

“CC Theory and CC Data Find Each Other”

Toward Integrative Corporate Citizenship: Research Advances in Corporate Social Performance

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By

Marc Orlitzky and Diane L. Swanson

A review by William C. Frederick, June 2009

“Dr. Livingstone, I presume?” So greeted the Anglo-American adventurer Sir Henry Morton Stanley when he found the Scottish missionary and African explorer, David Livingstone, at Lake Tanganyika in 1871. For years, Livingstone had been trekking through remote African jungles while seeking the elusive source of Egypt’s Nile River. Sir Stanley had been hired to find him and bring him home to British soil, but Livingstone refused to abandon his search. They then joined forces to explore Lake Tanganyika, and lacking today’s Global Positioning System, that was as close as they came to attaining Livingstone’s goal of finding the Nile’s birthplace.

A modern Stanley-and-Livingstone moment is recaptured as this book’s coauthors mutually search for the equally elusive conceptual and empirical sources of corporate citizenship—a river of sorts whose many tributaries feed into and help direct mainstream inquiry about business’s social responsibilities.

Be forewarned, though. This book is not for the faint of heart. The challenges posed by Orlitzky and Swanson are an easy match for the dangers always lurking in the jungle treks of Stanley and Livingstone. But of one thing readers can be sure: the book is theoretically authoritative, methodologically rigorous, and managerially relevant. All who have a stake in corporate social performance (CSP) will discover a rewarding blend of theory, research, and practice that elevates the field of corporate citizenship (CC) to new heights of inquiry.

As a collaborative effort, the book’s chapters reveal the respective contributions of the authors. Swanson’s principal expertise is theory, Orlitzky’s is methodology; by combining forces they focus on clarifying the meaning and justification of corporate citizenship. Swanson’s explorations—her search for the theoretical sources of CC thought—date from the mid-1990s, so we’ll consider her to be the Livingstone of this review. Orlitzky set out on a similar search a bit later, using different tools, and began tracking Swanson’s path much as Stanley sought to find Livingstone. By the book’s end, Swanson’s theory and Orlitzky’s research manage to find one another, thereby moving “toward integrative corporate citizenship.” Readers will want to know whether they find the true sources of CC, or whether like Stanley and Livingstone they have to settle for something less. Stay tuned.

Swanson’s theory. From the beginning of her academic career, Diane Swanson, now the von Wadden Professor of Business Ethics at Kansas State University, has been known for

taking an arm's-length view of the dominant theories of corporate social performance (CSP), now called "corporate citizenship"(CC). The earlier theory suffers, she believes, from over-reliance on social controls that lack sufficient moral justification, based as they are on contradictory duties, one economic-focused, the other ethics-aligned. Business executives feel pulled by their firm's economic necessities while being criticized for lack of attention to their moral duties as citizens of the firm's host communities. Facing a tradeoff of profits and ethics, their decisional priorities favor the former over the latter. Worse, the social controls—laws, public policy, even ethical traditions—can be significantly shaped or weakened by corporations through lobbying, political influence, and public relations. Even when firms support mild forms of philanthropy that enhance their reputations and therefore "pay" in positive social images, they may face fierce criticism by stockholders who resent such "do-good" gestures.

Swanson proposes a different, more theoretically sophisticated and inclusive approach. Her CSP model accepts the reality that business decision making is an unavoidable blend of economic and normative elements, of profits and values; room must be found for both. Profit making occurs within social systems and is affected by the host community's customs and traditions; failing to recognize and respect these ethical prescriptions is risky at best and disastrous in the worst cases (think Bhopal, Exxon Valdez, and Enron). Moreover, ethical problems insinuate themselves into all levels of the corporate hierarchy, from top to bottom, affecting operations, work incentives, and organizational efficiency. Normative guidance is needed for the entire firm, at each organizational level, and for the workforce as a whole. That opens up the question of executive leadership's role. Swanson's CSP model recognizes that executive decision making is a blend of economic and normative elements; that corporate economic actions are also a form of social process; and that value elements are central to corporate operations. This is equivalent to saying that *values—a society's normative principles of right and wrong*—are the key component of successful corporate social performance. Values and ethics cannot be delegated or shunted off to others but must be central in the minds of corporate decision makers if corporate social performance is to serve the intertwined needs of firm and community. The choice is not between economic duty to firm and ethical duty to society but rather to both simultaneously.

To attain this desired posture, Swanson identifies two "ideal types" of corporate social responsiveness: "value neglect" and "value attunement." **Value neglect** involves executive "normative myopia," an organization-defensive attitude toward CSP, a company culture lacking value awareness, and a narrow public outlook. **Value attunement** exhibits executive "normative receptivity," an organizational sensitivity to internal and external values, a "value discovery" corporate culture, and an open outlook on external social values. Modeling corporate social responsiveness as value-neglect and value-attunement opens up CSP inquiry to new exploratory pathways. One is to integrate the normative and economic components of executive decision making, thereby escaping the tradeoff problem. A second is to realize that a firm's corporate social performance is a function of combined societal, organizational, and individual factors, not resting solely on the personal values of top executive officers. It is within that complex economic-

societal mixture that one might seek the true source and rationale for a firm's CSP/CC activities.

Orlitzky's research. As my former doctoral students will readily testify, research methodology has never been my strong suit. The terminology alone, not to speak of the way the findings are presented, leave me a bit dizzy and befuddled. All the more reason, therefore, for me to stand in awe of someone of Marc Orlitzky's research posture, credentials, and accomplishments (not my student, I hasten to add). A former Research Fellow at Nottingham University and presently an Associate Professor at one of Pennsylvania State University's campuses, he is a widely acknowledged expert in a technique employed in this book. Meta-analysis is what I would call a study of studies—a comprehensive comparative analysis of existing research findings previously recorded by other researchers. The point is to be able to generalize broadly about the collective associations and conclusions reached by a larger population of specific studies. It's a tricky business because fraught with forbidding statistical thickets—a bit like the jungle paths explored by Stanley and Livingstone—where a false step will elicit barbed attacks by hidden doubters. Orlitzky seems completely up to the task.

His findings are mind-boggling and highly supportive, not just of Swanson's academic theory but of managerial practices aimed at high levels of corporate social performance. He demonstrates and verifies two of the book's main integrative aims: that Swanson's models reflect actual/achievable managerial practice of CSP; and that economic and normative factors need not be contradictory but in fact positively reinforce one another. Specifically, his meta-analysis verifies the following conclusions:

- Corporate social performance (CSP) and corporate financial performance (CFP) “are positively related across a wide variety of industry and study contexts.” The CSP-CFP link varies with a firm's reputation, its CSP disclosures, and how CFP is measured. For statistical dudes, it's worth knowing that this conclusion is based on a sample size of 33,878 observations made over a 30-year period.
- Financially successful companies spend more on CSP because they can afford it, but CSP helps them become more financially successful—a “virtuous cycle.”
- For managers: Market forces generally do not penalize companies that are high in corporate social performance; the key to reaping benefits from CSP is a return from reputation; and CSP yields many economic benefits by avoiding expensive litigation or government regulation.
- CSP, i.e., being a good corporate citizen, tends to reduce a firm's market risk
- The positive CSP-CFP relationship appears to be generalizable regardless of firm size. Both large *and* small firms can benefit financially from CSP.
- Type of executive personality—one that is “cooperative, friendly, altruistic, tender-minded, and trusting”—and a firm's CSP practices are linked, so that executives displaying these traits are more normatively aware and more likely to advocate positive CSP practices.

Two beasts in the jungle. Just as these impressive CSP research findings put our Stanley (Orlitzky) hot on the trail of our Livingstone's (Swanson's) CSP theory, two

menacing beasts jump out to threaten their intended reunion. Orlitzky discovered what social scientific explorers have long known: research results are influenced by who does the research and where it is published. Scholars who favor increased CSP tend to find a positive relationship between CSP and CFP—in fact, twice as much as researchers skeptical of the economic value of CSP. Each side publishes their pro and con results in—guess what?—journals reflecting their respective pro and con biases. To his admirable credit, Orlitzky admits that his own positive CSP-CFP research conclusions feel the hot breath of this beastly threat. The second menace, also openly recognized, is another kind of bias that can occur when stakeholder voices favoring increased CSP activity are given priority over a firm’s executive voices that prefer to emphasize CFP. *Both* choruses deserve a hearing, as the authors themselves advocate.

So, have these two intrepid explorers of the CSP domain achieved their goal? Have they produced a research-based concept of corporate citizenship that unites academic theory and business practice, economic gain and ethics, organizational decision making and societal values, descriptive and prescriptive research, research rigor and managerial relevance, business interests and social interests? As their paths cross within the tangled CSP-CFP thickets, do we now witness a replay of Stanley and Livingstone’s famous encounter, as researcher Orlitzky asks the target of his search: “Theoretician Swanson, I presume?”

Without question, this story of exploration and path-breaking discovery has such a happy ending. Like their historical counterparts, these two modern scholars—Swanson a top-flight theoretical scholar and Orlitzky a brilliant methodologist—achieve their intended goal of producing an integrated *concept* of corporate citizenship.

In spite of this admirable accomplishment, a haunting question remains. Stanley and Livingstone found each other but did not discover the Nile River’s source. Do Orlitzky and Swanson repeat that historic shortfall in their search for the *operational source* of corporate citizenship? A realistic view of the business scene reveals that Swanson’s value-attuned executives are often matched, or even over-matched, by value-neglect practitioners. Normatively myopic and predatory executives still hunt within the corporate jungles: Ponzi-schemers Bernard Madoff and R. Allen Stanford; the alleged insider-trading of Countrywide’s CEO Angelo Mozilo; along with the ravenous hyena packs of investment bankers whose predations trashed the lives, jobs, and pensions of millions of their planetary companions. As Orlitzky’s research reveals, the business quest for *CFP* still trumps *CSP* in some 15% of the companies studied. Does the *integrative source of CSP*—the ability to make CSP and CFP work together for the good of both business and society—still elude these two explorers?

There is an intriguing hint found within the authors’ discussion of the notion that companies can “do well (make profits) by doing good (being socially responsible)”. Wisely noting that research truths “may be made rather than found” and that competing worldviews may receive unequal treatment by scholars, they rather gingerly offer the following observation: “[T]hirty years of CSP-CFP research suggest that the satisfaction of economic objectives might be a *precondition* [my emphasis] for improved societal

conditions and moral consequences in many instances.” While that conclusion will disturb some in the CSP camp, it may be a way to reconcile the strident differences that continue to separate supporters of the respective goals of CSP and CFP. Their comment is tantamount to recognizing the priority of economizing as business’s central and indispensable function. The flourishing of society and its moral value systems depends foremost on a blend of business economizing and community ecologizing which together are essential adaptive traits of all who share a planetary life. Perhaps not fully aware of what they have thus revealed, Swanson and Orlitzky may have found the true source of corporate citizenship, after all.