



Aalto University
School of Economics

Mainstream Economic CSR and Its Challenges

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Today's Agenda

Part 1: Introduction to CSR

Part 2: Mainstream economic CSR

Part 3: Introducing the Case Study

Part 4: Documentary Film: A Decent Factory

Part 5: Team Work and Discussion

Part1: Introduction

Three Paradigms of CSR

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[Journal of Business Ethics](#)

pp 1-19

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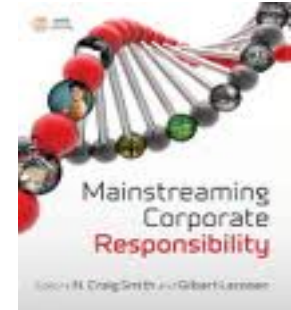
Synthesising Corporate Responsibility on Organisational and Societal Levels of Analysis: An Integrative Perspective

Pasi Heikkurinen & Jukka Mäkinen

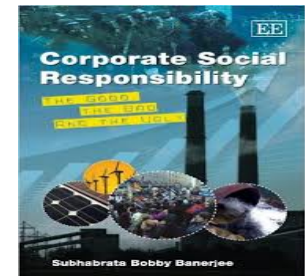
This article develops an integrative perspective on corporate responsibility by synthesising competing perspectives on the responsibility of the corporation at the organisational and societal levels of analysis. We review three major corporate responsibility perspectives, which we refer to as economic, critical, and politico-ethical. We analyse the major potential uses and pitfalls of the perspectives, and integrate the debate on these two levels. Our synthesis concludes that when a society has a robust division of moral labour in place, the responsibility of a corporation may be economic (as suggested under the economic perspective) without jeopardising democracy and sustainability (as reported under the critical perspective). Moreover, the economic role of corporations neither signifies the absence of deliberative democratic mechanisms nor business practices extending beyond compliance (as called for under the politico-ethical perspective). The study underscores the value of integrating different perspectives and multiple levels of analysis to present comprehensive descriptions and prescriptions of the responsibility phenomenon.

Three perspectives to CSR

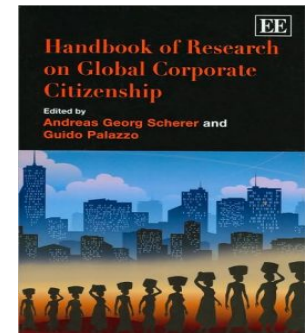
I. Economic perspective



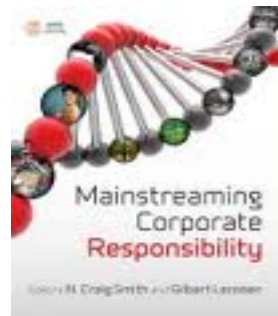
II. Critical perspective



III. Political perspective



Economic perspective



- Corporations are perceived as economic actors operating within the public structures of societies.
- The responsibility of the corporation is seen as an economic issue on the organisational level.
- CSR activities of private firms need to be justified in economic terms.
- Mainstream position focusing on the business case of CSR.

On the organizational level

- Cost-benefit analysis
- Competitive analysis
- Stakeholder analysis

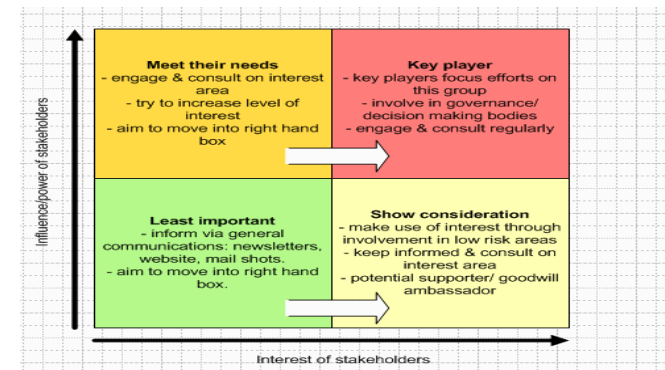
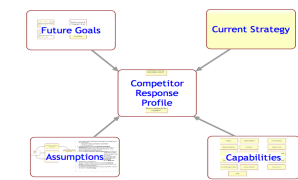


All Accounts » All Projects in Kaitiaki Public Projects » Components of a Competitor Analysis System

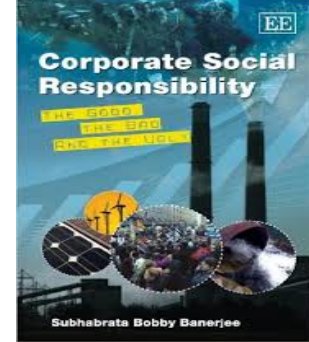
Michael Porter's Components of a Competitor Analysis



On Competitors, Observed & Expected Strategy



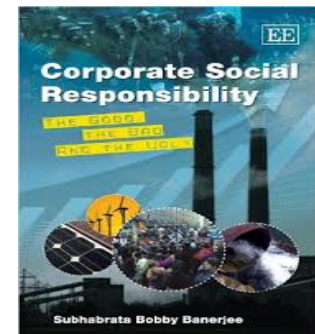
Critical perspective



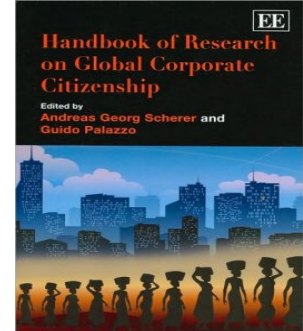
- Corporate responsibility as a neo-liberal ideology aiming to extend the role of markets and economic actors i.e. the private sphere of society.
- This extension of the private business sphere happens at the expense of the democratically governed public structures provided by the state and the citizens as a collective body.
- The corporate responsibility is thus perceived as a power-gaining vehicle that contributes to the assumptions of free market capitalism.

On the organizational level

- Critique of cost-benefit analysis
- Critique of competitive analysis
- Critique of stakeholder analysis



Political CSR



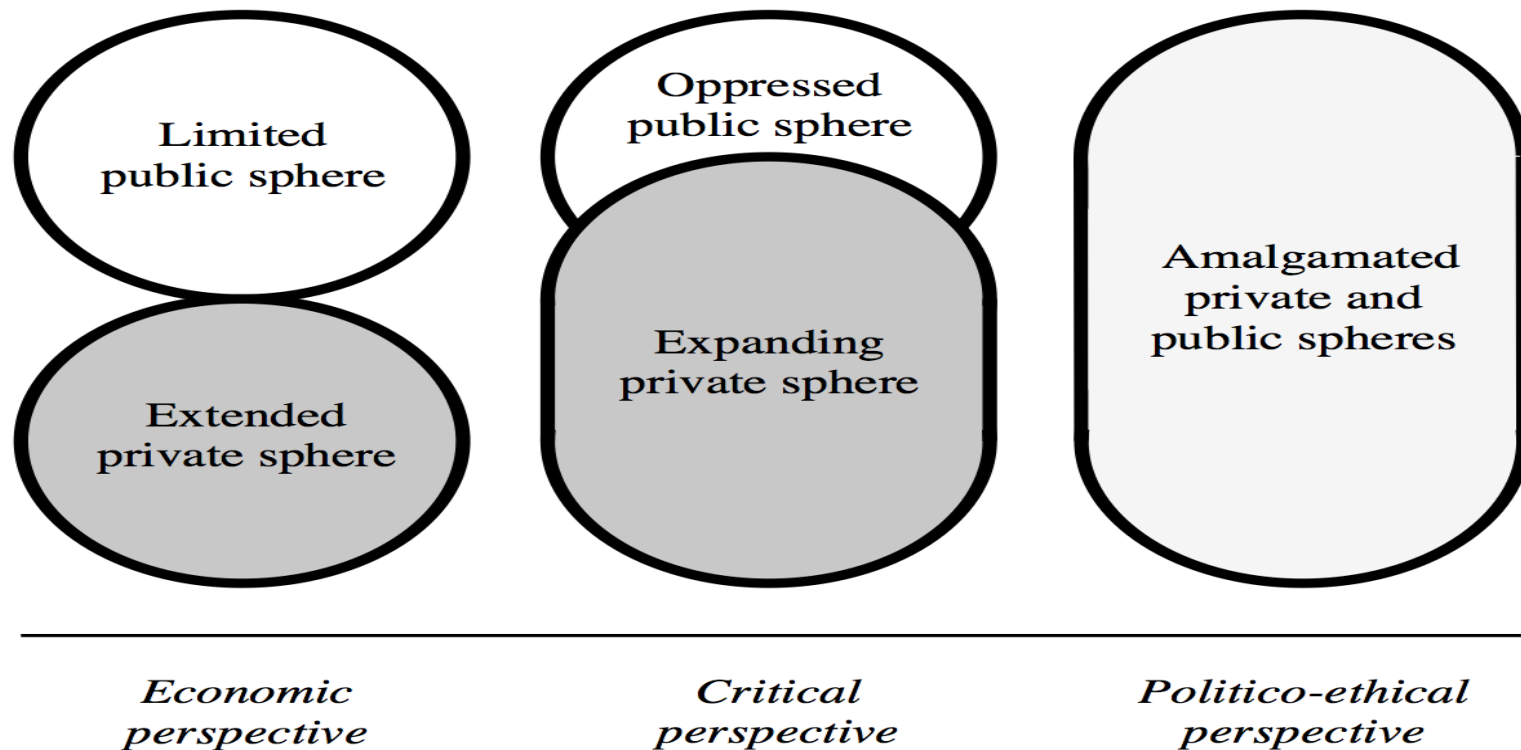
- Challenges the idea of the proper social order composed of the distinct spheres of human life and related separations between business and politics.
- Multinational corporations seen as powerful political actors operating in a strongly globalised world.
- In the global setting, the traditional boundaries between business and politics are vanishing.
- Firms need to go beyond the economic logic and take over the traditional governmental tasks of political and social regulation of businesses and the provision of public goods.

On the organizational level

- Stakeholder approach
- Stakeholder initiatives
- Multi-stakeholder initiatives and forums

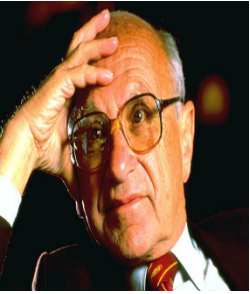


Perspectives to Corporate Responsibility



Part 2: Mainstream Economic CSR





Mainstream Politics



“Society uses its resources most efficiently”

“Protection of people, enforcing voluntary contracts and minimizing externalities”

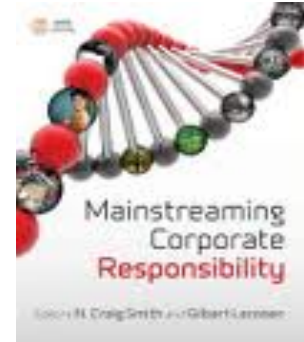
“Government and state power should be separated from the particular interests and private advantages”



The role of corporations is to **focus on economic issues**

“Business of business is business”

Mainstream Economic CSR



- A firm can **do well by doing good**
- Focus on the "business case of CSR"
- Normally **not much political discussion** on the roles of businesses in a society
- Central aim is to **develop a wider conception of CSR** than Friedman's narrow view, without losing his (classical liberal) **voluntarism** and **economic efficiency** emphasis.

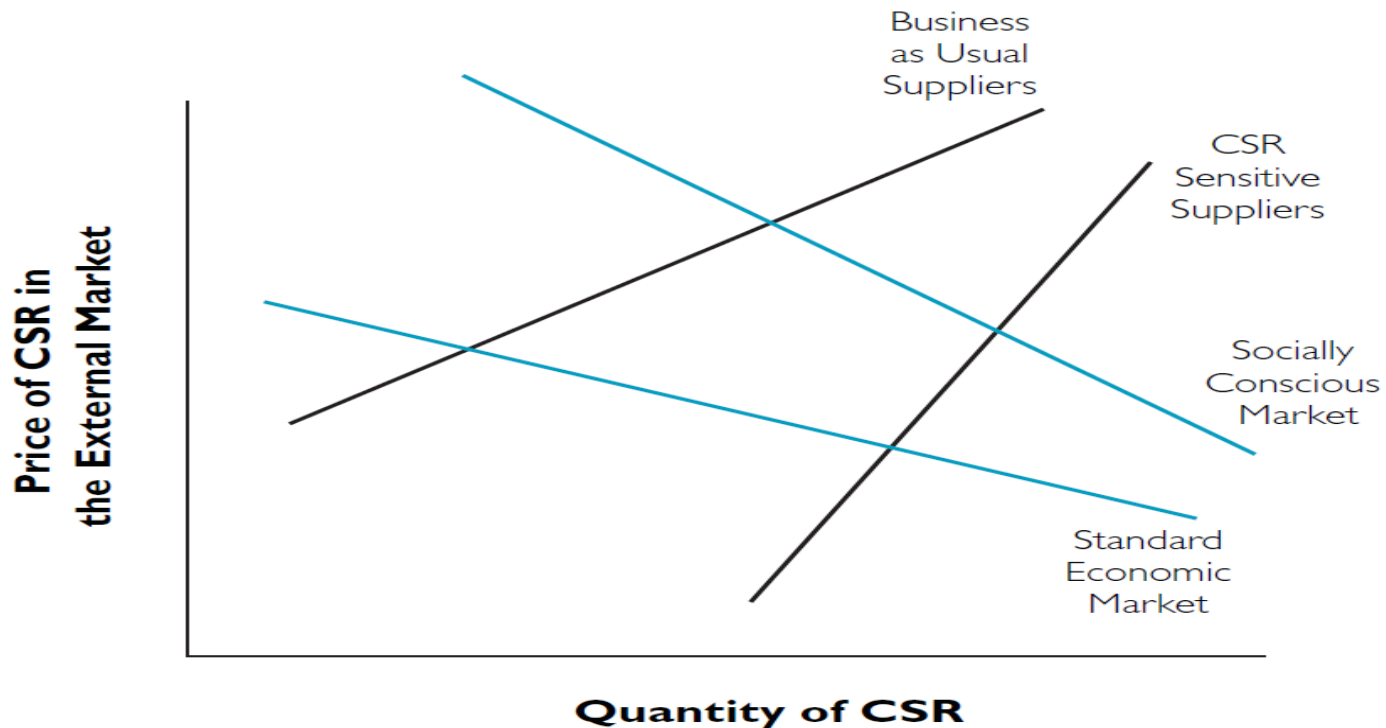
Mainstream Economic CSR

- CSR as a strategic issue
- Emerging markets for morals
- Industry of CSR
- Voluntary self-regulation of businesses via CSR techniques and tools

<http://www.youtube.com/watch?v=4P4uvC2BFdU&feature=related>

Mainstreaming CSR

Developing markets for virtue (Berger et. al. 2007)



Implications

- Laws are replaced with voluntary guidelines.
- Self-regulation of businesses.
- Normative prescriptions as commodities; produced, distributed and consumed in the markets for morals.
- Commercial enterprises perform civic and political tasks.
- The relations between different spheres of society in transition

http://www.youtube.com/watch?v=yI7_pwxcC6M&feature=relmfu

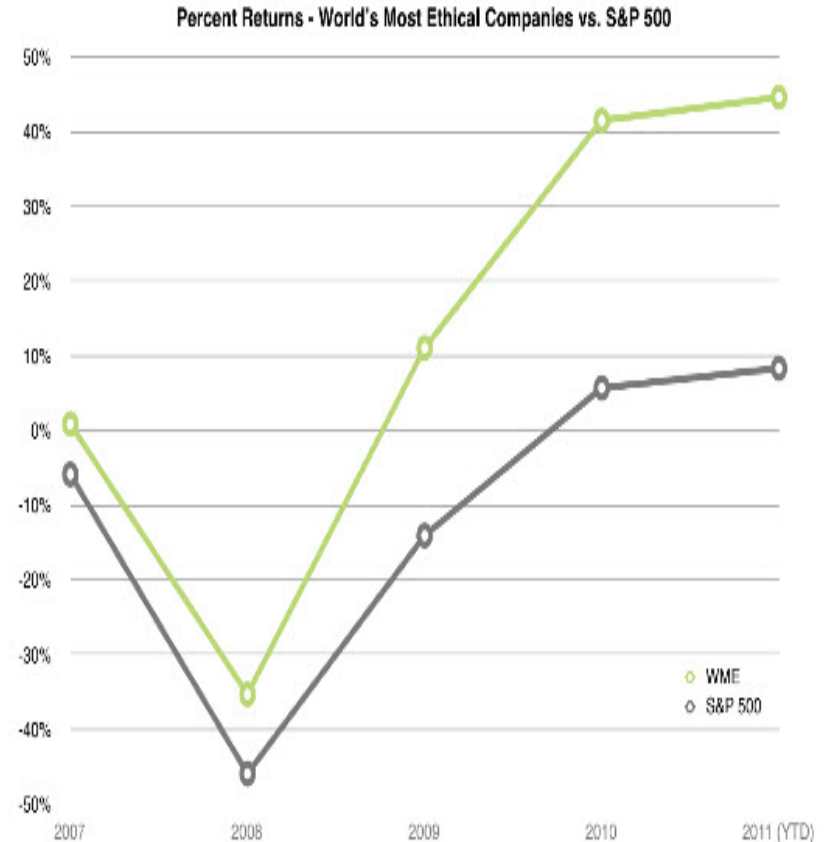
Actors in the Markets

- Firms
- Business Schools
- Civil Society actors
- Consultants
- Investors
- Governments
- International organizations
- Media



Products in the Markets

- Mission and values statements
- Codes of conducts
- CSR reporting
- CSR associations
- Ethics managers
- Ethics committees
- CSR consultants
- Ethics education and training
- Auditing and accounting
- Etc.





“Morals by Transparency”



The spotlight and the microphone (Van Parijs)

- **The spotlight:** The patchwork of devices and actors that make visible and assessable what firms do.
- **The microphone:** A microphone forcibly pushed before the mouth of the spokespersons of firms whenever there is something to say relevant to the image of the firms.
- Via the spotlight and microphone firms explicit CSR declarations become the effective control mechanism of businesses.

Transparency and Supply-Chains (Locke, 2013)

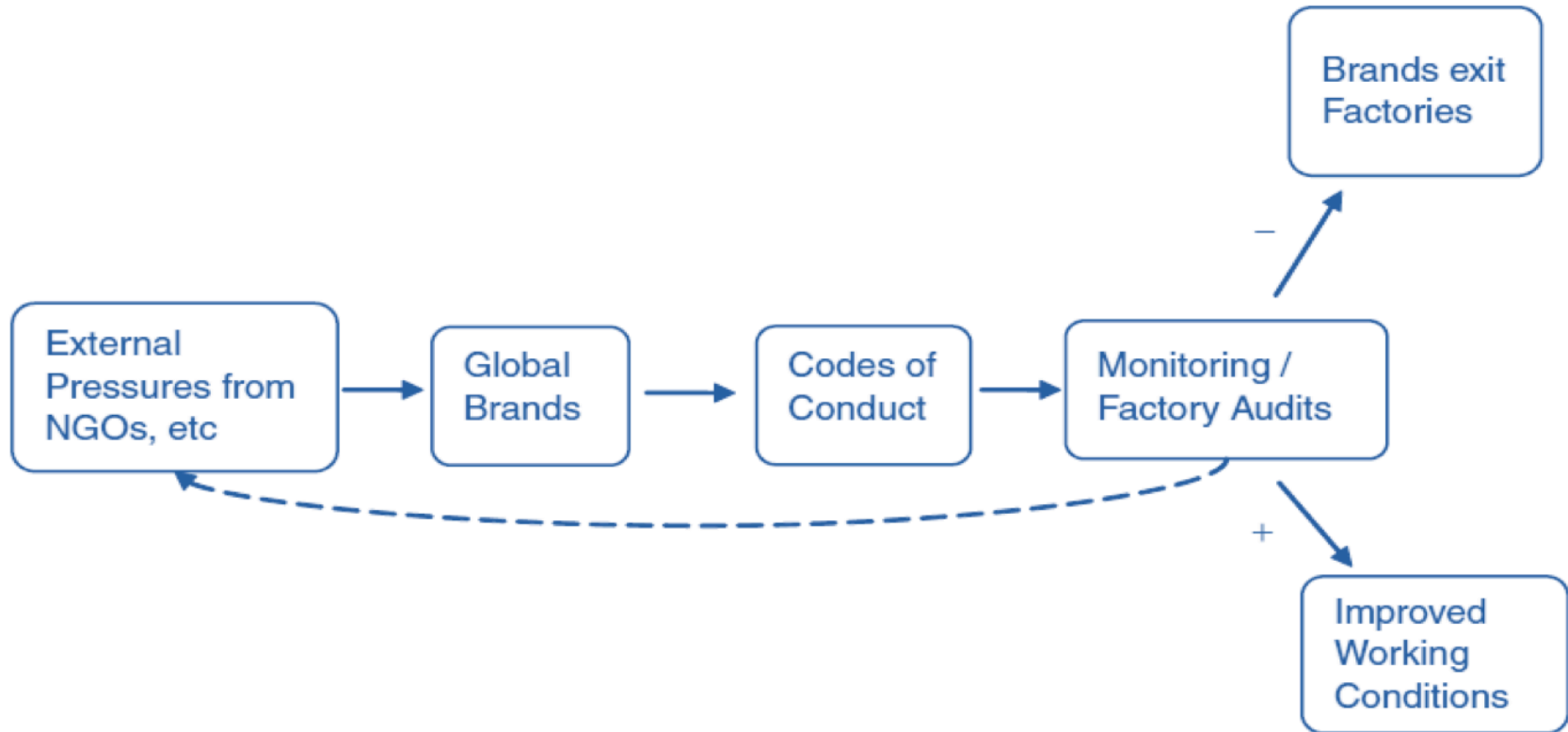


Figure 1. Traditional model of code of conduct or compliance.

The civilising power of transparency



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Part 3: Introduction to Case Study

Private Power and Human Capabilities



CSR and Global Supply-Chains

Western firms have moved their business operations to locations where costs of operations are lower.

<http://www.nytimes.com/2012/01/22/business/apple-america-and-a-squeezed-middle-class.html?pagewanted=all>

Outsourcing of business operations to countries where production costs are lower leads easily to insourcing of ethical problems.

<http://www.nytimes.com/2012/01/26/business/ieconomy-apples-ipad-and-the-human-costs-for-workers-in-china.html?pagewanted=all>

<http://bits.blogs.nytimes.com/2012/02/13/apple-announces-independent-factory-inspections>

The Boomtowns in China

- Since the 1970s, China has witnessed the largest migration in human history; 130 million migrant workers in China today, most of them women.
- Via global supply chains we all become connected to the lives of these young women leaving their villages and seeking their fortunes in the factory towns.
- Leslie Chang's *Factory Girls* (2008); describes lives of these people in China's factory boomtown Dongguan.

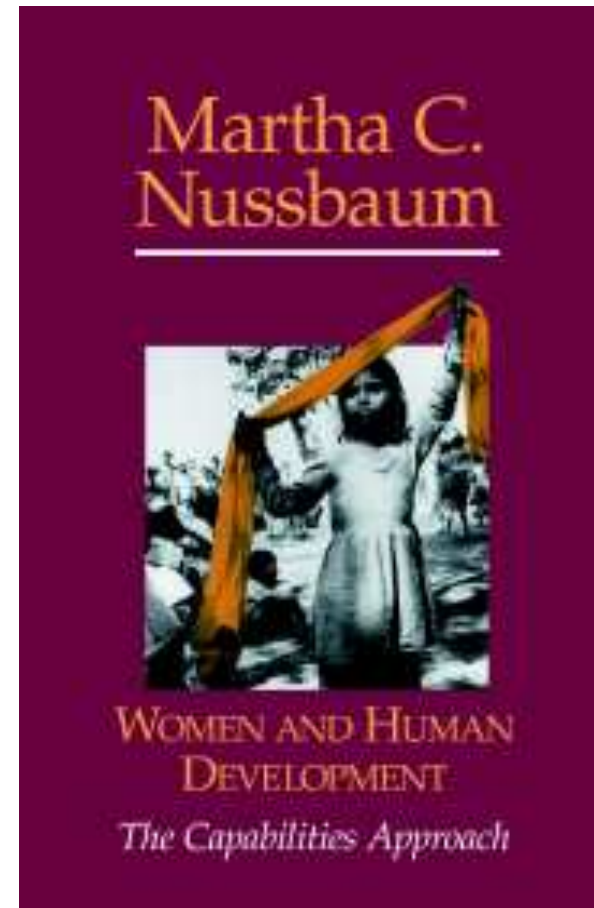


Factory Yue Yuen, Dongguan, China

- Has 70 000 workers (80% women between ages 18-25)
- Making our branded athletic shoes (Nike, Puma, Adidas etc.).
- Workers sleep in factory dorms (10/room), eat in factory cafeterias, shop at factory commissaries.
- Runs a kindergarten, hospital with a 150-member staff, movie theater and a performance troupe, volunteer activities and English classes.
- Operates own power plant and fire department.
- Bottles its own water and used to have own farmers to guarantee its food sources
- Pays 70\$/month for work done 11hours a day/sixty hours a week with Sundays off.

The Threshold Level of Decency

- One promising starting point to sketch out international standards of **decency** is offered by Martha Nussbaum in her work *Women and Human Development* (2000).
- Rather than look for psychological or material indicators of well-being we should draw attention ***to what each person is able to do and to be.***
- Threshold level of basic capabilities (a decent social **minimum**) secured for all as a universal **political goal**.

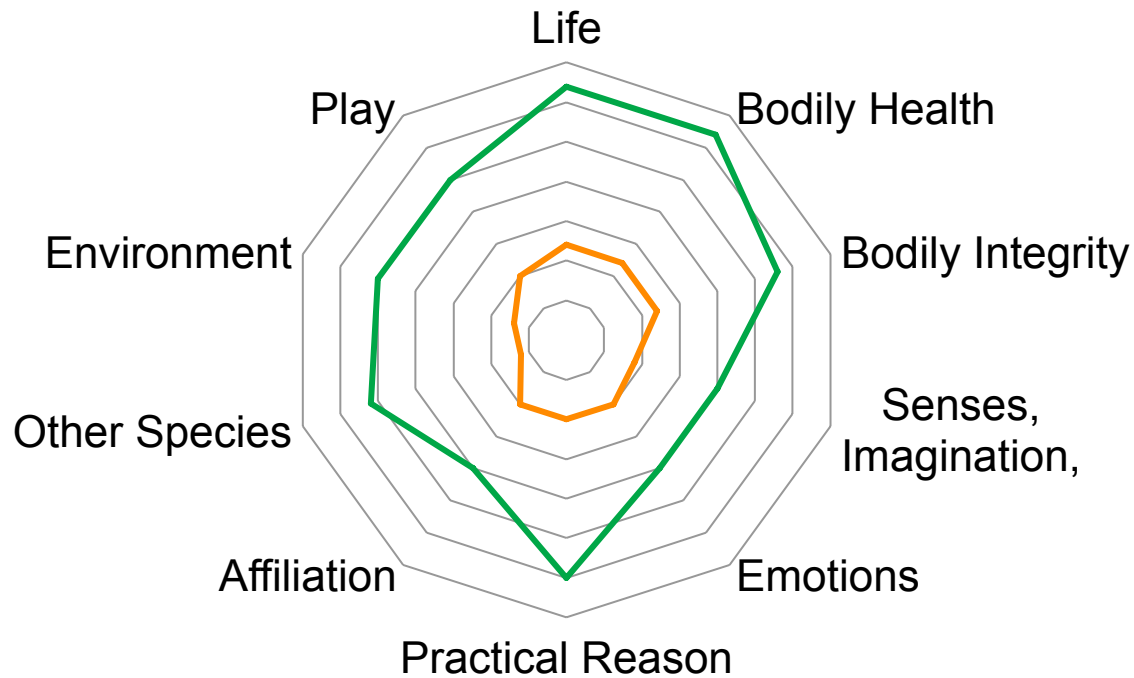


List of Basic Capabilities

1. Life
2. Bodily Health
3. Bodily Integrity
4. Senses, Imagination, and Thought
5. Emotions
6. Practical Reason
7. Affiliation
8. Other Species
9. Play
10. Control over one's Environment: a) Political b) Material



Conception of Decency



Capabilities better metrics of decency than...

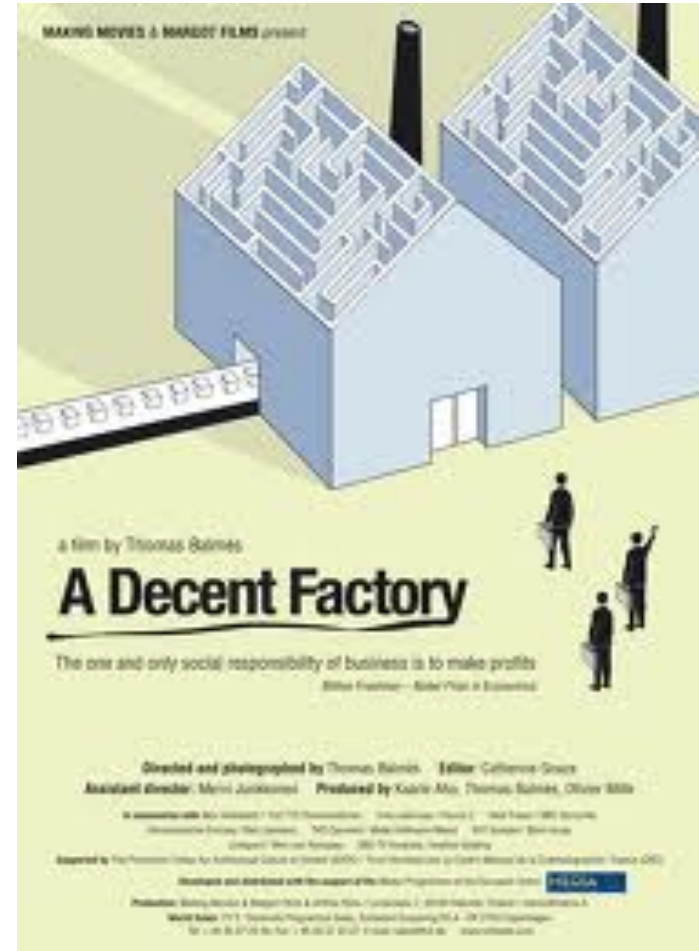
- **material resources** (income, wealth etc.) since different people have different needs and abilities to use resources.
- **utilities or preference satisfaction** since utilities and preferences are adaptive to circumstances.
- **functioning** since different people value different functions and capabilities leave room for individual choice.

A Decent Factory

- A documentary about globalization; Nokia as the subject.

<https://youtu.be/s5zriFSdULs>

- Two European women – Finnish Nokia employee and a British consultant – are auditing a factory of a Nokia supplier in China lead by a European male manager.



While Watching the Film

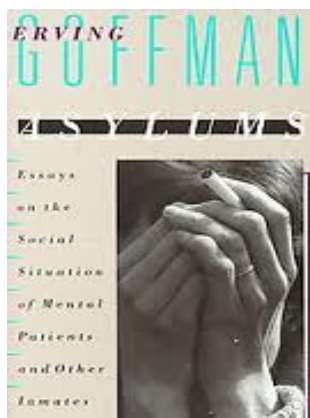


- Consider the position of the women in the factory from the perspective of Nussbaum's basic capabilities.
- Identify aspects in the lives of these women where they are in danger to fall below a decent level of capability to function?

Team Work

Choose two dimensions from the Nussbaum's capabilities list and discuss in groups:

- 1) The position of the women in the factory?
- 2) Which aspects of their lives can be problematized?
- 3) Are certain aspects more pressing than others? Why?



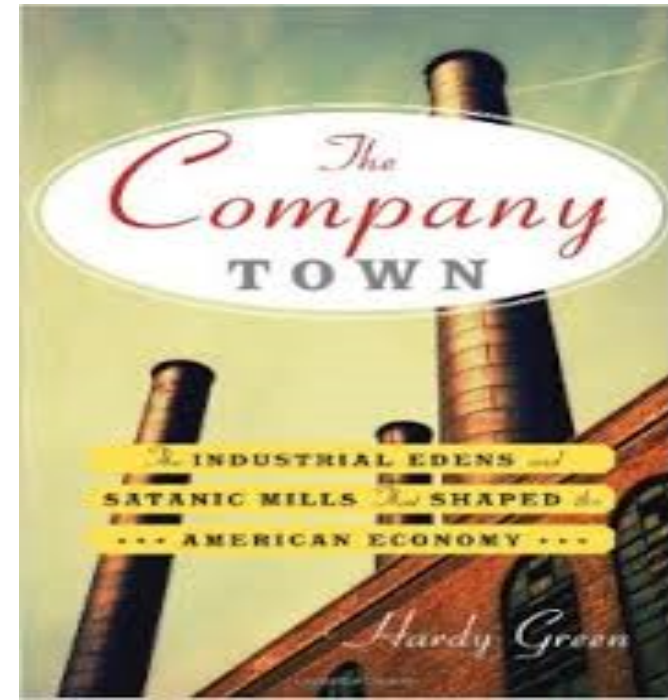
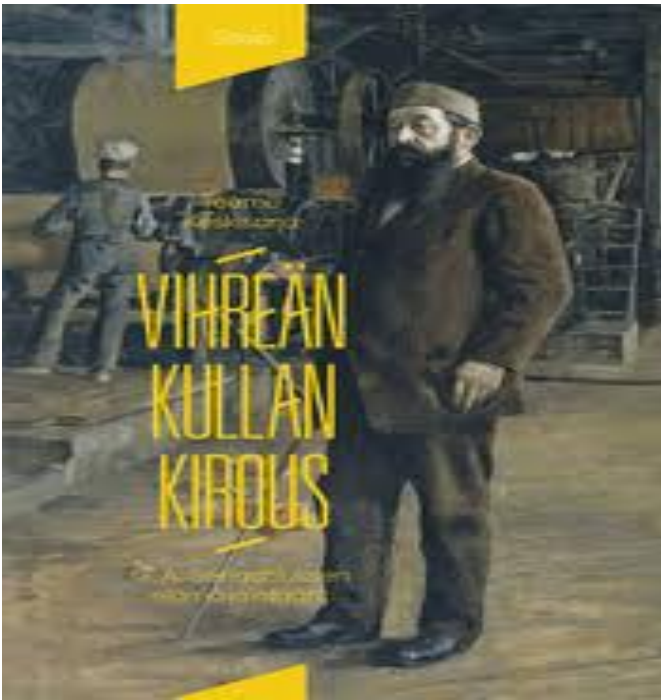
Total institution



”A basic social arrangement in modern society is that the individual tends to sleep, play and work in different places, with different co-participants, under different authorities, and without an over-all rational plan. The central feature of total institutions can be described as a breakdown of the barriers ordinarily separating these three spheres of life” (Erving Goffman 1961, 17)

Political History of CSR

- http://www.nytimes.com/2010/11/07/business/07shelf.html?_r=0



The Follow-up Question

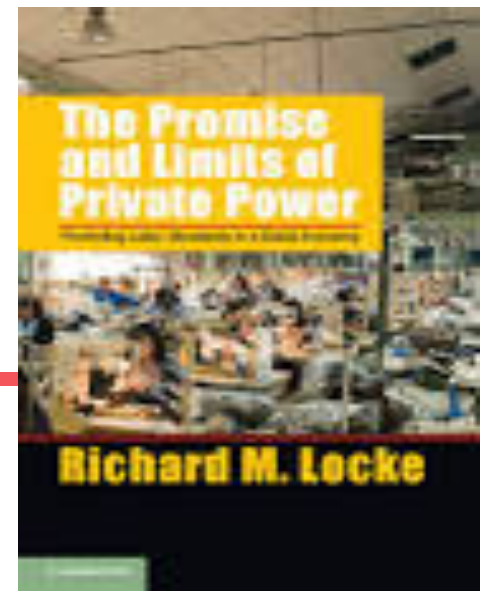
- Global Decency: A Corporate Responsibility?

<http://bostonreview.net/forum/can-global-brands-create-just-supply-chains-richard-locke>



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