

Lecture 6

Corporate Social Responsibility as a Strategy

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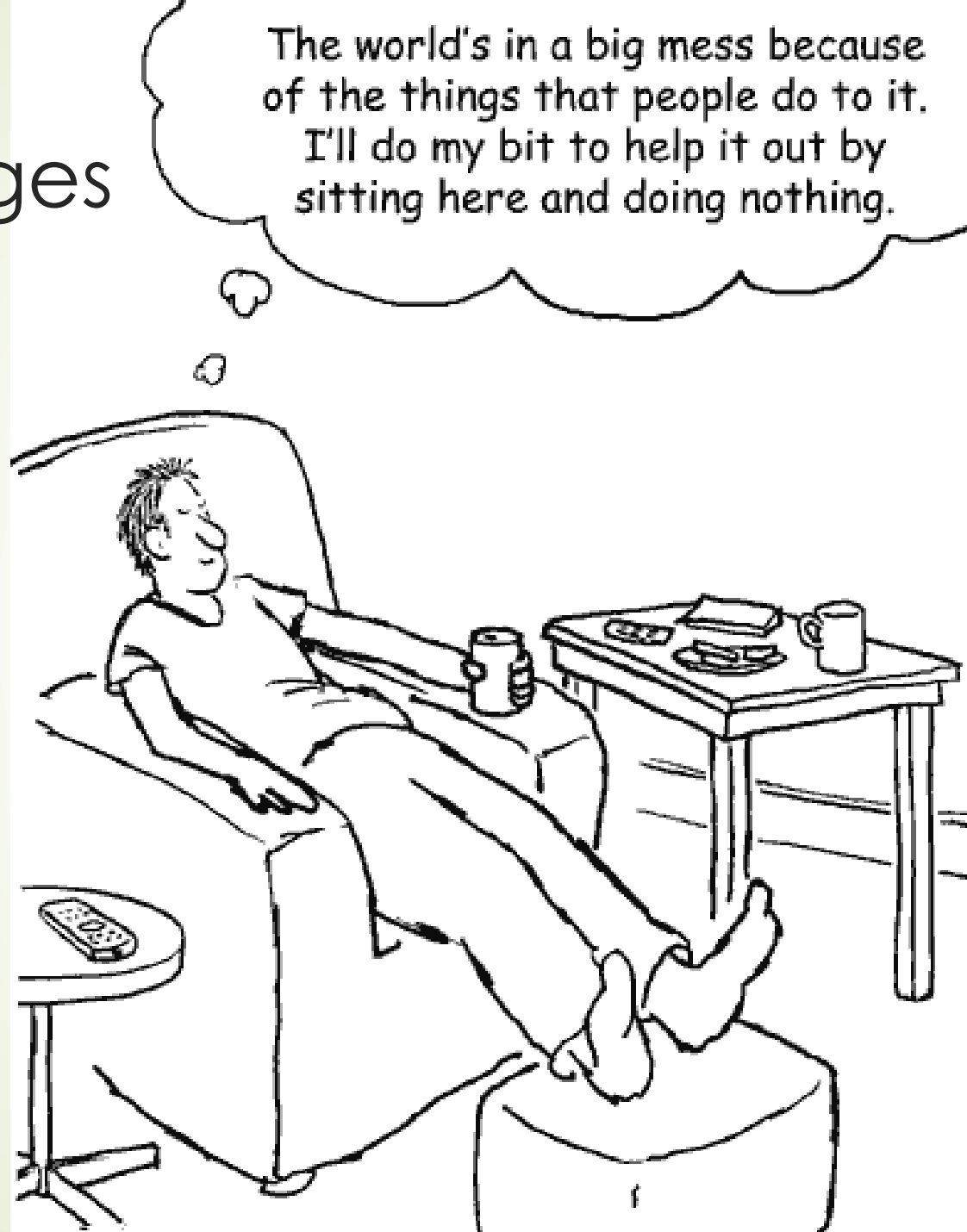
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Agenda

- The definition of strategic CSR?
- What are the trends driving CSR?
- What are the big challenges on the CSR front?
- Porter's five factors
- Barons (1995) integrated strategy
- Opportunities
- Case study - Apple

Challenges



Strategic CSR Definition

Dr. Kellie McElhaney, Founder of the Center for Responsible Business at Haas, defines strategic CSR as:

“Strategic corporate social responsibility is a *business strategy* that is embedded in day to day business operations, supports core business objectives, and leverages core competencies to create business value and positive social change.”

Michael Porter ...

*“An industry’s profit potential is largely determined by the **intensity of competitive rivalry** within that industry.”*

Porter's Five Forces

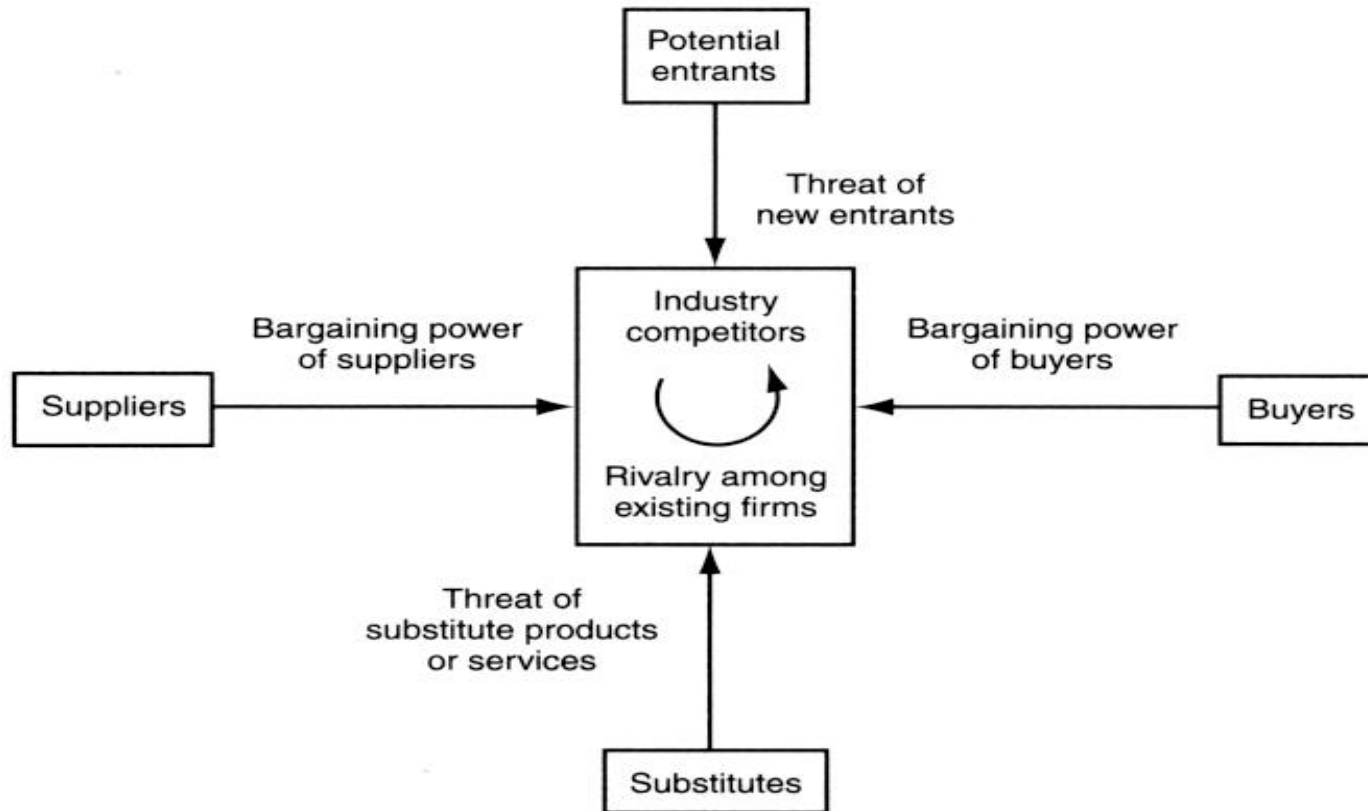


FIGURE 2-2 Porter's Five Forces Model

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From Porter to Baron

Porter urges us to analyse the causes of the five forces yet emphasises a limited set of actors (principally firms, their actual or potential rivals, customers, and suppliers.)

Incomplete characterisation of relevant fora.

International dimension is not well developed—are we to take on trust that this approach to strategy works in all capitalist countries?

Baron extended Porter's framework to include the non-market environment and so-called **Integrated Strategies**—but at some cost in terms of prescriptive power.

Businesses operate in two environments simultaneously (Baron)

<i>4 I's</i>	<i>Non-market environment</i>	<i>Market environment</i>
Issues: threats to profits or opportunities.	Regulations, proposed laws, court judgments.	Porter's 5 forces.
Institutions: relevant decision-maker and their processes.	Regulators, legislatures, courts, etc. Collective or non-unanimous decisions.	Arms length market transactions. Voluntary decision-making.
Interests: identity and goals of those with a stake in the issue.	Goals can include "fairness", "harmony", and inclusion.	Firms seek to maximize profits.
Information: beliefs, knowledge of actors, and what is persuasive.	Prejudices, rumor, state reports, press coverage, etc.	Market research, reputation, advertizing.

Baron on non-market strategies

Let's think more systematically about the implications for the non-market strategies.

- *Strategy formation: "A non-market strategy...is the concerted action of an interested party directed at a non-market issues that is a subject of competition in the cognizant institutions where information typically plays an important role."*

Important characteristics of non-market strategies.

- *Appropriability*: Are the gains from pursuing non-market strategy only appropriated by those firms pursuing such strategies? If not, what are the implications for the desirability of a non-market strategy?
 - *Collective versus individual action*: Would collective action be preferable to individual approaches?
- *Credibility and Reversibility*: Does precedent matter? Can a particular strategy be reversed? If not, does it matter?
- *Sustainability and Retaliation*. What are the sources of distinctive—that is, hard to copy yet effective—non-market strategy? Can the strategy be copied abroad, leading to possible retaliation? Can non-market strategy be a source of long term competitive advantage?

A multi-step approach to creating Integrated Strategies

Need not involve a change in the objectives of the firm.

Effective strategy formation involves:

- Identifying the relevant 4I's and 5 forces.
- Identifying a set of strategic options which may have market and non-market components.
- Anticipating strategies of actors in market and non-market environment.
- Given 1-4, evaluating strategic options: decision, implementation needs, and coherence in both spheres.
- Mitigation of risks associated with chosen strategy.
- Implementation.
- Evaluation of prior decision. Start of feedback loop.

CSR as a strategy

- Andrew (1980)
- Four questions determine the level of CSR activity
 - Determining the organization competency: what can we do?
 - Looking at industry threats and opportunities: what might we do?
 - Examining the value of key implementers: what do we want to do?
 - Determining the social responsibility: what ought we be doing?

CSR as a strategy

- Answers decisions models towards strategic need
- Lee and Logstan (1996) suggest five dimensions of corporate strategy critical to CSR
 - Centrality – CSR initiative activities should be close to the firm's mission and objectives
 - Specificity – strategic CSR initiatives should specifically benefit the firm
 - Proactivity- CSR initiatives capture the changes in socio-engagement, political and technological factors.
 - Voluntarism - CSR decisions are discretionary and voluntary
 - Visibility - CSR initiatives build image

Globalizing CSR strategy

1. Analyze social issue opportunities, competitive environment, and non-market stakeholders

2. Analyze firm resources and capabilities for capitalizing on opportunities

3. Evaluate firm identity in terms of social needs and opportunities

4. Determine the means and cost of acquiring necessary resources and capabilities

Globalizing CSR strategy (Con't)

5. Create a plan integrating issues, stakeholders, identify, resources, competitive environment, and expected outcomes

6. Implement the plan

7. Measure and evaluate performance

Opportunities



New Products, New Markets



Brand Equity

- Establish, rebuild and protect corporate brand



NOKIA



Johnson & Johnson



Professional Services

- Carbon Accounting
- Carbon Finance
- CSR Strategy Consulting
- Sustainability Marketing
- Management Consulting

Opportunities Continued...

Risk Mitigation

- Address corporate “black eyes”
- Engage stakeholders and vocal critics; minimize brand damage and customer loss
- Stay ahead of the curve – regulations, societal expectations, activists
- Reduce litigation (and the threat of)

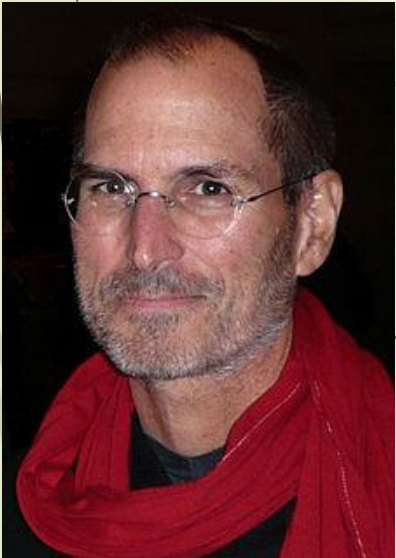
Continuous Innovation

- Use CSR as a driver for operational efficiency
- Anticipate consumer demands
- Attract top talent

Case Study 1 – Apple Inc.



Mission Statement:



“Apple is committed to bringing the best personal computing experience to students, educators, creative professionals and consumers around the world through its innovative hardware, software and Internet offerings.”



“I skate to where the puck is going to be, not where it has been.”

-Wayne Gretzky

History of Apple, Inc.

1976 - Apple Computer Company founded by Steve Jobs.

1983 - 1984

- Enters Fortune 500.
- John Sculley becomes president and CEO.
- Apple airs "1984" during Super Bowl.

1985 - Jobs forced out of company

1993 - Sculley forced out.

1997 - Steve Jobs returns to Apple.

2007 - Apple changes name to Apple, Inc.



Where is Apple Located?

- Apple's main headquarters is located at 1 Infinite Loop, Silicon Valley, California.



Where is Apple Located?

- Apple has expanded internationally with locations in Cork, Ireland and Silicon Valley, Singapore, etc.



Cork, Ireland



Silicon Valley, Singapore

What Does Apple Do?



- Apple is an innovative company that manufactures, markets, and sells many kinds of consumer electronic devices.
- Apple has developed a series of computers, phones, portable media players, software, and many other products that have advanced technology from what it used to be, as well as creating new needs from the consumers.

A Greener Apple...



- With the recent concern with global warming, Apple has decided to take a stand and do a few things to help lessen their carbon footprint on the environment.
 - Removing Toxic Chemicals
 - Recycling (E-Waste)
 - Transparent environmental reporting

A Greener Apple...



- Removing Toxic Chemicals
 - Stopped using lead in their screens in 2006.
 - Eliminate the use of arsenic in all of its displays.
 - Reduce and eliminate the use of mercury by switching from fluorescent lamps to LED backlighting.
 - In 2010, all displays that were offered by Apple became mercury-free and used arsenic-free display glass

A Greener Apple...



- Recycling (E-Waste)
 - Apple recycled millions pounds of e-waste in 2010.
 - Apple products are designed using high quality materials that are in high demand from recyclers.
 - In 2011, Apple introduced iTunes cards that use 100% recyclable paper, and they also introduced the Mac App Store in 123 countries.
 - The aluminum stand on the iMac is made using 30% recycled content.

A Greener Apple...



- Transparent environmental reporting
 - In 2009, Apple revealed a complete life cycle analysis of greenhouse gas emissions, which set a new standard of full environmental disclosure.
 - Apple is the only company of the industry that publishes the environmental footprint of each of its products. Other companies only report on a fraction of their emissions.

Work Environment

- Creative Freedom

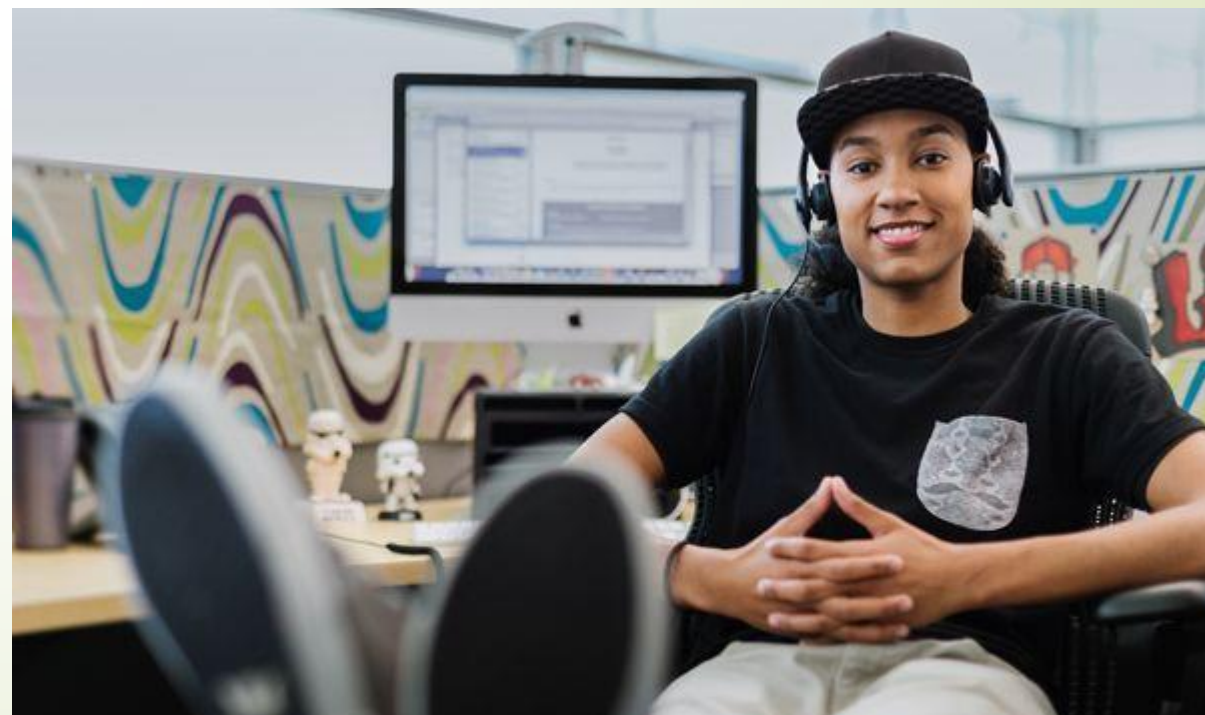
“ You can create more than any other consumer electronic company.”

- Relaxed Atmosphere

“Funny, brilliant, relaxed co-workers and modern, spacious, beautiful offices filled with comfortable couches and huge picture windows make work time a pleasure.”

- Passion for the products

"There's a passion for products and attention to the most minute details," posted a Mac specialist.



Working environment at Google



Working environment at Google



Working environment at Google



Culture

35

- The work culture is laid back.
 - In some cases, employees come and go as they please.
 - Telecommuting also is allowed with management approval.
- It compares Apple to Southwest Airlines and Microsoft an attitude influenced by the company's founders, who often walked around the office barefoot, even after Apple became a Fortune 500 company.
- One senior hardware engineer said, *"surrounded by a lot of energetic people and experienced no end to challenges and cool projects. However, there was no end to the hours."*

Advancement/Job Opportunities

- Apple provides advancement opportunities for employees who start as low as concierge in a retail store to quickly move up to corporate positions within the company.
- Newly graduated students have a chance to work at Apple Inc. through their New Grad. Employment Opportunity-No experience needed!
- Main qualification: “sharp intellect, a top notch educational background, and the energy to move the industry forward.”

