Profil 7:

Digitale Festschrift
für GERHARD MINNAMEIER

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A Moral Duty for CSR?
A Consequentialist Approach to the Business Case for CSR

Online unter:
https://www.bwpat.de/profil7_minnameier/bonowski_profil7.pdf

in

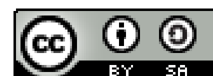
***bwp@* Profil 7** | Juni 2022

Perspektiven wirtschafts- und berufspädagogischer sowie wirtschaftsethischer Forschung

Hrsg. v. **Rico Hermkes, Tim Bruns & Tim Bonowski**

www.bwpat.de | ISSN 1618-8543 | *bwp@* 2001–2022

www.bwpat.de



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Berufs- und Wirtschaftspädagogik - *online*

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A Moral Duty for CSR? A Consequentialist Approach to the Business Case for CSR

Abstract

Advocates of instrumental Corporate Social Responsibility (CSR) argue that corporations can achieve better financial performance by engaging in CSR activities, in what is called the business case for CSR. This potential relationship between corporate social performance and corporate financial performance has been the object of numerous studies. Recent evidence suggests that the commonly observed small but positive effect sizes are inflated due to reporting bias, dispelling notions of CSR activities as strategically viable drivers of profit. In this article, I argue that these results may yet provide a useful argument for proponents of CSR from a consequentialist perspective. Based on Peter Singer's argument that a moral duty to prevent the morally bad exists if doing so does not come with a sacrifice of comparable moral significance, I argue that a similar moral duty for firms exists when CSR activities can be expected to be more efficient at preventing the morally bad than individual or government activities. In addition, I provide critical commentary on the validity of corporate social performance measures which are a crucial component of my argument.

Key words: *Corporate social responsibility; instrumental CSR; reporting bias; moral duty*

1 Introduction

When Porter and Kramer (2011) published their articles on Creating Shared Value (CSV) in Harvard Business Review, the response they received was mixed. For some, the article marked a turning point in the thinking about corporate social responsibility (CSR). The authors argued that engaging in corporate activities with the goal of producing a social impact was not only socially desirable, but that such activities could actually be used to increase a firm's value. That is, if done correctly, corporate social performance (CSP) may lead to increased corporate financial performance (CFP). The article won that year's McKinsey Award for best paper in Harvard Business Review and resulted in CSV being picked up as a CSR strategy by numerous large corporations. Reception among business ethics scholars was less positive. Some years after the original publication, a group of scholars got together and contested the value of CSV (Crane et al. 2014). Crane et al. accused Porter and Kramer of being unoriginal and not acknowledging a broad literature on the relationship between CSP and CFP, often referred to as the "business case for CSR". In fact, studying and quantifying a potential connection between CSP and CFP had been a sustained effort for decades when Porter and Kramer introduced the world to their concept of being profitable *by* fulfilling social responsibilities not *despite* doing so.

Crane et al. (2014) also argue that CSV is based on a "shallow conception of the corporation's role in society" (140). To them, a corporation pursuing a win-win through CSV remains within the logic of competitive strategy, whereas a true transformation of societal problems would require "require broader solutions embedded in democratically organized multi-stakeholder processes" (141). The role of corporations in providing public goods and furthering social ends has been a contentious issue ever since Friedman (1970) famously argued that those asking business to take on social responsibilities were "preaching pure and unadulterated socialism" and that managers who heeded the call were "unwitting puppets of the intellectual forces that have been undermining the basis of a free society".

The division of moral labor between individuals, the state, corporations, and markets as an institution is a central issue in the debate about potential political and social duties for the firm, with calls for such activities covering a wide gamut but mostly centered around an individualist and liberal position (Mäkinen & Kourula 2012, 669). Most positions, however, have evolved beyond CSR activities[1] as mere corporate philanthropy. Proponents of political CSR (Scherer & Palazzo 2007 2011) argue that the failure of states to solve societal problems has diminished their role as a provider of public goods, a role that now, they argue, falls to the corporation, which is tasked with engaging in deliberative coordination with its stakeholders. Others do not stray far from Friedman's description of management as a fiduciary of shareholders and are accepting CSR only in so far as it can serve an instrumental purpose in fulfilling this duty towards the true owners of the corporation, a position sometimes referred to as "enlightened value maximization" (Jensen 2002). For some, it seems, profit should not be a motive when deciding for or against CSR activities, whereas others see profit as a central legitimizing factor for spending resources to solve social issues.

In this article, I will argue for a different position. On one hand, the identification of a universal business case for CSR may be an attractive desideratum that would resolve disagreements over the appropriateness of spending corporate resources on social purposes. However, I agree with Crane et al. (2014) that focusing on win-win situations ignores trade-offs between stakeholder needs. In addition, calling on corporations to accept tradeoffs between economic profitability and social outcomes in favor of the latter is equally ignorant of the reality of the competitive environment most firms exist in. A focus on (un)profitability however may be misguided when a third possibility exists: What if increasing CSP is profit neutral for the corporation? There are some results pointing in this direction. For example, profitable firms are more likely to engage in corporate giving but increases in giving do not seem to lower profits (Seifert et al. 2004). Others have found that the effect of CSP on CFP is likely close to zero, affirming the finding that CSR activities can be profit neutral (Rost & Ehrmann 2017).

I will argue that profit neutrality may result in a moral duty for CSR from a consequentialist perspective. To establish that the CSP-CFP relationship is likely to be neutral or very small, the

[1] For the purposes of this paper, I refer use CSR to refer to the firms' responsibilities towards the society in which they are operating. The concept is distinct from CSR activities (which firms undertake in fulfillment of these responsibilities) and CSP, which refers to the extent to which a firm is successful in fulfilling its responsibilities. Out of convention, I use the phrase business case for CSR to refer to what would technically be a "business case for CSR activities".

next section will provide a summary of how the relationship is commonly studied, after which I will discuss evidence that common estimations of size of the relationship is inflated due to reporting bias. Following this review, I will discuss Peter Singer's argument for a moral duty to help, as long as the costs associated with the help is incomparable with the ill that is alleviated. I will discuss whether this duty to help exists for cases in which CSR activities are likely to be profit neutral. The section will also examine whether the duty falls on the firm or (as Singer argues) on the individual, in this case the firm's shareholders. The article concludes with a discussion of limitations both of the argument made and of the empirics of CSP measurement specifically.

2 In Search for a Business Case for CSR

2.1 Common approaches to estimating the CSP-CFP relationship

The business case for CSR is an alluring concept. If it existed, even an ardent Friedmanite could be convinced that firms should care about social purposes after all. Over decades, a number of studies have tried to identify whether such a positive connection between CSP and CFP exists. In these studies, CFP is usually operationalized as either an accounting measure (return on assets, return on equity, etc.) or a market-based measure (share price, variance of share price, ratio of book and market valuation). While first is a self-reported backwards looking performance measure based on highly formalized reporting schemes, the latter provides an idea of outside expectations with respect to the future prospects of the firm. Combined, the two measures provide high quality, publicly available and standardized data on the financial performance of (large) firms for long time series.

The story is different for CSP measurement. Contemporary studies often use one of a number of datasets from rating agencies that aim to provide quantitative data on the social performance of firms. A number of such datasets exist (among them ASSET4 by Thomson Reuter; MSCI ESG scores, formerly known as KLD scores; and RobecoSAM). Many of these ratings originated as guides to investors wanting to invest in socially responsible firms and provide screening criteria for those that want to avoid firms for religious reasons (e. g., because of involvement in controversial industries such as alcohol, gambling, biotech, or fossil fuels). The origin of these ratings as a product sold to investors has a positive side-effect: Just as credit ratings, CSP ratings are provided by third party agencies. However, in contrast to credit ratings, which are usually paid for by the firms that are being rated (creating conflicts of interest for the rating agency), CSP ratings are paid for by investors, removing a powerful conflict of interest. For researchers, it has the negative side-effect of making the most widely used CSP rating (MSCI ESG/KLD) a proprietary data set that is not freely accessible. Overall, the ratings aim to provide information about whether a firm respects and fulfills the needs of its stakeholders, ranging from employee treatment to customer service, and includes information about corporate governance and environmental impact. While the validity of these ratings is contested (see last section), for the purposes of this article, I will assume that valid ratings are at least possible.

A common approach then is to identify a relationship between social and financial performance on through multi-variate time series analysis. Studies differ in the shape of the relationship they examine (Barnett & Salomon 2012; Brammer & Millington 2008), some look at proxy measures of financial performance such as risk (Francis et al. 2016) or access to finance (Cheng et al. 2014), or try to incorporate several such measures into a single model in order to identify causal connections (Vishwanathan et al. 2020). However, the identification of mediators and moderators, is relatively rare and lacking in quality (Grewatsch & Kleindienst 2017). Studies of this kind abound in the management, finance, and business ethics literature. Due to the number of studies published in this area, it makes sense to discuss them in aggregate in the form of meta-study results instead of picking individual results. Doing so also reduces the risk of confirmation bias that creates a *just so* narrative of fitting results.

Two widely cited meta studies are those by Orlitzky et al. (2003) and Margolis et al. (2007). The former uses results of 52 studies to identify how different aspects of CSP affect CFP. The authors find small to medium sized correlations between CSP and CFP, with sample size weighted correlations in the range from .15 to .50. The correlations are larger for ratings of social activities than for those rating environmental aspects, and effects are larger for accounting-based measures than for market-based CFP indicators. In addition, the meta-study shows no clear temporal order in the effect: Comparing studies that use lagged CSP or CFP data, the authors find both directions to exhibit positive correlations, which they interpret as a virtuous cycle between slack resources that can be used on CSP and positive effects of said CSP on future financial results. Effect sizes observed by Margolis et al. (2007) are smaller, with the authors reporting a median effect size of .08. They find that perception-based measures of CSP, as well as self-reported measures, show the highest association between CSP and CFP, with the first hinting at a possible "halo effect", a spillover from financial success to perception of social performance. Effect sizes are smallest when effect estimations were based on third-party audits (such as the aforementioned CSP ratings from external agencies) and mutual fund screens (a secondary criterion provided by these agencies). They concluded that corporate misdeeds (negative CSP) are costly and that CSP may only be weakly linked to CFP but that it does not "systematically destroy shareholder value" (Margolis et al. 2007, 22). Overall, they believe that "CFP would seem to be an unlikely rationale or justification for pursuing CSP". The results of these two meta studies are supported by a more recent meta-study that also finds small but positive correlations between CSP and CFP (Vishwanathan et al. 2020, 331–332).

2.2 Evidence of Reporting Bias

Based on the findings discussed above, the prevailing wisdom on the efficacy of CSR activities as an instrument in the pursuit of profit is mixed. It may not be a systematic destruction of shareholder value but positive effects look to be limited. Meta-studies such as the ones discussed above are sometimes criticized for mixing good and bad studies (Rosenthal & DiMatteo 2001), because the result of a survey of results can only be as good as the studies that go into it. As an adage from computer science goes: Garbage in, garbage out. Indeed, there are plenty of reasons to criticize the data that goes into studies of the CSP-CFP connection, which I discuss in a section below. In their review of the literature, Rost and Ehrmann (2017) do not

focus on the quality of individuals studies. Rather, they are interested in the distribution of reported results with respect to the profitability of CSP. Based on Mc Williams and Siegel (2001), they argue that theory suggests that discretionary spending that is profitable in the short term will not remain so as other firms will compete for the arbitrage opportunity. Furthermore, Rost and Ehrmann (2017) argue that such competition making a potential causal connection unstable will result in identification difficulties, noisy results, and ultimately null results.

Based on this contradiction between empirical studies showing a (small) positive CSP-CFP relationship and predictions from theory that the relationship is likely hard to identify and probably neutral, Rost and Ehrmann (2017) set out to test whether the discrepancy may be caused by a reporting bias. A reporting bias is the consequence of studies with specific results either not getting written or not getting published. Biases in the scientific literature are a serious issue that plagues a variety of fields, sometimes even arising because of other biases. The pressure to publish and observations that statistically significant results are more likely to get published may be the cause of a "peculiar prevalence of p-values just below .05" in psychology (Masicampo & Lalande 2012), and is likely to be the cause of similarly suspicious distributions of z-statistics in economics (Brodeur et al. 2016). In a field that is as normatively contentious as CSR, authors may be driven not only by career goals but also by a desire to confirm a specific result. Approaching a study with the preconceived notion that CSP *should* pay off, authors may be motivated to take their investigation in a direction that confirms a positive rather than a neutral relationship.

To identify a potential reporting bias, Rost and Ehrmann (2017) test for asymmetry in funnel plots of study results from the literature on the CSP-CFP relationship. A funnel plot is used to visualize results based on their observed effect size and estimated standard error. If results are unbiased, one would expect to observe studies with small standard errors to cluster around a mean effect size. Other studies with larger standard errors should be distributed symmetrically around this mean, if the error is random and there is no underlying reporting bias. Applying this technique to the literature on the business case for CSR shows a number of studies that observe a positive CSP-CFP relationship with large standard errors and very few or no studies with large standard errors observing negative effects. This asymmetry is expected if editors and referees are biased towards accepting studies that show statistically significant results but are also more lenient to accepting statistically insignificant results of a specific direction, which would constitute a textbook case of reporting bias. As a result of this pattern, the mean of published effect sizes is likely to be inflated. The finding is supported by a FAT test, based on which Rost and Ehrmann (2017) find that the reporting bias is statistically significant. In addition, reported effects were larger in studies published after 1995, in high impact journals, when not based on theory, and when analyzing time periods between 1970 and 1999. For studies incorporating firm and industry fixed effects, for those that included a pro and con discussion of the CSP-CFP connection, those analyzing data from between 2000 and 2009, effects were significantly smaller, indicating that both theoretical considerations as well as methodological issues may contribute to inflated effects being reported. Adjusting for the estimated publication bias, Rost and Ehrmann (2017) estimate the effect of CSP on CFP to be between 0.008 and 0.124,

depending on the model specification and data aggregation. This indicates that the mean effect is likely to be smaller than commonly assumed but notably still positive.

3 A moral duty for profit neutral CSR Activities

3.1 Instrumental CSR after the Business Case

Presenting CSR activities as a profit opportunity is a powerful promise: Advocates of a strict adherence to shareholder value maximization as the corporate objective would not need to be convinced to care about social issues. Instead of finding arguments to make them change their minds, supporters of an instrumental CSR approach could convince them that fiduciaries for shareholders should engage in CSR activities not *despite* a profit motive but *because* of it. As we have seen, the effects may be inflated due to a reporting bias in the literature. However, even a null result on the CSP-CFP relationship is not necessarily the end of instrumental CSR as an argument for undertaking CSR activities. While the adjusted effect size observed by Rost and Ehrmann (2017) may be small, this simply means that CSP is not likely to be a driver of profits. On the flipside, it also indicates that it is not associated with the systematic destruction of value and that, as argued by McWilliams and Siegel (2001), an optimal level of CSP at which it is profit neutral may exist for each firm. In this section, I will argue that a neutral relationship alone may be enough to justify a moral duty for CSR activities. In addition, I will determine whether this moral duty rests with the corporation itself or with its shareholders.

3.2 The Duty to Save a Drowning Child

In his seminal paper *Famine, Affluence, and Morality*, Peter Singer (1972) asks us to imagine walking by a pond. In the pond, a child is drowning but saving the child is not associated with a personal risk. Singer argues that, if the child can be saved at the cost of getting one's clothes muddy (i.e., at a personal cost that is trivial when compared with the preventable death of a child), there exists a moral duty to do so. In the paper and in later work (Singer 2009), he argues that this duty to help does not only exist towards the child drowning in front of us but includes a moral duty to prevent harm wherever we can. His argument for this moral duty builds on a number of simple premises.

Singers first premise states that "suffering and death from of lack of food, shelter, and medical care are bad" (231), an assumption he expects any reader to accept. Second, Singer proposes that anyone who can prevent something very bad from happening, without sacrificing anything of comparable moral significance, ought to do so, a principle sometimes called the "rule of easy rescue". Applied to his example, a moral duty to save the child exists as long as saving does not require accepting a significant risk to one's life or health. Damage to one's property, such as ruining a pair of shoes in the process, is not of comparable moral significance. Singer argues that his second premise is also likely to be accepted as uncontroversial, as it requires only a limited contribution towards preventing the bad and not the promotion of a moral good. Indeed, apart from moral considerations, some countries have codified such a 'duty to rescue' as law, e.g., Germany's § 323c StGB.

Where Singer's argument becomes more contentious is his denial of proximity or distance as a relevant factor for our moral obligation to help, and the extent to which individuals are to help. He argues that "any principle of impartiality, universalizability, equality, or whatever" (Singer 1972, 232) prevents us from using distance to escape our moral obligation to help. The availability of instant communication and swift transportation, as well as the metaphor of the "global village" Singer conjures to make this point are as pertinent today as they were 50 years ago. It is the combination of Singer's qualified argument that "when it comes to helping others, can implies ought (under certain conditions)" and the expansiveness of his claim that has seen critique that will be relevant below, when discussing a firm's potential moral duty for CSR. The second premise named above, the duty to prevent bad as long as doing so does not entail us sacrificing anything of comparable moral significance, is, in fact, what Singer calls the "moderate version" of his principle. Specifically, the stronger version of Singer's principle, which requires helping as long as the marginal costs to do so is smaller moral bad that is prevented, makes any discretionary spending on personal pleasures immoral as long as the resources spent could have alleviated suffering elsewhere. This strong version has been criticized as exceedingly demanding (Timmerman, 2015).

The last proposition Singer uses in his argument is the observation that the moral bad listed in the first proposition (dying of lack of food, shelter, or medical care) can be (partially) prevented by donating to aid agencies without sacrificing anything of comparable moral import. From these three propositions, Singer deduces a moral obligation to donate to aid agencies. Doing so, Singer (1972) argues, is "not charitable, or generous" (235). Instead, he writes, "we ought to give the money away, and it is wrong not to do so" (235). Singer argues that giving, when it comes at a cost that is insignificant compared to the bad it prevents, is a moral duty.

3.3 Applying Singers Argument to the Corporation

Regardless of mixed results on the viability of CSR as an instrument for achieving increases in financial performance and whether this means corporations *should* engage in CSR activities, it is clear that the currently *are* engaging in them. Bénabou & Tirole (2010, 1–2) suspect that this is due to a number of reasons. The first reason they name is that CSR activities are likely to be a normal good. This view, sometimes called the "slack resource theory", is supported by results that increased cash flow is often associated with increases in corporate donations but that corporate donations don't impact profits (Seifert et al. 2004). The other three reasons listed by Bénabou & Tirole (2010) have to do with the scope of business activity. They write that information about corporate activities have become more visible and that news about them travels faster, while the scope of externalities produced by multinational corporations has expanded and long-term cost of these externalities has increased, mirroring Singer's argument that instant communication and living in a "global village" make it impossible to deny a moral duty to help, independent of our geographical distance from those who suffer.

Critiques of CSR have long argued that deviations from value maximization as would actually *decrease* overall social welfare, as market based competitive economies tend to produce results that maximize social welfare. Friedman (1970) and Jensen (2002) are prominent proponents of

this position but core elements trace back to Adam Smith (1776). Central to this position is the view that pursuit of individual interest leads to better aggregate results than central planning or charity would. Jones and Felps (2013a, 216) summarize this logic as follows:

> *In the context of competitive markets, shareholder wealth maximization leads to economic efficiency. Efficient markets, because they make the most productive use of society's resources, lead to greater levels of aggregate economic wealth. Greater economic wealth leads to greater social welfare.*

Jones and Felps (2013a) argue that this logic fails a reality check, as modern markets are not sufficiently competitive, shareholder wealth maximization is unlikely to make firms more efficient, even efficient firms do not maximize aggregate economic welfare, and lastly that economic wealth produced by such firms is not related to social welfare. Based on these observations, the evidence of a small or neutral CSP-CFP connection and a potential moral duty to prevent the morally bad if costs to do so are low, it may be appropriate to reconsider traditional divisions of moral labor and establish a moral duty for CSR activities.

First, let us consider a narrow duty to orient CSR activities according to stakeholder preferences. There are numerous examples of arguments for CSR that increases the welfare of some or all stakeholders, even when a general win-win scenario as described by CSV or the business case for CSR does not exist. Bénabou and Tirole (2010) argue that a firm can function as an efficient channel for stakeholders to express their values, e. g., by sourcing responsibly produced resources for their products and passing on the markup for such products to the customer. In what they call "delegated philanthropy", the firm functions as a provider of public goods because preferences for the public good among potential customers are likely heterogeneous. It has been shown that such a situation can result in a separating equilibrium in which some firms use CSP as a differentiation strategy (Besley & Ghatak 2007). Why though should it be on the firm to provide these public goods and not on the individual, as originally conceived by Singer and similarly called for by Friedman (1970)? Bénabou and Tirole (2010) provide two arguments. The first is based on information and transaction costs. A customer who is concerned about labor conditions in the garment industry of Bangladesh will find it difficult and/or costly to provide direct support to workers but could find their purchasing decision facilitated by a certification that ensures fair labor conditions. The second argument concerns the reversibility of damages caused by corporate activity. When it comes to issues such as pollution, deforestation, and climate change, refraining from certain activities may be the only way to prevent irreversible damage. In such cases, customers may be willing to cover a firm's abatement costs.

Other authors make similar arguments with respect to shareholders. Hart and Zingales (2017) show that maximization of firm market value only maximizes shareholder welfare if externalities produced by firms are fully internalized through legislation or if profit-making and damage-generating firm activities can be separated. As neither condition is realistic, they argue that directly targeting shareholder welfare is a more appropriate corporate objective than shareholder wealth maximization. A similar argument is made by Jones and Felps (2013b) who, after establishing that shareholder wealth maximization is an inadequate consequentialist

corporate objective (see above), argue that executives should instead aim to maximize shareholder *happiness*.

In all of these cases, be it delegated philanthropy or reorientation towards shareholder happiness, no real paradigm shift is necessary when it comes to establish a moral duty in engage in such activities. All of them call on corporations to fulfill stakeholder needs as a fiduciary or in transactional relationships. Singer's argument goes beyond these morally trivial cases: it is centered not around increasing the welfare of primary stakeholders but on preventing an avoidable bad, no matter where it exists. Still, arguments that show individual action to be inefficient, when activities undertaken by firms are not, support the argument for a moral duty at the corporate level.

In order to establish whether the firm is indeed the correct addressee of such a duty, let us also examine whether actions by another institution may be sufficient. In his original article, Singer (1972) discusses whether aid should be a government responsibility. This argument is used by Friedman (1970), who points out that corporate managers are not democratically legitimized to redistribute property, do not know the preferences of their shareholders (beyond increasing the value of their investment), and also face problems in following through on well-intentioned social policies as they simply lack the means to individually solve social issues. Instead, it is on the state to establish such policies. Others, Singer writes, argue that government aid could be crowded out by individual donations.

When it comes to Friedman's critique, previously discussed arguments for increased stakeholder orientation (transaction costs, information costs, and irreversibility) apply. The same reasons that make it inefficient for individual stakeholders to act also make government interventions ineffective. Additionally, increases in scope of corporate activities and potential costs of externalities (Bénabou & Tirole 2010) are unlikely to be adequately addressed by governments in a "post-Westphalian" order that has seen a decline in the ability of state authorities to solve globalized issues (Scherer & Palazzo 2011). With respect to the second critique, Singer rejects the notion that private provision of aid will crowd out government aid, arguing that inaction on behalf of individuals will lead governments to believe that providing relief is not in the interest of its citizen. The evidence on such crowding out is mixed. A meta-study by de Wit and Bekkers (2016) shows that individual charity being crowded out by government activities is mainly observed in experimental settings and that individual giving *increases* after government action. Heutel (2014) finds no evidence of private giving crowding out government grants to nonprofit organizations, as predicted by Singer. As government activities do not seem to be crowded out but look to be inefficient. In such cases, problems are more adequately addressed by CSR activities.

If CSR activities are better suited to address social issues than individual or government action, it is still unclear to what extend firms should engage in them. Clearly, asking firms to over-extend themselves and spend an unsustainable amount of resources on social purposes is just as inadequate as it was when the addressee was the individual. On the one hand, stakeholders (including shareholders) have claims on the firm that can be legitimized in various ways

(Freeman 1994). On the other hand, the moral duty established by Singer also applies to the stakeholders as individuals. What then is an adequate level of CSR activities for the firm and what measure can serve as a basis for determining whether the corporation is "sacrificing something of comparable moral importance" (Singer 1972, 238)?

Most studies of the business case for CSR analyze the relationship using linear regression, implying steady returns on CSP and no optimal level for the firm when it comes to financial returns from CSP (other than the maximum). This seems to be an inadequate assumption for various reasons. When CSP increases CFP through differentiation or reputation (Vishwanathan et al. 2020), it functions as a positional good with returns that depend on the activities of others (Bénabou & Tirole 2010). McWilliams and Siegel (2001) argue that firms likely have an optimal level of CSP that is determined by their organizational capabilities and their strategic environment, which will exploit arbitrage opportunities presented by a positive CSP-CFP relationship, leading to a dynamic but overall neutral relationship. Likewise, others argue that the CSP-CFP relationship is likely to exhibit diminishing returns in the upper end of the scale but avoiding corporate misdeeds at the lower end is likely increase CFP, resulting in an inverted-U-shape of the relationship (Brammer & Millington 2008; Sun et al. 2019).

Given these observations, firms can prevent bad from happening without sacrifice at the CSP level that lets them remain profit neutral, a level that is above what would be profitable. Increasing CSP levels beyond a profitable level is not necessarily the right thing to do, however, as the duty to give still exists at the individual level. A duty for CSR activities exists where they are more efficient than activities at the individual level. Firms must explore and engage in these opportunities. This implies that CSP at unprofitable levels can be adequate if the marginal utility that results is higher than what could be achieved by the firm's shareholders individually. As a result, a moral duty for CSR beyond what is profit neutral exists to the point where a firm's CSR activities are, in sum, more likely to result in prevention of morally bad outcomes than individual activities undertaken if the CSR activities didn't take place.

4 Discussion and a Way Forward

In this paper, I have argued that a moral duty for CSR activities may exist if such activities are likely to result in better outcomes not only for stakeholders but for all potential targets of CSR activities, be they corporate policies, corporate programs, or corporate giving. An approach of implementing this duty in managerial practice could be based on the process outlined for stakeholder happiness enhancement proposed by Jones and Felps (2013b). In their approach, those of corporate decisions must identify opportunities to enhance stakeholder happiness, generate action alternatives that exploit these opportunities, compare alternatives based on the expected change of happiness in stakeholder groups and their size, and put those alternatives into practice that increase the overall aggregate happiness. However, these considerations should not be limited to primary stakeholders and instead include other ways of making an impact such as corporate giving based on principles outlined by effective altruism (MacAskill 2015; Singer 2009). I based parts of my argument on observations that the CSP-CFP relationship, as reported in the literature, is likely to be in inflated because of reporting bias and with

the real effect probably being close to zero. To overcome these issues, continued efforts with diverse, high-quality data and methods that can adequately estimate the effect of CSP on CFP through specific channels and based on theory driven modelling are necessary. My call to address these inadequacies echoes that of other authors, some of whom have written about it for years (Capelle-Blancard & Petit 2017; Crane et al. 2017; Grewatsch & Kleindienst 2017; Mattingly 2017; Mattingly & Berman 2006; Vishwanathan et al. 2020).

In addition to patterns in reported results that hint at a reporting bias, there is a number of additional problems with studies on the business case for CSR that I want to address before concluding. These problems call into question the validity of some research in this area, with this validity being a crucial element of an argument for a moral duty for CSR. In the absence of validity, it would be judge whether CSR activities truly prevent morally bad consequences and identifying appropriate levels of CSP would be difficult. The first problem concerns the way data from CSP ratings is often used. A host of studies in this area uses data from third-party rating agencies as a quantitative measure of CSP. Among the most popular dataset is one produced by Kinder Lydenberg Domini (KLD; now part of the MSCI ESG database), which assigns binary scores that indicate whether a firm is strong or weak in areas such as diversity, human rights, or the environment. These scores are then aggregated by simply adding up the strength scores and subtracting the weakness scores a firm received into a unidimensional CSP score. The literature contains a multitude of studies engaging in this practice (see, e. g., Barnett & Salomon 2012 and Jo & Na 2012, as well as the sources they cite as precedent). There are at least two major problems with this, concerning namely the fungibility and commensurability of CSR scores this approach assumes (Capelle-Blancard & Petit 2017, 920). By linearly aggregating CSR scores for different areas of concern into a single, unidimensional rating, scholars implicitly assume that good performance in one area can compensate in violations in another, embracing the notion of fungible CSP scores. As the widely used KLD data assigns binary scores, this results in a situation where slightly above average corporate governance can offset a major ecological catastrophe or gross human rights violations are compensated by hiring female and minority executives. It is easy to see that this approach leads to a lack of comparability between aggregated scores, when CSP ratings used as a unidimensional measure. But even when keeping ratings separate, for example by content area, it is not obvious that every area should enter an aggregate rating at the same weight. Depending on factors such as industry, exposure of stakeholders, geographical location, and legal context, it seems logical to differentiate the importance of different CSP dimensions. Capelle-Blancard and Petit (2017, 921) note that “banks are mainly criticized for their bad corporate governance, although they have good environmental reputations” while “firms in the Basic Resource and Oil & Gas sectors are mostly criticized for environmental damage”. As a result, they argue that CSP ratings should be interpreted on a per sector basis and that equal weights when constructing composite scores misrepresent the actual performance of companies.

Ratings as currently provided in the form of MSCI ESG scores address this critique in at least two ways: A letter-based rating scale ranging from CCC to AAA provides at lease a first hurdle to scholars eager to perform algebra on dummy indicators and throw them into a regression model. In addition, the new system provides within industry comparisons that places ratings in

the context of peers. This, however, has produced some counter-intuitive results with Alphabet being listed as a leader in "Privacy & Data Security", Coca-Cola leading in "Packaging Material & Waste", and Nestlé receiving a positive distinction for their actions in the area of "Water Stress"[2], each an area the respective corporation is regularly criticized for. However, maybe it is precisely this involvement in controversial behavior that creates the biggest opportunity for efficient measures and real impact, beyond what could be achieved at the individual level by their stakeholders.

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Bonowski, T. (2022): A Moral Duty for CSR? A Consequentialist Approach to the Business Case for CSR. In: *bwp@* Profil 7: Perspektiven wirtschafts- und berufspädagogischer sowie wirtschaftsethischer Forschung. Digitale Festschrift für Gerhard Minnameier zum 60. Geburtstag, hrsg. v. Hermkes, R./Bruns, T./Bonowski, T., 1-15. Online:
https://www.bwpat.de/profil7_minnameier/bonowski_profil7.pdf (12.06.2022).

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