Creating an Organizational Culture that Fosters Corporate Social Responsibility and Sustainability

A Thesis Submitted to the Graduate Division of the University of Hawai‘i at Mānoa in Partial Fulfillment of the Requirements for the Degree of Masters of Business Administration December 2010

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Abstract

Through this thesis, I hope to present a clear understanding of how a business can effectively instill Corporate Social Responsibility practices throughout its operations without resorting to ‘idealist’ strategies that cause more harm than good, without sacrificing profitability or progress. It is important to remember that a company first needs to ‘do well’ in order to ‘do good’ – reminding us that a business must operate profitably to be able to effectively and positively serve its stakeholders and society.\footnote{\cite{1}} It is therefore a pragmatic deduction that “organizations can play an effective role in ameliorating social misery,” by formulating and enforcing a strategy that generates both profits and societal benefits in the long-run.\footnote{\cite{2}}
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Chapter 1: Understanding Corporate Social Responsibility

**Idealist:** One that strives for a positive outcome for all parties, utilizing an ethics of care to avoid causing any harm to others.

**Relativist:** One that applies ethical decision-making to the contextual nature of any situation, similar to consequentialism.  

In an interview with a pragmatic law school graduate, he expressed concern that Corporate Social Responsibility efforts attempt to convince people and businesses to care about certain issues via a ‘moral high-ground,’ without putting any contextual or relative concern for their actual existence. The law graduate contended that people’s priorities fall primarily with self-preservation, and considerations for the well-being of future generations are beyond the scope of what can fairly be expected for people and organizations to be concerned with.

Through this thesis, I confirm that self-preservation and personal well-being are the main motives behind personal as well as organizational actions, and conclude that the global movement for the proliferation of Corporate Social Responsibility (“CSR”) should apply this notion towards benefitting the stakeholders of a company, while simultaneously increasing the profitability and longevity of the business itself.

From my literary review and analysis, as well as a personally written and publicly distributed survey which generated over 100 respondents, I hope to present a clear understanding of how a business can effectively instill CSR practices throughout its operations without resorting to ‘idealistic’ strategies that cause more harm than good, without sacrificing profitability or progress. It is important to remember that a company first needs to ‘do well’ in order to ‘do good’ – reminding us that a business must operate profitably to be able to effectively and positively serve its stakeholders and society. It is therefore a pragmatic deduction that “organizations can play an effective role in ameliorating social misery,” by formulating and enforcing a strategy that generates both profits and societal benefits in the long-run.

**Defining CSR**

The Conference Board and the Committee to Encourage Corporate Philanthropy define Corporate Social Responsibility as: “The full range of corporate activities that contribute to the wellbeing of society.”

Corporate Social Responsibility, referred in this paper as “CSR”, is becoming more prominent in business, as CSR is being more frequently identified and accepted as a beneficial contributor to some of the common drivers on the global market:

- World-wide expansion of markets and businesses
- Greater expectations of consumers and society in the businesses
- Pressure from empowered individuals and organizations
- Growing environmental movement calling for more transparency and accountability
- Talented individuals being drawn towards more righteous companies

Michael E. Porter believes that companies should care about CSR because it “can be a source of opportunity, innovation, and competitive advantage.” Today, more HR departments are evaluating their company’s corporate social obligation, as CSR is being more frequently viewed as a responsibility requirement, causing a greater number of businesses of all sizes to make smarter decisions based on CSR values. In particular, small companies, the cornerstones of their local communities, rely greatly on
reputation to succeed in profitability, causing them to apply their unique mix of values, goals and resources in new and innovative ways that are influenced by CSR.

It should be understood that an effective CSR strategy is not just about “going green,” but about addressing the three main elements of Environment, Social Issues, and Governance. Frequently mistaken for pure philanthropic or charity activities, CSR’s actual primary focus is on the wellbeing of its stakeholders, environmental sustainability, diversity and equal opportunity, and effective globalization of partnerships. Because these issues continue to be of vital importance to every global society, many companies are taking greater initiative towards incorporating true CSR into their business strategy, understanding that CSR activities lead to sustainable growth, improved community relations and better reputation amongst consumers.

Addressing Skepticism

Despite growing data on the importance of CSR to business success, skeptics are still inaccurately viewing CSR as actions that divert business activities away from profit-seeking practices.

Studies find that “ethical idealism” and attitudes about CSR have a positive relationship, while “ethical relativism” and CSR have a negative relationship. This understanding provides an important perspective to the debate over the feasibility of CSR in business, and why some companies take it seriously while others dismiss it almost entirely.

Through mainstream media coverage of global and domestic business activities, the disparity between genuine CSR practices and CSR rhetoric has become more apparent. This contributes to stalled or stagnant efforts in businesses making true CSR initiatives and even causing CSR proponents to be viewed as simply naïve idealists.

Embarrassments such as Enron and Beyond Petroleum have made the public skeptical of major corporations that flaunt their CSR initiatives, turning the notion of CSR into a myth rather than practical truth. This has caused any serious CSR discussion to be viewed as taboo, and contribute to CSR often being practiced only on a superficial level. However, skeptics and business managers should understand that the three most frequently heard arguments against CSR can be countered with business tools such as long-term thinking, strategic planning and observational learning.

Taboo #1: The A-moral Business

Neither moral nor immoral, a company’s responsibility is to profit its shareholders, “without deception or fraud,” as Milton Friedman would state. Given the fact that business in its very nature exists to make a profit, companies actively determine the limits of moral responsibility they are willing to tolerate in order to remain in business. For example, fair labor construction companies benefit society by building low income housing, but often contribute to deforestation and pollution.

By becoming aware of these discrepancies, CSR-focused companies can, over the long-run, invest in research of environmentally conservative materials and carbon-reducing technologies, which will keep them to better serve society and stay ahead of their competitors.

Taboo #2: Continuous Economic Growth

The World Wildlife Fund proclaimed that it would take the maximum output of six Earth’s to “sustain the current (2004) world population at the standard of living of an average American.” Though this statement overlooks the pure inability of most nations of achieving the U.S.’s average standard of living, the message simply implies that continuously increasing global consumption will also continue to
marginally reduce production, since nature cannot replenish its resources at a fast enough pace. If we are to assume that economic growth of any business or industry is inevitable, then we must accept the fact that it will come at some economic cost.

A business whose main goal is to grow continuously and indefinitely has to realize that the natural resources it takes in cannot be easily replaced, and incorporating CSR into its business strategy will help the business focus attention towards more long-term and sustainable practices, and reduce dependence on scarce resources which would inevitably increase in price once demand exceeds supply.

**Taboo #3: Political Nature**

In order to function effectively in the market, companies need to have legitimacy – be positively recognized and identified amongst industry competitors. In recent years a variety of businesses have undergone a “green-washing”, by adjusting their image to appear more environmentally and socially conscious to consumers. Instead of actually improving their operations or investing in new technologies, these companies are simply and inexpensively changing their logos to reflect a greener brand. At face value, companies are claiming devotion to ethics and sustainability, while in actuality they are taking the most minimal, insignificant action and focusing only on their imminent, short-term profit margin.

Some companies also take on beneficial causes only because they feel market pressure to do so, without matching company values, activities and goals with the cause. Similar to ‘green-washing’, this kind of ‘cause-washing’ is becoming more apparent to companies, and often results in episodes of avoidable failure in various significant aspects of operations, which could have been avoided with some additional forethought and investment.

Companies need to look at their actions with objective criticism, and decide on a course of action towards being more socially responsible: actions that steer operations away from ‘immoral’ activities, and towards activities that provide a benefit to the community from which their resources are obtained.

Identifying, understanding and addressing these taboos will help the business achieve a competitive advantage, giving it a greater chance at sustaining long-term success.

**NFL Charities** a non-profit organization consisting of the 32 teams in the National Football League, has contributed over $120 million in grants towards helping more than 600 charities since 1973. Being affiliated with the NFL, which lists its 2008-2009 Operating Income at over $1 billion, and 2010 Revenue of $7.8 billion, the charity utilizes U.S.’s love of the sport and its players towards improving the lives of their fans and communities.

Teams and players are encouraged to take on local causes in their communities, and to encourage and motivate others to get involved. As an example, NFL Charities contributes over $100,000 in grants towards youth programs in the state of Hawai’i - where the Pro Bowl has been hosted almost exclusively since 1980 - even though the state does not have a professional football team of its own.

Also, by turning a negative into a positive, NFL Charities designates towards charitable grants the proceeds generated by players’ and coaches’ fines on the field – a sum over $3 million in 2009.

To contribute to October being ‘Breast Cancer Awareness Month,’ NFL players and coaches are including pink-colored items in their uniforms, such as cleats, hats and gloves, which are then autographed and sold on the NFL Auction, which generates about a million dollars annually for charities. This initiative has minimal impact on player performance or the profitability of the sport itself, but it creates massive cause-
awareness amongst millions of fans, spreading an important community message and encouraging others to get involved.

These examples show how a highly profitable, vastly popular corporation can strategically incorporate CSR into its strategy, and utilize its resources towards continuously benefiting society and its customers, without falling pray to common anti-CSR taboos.

**NFL Players Wearing Pink Gear**

![NFL Players Wearing Pink Gear](image)


**Youth Football Players Wearing Pink Gear**

![Youth Football Players Wearing Pink Gear](image)

[www.USAFootball.com](http://www.USAFootball.com)
Chapter 2: How CSR Creates a Competitive Advantage

There is a vast range of benefits that an effective CSR program can bring to the company. As globalization in the 21st century expands business operations much quicker than in previous decades, more companies are conducting operations along-side foreign shareholders such as partners, suppliers, employers and customers. By helping the business focus on long-term decisions, CSR helps create operational sustainability that can put the company far ahead of its competitors and provide the business with a significant Competitive Advantages in global and domestic businesses in a variety of ways.

Through my survey, 66% of respondents stated that CSR opportunities would benefit their respective companies, 24.4% were unsure whether it would or not, and 9% thought CSR might harm the company. This indicates that companies need to become more informed about CSR and spread information of its benefits to its employees.

Sustainability

The most often quoted definition of Sustainable Development is from the 1987 Brundtland Commission report titled Our Common Future, which defines it as “Development that meets the need of the present without compromising the ability of future generations to meet their own needs.”

Sustainability is a significant drive of innovation and is vital for company survival in the long run, as resource scarcity could potentially cause a company to cease operations. Companies need to realize, that once the finite resources have been depleted, the cost of their remnants will greatly increase as competition for them intensifies, which will drastically reduce company profits.

CSR initiatives such as built-in sustainability values and practices would help the company reduce wasteful spending within the organization, and streamline operations to be more efficient. It should be understood that environmental sustainability efforts would not side-track company operations away from profitability, but instead are rather necessary to generate profits and remain in business in the long-run.

First-Mover Advantage

In less developed countries with emerging markets globalized companies can gain first mover advantage and set example for competitors through ethical and socially responsible practices that do not exploit the local land, resources and customers.

Emerging economies are attractive investment opportunities for first movers, and when global businesses conduct ethical operations in the region, the local governments may then be more likely to standardize positive practices in region-wide business operations, helping to create a more attractive local and regional brand to consumer and future investor.

Companies need to take responsibility for their “sphere of influence” in developing regions and follow guidelines such as the Universal Declaration of Human Rights and other standardized global norms and expected practices, even if these are not yet practiced in the host country. The company must also have a plan to enforce compliance, to set example for other companies doing business in the area, and put pressure on the local government to adopt ethical human rights standards.
Reputation & Brand Image

“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.” – Warren Buffett

Because CSR is about planning ahead for long-term success, companies must become more reactive of potential problems, and address them responsibly, in order to reduce the risk from a diminishing company brand and reputation locally and globally, should an unexpected catastrophe occur.

Company reputation is an important motive for social responsible behavior, but it can greatly backfire if company activities are not genuine and contradictory to the cause. The Reputation Institute defines ‘reputation’ as the difference between the expected experience and the actual experience:

\[
\text{[Reputation} = \text{Actual Experience} – \text{Expected Experience}]^{39}
\]

When a company ‘green-washes’ its image, but its actions do not align with the rhetoric, then shareholder expectations are not met, and the company’s reputation decreases – a detrimental situation that often takes a long time to repair.

Trust is today’s most prevalent factor that holds a company high on reputation rankings. This includes trust by customers, employees, partners and communities, global governments, watchdog organizations, and media sources. Consumers and job-seekers put trust into brands, and feel good about themselves if they believe the brand that represents them is doing good. Thus, customers as well as employees rely on companies to steer them towards doing the ‘right thing’.

My survey found that 72% of respondents believe that their employer is affecting society, their community and the environment in a positive way, and none felt that their company was outright acting harmfully. This helps me deduce that people knowingly do not wish to work for companies which they ‘perceive’ to be harming society, community or the environment.

Sustainability and CSR need to be recognized as not “a passing fad” as more companies are getting involved in environmental efforts for the sake of their reputation and brand image.

With the help of social media, CSR activities are becoming instantly transparent, continuing to make word-of-mouth an effective measure of brand image. People can quickly decide where they want to work, buy from, or partner with, based on publicly available information. Companies that are truly CSR oriented see success when their brands are rewarded and positive reputations are spread via social media.

“Political capital” that is accumulated through strong, positive regional involvement can help the company resolve any arising issues more easily with legislators – who will not want to jeopardize the benefits to the community which the company brings. By mitigating damage from negative publicity through continuous, philanthropic activities, CSR reduces company risk should any problematic situations arise.
Partnerships & Resource Pooling

The supply chain is becoming a more important asset towards fostering CSR, as companies are more frequently expecting and requiring good citizenship standards and practices from new business partners. Companies that partner with one another along the supply chain are able to produce greater social benefits by reducing wasteful spending and pooling their resources.

Respondents to a survey in *The Economist* agree that CSR-focused partnerships would probably increase their company’s profitability more significantly than non-CSR-focused partnerships:

<table>
<thead>
<tr>
<th>Partnerships with:</th>
<th>CSR-Proactive Companies’ Respondents</th>
<th>Non-Proactive Companies’ Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>67% (23% more)</td>
<td>44%</td>
</tr>
<tr>
<td>Business Customers</td>
<td>66% (19% more)</td>
<td>47%</td>
</tr>
<tr>
<td>Consumers</td>
<td>65% (23% more)</td>
<td>42%</td>
</tr>
<tr>
<td>Public/Private Partners</td>
<td>61% (21% more)</td>
<td>40%</td>
</tr>
<tr>
<td>Shareholders</td>
<td>50% (13% more)</td>
<td>37%</td>
</tr>
<tr>
<td>Advocacy groups &amp; NGOs</td>
<td>47% (14% more)</td>
<td>33%</td>
</tr>
</tbody>
</table>


Increased Investments

Today, CSR activities are meant to act as an investment towards creating a long-term, sustainable solution for the profitability of the company. *Socially Responsible Investing* is at the forefront of “where business and social interests converge,” as more global businesses are viewing CSR as less of a cost and more as an investment in on-going success.

Investors who are critical of this strategy suggest that ‘company profitability’ should be the most decisive factor in allocating executive bonuses. This indicates that CSR needs to become part of the profit-generating strategy of the company in order to generate a most accurate picture of company success. Though profits are still often seen as the top responsibility of companies, management must realize that decisions are frequently made that sacrifice short-term profits for the sake of long-term growth, such as investment into new technologies, education of employees and the hiring of upper management executives. CSR needs to be seen as such an investment.

Community involvement can increase brand awareness and strengthen corporate image, leading to higher exposure on the market and more investment in the company. Companies with strong CSR programs are viewed as more ‘creative’ than their competitors, and provide a greater, long-term incentive for investors to help fund.

Many employees are unaware of company CSR efforts, which, if implemented correctly, would lead to increased morale, employee engagement and cross-functional interactions, improve solution-based thinking and problem-solving, and boost over-all productivity. Companies should not be afraid to spend money on employee engagement, training and motivating, as this will increase commitment to the company and produce greater benefits in the long-run. With CSR programs, employees will feel that the company is investing in their personal fulfillment, and will feel more committed towards increasing company success.
Financial performance and socially/environmentally conscious practices are still viewed as contradictory forces to one another, when they should instead be seen as dependent on one another. Financial reporting often overlooks the long-term benefits of sustainable actions; and social and environmental improvements cannot be done without financial investment. In order to measure the Return on Investment (“ROI”) of CSR, the company must analyze which elements of responsible performance are most valuable to the company and its corporate mission, as well as to the society which it serves. Though it is more difficult to measure ‘outputs’ than ‘inputs,’ non-cash contributions are valuable assets to communities as well, and should not be ignored only because they do not fit easily into the ROI analysis.

The Triple Bottom Line

People, Planet & Profit, or the ‘Triple Bottom Line’ (“TBL’), is quickly becoming a more prevalent factor in financial accounting in public as well as private businesses. TBL is all about corporate sustainability because it encompasses ethical behavior, employee satisfaction and environmental practices that generate profit for the business. “Only by operating profitably can social entrepreneurs engender sustainable social change,” – is a reminder that yielding a profit is crucial for the success of CSR. Though without first focusing on the TBL a company cannot effectively contribute to any successful social, economic or environmental improvements.

CSR should not be viewed as a luxury, because this gives companies the excuses of un-affordability. If companies made CSR part of their operations, then they could use it to reduce costs. By putting CSR into the mainstream activity of the business, companies can eliminate any marginal costs of doing good.

During difficult economic times, when consumers are at their most cynical, a continuous CSR approach can develop and maintain loyalty and generate profits in the long-run. For example, two Dutch companies are increasing focus on their TBL by including environmental sustainability as well as employee and customer satisfaction within the factors that calculate executives’ bonuses, and CSR proponents encourage more companies to start doing the same.

In order to avoid incurring additional costs to the company, CSR goals must be fully aligned with strategic operation of the core business. This alignment would also utilize the core competencies of the company, and fit into long-term operations practices. Adopting a long-term perspective of CSR that is not aimed at short-term returns is found to be most effective. By eliminating costs that don’t add value to the customer, will help the business reduce wasteful spending, thus increasing profits.

Although financial accounting does not calculate intangible costs of externalities such as pollution or community decline, which makes it difficult to calculate a value from responsible activities, regulations, fines and public scrutiny do put numbers in the cost column of irresponsible activities, which can more clearly be transferred to the balance sheet. Thus, risk management of tangible (oil spills, law suits) and intangible costs (brand identity, reputation, customer perception) is an important, yet often overlooked part of the equation.

Studies have found that another significant way that CSR can impact the TBL of the company is through “employee morale and brand enhancement,” both of which can be added to balance sheets through the reduced costs of turnovers, increased productivity, and savings in advertisement, as well as through
increased profits of customer loyalty, word of mouth, and enhanced reputation. This indicates that a company needs to understand its TBL to correctly interpret the multiple measures of business success.

**Example: Starbucks® and Corporate Social Responsibility**

**Mission:** *To inspire and nurture the human spirit — one person, one cup, and one neighborhood at a time.*

Starbucks® strives to remain one of the world’s “most recognized and respected brands” with over 7,000 stores and 142,000 employees around the world, as of 2009. The company puts strong emphasis on its stakeholders, and is “committed to being a deeply responsible company” in the communities it serves.

The business prides itself on a company culture that promotes transparency of operations, communication and participation from employees – whom the company denominates as its “partners.” All ‘partners’ are issued a continuously updated Guidebook, or ‘Standards of Business Conduct’ which serves to guide them in the successful fulfillment of their job responsibilities and assists them in reducing and eliminating unethical behavior.

Starbucks® aims at maintaining a safe and productive environment for its ‘partners’, and provides them with a secure method for reporting of observed unethical activities or violations. Their Business Ethics and Compliance department maintains a Helpline and Webline for anonymous reporting, and the company’s Anti-Retaliation Policy protects those who choose to voice their concerns.

The company also promotes voluntary community participation, and encourages ‘partners’ to act as a positive representative of the company brand when doing so. In 2010 Starbucks® made a commitment to strengthen its own involvement in public service activities, with greater initiatives to encourage ‘partners’ as well as customers to help local communities, especially during the economic downturn.

Though company profits were severely affected by the recession in 2009, Starbucks® continues to strengthen and support its brand reputation by staying firm to its principles and setting long-term and short-term socially responsible goals, in anticipation of future growth. This helped 2010 produce a slow but steady increase in profits, which compensated for the 2009 drop.
In 2009, Starbucks® achieved its short-term goals of socially responsible business practices by becoming the world’s largest buyer of Fair Trade Certified coffee, and will continue to strive towards utilizing only 100% ethically traded and locally grown coffee by 2015 – its long-term plan.76

In its goal to reduce energy consumption, Starbucks® plans on cutting 25% of energy use by the end of 2010, utilizing renewable energy as 50% of its electricity use throughout its stores, and building all future stores to be certified under Leadership in Energy and Environmental Design (LEED).77

Ben Packard, the VP of Global Responsibility at Starbucks® states that “collaboration has been a key component of our strategy. By engaging external experts, business partners, and other organizations in 2009, we gained valuable insights that will help shape our path forward.”78

In 2009, Starbucks® began encouraging customers to take the “Tumbler Pledge” and use their personal reusable cups to purchase drinks in the stores at a 10% discount in price.79 This initiative generated almost 47,000 participants and reduced Starbucks® paper cup use by over 1.2 million pounds. In its ongoing effort to reduce waste, Starbucks® collaborates with local governments, manufacturers, suppliers of raw materials, recyclers, scholars, and many other stakeholders to create coffee cups that are 100% recyclable or reusable by 2015.79

Significant change cannot be expected to happen over night, and requires extensive planning of short-term goals and long-term objectives. Despite the drop in profitability in 2009, Starbucks® remained focus and continued to invest in CSR, a strategy that quickly proved effective as profitability rebounded in 2010.

By remaining truly transparent and innovative in its CSR business practices, Starbucks® anticipates its brand continuing to be a market leader within the industry, as well as to provide an example to other businesses and governments of how a publicly traded company can ‘be good’ by first ‘doing good.’

** Table 2. Starbucks Revenue through June 27, 2010**

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</tr>
</thead>
<tbody>
<tr>
<td>Q1 Total</td>
<td>$116M</td>
<td>$529M</td>
<td>$1.6B</td>
<td>-</td>
<td>$1.9B</td>
<td>$2.4B</td>
<td>$2.8B</td>
<td>$2.6B</td>
<td>$2.7B</td>
</tr>
<tr>
<td>Year - Year % Change</td>
<td>64%</td>
<td>30%</td>
<td>24%</td>
<td>22%</td>
<td>22%</td>
<td>17%</td>
<td>-6%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Q2 Total</td>
<td>$101M</td>
<td>$507M</td>
<td>$1.5B</td>
<td>-</td>
<td>$1.9B</td>
<td>$2.3B</td>
<td>$2.5B</td>
<td>$2.3B</td>
<td>$2.5B</td>
</tr>
<tr>
<td>Year - Year % Change</td>
<td>66%</td>
<td>35%</td>
<td>22%</td>
<td>24%</td>
<td>20%</td>
<td>12%</td>
<td>-8%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Q3 Total</td>
<td>$119M</td>
<td>$558M</td>
<td>$1.6B</td>
<td>-</td>
<td>$2.0B</td>
<td>$2.4B</td>
<td>$2.6B</td>
<td>$2.4B</td>
<td>$2.6B</td>
</tr>
<tr>
<td>Year - Year % Change</td>
<td>63%</td>
<td>32%</td>
<td>21%</td>
<td>23%</td>
<td>20%</td>
<td>9%</td>
<td>-7%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Q4 Total</td>
<td>$129M</td>
<td>$584M</td>
<td>$1.7B</td>
<td>-</td>
<td>$2.0B</td>
<td>$2.4B</td>
<td>$2.5B</td>
<td>2.4B</td>
<td>-</td>
</tr>
<tr>
<td>Year - Year % Change</td>
<td>61%</td>
<td>23%</td>
<td>14%</td>
<td>21%</td>
<td>22%</td>
<td>3%</td>
<td>-4%</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

** Starbucks® Corporation: Starbucks Historic Revenue Summary**
Chapter 3: Creating a Long-Term, Ethical Organizational Culture

In order for a business to improve its global CSR activities, a company must first focus on instilling CSR into its internal operations. To successfully employ ethical and socially responsible initiatives, it is vital for management to “integrate core ethical value into the corporate culture, as sustainable ethical behavior can be achieved only if management practices it.”

To create and maintain an ethical corporate culture that fosters CSR, the company will need to develop a long-term-focused business strategy utilizing the following steps and tools which will further be described below:

- Overcome Challenges
- Identifying Stakeholders
- Developing Corporate Governance
- Applying Transformational Leadership
- Strengthening Employee Trust, Fulfillment and Commitment

The company must also work to align its value system with that of its workforce, in order for all to strive for the same goals and objectives.

My survey of 100 respondents indicates that employees’ personal priorities are not always aligned with what they perceive to be their corporations’ priorities. When ranked in order of most to least important (1 through 6), employees found Fulfillment most important to them, but felt that Fulfillment would only rank 5th to their company.

Order of what is MOST Important:

<table>
<thead>
<tr>
<th></th>
<th>To You</th>
<th>To Your Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Fulfillment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Loyalty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Improvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Preservation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Expansion</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11
Overcoming Challenges

The common obstacles that arise when pursuing a CSR strategy include: 83
- limited resources
- increasing costs
- low return on investment
- no organizational support

Companies need to overcome these fundamental hurdles holding them back from instilling effective, long-term CSR strategies. Understanding the strengths, weaknesses, opportunities, and threats of operations can create a focused CSR strategy that can have long-term effects. This will help the company identify and allocate its resources towards corporate as well as community improvements. Trying to “fix everything” is overwhelming and each challenge should be viewed as an opportunity for the company to create a competitive advantage over its rivals and to capture the market that these activities will affect. 84

Companies should focus on internal as well as the societal needs that align with company objectives, skills and resources. 85 To maintain momentum and not lose steam in the CSR effort, a passionate leader should be put in charge of its activities and oversight. 86 Effectively communicating the internal and external benefits of an improved CSR program is vital, and employees should not fear that if they spend time volunteering then management will think they are neglecting their job responsibilities. 87 There needs to be less disconnect between employees and managers – who, studies indicate, often supports employee volunteerism. 88

Identifying Stakeholders

CSR put strong emphasis on company operations towards the company’s stakeholder. 89 The term ‘stakeholders’ includes governments, political groups, trade associations, unions, communities, prospective customers and employees, and many other corporations and individuals. 90 These entities are not only focusing on financial success, but also on social and environmental effects of operations – or the “Triple Bottom Line.”
Stakeholder Theory by R. Edward Freeman – based on "Identification of moral or philosophical guidelines for the operation and management of the corporation" – suggests that corporations have a fiduciary duty by law to increase shareholders’ value.\textsuperscript{93} And by catering activities towards the well-being of its stakeholder, a business can more effectively achieve its goals and financial interests with CSR activities.\textsuperscript{94}

Political philosopher Charles Blattberg has criticized Stakeholder Theory for assuming that the “interests of the various stakeholders can be, at best, compromised or balanced against each other.”\textsuperscript{95} Yet on the contrary, the theory most effectively provides a Win-Win scenario for all stakeholders involved, as compared to other profit maximization activities. Stakeholder Theory simply implies that stakeholders [no matter who they may be] should never become victims of the organization that is meant to serve them, through dangerous cost cutting, exploitive practices of operations.\textsuperscript{96}

Stakeholders need to be included in the company’s decision-making process,\textsuperscript{97} and should be viewed as the ‘owners’ of the organization who need to be positively affected by operations over the long-run.\textsuperscript{98} This consideration gives stakeholders some influence over the company’s CSR activities.\textsuperscript{99}

Sustainability not only involves the allocation of resources used by the organization, but also includes the distribution of ‘effects’ amongst all the stakeholders of the company. Equitable Sustainability cannot be developed without anticipating how operations will distribute benefits among company stakeholders.\textsuperscript{100}

**Corporate Governance**

“Corporate Governance” is more frequently being labeled as the “Fourth Bottom Line” in business, along side economic, environmental and social benefits of operations. Corporate Governance initiatives could be applied to standardize an ethical course of business activity, improve productivity, and increase transparency of all aspects of the corporation.\textsuperscript{101}

When ethical issues are important to the company, then they are to be enforced among all employees, equally and justly.\textsuperscript{102} By following a corporate strategy with a mission statement that expresses moral and ethical principles of the company, management can make better decisions about the business course of action that the company can take to maintain a positive relationship with partners, employees, communities, and its resources.\textsuperscript{103}

Though participants in a documented study agree that they comply with their company’s ethics code of conduct for “fear of discipline,” related studies indicate that an ethical organizational environment will lead to more ethical decision-making.\textsuperscript{104} A trend of ethical corporate practices leads to greater job satisfaction and corporate commitment, which increases the continuous efforts of ethical performance - an almost cyclical pattern. This will increase long-term, anticipatory planning, which will make the company more prepared to deal with difficult situations.

Consistently ethical behavior and CSR among employees often contributes to higher commitment, job satisfaction and greater performance. But when CSR is considered voluntary behavior, an employee’s decision to act positively cannot always be expected.\textsuperscript{105} For employees who deal directly with customers in the service industry, those individuals who are not concerned with CSR quickly become identifiable by the substandard service they provide. If CSR expectations are put into place, it eliminates variability in customer value creation, thus making CSR involuntary, and improving ethicality throughout the business.\textsuperscript{106}
In order to improve ethical behavior within the company, management could introduce a company-specific Ethical Program, defined as “the formal or tangible organizational control systems designed to create an ethical culture, and to impede unethical conduct and promote ethical conduct.”

For an Ethical Program to be effective, management will need to:

- Identify which dimensions of organizational culture should be improved
- Evaluate which parts of the Ethical Program are actually improving the dimensions of ethical culture
- Understand the current, actual relationship between the culture and the program.

Such a program will help instill company values that all employees would adopt, through leadership development, creation of ethical standards, stronger relationships, and employee empowerment.

A UN-initiative known as APELL (Awareness and Preparedness for Emergencies at the Local Level), brings together company and community stakeholders to discuss risks, avoidance and reduction strategies in anticipation to man-made or natural emergency situations.

The United Nations Global Compact suggests steps that companies should apply to truly harness CSR:

- Follow “precautionary principles,” such as preventing anticipatory harm, carrying burden of proof of harmlessness of new technology, including a list of alternatives to new technology, and to include all affected parties in decision-making process.
- Take on initiatives that improve and promote environmental responsibility in others, including employees, customers and partners.
- Promote the research, innovation and wide-spread use of environmentally-safe technologies.

**Transparency & Accountability**

Consumers are aware of company activities by the transparency that social media provides. Though many companies cut their CSR initiatives and spending during difficult economic times, analysis reflects a higher stock market value for firms that continuously participate in CSR initiatives.

Transparency needs to be instilled throughout all levels of the organization. This way, companies and their employees develop a greater sense of accountability for their actions as well as their non-actions. The way that a company responds to a crisis of their own doing, reflects the level of consideration that is given to their stakeholders, and has a strong affect on the brand image and company reputation.

If a company incorporates its stakeholders in its plans and practices of transparency, then the company is more likely to maintain its CSR commitment when doing business with foreign entities, such as businesses and governments – which may present temptations to steer away from the ethical path.

Oil companies often make investments into communities in order to improve ‘external perceptions’ to local governments and customers. Yet, they do not align their short-term goals with long-term objectives, which leads to inconsistency with what is said and what is done. They will often push blame for their inefficiencies on their affiliates. Even in regards to the Deepwater Horizon Disaster in the Gulf coast of the U.S., Beyond Petroleum [BP – formerly British Petroleum] passed the blame onto its operating partners rather than taking responsibility for themselves.
In 2008, Beyond Petroleum was awarded the “Emerald Paintbrush” by Greenpeace, mocking their ‘green-wash’ efforts to appear environmentally conscious despite hundreds of safety violations, dozens of pollution incidents, an extensive track record of detrimental accidents, and the oil company having paid more than $1billion in lawsuits for its activities.\textsuperscript{117}

By trying to showcase the company’s philanthropic efforts, in 2009 the BP Foundation donated $750,000 towards global natural disaster relief. In attempting to present a caring company image, BP neglected its actual duties to stakeholders, by not focusing its resources towards improving operations to ensure that the company’s impact on those most affected by it remains positive – its employees and customers.\textsuperscript{118}

In an interview with Professor Russell Cropanzano, an expert on organizational justice at the University of Arizona, he explained his views on the relationship between organizational accountability and ethical consequentialism as follows:

“An organization can - and many do - provide justifications that could reduce negative reactions. Sometimes these justifications are honest, sometimes not. Speaking from an ethical point of view, I think organizations should provide honest explanations but should not provide dishonest ones.

Organizations sometimes get away with treating people unfairly and the use of justifications is one means of accomplishing this. I think organizations should tell the truth, unless doing so violates some other ethical principle. I also think that organizations should take responsibility for mistakes and thereby fix them.

Consequentialism is a family of ethical theories. Some versions are better than others. In general, I would say that consequentialism can be ethical... [and] does not equal self-interest.

I believe there are good people and good organizations that tend to be guided by ... ethical perspectives.

\textbf{Setting & Measuring Goals & Objectives}

Though each company is different, two steps for developing goals can be applied to all businesses. A company must first determine – through comparative analysis of peers, global standards, or with professional assistance – its present and honest position on CSR. Then, management can determine “where the company wants to be” by defining a set of goals that are aligned with business activities.\textsuperscript{119}

Once the goals are established, two principles must be followed:\textsuperscript{120}

- “Do no harm” in any area of your operations, or the company will be exposed as deceitful.
- “Do conscious good” and go beyond expectations to right wrongs.

Measurability should not be the main force in the selection of goals. “Measures are set to assess progress toward strategic (and interim tactical) goals.”\textsuperscript{121} Because success can be measured differently for each company, the main purpose of the measuring process is to determine whether the goals are being achieved, whether stakeholders are aware of these achievements, and what value did the achievement of these goals bring to the company and to society.

Companies need to devise their own unique CSR strategy, with tools and metrics to help assess the benefits and improvements the company can bring to society. Some metrics include guidance from stakeholders about company threats and opportunities, and plans to address both, external assessments of performance - through internal surveys or published media reports, as well as the perceived value of
company operations – as viewed by community members as the outcomes of the company’s CSR activities.\textsuperscript{122}

The \textit{World Economic Forum (WEF)} outlines three distinct tools for measuring efficiencies of CSR programs:\textsuperscript{123}

1. **Performance Measurement**: Deciding whether the company is reaching goals it had set, by analyzing quantitative and qualitative data as compared to the standard.
2. **Comparative Measurement**: Comparing performance results to that of its peers/competitors in similar businesses.
3. **Results Measurement**: “Converting resources into results” by analyzing efficiency of programs in terms of their final results and outcomes on society.

Companies need to start paving the way for CSR initiatives with publicized measurements and results, rather than sitting back and waiting for market standards to change around them.\textsuperscript{124} Analysis and measurements criteria of CSR activities would become standardized over time, and companies in the forefront of the movement will more accurately know how to evaluate potential partners’ activities, performance and values.\textsuperscript{125}

\textbf{Code of Conduct}

Companies can primarily influence corporate culture by instilling and enforcing an identified and communicated set of ethical values and practices to its employees.\textsuperscript{126} A standardized \textit{Code of Ethics} will help employees function more ethically and effectively, leading to better decision-making and collaboration.\textsuperscript{127}

When utilizing my personal survey tool to gather data, I found that out of 100 respondents, 77 answered that their company has an “Ethical Code of Conduct,” 16 respondents were unsure, and only 7 responded with a ‘no.’

\textbf{Transformational Leadership}

The author of \textit{7 Habits of Highly Effective People}, Stephen Covey, suggests that “You lead people, and manage things.”\textsuperscript{128} Companies that provide leadership to their employees are more likely to see higher employee involvement and commitment to the organization.

The \textbf{four dimensions} that transformational leaders use to communicate the company vision that motivates employees to attain success for the organization include:\textsuperscript{129}

- Charisma
- Inspirational motivation
- Intellectual stimulation
- Individualized consideration

\textit{Transformational leadership} is important in identifying and conveying a vision that engages and motivates employees towards cooperative action.\textsuperscript{130} If the company leaders take part in CSR initiatives, then employees will be more likely to join in.\textsuperscript{131} Leaders who encourage and participate in CSR initiatives will see that employees are more committed to their jobs, and are less likely to get restless and participate in unproductive behavior.\textsuperscript{132} CEOs need to provide the ‘direction’ of the program and ensure that it is being incorporated at all relevant levels of the company.\textsuperscript{133}
Effective leaders are vital for getting a company through turbulent economic times, while simultaneously adjusting to the changing technological, global world. Great CSR programs are top-down structured, beginning with the CEO and board of directors at the top. The ultimate purpose of leadership is to create change and improvement, which can then be maintained by departmental managers. Roger Barnett, CEO of Shaklee Corp, the first U.S. company certified as “Climate Neutral” for completely offsetting its greenhouse gas emissions, explains that “leadership from the top coupled with meaningful involvement from employees” is vital to fostering CSR.

Flexibility and leadership will produce greater employee involvement, if employees feel they can spare time to participate, and are getting support and guidance from their leaders for doing so. It is the responsibility of the managers to let employees know that it is “OK” to participate, and to encourage their involvement – without which, CSR efforts will not succeed.

When my personal survey asked what would make the company more likely to take on CSR opportunities, 28 of 100 participants responded this would happen when the “President/CEO wants to get involved,” and 24 answered when the “opportunity would help increase company profitability.”

Leaders must also be credible in enforcing and rewarding employee contributions to the collective effort. By viewing this as a Game Theory concept, leaders must create “mutual expectations among participants about each other’s willingness to cooperate” in achieving a mutual goals.

Employee Trust, Fulfillment & Commitment

Employees need to feel like they are the primary stakeholders of an organization. Without them, profitability would be challenging, as the costs of continuously re-hiring and re-training personnel would be inflated by the valuable knowledge lost with employees who leave the company. It is therefore vital for companies to retain skilled and knowledgeable people by allowing them opportunities to thrive and succeed individually and cooperatively.

CSR programs not only attract and retain talented employees, but also help to develop and strengthen skills and experience, by encouraging employees to challenge themselves in new ways while also helping society. Employee involvement leads to greater employee satisfaction, motivation, and retention, which leads to better productivity, performance and recruitment, which ultimately adds up to higher financial
returns. CSR programs can improve employee careers, by giving them opportunities to take on more challenging roles than their usual work responsibilities, such as organizers and team leaders. This not only improves morale, but also leads to higher performance in their daily required tasks.

**Trust**

Companies that do not focus on improving internal conditions for employees will be less effective in the communities they serve. By developing better relationships between management and employees, internal problems will be fixed more quickly, reducing whistle-blowing and reputation damage, allowing more time for productivity and knowledge creation. And by incorporating CSR into the company strategy and demonstrating a commitment to the community, the company will in effect encourage and foster employee commitment to the business.

As many global businesses are struggling through the recession, it is more important than ever for companies to hold on to the knowledge that employees have generated and accumulated. Rather than resorting to downsizing, management should first re-align the workforce and re-allocate its resources to utilize the skills and knowledge of its employees more efficiently. This will help alleviate fears about being laid off, and improve employee morale by making them feel like important resources of the company. When people trust their employers and feel a sense of fulfillment at their jobs, they are then more likely to commit to their work and want their company to succeed.

**Fulfillment**

Organizational-based Self-Esteem is an employee’s “feelings of self-worth in an organizational context.” Because relationships help provide a basis for self-esteem, associating with ‘trusted’ coworkers and supervisors indicates greater job satisfaction, company commitment and less turnover.

Employees need to possess a sense of accessibility to their managers, which will help them feel like important contributors to the company’s activities. Through my survey I found that 89 out of 100 respondents feel comfortable sharing their ideas and suggestions with their team or department managers, and 79 are comfortable sharing with their managers and supervisors.
Engagement is defined here as “the state of emotional and intellectual commitment to an organization.”\textsuperscript{149} Nexen is a Canadian oil company rated among the ’50 Best Employers in Canada’, due to 86% of ‘engaged’ workers agreeing that the company is socially and environmentally responsible. High engagement makes it easier to instill CSR and sustainable programs in the company, as employees want to commit to contributing to company success.\textsuperscript{150}

Research surveys indicate that cynicism and negativity comes from work environments that lack employee involvement in decision-making, lack participation encouragement, and practice ineffective leadership styles.\textsuperscript{151} Companies would view this as a significant challenge in attempting to improve CSR initiatives, as employee attitudes can vary drastically on the subject. In order to overcome these disparities businesses need to cater to employees’ needs, cultural dimensions and motivations. It is important to understand that employees have a primary concern for how they themselves are treated by an organization – or self-focused justice. Then, the extent of how employees act towards injustice done to others, is crucial towards understanding the effectiveness of any CSR initiatives that may be put in place.\textsuperscript{152}

Identifying employee motivation will help determine whether they are willing to go above and beyond their expectations and actually practice true CSR.\textsuperscript{153} The company’s policies, practices, resources, and leaders’ expectations are indicative of the culture that employees will adapt and respond to.\textsuperscript{154}

According to Clayton Alderfer’s ERG Theory – a more concise interpretation of Maslow’s Hierarchy of Needs\textsuperscript{155} - all employees are motivated by three primary needs:\textsuperscript{156}

- **Need for Control**: Employee need for control is fulfilled by the organization when they are given decision-making power, including opportunities to share ideas, participate in activities, and have accessibility to upper management.

- **Need to Belong**: When an employee feels accepted and valued by the organization and other employees, he of she will feel that the organization is acting ‘justly’ towards him or her, and others affected by the company.

- **Need for Meaningful Existence**: “Working for an organization perceived as ‘just’, and participating in community-focused activities, will help satisfy an individual’s needs for a meaningful existence.”

Thus, CSR can effectively be utilized in the following ways for fulfilling these “Existence – Relatedness – Growth” Needs:

- When addressing the employee’s need of control, a profit-generating company that has ethical partnerships, strong ties to its community, and treats employees fairly and ethically, can provide employees with safety and security they need to thrive.

- Employees can achieve the level of relatedness or belonging which they desire through collaboration with, and acceptance by, their coworkers when achieving the goals and values they share and instill in the company.

- The need for meaningful existence, growth and self-actualization is attained when employees are free to apply their ethical values and skills as respected, contributing members to the success of the company.

These needs are inter-related, and when one of the needs is not being satisfied, the employee may overcompensate with the other needs by partaking in selfish or unethical behavior detrimental to the company.\textsuperscript{157}
The greater the employee participation is in the decision-making process, the more likely their personal value system will be aligned with the organization’s value system. When given this kind of responsibility and trust, employees fulfill their “growth needs” and develop a greater level of satisfaction, which strengthens their commitment to the company. The smaller the hierarchical relationship is between employees, the more self-esteem employees develop, all while forming a sense of reciprocity with their coworkers and strengthening commitments to each other.

In contrast, bureaucratic control mechanisms such as direct supervision and specialization, are demotivating, and lead to weaker commitments and poor performance results. Transformational leadership is needed to create a greater sense of empowerment in employees, which strengthens commitment to the organization and improves effectiveness, which ultimately leads to more positive organizational behavior, thus reducing negativity, apathy and desire to quit.

This table can provide a basic guide for responding to employee attitudes and behaviors:

**Table 3. Responding to Employee Attitudes and Behaviors***

<table>
<thead>
<tr>
<th>Hofstade's Cultural Dimensions</th>
<th>Employee Behavior</th>
<th>How Company Could Steer Employee Behavior towards CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Power Distance</td>
<td>follow personal code of ethics</td>
<td>Include employees on all levels in drafting process</td>
</tr>
<tr>
<td>High Power Distance</td>
<td>concerned with opinion of supervisors</td>
<td>Management showing leadership in CSR initiatives</td>
</tr>
<tr>
<td>Low Uncertainty Avoidance</td>
<td>personal interests come first</td>
<td>Increase job satisfaction and corporate commitment</td>
</tr>
<tr>
<td>High Uncertainty Avoidance</td>
<td>company's interests come first</td>
<td>Make CSR part of corporate values &amp; culture</td>
</tr>
<tr>
<td>Low Collectivism (High Individualism)</td>
<td>own personal code of ethics</td>
<td>Create ethical corporate environment</td>
</tr>
<tr>
<td>High Collectivism (Low Individualism)</td>
<td>Follow formal codes of ethics</td>
<td>Insist, communicate and enforce formal code of ethics</td>
</tr>
</tbody>
</table>

**Rational Choice Perspective** suggests that mutually beneficial gains can in fact be sought by employees and should not be overlooked when gathering commitments, as the accomplishments of collective goals are pushed forward by self-motivated participants.¹⁶¹

Some examples of informal social mechanisms that generate collective action and commitment include autonomy, leadership, shared values, and collaborative decision-making, all helping to strengthen commitments and the willingness to work cooperatively for a common goal.¹⁶²

Employees at perceived different hierarchy levels of the organization can have different reactions towards the corporations’ actions as well. Top-level management – or those with decision-making powers – are more likely to have personal values aligned with corporate values. Non-managerial employees, who are not part of the decision-making process, may distance themselves from the company if its activities contradict their personal values.¹⁶³

Because employee attitudes about CSR, along with their personal needs structure, will have the biggest impacts on organizational effectiveness and longevity, it is important to first understand employee motives in order to have open dialogue, a sharing of ideas, and problem-solving collaboration that would facilitate any positive long-term CSR impact.¹⁶⁴

The process of recruiting and selecting employees that share similar personal goals and values as the organization will encourage greater ‘altruistic’ employee behavior towards the organization and the collective. Companies can improve corporate culture through communicating of ‘mutually reinforced expectations’ that align individual and organizational goals, strengthening relationships between employees, coworkers and managers. Employees will be more satisfied in their jobs and will be more likely to stay with a company, which will lead to a stronger and more ethical organizational culture.¹⁶⁵

Through my survey I found that 58 respondents would get involved if a co-worker leads a CSR initiative, 56 would be more likely to get involved if a boss or manager leads, and 54 respondents “would/have lead CSR initiatives” at their companies.

<table>
<thead>
<tr>
<th>What Would Make You MORE LIKELY To Get Involved in CSR Opportunities?</th>
<th>60</th>
<th>56</th>
<th>54</th>
<th>44</th>
<th>37</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>if co-worker leads</td>
<td>if boss/manager leads</td>
<td>I would lead an initiative</td>
<td>if the president/CEO leads</td>
<td>I would donate</td>
<td>I would not get involved</td>
<td></td>
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</tbody>
</table>
Commitment

Organizational commitment is an employee attitude about work-related involvement in the organization, including a “sense of identification” with company mission, responsibilities, and loyalty.\(^{166}\)

When employees lack “passion, connection, gratitude, pride, and ambition,” it keeps them from going the ‘extra mile’ to further their successes at their jobs.\(^{167}\) But when employees and managers share a similar fiduciary sense of duty – [“legal or ethical relationship of confidence or trust”] – to the community, then they feel more engaged in company operations and are more likely to make ethical decisions.\(^{168}\)

A strategy for spreading co-fiduciary responsibilities within the organization includes:\(^{169}\)

- Choosing a social problem
- Including employees in discussion of how the company can apply its resources towards fixing or mitigating the problem
- Apply the strategy into daily activities to “incrementally improving outcomes.”

Though general business culture in the United States is by nature more individualistic and rational-choice-based, nevertheless, organizations should not overlook employee willingness to act towards a collective good, if conditions allow them to do so without diminishing their personal self-interested motives.\(^{170}\)

CSR Education

A 2007 study found that 90% of Fortune 500 companies state that they embrace CSR, and that 42% of MBA programs worldwide require studies of CSR in the academic curriculum.\(^{171}\) Though CSR is becoming a more prevalent subject in university studies, a majority of businesses are still not in the habit of asking potential hires about their knowledge and experience in CSR.\(^{172}\) As there are growing numbers of business students entering the workforce who possess an interest in and knowledge of CSR, companies need to make CSR part of their business strategy, in order to recruit the best candidates when making hiring decisions. Businesses need to start thinking long-term, and invest in these new-hires, which will help them develop a unique knowledge-base and become market leaders in the growing CSR movement, which will further encourage students and universities to invest more into CSR studies.\(^{173}\)

Organizations such as Net Impact, of which the University of Hawai’i is a member, helps to bring together MBA students and businesses that want to instill and improve CSR practices in their industries. This provides students with hands-on problem-solving experience, by helping them set and accomplish corporate goals.\(^{174}\)

CSR is also vital in making the company more attractive to ‘clever’ people, or individuals who need to be part of a company in order to reach their individual potential. These people must be allowed to participate in decision-making, and feel a sense of connection to the outside world. Clever people respond better to expertise than to hierarchy, which is why it is vital for leaders to provide hands-on initiatives. “Tell [clever people] something is not possible, and they will be highly motivated to prove you wrong.”\(^{175}\)
Chapter 4: Concluding Thoughts

Technological innovation, demographic diversity, and globalization of the 21st century are strong market forces pushing companies to become more decentralized, mission driven and more responsive to the needs of society, communities and the environment movement.\textsuperscript{176}

Creating a corporate culture that fosters and encourages Corporate Social Responsibility requires a clearly communicated long-term strategy, as well as active commitment from those who contribute to keeping the company operating. Management needs to identify ways in which the company can benefit its employees, as well as how it can more efficiently utilize its resources towards making positive social change. Transformational leaders are important for setting example for others in the company to follow, and for putting forward continuous initiative in maintaining a positive CSR-focused working environment.

Though 100 people’s responses to the following survey questions, I believe that more in-depth and specific questions in future studies would need to be asked in order to better understand the relationships between a company’s activities, employee perceptions, and employee attitudes and behavior towards the company, and a regression could be developed to better understand the results.

![Survey Results]

Making Ethical Corporate Decisions

Because internal and external factors affect company operations and profitability, it is important for companies to become ethically efficient on the micro-level, by improving operations within, before they can effectively apply the strategy on the macro-level, outside the firm.\textsuperscript{177}

Being ‘ethical’ in business is not just about answering “what should we do?” but more importantly about “how should we do.”\textsuperscript{178} Decision-makers often face dilemmas that require ethical consideration, and a vital strategy for making ethical company-wide decisions involves understanding all company stakeholders, and what their needs and interests are. Leaders can then develop company-wide standards and values, with tools like the Code of Conduct and transformational leaders, and by incorporating employees in the decision-making process, helping them achieve personal growth.\textsuperscript{179}
By focusing on the micro-level ethical activity that takes place within the organization management will better understand how employee attitudes and behaviors are affected by company practices. Ethics has to become a part of company culture and involve participants on all levels of the organization, its affiliates, stakeholders, partners, and customers. Management needs to understand what the challenges to success are and commit to CSR in order to make it work.

CSR must become the ‘core’ of business strategy and its activities, and companies need to do more to align their business operations with effective community involvement.

Some straightforward guidelines and tools for helping the company develop a long-term, effective CSR strategy include the following:

- Due diligence. Research issue, audience, goals, and define an objective for ways that a specific CSR action would help the business. Try to measure its impact rather than their result, such as their effects on employee retention and customer loyalty.

- Ask, “Who is the audience and what does the company hope to gain?” And create an Annual CSR Report to identify strengths and weaknesses, opportunities and threats. Then management can better understand and respond to criticism of a CSR program, and make it work better for the company and the society it serves.

- Provide employees with CSR training and educational programs which give them opportunities to increase their contribution to the company, as well as chances to collaborate with employees with whom they would be less likely to interact otherwise.

- Gather opinions and insights from respected community leaders, and instill pilot regional CSR programs to work out the kinks before going national or global. Partnering with other CSR-focused companies will improve productivity, and avoid those that avert from company goals.

- Strike the right public relations balance: don’t just ‘do good to look good.’

Difficult economic times need not be a deterrent for companies who are considering making CSR a stronger part of their operations. Instead, CSR should be viewed as a long-term investment that can put the company ahead of its competitors in the eyes of consumers, employees and global business partners.

At the end of my survey I had an optional question for anyone who wanted to leave any final thoughts on how their company can improve their lives. One third of 100 survey takers chose to respond to this opinion poll, and many of their answers fell perfectly in line with the ultimate goal of my thesis – a first-hand acknowledgement that in order for a business to develop an effective, long-term CSR strategy, the company needs to understand the needs and motivations of its stakeholders and put its employees FIRST.
## What can the Company do to Improve Your Life?

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<tbody>
<tr>
<td>1.</td>
<td>not much more</td>
</tr>
<tr>
<td>2.</td>
<td>Give me a raise!</td>
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<tr>
<td>3.</td>
<td>Taking on initiatives or clients that aim to benefit society. Continuing to communicate the importance of society-improvement efforts.</td>
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<td>4.</td>
<td>providing a matching donation program - where the company matches donations that I make to causes/programs I believe in personally.</td>
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<td>5.</td>
<td>Supports my improvement with trainings and gives opportunity for advancement.</td>
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<td>6.</td>
<td>They offer a stable and consistent working environment and have a corporate code that all employees abide by.</td>
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<td>7.</td>
<td>wealth for investment in CSR initiatives elsewhere</td>
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<tr>
<td>8.</td>
<td>ensure long term employment, annual salary growth and benefits</td>
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<tr>
<td>9.</td>
<td>respect employee assets.</td>
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<tr>
<td>10.</td>
<td>They're nice and they pay me money and they can treat me nice and give me more money.</td>
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<tr>
<td>11.</td>
<td>more money</td>
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<td>12.</td>
<td>By caring about me and my personal growth both as an employee and a person. I want to feel appreciated and feel like I am adding benefit to the company.</td>
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<td>13.</td>
<td>Christmas bonus, occasional raise. I work as a waiter for an international corporate chain.</td>
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<td>14.</td>
<td>By letting me go</td>
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<td>15.</td>
<td>Allowed me to think on my own and outside the box.</td>
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<td>16.</td>
<td>flexibility with families and commutes; example: telecommute or partial telecommute; don't have to worry about losing job if child gets sick and needs to be picked up from school; salary that would reflect cost of living.</td>
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<td>17.</td>
<td>Better work-life balance, increases in communication</td>
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<td>18.</td>
<td>More work from home arrangements</td>
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<td>19.</td>
<td>Continues with career and advancement opportunities.</td>
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<td></td>
<td>- continuing with internal mobility opportunities.</td>
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<td></td>
<td>- continue to improve pay (blunt, but true)</td>
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<td>20.</td>
<td>Caring more about their employees and acknowledging showing value to their employees increases productivity, efficiency and long-term loyalty.</td>
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<tr>
<td>21.</td>
<td>- Better employee benefits (insurance coverage, bonus, paid days off, etc.)</td>
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<td></td>
<td>- After work Yoga sessions (or anything good for health)</td>
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<td></td>
<td>- Company community services and events</td>
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<td>22.</td>
<td>Allow for more remote work.</td>
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<tr>
<td>23.</td>
<td>They helped me to improve.</td>
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<td>24.</td>
<td>More resources devoted to HR initiatives like employee recruitment and retention.</td>
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<tr>
<td>25.</td>
<td>There was a big mismatch between how much it cared about employees and how much it cared. If I just admitted I hated its employees, it would have been a lot better and not a mindfuck.</td>
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<tr>
<td>26.</td>
<td>Be more mindful of the job of middle-management &amp; their employees.</td>
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<td>27.</td>
<td>Offer flextime to my department.</td>
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<td>29.</td>
<td>By giving us proper health coverage - and ample amount of vacation days.</td>
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<tr>
<td>30.</td>
<td>Consider the employees as an asset to the company which can be developed and improved rather than an expense labor force to achieve an end goal.</td>
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<td>31.</td>
<td>Better opportunities for advancement.</td>
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<td>32.</td>
<td>I don't think it is the responsibility of the company to improve my life.</td>
</tr>
<tr>
<td>33.</td>
<td>Pay for additional schooling. Let me go part-time, since I'm essentially working at a part-time salary. Not intended to be bitter; just the truth! :)</td>
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