation.

The paper uses an instrumental approach to CSR to highlight that a major pre-requisite for promoting responsible behavior in supply chains lies in ensuring that the implementation of responsible labor standards is compatible with the logic of market competition. Specifically, it argues that self-regulatory initiatives have to guarantee that suppliers who comply with the CSR requirements of their purchasers do not encounter a competitive disadvantage vis-à-vis non-
compliant rivals. In this regard, the paper emphasizes that Western brands’ reductionist approach to CSR is a major impediment to this goal. In particular, it is shown that unfair sourcing practices aimed at short-term profits often take precedence over companies’ true willingness to implement CSR on a daily basis. In doing so, the paper contributes to the literature by highlighting that CSR most likely to promote a fruitful interplay between business and society if corporations see it as a long-term commitment and investment. In addition, the paper advances the literature by answering the calls for more research on CSR that adopts the perspective of suppliers (Huq et al. 2014; Jia et al., 2018; Jiang 2009). Finally, by undertaking an in-depth analysis of the ICP, the paper contributes to the research on industry self-regulation, thereby filling the knowledge gap regarding the actual effectiveness of such initiatives in practice (Egels-Zandén 2014; Raj-Reichert 2013).

The link between (not) practicing CSR and corporate reputation: Psychological foundations and managerial implications

The fifth paper is devoted to the psychological foundations of the business case for CSR from the perspective of companies. It draws on expectancy violations theory (Burgoon 1993) and attribution theory (Heider 1958) and the distinction between CSR in terms of “doing good” and “avoiding bad”. By linking practicing CSR and not practicing CSR to meeting, exceeding, and under-fulfilling stakeholder expectations, the paper develops some propositions regarding fundamental cause-and-effect relationships between the assumption of social responsibility and corporate reputation. In doing so, it contributes to the literature by resolving the contradictory empirical findings that CSR both harms and buffers corporate reputation in the event of irresponsible behavior.

The paper contributes to the relatively scarce micro-level research on the business case for CSR (Aguinis & Glavas 2012). Thereby, it demonstrates that reducing the management of corporate reputation via CSR to practicing “doing good” is not a viable strategy in the long run as corporate reputation is ultimately more strongly affected by irresponsible behavior than by “doing good”. In addition, the paper contributes to the literature by explicitly addressing the business outcomes of not practicing CSR that have been largely neglected in the current debate. In sum, the paper demonstrates the perils of reducing CSR to readily discernible business cases, which particularly exist with regard to “doing good” and, on this basis, derives robust
propositions for the long-term oriented management of corporate reputation via CSR in practice.

**Does CSR matter for nonprofit organizations? Testing the link between CSR performance and trustworthiness in the nonprofit versus for-profit domain**

The sixth paper investigates the importance of CSR for non-profit organizations. To this end, it compares the effects of positive CSR performance (i.e. the result of socially responsible behavior) and negative CSR performance (i.e. result of socially irresponsible behavior) on the perceived trustworthiness of non-profit vs. for-profit organizations. The results of a survey-based experiment show, inter alia, that while there is no significant influence of positive CSR performance on non-profit organizations’ perceived trustworthiness, there is a significant negative effect of negative CSR performance.

Using CSR as a generic term for the social responsibility of organizations, the paper contributes to the CSR literature in the non-profit domain that is in an infant stage. In addition, the paper contributes to the literature by empirically demonstrating that non-profit organizations enjoy a higher level of trust in society than for-profit organizations. Finally, the study indicates that CSR in terms of “avoiding bad” is particularly important for non-profit organizations’ long-term success as non-profit organizations critically depend on the image of being trustworthy actors. In doing so, the paper contributes to the relatively scarce micro-level research on the business case for CSR (Aguinis & Glavas 2012).
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