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Attaining Sustainability: The American Evolution of Socially Responsible Business Practices

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THE AMERICAN UNIVERSITY OF PARIS
MASTER OF ARTS IN CROSS-CULTURAL & SUSTAINABLE BUSINESS MANAGEMENT

THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS IN
CROSS-CULTURAL & SUSTAINABLE BUSINESS MANAGEMENT

**Attaining sustainability: The American evolution of socially responsible business
practices**

Lauren M. Beatty
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- Paris, December 19, 2014 -

ATTAINING SUSTAINABILITY

THE AMERICAN UNIVERSITY OF PARIS
MASTER OF CROSS-CULTURAL & SUSTAINABLE BUSINESS MANAGEMENT


ATTAINING SUSTAINABILITY:
THE AMERICAN EVOLUTION OF SOCIALLY RESPONSIBLE BUSINESS PRACTICES

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Abstract

The focus of this thesis is on the evolution of socially responsible business practices (SRBPs); the historical progression of commercial philanthropy; the current market trends that drive corporate actions; and the projected rise of social responsibility integration within organizational cultures. The purpose of this paper is to provide evidence for how SRBPs contribute to, rather than detract from, the strength and success of American consumer goods companies because of their strategic integration in organizational cultures. In addition to providing a brief historical overview of the evolution of SRBPs, the thesis will highlight how the objectives of SRBPs have continuously advanced with the current goals focusing on long-term sustainability (not just financial viability). The final section of the thesis will examine selected companies to explore the pluralism of SRBPs. This will provide a holistic framework to emphasize the importance of involving the private sector in contributing to human development.

Key words: social responsibility, business, organizational culture, sustainability

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Introduction

As Maureen Flanagan noted in *America Reformed: Progressives and Progressivisms, 1890s-1920s* (2006), the leader of the National Consumers League, Florence Kelley, once wrote: “To live means to buy, to buy means to have power, to have power means to have responsibility” (as cited in Carroll et. al, 2012, p. 99). In the past 100 years of American history, there has been a shift from individual philanthropic generosity to integrated models of organizational culture and strategic corporate giving. A variety of terms and phrases describe the initiatives that businesses choose to implement in order to impact society through positive actions. However, over time much of this vocabulary has been tainted through overuse, misuse, and narrow-mindedness. It is therefore the careful intention of this author to refer to these activities as Socially Responsible Business Practices (SRBPs) throughout the entirety of the thesis. This is to avoid the unintentional exclusion of certain activities that may not fall into the poorly-defined, but often used, categories of established philanthropy, corporate social responsibility (CSR), sustainability, or corporate citizenship.

Definition of Terms

The following brief definitions are expanded upon in Appendix B.

Corporate social responsibility. An organizational approach to enacting constructive initiatives in local and international communities. Corporate social responsibility (CSR) typically represents specific responsibility campaigns that may or may not relate to the mission, vision, values, and core competencies of a company.

Development. The progression of humanity in regards to the lessening of both the causes and effects of poverty and the promotion of prosperity without detrimental impacts on the environment.

Management. Methods and processes that shape the operational structure of an organization. Management also refers to the upper levels of a corporate structure that provide leadership and direction for the company.

Organizational culture. The tangible and intangible elements that characterize a company; including, but not limited to: management structure, ethical orientation, strategic mission, employee morale, hiring & firing procedures, SRBP initiatives, labor standards, etc.

Philanthropy. Actions related to voluntary giving of time, money, products, or services without expected reciprocation.

**Socially responsible business practice (SRBP).* An amalgamation of all CSR, philanthropic, and sustainability initiatives that a company may employ. SRBPs strategically contribute to the mission, vision, values, and core competencies of a company.

Supply chain. Every functional stage in the operational life of a consumer goods company. The supply chain takes a product from an idea to a product through processes of innovation, design, resource extraction, manufacturing, packaging, transportation, wholesaler, retailer, consumer, and retirement, recycling, or repurposing.

* “SRBPs” is consistently used throughout this paper; in some cases, replacing original references to CSR, philanthropy, sustainability, etc.

Sustainability. A holistic approach to human development in which all processes and operations are viewed through a lens of long-term responsibility with respect to economic viability, internal and external stakeholders, and the environment. In regards to business, Joseph Elkington, founder of SustainAbility, coined the concept Triple Bottom Line in which businesses strategically plan to maximize the three “bottom lines”: profit, people, and the planet (TBL, 2009).

Historical Perspective

Significance. History can radically shape the lens through which humanity views the world. Many businesses have long recognized that they share some responsibility for how they impact society and the environment. However, the degree to which companies actively participate in taking on that responsibility has evolved over the past one hundred years as the United States experienced changes in political, economic, and social spheres. The following section highlights a few of the most important people, events, and policies that significantly influenced the understanding of how business and society should interact, with a particular focus on how such understanding shaped the organizational cultures of American businesses.

Beginning in the late nineteenth century, the Industrial Revolution saw a rapid increase in efficiency and production as well as a sharp decline in work place standards. Employee dissatisfaction with the quality of the work environment and the quantity of the compensation resulted in the rise of the labor movement. The Industrial Revolution radically impacted the socioeconomic norms of its time by redefining social hierarchies and changing family dynamics. One of the most significant aspects of the Industrial Revolution was its emphasis on invention through innovation and design. The

industries that emerged from this time period flourished because of the public's openness to new products and services (Drucker, 2002, 20). There was a shift in social mindset, as "tradesmen" became "technologists", meaning that workers were trained less in one specific trade or craft and more as general laborers (Drucker, 2002, 22). Management systems became more flat as the workforce gained a voice and a legitimate presence in decision making through the creation of labor unions (Economic Growth, 2014). Interpersonal relationships also changed. For example, prior to the Revolution, businesses and production were primarily in the context of small family-run operations such as farms. The switch to the large-scale production of the Industrial Revolution had a profound impact on the interactions of families as spouses no longer worked along side each other and children didn't spend as much time with their parents on a daily basis (Drucker, 2002, p. 7). Additionally, women were allowed to work alongside men, giving them a bit of freedom from the traditionally male-dominated farms (Economic Growth, 2014).

The Industrial Revolution significantly changed the rituals of daily life in the Western World. For the first time in human history, advancements in technology not only met the daily needs of human life, but also resulted in surpluses. Prior to the Industrial Revolution, only the wealthy elite experienced access to excess goods. With huge increases in productivity and efficiency, the Industrial Revolution gave access to material goods to practically everyone at affordable prices and very short production times. This change brought about a new concept of disposability; practically every consumable good could easily be replaced. The new access to goods drastically changed consumer behavior. No longer did people have to save for months to buy a new pair of

shoes or take the time and energy building their own furniture. Additionally, separating work life from home life gave a significant amount of people leisure time to enjoy the fruit of their labor.

The vast improvements in production efficiency came at a high cost of long hours and great outputs of labor for employees. Additionally, much of the work was done in less-than-ideal working conditions. The close of the nineteenth and the opening of the twentieth centuries saw an era of social unrest in response to laborer inequality in relation to corporate wealth and health within the oligopolies (Carroll et. al, 2012, p. 70-71). Highly skilled laborers were quickly replaced by cheap immigrant labor in some industries, while native worker strikes erupted in others, resulting in the unionization of much of the American workforce. Acknowledging some of their failures, the robber barons of the era began to respond with positive solutions, such as the Pullman experiment. In 1880, railway car manufacturer George Pullman built a town for 6,000 of his workers just south of Chicago. Contrasting with subsidized housing of the time, the town of Pullman was clean and well-designed and offered amenities such as public libraries, schools, churches, and a shopping arcade (Carroll et. al, 2012, p. 81). Welfare capitalism, corporate sponsorship of employee welfare programs and amenities, soon became the norm for large companies maintained by family ownership. Big businesses began to take responsibility for their workers and communities, viewing social improvements as a method of easing the tensions between laborers and management (Carroll et. al, 2012, p. 82). The benefits of these investments in libraries, social worker services, local YMCAs, and savings plans had the ulterior motive of

preventing union activity as many companies explicitly communicated that such benefits could be revoked pending unionization (Carroll et. al, 2012, p. 84).

At the turn of the twentieth century, a paradigm shift occurred in which the former robber barons of the industrialization age (Andrew Carnegie followed later by the Rockefellers and others) retired from their businesses of making vast sums of money in order to devote themselves to the business of responsibly giving that money away (Carroll et. al, 2012, p. 126). A common sentiment held by philanthropists, Carnegie found donating money to be more difficult than making it, noting in his 1920 autobiography, "I resolved to stop accumulating and begin the infinitely more serious and difficult task of wise distribution" (Carnegie, p. 255). Politically, President Theodore Roosevelt set forth antitrust policies with the goal of protecting the public interest by restoring a balance between the state and private interests (Carroll et. al, 2012, p. 95).

For one of the first times in history, the health and safety of the American consumer was considered with the creation of the Food and Drug Act in 1906, which established the Food and Drug Administration (FDA). This brought about drastic improvements in the pharmaceutical industry with the FDA requiring inspections and compliance of companies (Carroll et. al, 2012, p. 96). Progressive reformers also initiated change in the area of worker safety and compensation, particularly because of the hazards and long hours demanded by the heavy industries. However, the commercial transformation of labor conditions was slow, incremental, and rather unpleasant. Many large companies dealt with various difficulties of organized labor (the Homestead Strike of 1892, the aftermath of the Shirtwaist Factory fire of 1911,

etc.). However, one of the worst altercations between management and labor occurred in 1914 when miners from the Colorado Fuel and Iron Company engaged violently with the Colorado National Guard. By the time President Woodrow Wilson sent federal troops to stop the fighting, 200 people had died (Carroll et. al, 2012, p. 122). Known as the Ludlow Massacre, this labor confrontation garnered the attention of John D. Rockefeller, owner of the Colorado Fuel and Iron Company, prompting him to reconsider earlier notions that the American corporation was truly a responsible social entity (Carroll et. al, 2012, p. 123).

In the first decade of the twenty-first century, many business leaders assumed new roles of leadership within the political arena. Samuel “Golden Rule” Jones, Hazen Pingree, and Tom Johnson all left successful business careers to bring about positive changes in their local communities (Carroll et. al, 2012, p. 101). Although the businessmen were interested in bringing about constructive changes in their communities, they also found personal and professional fulfillment in bolstering the economies and administrations of their cities of residence. Many city governments found success instituting managerial positions, especially when restructuring a city following such disasters as the 1900 hurricane that devastated much of Galveston, Texas (Carroll et. al, 2012, p. 102). After the storm, the city suffered from polluted water, food shortages, and diseases from unburied corpses. City officials recognized the need for adequately trained and fully staffed administrative and operational departments such as police, fire, social work, and public health (Carroll et. al, 2012, p. 102). The business leaders saw a correlation between a healthy economy and a robust market for selling merchandise to affluent consumers. This blending of societal

improvement and economic fortification marked a change in the interaction between commercial leadership and community development.

The “Roaring Twenties” of business signaled the end of the Progressive Era of labor and production efficiencies and the beginning of a period focused more on business ethics, accountability, and professional education, consumption, and individual wealth. Business leaders recognized that labor maximization was only possible with the cooperation of their employees. An increased understanding of “the consumer” helped businesses to develop stronger community ties. Additionally, the public service view that many companies assumed emphasized a new level of transparency and corporate ethics (Carroll et. al, 2012, p. 138). Business leaders took a deeper interest in the long-term viability and authority of their companies. Welfare capitalism returned with the corporate objective of improving the lives of workers without yielding power to labor unions (Carroll et. al, 2012, p. 143).

Wages rose and unemployment rates fell by significant percentages in the period between World War I and the Great Depression. Increased personal wealth brought increased purchasing power. Advertising agencies, capitalizing on previously untapped demographics, began to pop up around America, serving as a marketing liaison between producers and consumers (Carroll et. al, 2012, p. 136). With the development of the commercial radio, companies had a new point of influence with consumers. Companies promoted the image that their products met consumer needs and could provide a sense of pride of ownership, a concept previously reserved for the upper social classes (Carroll et. al, 2012, p. 137). Mass consumerism encouraged the idea that anyone and everyone could achieve the advantages of prosperity. Catering to the consumerism,

Henry Ford modernized mass manufacturing at his Highland Park factory (Carroll et. al, 2012, p. 144). Additionally, Ford kept his profit margins extremely low, making only \$2.00 per car in 1921, but paying employees more than double the average wages of the time (Carroll et. al, 2012, p. 145). Ford understood that maintaining a smooth and efficient production cycle required engaged and satisfied employees. Although completely disinterested in finance and management, Ford's interpretation of social responsibility in corporate strategy was to benefit the greatest number of people through employment and reasonably priced products (Carroll et. al, 2012, p. 145).

The Great Depression seriously wounded the relationship between the United States' government and the private sector. The collapse of the private systems and the impoverishment of the general public prompted the government to intervene; saving the country from decline, but also diminishing the amount of freedom that businesses previously enjoyed. Despite the greatest efforts by companies such as US Steel to offer aid to its workers, it quickly became apparent that no one would come out of the Depression without cooperation and collaboration between the private and public sectors (Carroll et. al, 2012, p. 156). President Franklin Delano Roosevelt's *New Deal* of American policy restructuring brought about positive changes for businesses. By challenging the former systems and ideologies, the New Deal collectively asked "What is the proper role of business in American society" (Carroll et. al, 2012, p. 158). According to the reformers of the New Deal, one of the largest failures of commerce in the pre-Depression era was the lack of transparency between corporations and the public (Carroll et. al, 2012, p. 166). With the establishment of the Federal Deposit Insurance Corporation (FDIC) and the Securities and Exchange Commission (SEC), the

government mandated that companies disclose good public information especially to investors, and simultaneously gave federal examiners the authority to intervene in the operations of banks to avoid more catastrophes and restore confidence in American finance (Carroll et. al, 2012, p. 167).

The emphasis of World War II on American businesses was how to be simultaneously innovative and frugal with resources. Industrial businessman, Henry Kaiser, made huge waves by proving that increased efficiency did not have to come at the cost of less social responsibility and poor management. He responded to the demands of the national markets by expanding his company across industries, from construction to aluminum production to naval contracts. Despite moving from one industry to another, Kaiser believed that a business found its greatest value by producing quality commodities at a low price rather than attempting to maximize immediate profits (Carroll et. al, 2012, p. 184-185). Doing so allowed a business to focus on its primary mission and core competencies, while taking a longer-term orientation to achieving goals. Kaiser also forged the path for employer-offered health maintenance plans by establishing Kaiser Permanente, the precursor to today's HMOs (Carroll et. al, 2012, p. 185).

Additionally revolutionary to the commercial industries were the vast changes in society's understanding of gender roles and the breaking of racial barriers. With a large percentage of the able-bodied male population fighting overseas, women entered the workforce in heavy labor positions traditionally held exclusively by men. In order to accommodate this new labor population that retained their previous roles of mother, sister, housekeeper, social committee leader, etc., businesses responded by offering

benefits such as childcare and family leave to women in their workforces (Carroll et. al, 2012, p. 185). World War II also served as a starting block for real progress in the American civil rights movement. Minorities served in desegregated units in the armed forces and were recognized for their bravery by President Harry Truman (Carroll et. al, 2012, p. 186). The labor shortage in northern factories also prompted a massive migration of African Americans from the South. The new integration of labor did not always garner positive reactions from businesses or the general public and discrimination posed a large threat to the success of desegregation. Before passing away, President Roosevelt signed Executive Order 8802, which set in motion the Fair Employment Practices Commission (FEPC) that allowed the federal investigation of discrimination in any organization that did business with the government (Carroll et. al, 2012, p. 187). This order signified that the political leadership intentionally involved itself in the social welfare of the country, thereby setting an example for business leaders to follow.

The two decades following World War II were typified by increasingly pluralistic approaches to business and the economy in the United States. During this time, industries plateaued in terms of rapid production and innovation, yet maintained world dominance in military, economic, and cultural affairs (Carroll et. al, 2012, p. 197). The 1950s and 1960s brought forth a new set of social responsibility theorists including Adolph Berle, John Kenneth Galbraith, Peter Drucker, and Howard Bowen. These four men, each of whose academic contributions spanned multiple decades, all noted inherent success in companies that took an altruistic approach to stakeholder management and a simultaneous aggressive approach to the market. Their keen

interests in connecting social responsibility with commercial agendas built the foundations on which the CSR, sustainability, and corporate citizenship movements eventually grew.

The 1960s were characterized by a national increase in social consciousness and the subsequent testing of the accepted corporate legitimacy of earlier decades (Carroll et. al, 2012, p. 230; Cramer & Karabell, 2010, p. 15). Before his untimely death, President John F. Kennedy challenged Americans with a liberal and idealistic social agenda, including a progressive civil rights act (Carroll et. al, 2012, p. 232). Arguably one of the most influential social movements, the civil rights movement brought racial injustice to the forefront of American public policy. Many minority activists held peaceful protests such as sit-ins and nonviolent marches. In 1964, the Civil Rights Act was passed, prohibiting employment discrimination on the basis of race (Carroll et. al, 2012, p. 237). The women's movement also caught its stride in the 1960s, particularly with the establishment of the National Organization for Women (NOW) in 1966 (Carroll et. al, 2012, p. 239). Women in the workplace traditionally experienced occupational segregation and/or extreme wage differentials. The environmental movement finally caught the attention of the American public after Rachel Carson's 1962 publication of *Silent Spring*, launching a discussion of the relationship between humanity and nature (Carroll et. al, 2012, p. 243). Led by Ralph Nader, the consumer movement began late in the decade with Nader's exposé on the safety hazards and negligence of the automobile industry. These negative depictions of businesses sparked an increased interest and involvement in the protection of American consumers. The creation of the Consumer Product Safety Commission (CPSC) in 1972 significantly marked a shift in the

responsibility of product safety to manufacturers (Carroll et. al, 2012, p. 242). Despite the different objectives, each social movement brought a new set of voices to the table, thereby increasing the pluralism and diversity of societal expectations. This rise in public opinion forced companies to respond to the concerns with self-regulation, compliance, and better management practices.

The 1970s were an “age of reformation” in which companies took systemic approaches to social issues, attempting to address the inherent problems rather than just clean up the outcomes. The commercial sector of the United States rewrote the way business was previously done by implementing systems that addressed social issues and training managers to consider all business functions when making decisions (Carroll et. al, 2012, p. 264). Stagnant economic growth, high unemployment, spikes in energy costs, and massive inflation hindered progress. Companies struggled to remain competitive with the social demands of the previous decades and the economic barriers of the present. Politically, the American public was wary of the government’s involvement in Vietnam, the legitimacy of the presidency (following Nixon’s Watergate scandal), and the inability to curb stagnation and inflation of the economy partially due to the OPEC oil crisis (Carroll et. al, 2012, p. 270). A resulting key development from the opposition was socially responsible investment (Cramer & Karabell, 2010, p. 16). Economically, many Americans wanted to put their money behind enterprises that brought positivity into the world. Investors desired a way to differentiate between companies with strong social values and those without a constructive corporate mission. In 1971 the first ethical mutual fund, Paw World Fund, was created to help

investors avoid companies that were associated with conflict and scandal (Cramer & Karabell, 2010, p. 16).

Despite the general lack of faith in capitalism and corporate responsibility, leading thinkers in academia engaged with social issues; forming the Society for Business Ethics in 1980, launching the academic journals *Business and Professional Ethics*, *Journal of Business Ethics*, and *Business Ethics Quarterly* in the early 1980s, and developing curriculum for business schools to train the next generation of managers (Carroll et. al, 2012, p. 290). President Ronald Reagan used his political platform to reinvigorate the stagnate economy and restore public confidence in the government. In many of his public addresses – including his inaugural speech – President Reagan charged Americans with the responsibility of solving social problems through the collaboration of corporate initiatives and private volunteerism (Carroll et. al, 2012, p. 307). Businesses responded with rises in hands-on corporate giving that directly addressed local community needs, such as the establishment of the Five Percent Clubs that annually donated five percent of their taxable incomes (Carroll et. al, 2012, p. 311). By the end of the decade, strategic philanthropy, or businesses “doing more with less”, gained popularity especially in the area of educational reform. Corporations saw the value of an educated workforce and provided funding, other resources, and volunteer hours to endorse positive changes (Carroll et. al, 2012, p. 327). The stakeholder view, long-supported by management thinkers such as Howard Bowen, gained acceptance and applicability during this period as managers sought to balance the needs and interests of all stakeholders (Carroll et. al, 2012, p. 334).

The end of the Cold War, the collapse of the Soviet Union, and the fall of the Berlin Wall signified the victory of capitalism and ushered in a period of restored faith in the global economy. However, many business leaders and consumers remained wary of questionable methods used to garner business deals such as corruption and bribery. Founded in 1993, the special interest group Transparency International (TI) led the world in the anti-corruption movement (Carroll et. al, 2012, p. 364). Responding to the desire for outlined ethical standards, multiple nonprofit organizations, non-governmental organizations (NGOs), and human interest groups developed unique codes of corporate responsibility such as the Ceres Principle, Caux Round Table Principles, Global Reporting Initiative, the Global Sullivan Principles, and the UN Global Compact (Carroll et. al, 2012, p. 366). Although each code emphasizes different social and developmental standards, they all support long-term goals of sustainability. Hosted by Brazil in 1992, the United Nations Conference on Environment and Development engaged both the private sector and governments to take active roles in contributing to environmental agendas with the creation of the Business Council on Sustainable Development (Cramer & Karabell, 2010, p. 18).

The last decade of the twentieth century experienced a huge upsurge in communication technologies including personal computers, the Internet, cellular phones, and online commercialization (Cramer & Karabell, 2010, p. 20). The technological advancements drastically changed the speed and ease of doing business as the Internet marketed and sold products directly to consumers. This increase in globalized trade required countries to reconsider trade agreements to facilitate the best deals. In 1994, President Bill Clinton and the US Congress passed the North American

Free Trade Agreement (NAFTA), reducing barriers to trade with Mexico and Canada (Carroll et. al, 2012, p. 342). With globalization came the responsibility of instituting fair labor practices on an international scale. Following the gruesome public exposés of some large consumer goods companies' sweat shop labor, President Clinton helped to establish the Fair Labor Association (FLA) in 1996. The FLA, an organization dedicated to global fair labor practices, is comprised of human rights groups, labor unions, and clothing manufacturers such as L.L. Bean, Eddie Bauer, Nike, and Patagonia (Carroll et. al, 2012, p. 362).

Although American businesses had been incorporating SRBPs into their operations for a few decades, corporate responsibility became institutionalized in the 1990s due to the perceived value creation for commercial organizational cultures (Carroll et. al, 2012, p. 343). During this period, corporate philanthropy (ad hoc financial contribution) declined, yet strategic philanthropy (focused, targeted giving used to achieve business-related objectives) increased drastically (Carroll et. al, 2012, p. 344). The growth of *social entrepreneurship* firms (companies that originate with a social-minded mission) and *social intrapreneurship* firms (companies that later adjust their mission and values to reflect social responsibility) can be attributed to the progression and integration of social responsibility in the 1990s (Carroll et. al, 2012, p. 373). However, despite the positive changes accomplished by the corporate responsibility movement, many people doubted the genuineness of corporate motivations for integrating SRBPS (Cramer & Karabell, 2010, p. 20).

The first decade of the twenty-first century was characterized by dramatic changes in how Americans viewed the world, politically, economically, and

environmentally (Cramer & Karabell, 2010, p. 21). Following the September 11, 2001 terrorist attacks on home soil, the Enron and WorldCom accounting scandals, and the financial crisis caused by bad home loans in 2008, the United States struggled to maintain stability as a world superpower. This instability influenced how businesses operated, the level of transparency they offered, and the amount of social responsibility they were willing to assume. In response, many American businesses shifted their organizational focus to bolstering corporate compliance and governance, respecting the environment to maximize its longevity, and developing products that capitalize on each section of the supply chain with the overarching goal of sustainability. The financial crisis exposed many gaps in business management and gave voice to concerns about the effects of complacency (Cramer & Karabell, 2010, p. 26). The concerns highlighted in former vice president Al Gore's documentary *An Inconvenient Truth*, embraced the general anxieties of humanity's contribution to environmental degradation (Cramer & Karabell, 2010, p. 22).

The evolution of SRBPs in the past century morphed the American business landscape into one of constant reflection on, innovation of, and responsiveness to prevalent social, economic, and environmental issues. Incorporating socially responsible initiatives strengthens the organizational cultures of a business because such practices positively shape and influence the mission, vision, and objectives of a company.

Premise & Objective

Socially responsible business practices combine goals such as ethics, sustainability, community contribution, health, bottom line financial profitability, employee satisfaction and retention, and environmental protection and maintenance to holistically target the needs of all stakeholders. Companies can find success in every dimension of their business if they consider how to better contribute to the world at each level of the supply and value chains. If American consumer goods companies strategically integrate socially responsible business practices (SRBPs) into their organizational cultures, then they will attain long-term viability in the market place.

As established through the above historical perspective, social responsibility is not new to the American corporation. Businesses increasingly bear societal pressures to sustainably improve the human and environmental condition without sacrificing financial profitability. Presently, it is necessary for American consumer goods companies to go beyond surface level initiatives of improving consumer perceptions and consistently contribute to the bettering of society by facilitating organizational-wide participation in sustainable social responsibility through the integration of SRBPs into the organizational cultures.

Review of literature

Social Responsibilities

One of the very first writings on corporate social responsibility came in 1953 as a call to and encouragement for the American businessman to respond to the very obvious social pressures by adapting his business practices to reflect needs beyond those of the stockholders. Although Howard R. Bowen's book *Social Responsibilities of the Businessman (SRB)* fell out of the channels of business management popularity in the sixty years since its original publication, it remains a gold mine of insights and observations of American corporations and their connections with social responsibility. In fact, only the examples of companies given indicate the book's antiquity. The relevance of *SRB* in grappling with the expected interaction of business in society today demonstrates that Bowen should be regarded as the visionary patriarch of social responsibility. The main questions that he puts forth are: "Are businessmen, by virtue of their strategic position and their considerable decision-making power, obligated to consider social consequences when making their private decisions? If so, do they have social responsibilities that transcend obligations to owners or stock-holders" (Bowen, 1953, p. 4)? According to Bowen, the answers are both clearly yes; however, the subsequent questions cannot be so definitively answered.

The American public holds businesses to a high level of responsibility because of the extensive interconnection between commerce and society. Businesses provide tangible benefits including products for consumers and wages for employees as well as intangible benefits such as economic stability and consumer confidence. Because of the links between the public and commercial spheres Bowen (1953) suggests that the

following question be considered: "What are the goals towards which businessmen should orient themselves insofar as they are willing or able to consider the social consequences of their actions?" (p. 8). According to the author, the non-exhaustive list of goals that should shape values in the context of American society include: a high standard of living, economic progress, economic stability, personal security, order, justice, freedom, development of the individual person, community improvement, national security, and personal integrity. Bowen recognized that some of the goals are conflicting in the sense that the achievement of one may come only through the sacrifice of another. Compromise and unity in expectations are required to find success within a company: "Indeed, all social organization – of which economic organization is but one aspect – requires that individual members of the group accept common values and goals, and guide their behavior accordingly" (Bowen, 1953, p. 13). The *social responsibilities of businessmen* are loosely defined as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953, p. 6).

While it may be tempting to view business from a rational lens of numbers, objectives, and outcomes, commercial enterprises are more accurately a compilation of flawed humans who make irrational choices based on irrational feelings. Bowen (1953) took these facts into account saying, "As some businessmen put it, the problems of the future pertain to human values, not to costs and prices; it is the ability to make work rewarding that will count, not the ability to produce in the physical sense" (p. 60). The author recognized that positive human relations are an end as well as a means within the business context (Bowen, 1953, p. 60). A company should be viewed as a group of

people working together within the greater context of the community – or communities – in which it is established (Bowen, 1953, p. 63). Investing time and effort in the foundation of strong community relations potentially increases employee morale, creates a valuable supply of labor, and establishes beneficial connections with community leaders and public officials (Bowen, 1953, p. 63).

In the latter half of the book, Bowen spends time acknowledging the criticisms of and challenges associated with the doctrine of social responsibility. In doing so he addresses the rational critiques that the management and stockholders often voice as concerns with implementing socially responsible business practices. The key issues that the author focuses on include: competition, increased costs, motives of businessmen, power, and proximate versus remote moral obligations. According to Bowen (1953), businessmen often refrain from integrating elements of social responsibility into their business framework because of their perceptions that doing so will decrease their competitive position within the market. “The failure of some competitors to accept their social responsibilities may prevent others from doing what they believe is ‘right’ with respect to wages, working conditions, quality of product, economic stability, etc.” (p. 108). However, if socially responsible practices are found to reduce costs or improve productivity, it is highly unlikely that a business would not adopt the initiatives regardless of what other organizations chose to do. In fact, this can result in the creation of a competitive edge for companies that find original and innovative methods of responsibility.

Although Bowen addresses issues that affect the present organizational operations of companies, he does so with a future vision of sustainability in mind. He

does recognize that there is tension between meeting the needs of today's society without sacrificing the potential for future generations. His general suggestion is for businesses to strategize with a long-term orientation rather than planning with short-term goals. The closing remark of *SRB* is that businesses must share the responsibility of improving society by using their resources and influence to positively shape and impact the communities in which they operate. Bowen (1953) says, "One of the great needs of our society, therefore, is to achieve cooperative and mutual relationships among groups such that urgent social purposes can be effectively carried out. In this, businessmen have an important constructive role to play – a role that includes both leadership and cooperation" (p. 229).

Two modern social responsibility academics, Archie Carroll and Ann Buchholtz (2008) collaborated to write *Business & society: Ethics and stakeholder management*, an in-depth overview of socially responsible management. Carroll developed the Pyramid of Corporate Social Responsibility, which spatially represents the levels of social responsibility that a company can embody (Carroll & Buchholtz, 2008, p. 45). The four areas that he identifies as priority social concerns for business are economic, legal, ethical, and philanthropic. Carroll explains that the pyramid structure separates the four sections of responsibility in order to visually demonstrate that companies should consider each responsibility uniquely when creating a strategic mission and outlining corporate objectives. The economic responsibility category is on the bottom of the pyramid, representing the largest priority a business should have. First and foremost, a business should be profitable and adequately make returns on investments to stockholders in order to sustain the life of the company. The next level of the pyramid

is the category of legal responsibility. In order to be successful, companies must follow all laws in regards to the environment, labor rights, and consumer protection. Carroll views the economic and legal responsibilities as obligations of American businesses. The next category, ethical responsibility, is an extension of legality. Society expects companies to avoid questionable practices, act justly, and institute a culture of ethics. Finally, the top level of the pyramid is the category of philanthropic responsibility. Society does not require companies to give back to the community through supportive programs, financial contributions, and volunteerism. However, American society does put increasing pressure on businesses to improve the quality of life for people beyond the walls of the corporation (Carroll & Buchholtz, 2008, p. 44). Carroll emphasizes that the pyramid should be seen as a holistic approach to societal development, where each category of responsibility is improved simultaneously (Carroll & Buchholtz, 2008, p. 46). Carroll's pyramid supports Bowen's idea that there is value in approaching social responsibility with pluralism.

In his article, "Capitalism with a human face: The UN global compact", Klaus Leisinger (2007), former President and CEO of the Novartis Foundation for Sustainable Development, made a similar case for incorporating social values into the core of business operations. Leisinger says, "Above all, this is to provide goods and services that succeed in meeting customer demands and can be sold at prices that are competitive and in the best interest of the corporation while adhering to law and regulation" (2007, p. 2). At a basic level, Leisinger reasons that companies should avoid doing harm by adhering to political, ecological, and social standards (Leisinger, 2007, p. 4). However, like Bowen, Carroll, and Buchholtz, Leisinger insists that corporations are

responsible for more than just the bare minimum of social welfare. He therefore suggests adopting an approach of legitimacy over legality (Leisinger, 2007, p. 4). This means companies should do “the right thing” rather than only avoiding the “wrong thing” through legal compliance activities. Establishing a corporate culture of positive actions promotes the values of transparency, integrity, personal and corporate responsibility, and accountability; thus encouraging a social mindset within an organization.

Leisinger (2007) supports his ideas with a profile on the United Nation’s Global Compact (UNGC). In 2000, the United Nations launched this corporate responsibility initiative with the hope of integrating universal values into world markets and redefining corporate practices to further human development (Leisinger, 2007, p. 6). The UNGC defines ten principles in the categories of human rights, labor, environment, and anti-corruption for businesses to commit to applying to policies and management processes (Leisinger, 2007, p. 7). Since its initiation, over 8,000 companies in 140 countries have joined the UNGC, committing to instituting principles-based management and an operations approach to addressing global priorities (UNGC, 2013, p. 4). The Compact serves as a framework for social responsibility, revealing that many companies are moving from good intentions to significant action by aligning core business strategies with the overarching goal of sustainability (UNCG, 2013, p. 8). This shift indicates that businesses truly are involved in assuming responsibility for social development.

Management

In the foreword to *Mainstreaming Social Responsibility*, Frank Brown of INSEAD and Tom Robertson of The Wharton School theorize, “For most companies today, CSR [corporate social responsibility] can no longer be treated as a peripheral activity left to compliance or public affairs. It has to be embedded within the day-to-day activities of the business” (Brown & Robertson, 2009). Business managers are responsible for coordinating, monitoring, and maintaining the efficiency of a company’s recurring actions. The quote from Brown and Robertson addresses the need for managers to consider SRBPs as necessities for strategic management. This requires structuring management models to integrate social responsibility directly into the operational supply and value chains of a consumer goods company. The following section provides a framework for developing a strong, internal model of socially responsible management.

Leadership. The overall goal of a responsible business is to create leaders, not managers. The distinction is that leaders develop and cast long-term visions, garner followers, motivate, make strategic decisions, create competitive advantages for the organization, question underlying assumptions and assess necessary steps to take for implementing best practices. Leaders passionately work to optimize the success of an organization with respect to both internal and external stakeholders, the financial bottom line, and the environment. John Kotter (1990/2001), former professor of organizational behavior at Harvard Business School, described the unique position of leaders to bring about change in his article, “What leaders really do”. Kotter posits that leadership and management are distinctive systems of action, whereby management

adds order, organization, and consistency to complex organizations, while leadership copes with change, develops and casts a vision, and provides strategic actions to navigate the organizational changes (Kotter, 1990/2001, p. 4). The distinction is valuable, especially because it helps people in managerial positions to orient their organization and teams towards long-term objectives of sustainable excellence. Kotter (1990/2001) expands on the significance of a vision; emphasizing that the ability to address the desires and requirements of all stakeholders, rather than the originality of the vision, is what makes a strong, strategic vision invaluable to a company (p. 6). The discussion of vision develops to elucidate that a clear vision shapes both short- and long-term planning activities by setting boundaries for defining essential tasks (Kotter, 1990/2001, p. 7).

Another characteristic of leadership, according to Kotter, is the ability to align leadership to maximize the strengths of employees who believe in the corporate vision and empower them to initiate actions with a common goal of organizational improvement (Kotter, 1990/2001, p. 7-8). This emphasis on capitalizing on the core competencies of a company furthers long-term objectives by investing in the human element of business. Kotter (1990/2001) suggests creating an overarching culture of leadership within an organization by recruiting people with leadership potential and then consistently putting effort into developing that potential (p. 8). The author stresses that developing leadership is a fairly straightforward process that requires much time and effort of top-level management and an organizational desire to grow with a strategic vision, not just a short-term profit-driven mission.

Over the past few decades, the landscape of both formal management education and internal leadership development morphed as both society and businesses recognized that changing the ways business is done requires the proper training of those that lead business operations. In Carroll's (1998) article, "The four faces of corporate citizenship", he quotes Joseph L. Badaracco, Harvard professor of business ethics (1997) saying, "Managers are ethics teachers of their organizations" ... "It simply comes with the territory. Actions send signals, and omissions send signals" (qtd. in Carroll, 1998, p. 4). Practically, Carroll explains that managers should pay attention to the descriptive and normative ethics within an organization. Descriptive ethics relate to the combined actions of managers, organizations, and industries based on current understandings of moral codes and beliefs (Carroll, 1998, p. 4). Conversely, normative ethics relate to the beliefs, practices, and attitudes that should be embraced regardless of what other managers, organizations, and industries are or are not doing (Carroll, 1998, p. 4). Together, descriptive and normative ethics in business set the context in which managerial leaders should operate.

Ethics. In Archie Carroll's (2001) article "Models of management morality for the new millennium", the author discussed three ethical models that provide a basis for business ethics discussion. The first model, immoral management, posits that the motives of management are of a selfish nature and that laws are seen as restrictions to avoid (Carroll, 2001, p. 367). In contrast, utilizing a model of moral management means integrating ethical standards at personal and organizational levels. Managers (leaders) who use this model view legal restrictions as the minimum ethical standard and seek to creatively maximize financial success without sacrificing morality (Carroll, 2001, p.

367). Moral management provides a holistic approach to ethics in which an enterprise promotes positive values at all levels of the organization in order to respectfully increase corporate achievement. In amoral management, managers do not factor ethics into business decisions. They are typically casual and careless about their activities (Carroll, 2001, p. 368). In order to face the future with an ethically sound management system, Carroll suggests reducing the apathy and emphasizing the necessity of “thinking and acting ethically” (Carroll, 2001, p. 370).

In the article, “Managing for organization integrity”, Lynn Sharp Paine (1994) discusses the idea that business ethics are directly associated with the leadership that managers do (or do not) provide within an organization. She writes, “Managers must acknowledge their role in shaping organizational ethics and seize this opportunity to create a climate that can strengthen the relationships and reputations on which their companies’ success depends” (Paine, 1994, p. 106). Although legal compliance programs help to reduce ethical misconduct, they do not exclusively eradicate unethical attitudes, values, beliefs, or language (Paine, 1994, p. 106). Ethical – or as Carroll termed *moral* – management requires a strategy whereby “ethical values shape management’s search for opportunities, the design of organizational systems, and the decision-making process” (as qtd in Carroll, 2001, p. 368). Paine (1994) suggests using an integrated strategy of self-governance and shared accountability driven by an emphasis on ethics (p. 111). This integrated ethical strategy requires the clarification and communication of expectations and responsibilities throughout the organization.

Corporate Citizenship. According to Carroll and Buchholtz (2008), corporate citizenship is the application of Carroll’s Pyramid of Corporate Social Responsibility,

which requires businesses to be profitable and obey the law, expects businesses to engage in ethical behavior, and desires that businesses give back through philanthropy. The authors acknowledge that companies mature in how they take on responsibility through stages, similar to how individuals grow and develop (Carroll & Buchholtz, 2008, p. 62). Carroll and Buchholtz refer to the work of Philip Mirvis and Bradley Googins at the Center for Corporate Citizenship at Boston College; outlining the five stages of corporate citizenship as elementary, engaged, innovative, integrated, and transforming (Carroll & Buchholtz, 2008, p. 63). The Center's principle understanding of social responsibility is "how companies deliver on their core values in a way that minimizes harm, maximizes benefits, is accountable and responsive to key stakeholders, and supports strong financial results" (Mirvis & Googins qtd. in Carroll & Buchholtz, 2008, p. 62). Carroll and Buchholtz suggest using issues management, a process in which "organizations identify issues in the stakeholder environment, analyze and prioritize those issues in terms of their relevance to the organization, plan responses to the issues, and then evaluate and monitor the results" (2008, p. 193). This specific form of management lends itself to corporate citizenship in that it allows leaders within a company to strategically target specific, relevant issues and craft unique solutions with a narrow focus. The model of corporate citizenship is applicable and unique as it addresses the challenges of credibility, capacity, coherence, and commitment that all companies experience as they develop and increasingly integrate SRBPs into the organizational cultures (Carroll & Buchholtz, 2008, p. 62-63).

Organizational Culture. PricewaterhouseCoopers (PWC), a global consultancy agency and think tank that focuses on sustainable development, published the article

“Integral business: Integrating sustainability and business strategy” in 2003. This document emphasizes the values associated with integrating SRBPs into the mission and strategy of a company. Benefits include: productivity improvements, cost savings, risk reduction, human resource gains, increased reputation and an enhanced license to operate (PWC, 2003, p. 1). Integration enables the achievement of long-term viability and productivity, and of improved management performance of internal and external risks (PWC, 2003, p. 6). A well-defined organizational culture reduces the confusion regarding an organization’s goals, mission, and vision. “The emphasis on wider stakeholder interaction and the discipline of integrating social and environmental as well as economic costs into business planning also means that companies are better placed to stay ahead of the curve” (PWC, 2003, p. 6). Additionally, improved governance increases transparency within the organization. The agency emphasizes the importance of employee engagement; “creating a no-surprises” climate that can provide investor confidence and minimize market volatility” (PWC, 2003, p12). Employees should retain a clear understanding of the context of their work environment from the moment they begin employment until their final day of work.

Lynn Sharp Paine (1994) puts emphasis on aligning managerial leadership with a concern for legality to create an organizational culture of integrity. Paine explains that an effective integrity strategy clearly communicates a set of guiding values that reflect the mission, objectives, and vision of the company (Paine, 1994, p. 111). The responsibility of company leadership is to use the established values to create an environment of integrity and shared accountability (Paine, 1994, p. 111). For this strategy to be productive company leaders should be committed to the long-term

success of the company, personally credible, and willing to take action on the values they espouse (Paine, 1994, p. 112). Managerial leaders should embrace and promote company values throughout their daily activities. Decision-making, long-term planning, goal setting, performance measurement, and the supply chain operations should all emphasize the core organizational values in order to build a pervasive culture that is recognizable, but also effective (Paine, 1994, p. 112).

Empowerment & Spirituality. Strong and successful organizational cultures require the careful facilitation of positive atmospheres and the dispelling of negative practices. Resilient cultures develop through the ideas of the empowerment of all employees and the embracing of spirituality. Empowerment allows employees at all levels to find value, respect, and confidence in their work by transferring a certain level of freedom and responsibility from management to employees. It also enables grassroots initiatives of creativity and innovation as employees take ownership of their roles within a company and use the perceived freedom to take risks and think outside of the box. Kotter (1990/2001) supports this idea, explaining that good leaders are able to motivate employees in a variety of ways including: articulating vision so that it becomes an organizational priority, involving employees in strategic decision making, and providing feedback, coaching, and mentorship to facilitate a learning environment (p. 8).

Spirituality in organizational culture pertains to the management of the human element of businesses. It adds a personal factor to the rationally minded private sector by encouraging each employee and stakeholder to contribute to the organization based on his or her individual potentials. This concept of holistic management focuses on the

financial, intellectual, physical, ecological, social, cultural, emotional, ethical and spiritual aspects of an organization. Managers should conduct semi-regular employee assessments to gauge how involved, stimulated, and connected they feel. Additionally, management should provide appropriate incentives and compensation for work in order to retain employees' engagement. Kotter additionally recommends that companies encourage employees to form networks of informal relationships (Kotter, 1990/2001, p. 10). These networks play an invaluable role in resolving conflicts because informal relationships between employees provide a greater degree of trust, accommodation, compromise, and communication in working environments (Kotter, 1990/2001, p. 10).

Consumer goods industry

There is a huge potential for the consumer goods industry to play a pivotal role in American engagement with social responsibility. Given that the general public purchases tangible goods, the industry holds a significant amount of influence on why consumers choose to buy specific products at a certain time and at a particular price. As Mohr, Webb and Harris (2001) concluded in "Do consumers expect companies to be socially responsible?" consumers must be aware of a company's social responsibility in order for a purchasing decision to be impacted (2001, p. 48). A company should never assume that consumers have prior awareness of the integration of SRBPs when making purchasing decisions. Unfortunately surveys regarding the effects of SRBPs on consumer behaviors are sparse and negatively biased in that interviewees desire to be seen as conscientious shoppers regardless of their actual purchasing decisions (Mohr et. al, 2001, p. 50). There is not a strong correlation between the success rate of

purchasing decisions and perceived social responsibility. However, there are many consumer goods companies that do maintain financial success in addition to caring for people and the environment. This begs the question: if everyone can benefit from a socially responsible organization, why would consumer goods companies not integrate SRBPs into their supply chains and organizational frameworks?

Within the consumer goods industry, most companies are primarily concerned with creating value at each functional level of the supply chain, in hopes of achieving the overarching goal of sustainability and long-term viability. Practically, this translates to offering non-harmful products, created by well-treated employees, packaged with recycled or reusable materials, and developed with the end in mind (a detailed list of SRBP examples is found in Appendix A). Regardless of the legal restrictions, companies should be self-aware of their actions and willing to make adjustments to their processes when problems are discovered. Voluntary self-regulation is extremely effective as it demonstrates that companies have a vested interest in positive change, even if it requires sacrifice. As with all socially responsible companies, one of the primary goals is to institute an organizational culture that reflects the corporate mission and values. Establishing a strong organizational culture reduces the gap between attitudes and behaviors by stimulating employees to practice what they preach.

Socially Responsible Business Practices

Howard Bowen refused to list or define socially responsible business practices because he didn't want to put boundaries on a limitless field. There is no "one size fits all" model of corporate citizenship. Each organization should play to its strengths by adopting unique methods of contributing to human development; defined in this paper

as the reduction of poverty, the promotion of prosperity, and the protection of the environment. In general, SRBPs should maximize the human capital of an organization through reflection and self-awareness. This will create an atmosphere of harmonization, unity, and diversity, which though seemingly incongruent, combine as intangible assets to contribute invaluable to the success of an organization. Regardless of the specific initiatives employed by a company, SRBPs mitigate overall risk. The large numbers of companies, which employ SRBPs, support the idea that American businesses are increasingly accepting of social responsibility. Three main categories of companies (Carroll, 2012) that use SRBPs are social entrepreneurship firms, social intrapreneurship firms, and mainstream adopters.

Social Entrepreneurship. The most integrated companies incorporate SRBPs into the initial mission and vision of the organization. These companies prioritize social responsibility in tandem with robust economic achievement. SRBPs play an integral role in the values and operations of such companies (Carroll, 2012). Christopher Marquis and Andrew Park (2014) explain that the unique nature of social entrepreneurship companies lies in the personal connection that attracts consumers to the mission of each brand (p. 31). The authors write, “These personal narratives are critical not only because they help create an authentic and compelling brand, but because these stories help get customers personally engaged with the company (Marquis & Park, 2014, p. 31).

Social Intrapreneurship. These companies successfully existed without SRBPs for a period of time before adopting socially responsible missions, values, and operations. Social intrapreneurship companies have the benefit of leveraging

successful market position and abundant resources to innovate, modify, and replace current processes and products with superior, socially responsible ones (Carroll, 2012).

Mainstream adopters. The least socially involved companies that still maintain a degree of engagement in social responsibility adopt some SRBPs as peripheral business activities. These companies find motivation to implement these initiatives in hopes of gaining competitive advantage, reducing costs, improving public reputation, or complying with stricter industry standards. Although mainstream adopters contribute to improvements in social and environmental development, such companies do not put social responsibility at the heart of their business mission, vision, or operations (Carroll, 2012).

Communication

Internal Reporting. Companies that employ SRBPs throughout their organizational cultures benefit from releasing an internal report, which highlight the successes and accomplishments achieved through implementing SRBPs. Management, executives, financial analysts and accountants use reporting to cast new visions and set strategic goals for further progress. Periodic reports also allow firms to view the progression, detect barriers to success, and identify new economic, legal, ethical, and philanthropic objectives. Examples of internally created reports include: sustainability reports, cost accounting, benchmarking, balance scorecard. In general, reports identify social and environmental needs and highlight what a company did to rectify the problems.

External Reporting. External stakeholders such as other companies within the industry, non-governmental organizations, lobbyists, and interested consumers use

public reports and certifications along with internally generated reports. Other companies, especially social intrapreneurship firms and mainstream adopters, may use the reports to assist with their own hypothetical and strategic planning. In a blog post in the United Kingdom publication, *The Guardian*, Graham Randles (2013) challenges companies to demonstrate “what changed” because of the companies’ SRBPs rather than simply outlining, “what happened” in reporting to external stakeholders.

Examples of externally developed reports include: B Corps, Cradle to Cradle, Human Development Index (HDI), balance scorecard, Global Reporting Initiative (GRI), LEEDS Certification, and cost-accounting. These reports all set benchmarks for a company to gauge its success against competitors in order to make adjustments for further progress.

Marketing. Peter Walters (2014), employee of 2 Degrees Food (profiled below), contributed to *Huffington Post* with a post regarding how to attract loyal customers to buy in to a socially responsible business. Walters suggests the following concepts: determine a core issue to solve and connect it tangibly with consumers; partner with reputable and well-established non-profits that will assist with on the ground hiring and distribution; and share stories about the social, economic, and environmental benefits that the enterprise provides (Walters, 2014). Marquis and Park (2014) suggest communicating a simple message that consumers easily understand and adopt (p. 33). A simple and catchy message allows for brand recognition and the easy spread of word-of-mouth marketing (Marquis & Park, 2014, p. 33).

Given that many start-ups and social enterprises do not have the luxury of large advertising budgets, marketing must be simple, cheap, and efficiently communicate

their social message to consumers. Dorie Clark (2014), marketing strategist and online contributor to *Forbes*, suggests using influencer marketing to effectively target consumers with word of mouth and peer-endorsed campaigns. Influencer marketing not only saves money for companies, but it also appeals to consumers at a more intimate level than large advertisement campaigns aimed at the general public (Clark, 2014). Influencer marketing spreads knowledge about a product or brand through a network of social influencers such as blog writers, athletes, boutique owners, and other individuals and organizations that provide targeted promotion without expensive bells and whistles. Additionally, using influencer marketing solicits genuine feedback for informal market research, which helps companies to make crucial adjustments and explore new innovations (Clark, 2014).

Public Reputation

Every consumer goods company has a reputation with the public. Some companies use advertising and community outreach programs to strategically improve public perceptions of their organizations. A negative reputation does not automatically result in business failure, but a positive reputation does increase the chance of successful sales and financial viability. In February 2013, Harris Interactive – a leading independent research firm – released a survey report regarding the United States’ general public and the Reputation Quotient®. The report noted the shift in what drives “great” companies; listing those of 2013 as the following: the ability to outperform competition; the garnering of admiration and respect; maintaining a high level of trustworthiness; the participation in society; a positive employee perception; and favorable stakeholder insights (Harris Interactive, 2013, p. 6). The Reputation

Quotient® divides twenty attributes into six dimensions, which address: social responsibility, emotional appeal, products and services, workplace environment, financial performance, and vision and leadership (Harris Interactive, 2013, p. 8). Harris Interactive evaluates the sixty most visible companies against those traits to assess the companies' reputations in the view of the American public (Harris Interactive, 2013, p. 26-27). Although public reputation is not the most important factor in maintaining success, the general public is increasingly aware of what companies do beyond their core competencies. The Harris Interactive survey reports that people are increasingly proactive in seeking information about companies that they do business with (Harris Interactive, 2013, p. 23). This means that companies concerned with improving or maintaining their public image should make information readily available regarding their SRBPs in order to maintain a favorable position in the public eye.

Financial impact

Some critics of social responsibility posit that a financial correlation does not exist between SRBPs and fiscal success. In 2007, Joshua Margolis, Hilary Elfenbein, and James Walsh conducted a meta-analysis on the correlation between corporate social performance (CSP) and corporate financial performance (CFP). The meta-analysis was performed on 167 studies that included a measure of CSP for individual firms, a measure of CFP for individual firms, and an effect size for the association between CSP and CFP (Margolis et. al, 2007, p. 9). The studies were sorted into effect categories that most appropriately embodied the CSP factors that each study measured, including: charitable contributions, corporate policies, environmental performance, revealed misdeeds, transparency, self-reported social performance, observers' perceptions,

third-party audits, and screened mutual funds (Margolis et. al, 2007, p. 11-13). The meta-analysis revealed that 58% of effects yielded a non-significant relationship, 27% a positive relations, 2% a negative relationship between CSP and CFP (Margolis et. al, 2007, p. 21). The remaining 13% did not indicate a sample size and therefore were not tested for significance (Margolis et. al, 2007, p. 21). These results indicated that although companies that integrate SRBPs do not automatically reap financial rewards, over one quarter of companies do financially benefit from CSP and only a minute number recognize a negative impact to financial performance (Margolis et. al, 2007, p.22). This signifies that most companies would do well to incorporate some SRBPs to at least benefit society, while simultaneously increasing the possibility of improved financial performance. Additionally, companies that experience ethical misdeeds undoubtedly bear extra costs (Margolis et. al, 2007, p. 22); including, but not limited to, legal expenses, drops in stock prices, employee compensation, injured public reputation, and bankruptcy.

Caroline Flammer (2013) completed an analysis of the financial performance resulting from the proposed implementation of SRBPs by shareholders. Flammer (2013) studied a sample of 102 proposals to determine the change in financial performance of companies after shareholders voted for or against the implementation of the corresponding SRBP proposal. The author proposed “the passing of shareholder proposals on CSR leads to a larger increase in financial performance for companies in industries where institutional norms of CSR are higher” (Flammer, 2013, p. 7). The results yielded that approved proposals led to an increase of 0.7 to 0.8 percent return on assets (ROA) and a 1.1 to 1.2 percent increase in net profit margins (NPM) in the two

fiscal years following the vote (Flammer, 2013, p. 14). Investors obviously showed interest in companies' participation in societal improvement and advancement. However, the author noted that the implementation of SRBP proposals might result in decreased marginal returns (Flammer, 2013, p. 14).

A 2011 article in *The New York Times* profiled the “shared value” concept developed by Michael Porter, Harvard Business School professor and leading management theorist, and Mark Kramer, consultant and senior fellow at the Kennedy School of Government at Harvard (Lohr). The concept of shared-value recognizes that although corporate initiatives can produce social good, a company should make profit generation the highest corporate priority (Lohr, 2011). Porter and Kramer propose that, “social problems are looming market opportunities”, indicating that profit maximization and societal improvement are not mutually exclusive (Lohr, 2011). The shared value concept is directly related to the theories of Milton Friedman who, four decades earlier wrote a now infamous article in *The New York Times Magazine*. Friedman (1970) posited that a corporation does not assume the same level of morality and responsibility as the individual businessmen that compose it. According to Friedman, “that responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom” (Friedman, 1970). In order to clarify the responsibilities of business, Friedman suggests asking, “precisely what it implies for whom” (Friedman, 1970). The corporate executive (read management) bears the responsibility of acting as an agent

for the individual employees of the company, the customers who buy the products, and the stockholders who retain ownership (Friedman, 1970).

Socially Responsible Investment

As previously discussed, integrating SRBPs into an organization strengthens its internal connections and management structures. Additionally, a company can benefit from developing positive associations with external stakeholders and improving general public perceptions. Burton Hamner (2005), in a study conducted for the Consorcio de Investigacion Economica y Social and the Universidad del Pacifico, defined socially responsible investment (SRI) as “the use of specific social and environmental criteria in addition to traditional financial criteria, to make investment decisions” (p. 2). Hamner’s study used the Baldrige Criteria to suggest that investors look for specific elements of sustainability when considering what companies to invest in (Hamner, 2005, p. 10; Baldrige, 2013). As part of the National Institute of Standards and Technology, the Baldrige Criteria for Performance Excellence is a system designed to help organizations increase effectiveness while adding value to customers and stakeholders (Baldrige, 2013). The Baldrige Criteria focus on seven aspects of management and performance including: leadership, strategic planning, customer focus, measurement, workforce focus, operations focus, and results (Baldrige, 2013).

By looking at 202 criteria from twelve SRI indexes, Hamner (2005) categorized the criteria into frequency clusters. From this categorization, the study found that the largest emphasis was on internally related activities, such as employee health and safety, labor relation, and pollution prevention (Hamner, 2005, p. 4). The noted analysis of having a focus on internal development for sustainable investment is that

“investors understand that good performance is created by a good business culture” (Hamner, 2005, p. 4). According to an online 2013 *Forbes* article by Michael Chamberlain, “over the last two years, SRI investing has grown by more than 22% to \$3.74 trillion” (Chamberlain, 2013). The author notes that the SRI approach applies to all publically traded firms because social responsibility investors either put money into companies that promote responsible actions or abstain from socially negative activities and processes and avoid companies that do not align with core values, regardless of the financial success of the company (Chamberlain, 2013). This means that now, more than ever, it is not only wise, but also necessary for companies to implement sustainable initiatives to aid in attracting funds from investors.

Significance

The above review of literature highlighted the academic theories and studies regarding the integration of SRBPs into the organizational culture and operation structure of American consumer goods companies. The variety of multidisciplinary research, spanning multiple decades, supports this author’s hypothesis that SRBPs integrated into an organizational culture positively shapes and defines the success of that company. An American consumer goods company should therefore strategically develop its mission, vision, leadership, organizational culture, and supply chain to reflect the objective of contributing to social responsibility in regards to people and the planet without ultimately sacrificing its financial performance.

Methodology

Sampling of socially responsible businesses

Applying SRBPs into the organizational culture will not immediately result in cost reduction, production increase, or morale boosting. Regardless of its life cycle stage, every company that wishes to improve its corporate citizenship must be flexible, passionate, and innovative in creating and implementing new initiatives. Instead of relying on individuals to be the sole benefactors of society, SRBP initiatives engage everyone, including employees, customers, stockholders, and community members in addressing society-enhancing goals.

Variety of models

There is no single way to “do good” in the business world. Just as Howard Bowen and others emphasized, pluralism is the key to finding success with corporate social responsibility. The following section provides a surface level exploration of American consumer goods companies that each uniquely embraces models of responsibility within their organizational cultures. Additionally, each company was established in America, produces goods for the consumer market, and is at least three years old. These company overviews serve to demonstrate the great potential that consumer goods companies possess to bring positive changes within a variety of industries including footwear, cleaning, optical, food, beverage, apparel, home goods, and electronics. The list of companies includes: social entrepreneurship firms (TOMS, method, Warby Parker, Two Degrees Food), social intrapreneurship firms (Starbucks & Patagonia), and mainstream adopters (Newell Rubbermaid & Apple); all of which have found economic, legal, ethical, and philanthropic success with the integration of unique

SRBPs. The value in including the following company profiles derives from the possibility that other companies, managers, consumers, and business students will study the SRBPs currently being used and find inspiration for strategically integrating SRBPs into every mission, value, and organizational culture of American consumer goods companies.

TOMS. In 2006 Blake Mycoskie created TOMS; a company that primarily sells unique shoes based on the ethnic Argentinian shoe, the alpargata. As a young entrepreneur, Mycoskie was inspired to “start something that matters” after vacationing in Argentina. While visiting, he met a woman who introduced him to the idea of distributing donated shoes to children in need. The unfortunate reality of the idea was that using only donated shoes left shortages, leaving many children with bare feet. Desiring to establish a sustainable solution, rather than a temporary fix, Mycoskie decided that the only way to develop an efficient and effective solution would be to create a for-profit company that would use its profits to benefit shoeless children (TOMS, 2014).

Mycoskie saw that he could fund the project in developing countries by providing a commodity to upscale markets in developed countries. The simple business model of TOMS is “One for One,” meaning that for every pair of shoes sold, the company will donate a pair of shoes to a child in need. Children in poverty stricken areas worldwide are often denied access to schools because of their lack of footwear. Unable to get an education, children are forced to look for work in areas unfit for young people. Walking around without shoes also exposes children to dangerous diseases such as hookworm, Podoconiosis, jiggers, and tetanus. In giving a child a pair of shoes, TOMS is

providing them with a chance to go to school as well as protecting them from debilitating diseases (TOMS, 2014). Through TOMS, Mycoskie began a revolutionary movement in the area of corporate social responsibility.

In his book, *Start Something that Matters*, Mycoskie comments, “A leader can create a company, but a community creates a movement” (Mycoskie, 2011, p. 130). This statement embodies the personal philosophy of Mycoskie as well as the corporate philosophy of TOMS. Mycoskie knew that for TOMS’ business model to work, consumers would need to buy in to an idea, not just a product. In a 2011 interview with *We First*, a social branding consulting firm, Mycoskie said the following about the success of TOMS:

“You need to have a differentiating aspect of your product, you need customer loyalty, you need employees that feel more attracted to their job than just getting a paycheck, you need a story that will spread with social media...I think that the cynics really don’t understand the power and impact in the traditional business sense” (qtd. in Mainwaring, 2011).

TOMS created a huge wave of interest in the area of consumer-based charitable giving through its innovation and creativity.

As the company grew it increased its capacity to give more pairs of shoes. With such large shipments of shoes TOMS realized that it was not equipped to handle the background research and complex logistical issues required to give shoes away effectively and appropriately. According to Kristin Brown, Giving Account Manager, TOMS made a transition to using “Giving Partners”, typically NGOs that identify regions in need and communicate with the shoe company (personal communication, December

6, 2011). Utilizing Giving Partners allows TOMS to focus on its core competencies, primarily making quality shoes and non-prescription eyewear. Once a relationship with an NGO has been established, the Giving Partner places an order for shoes to outfit children aged 2-17 (K. Brown, personal communication, December 6, 2011). In order to use funds in the most efficient fashion, there is a 17,000 pair minimum order, which fills a 20-foot shipping container (K. Brown, personal communication, December 6, 2011). Maintaining this policy keeps TOMS' method of giving sustainable because it minimizes unnecessary expenses such as transportation and packaging costs. In partnering with established NGOs, TOMS seeks "to make sure there are no negative effects associated with our shoe-giving, thus providing shoes cannot have any negative socio-economic effects on the communities where shoes are given" (K. Brown, personal communication, December 6, 2011). The company furthers this goal by asking Giving Partners to commit to providing shoes to the same children for multiple years rather than constantly changing who receives footwear. In 2011, TOMS expanded its product offering by introducing a line of sunglasses with the same One for One business model. For each pair of glasses sold, TOMS provides medical treatment, prescription eyeglasses, or sight-saving surgery through the SEVA Foundation.

In order to maintain social and environmental responsibly practices TOMS operates using a series of checks and balances to ensure that the company does not violate any international or domestic laws. Because the shoe company manufactures in China, Ethiopia, Kenya, India, the United States, and Argentina it is sensitive to the challenges associated with doing business in each country (TOMS, 2014). The TOMS corporate web site says, "On an annual basis, we require our direct suppliers to certify

that the materials incorporated into our products are procured in accordance with all applicable laws in the countries they do business in” (TOMS, 2014). Managing every aspect of the business in such a respectful way builds a flourishing corporate structure as well as strengthens relationships between the company and organizations that it works with consistently.

Method. Created in 2001 by two elementary school friends and college roommates, method has revolutionized the home cleaning industry in the United States. Founders Eric Ryan and Adam Lowry noticed that traditional cleaning products really weren’t “clean” especially in regards to the associated negative environmental impacts. With respective experience in marketing and climate science, Ryan and Lowry were convinced that they could develop alternative products that would offer the same quality while making a significantly smaller environmental impact (Spors, 2011). The friends started by selling their cleaning sprays out of the back of a car until they made their first sale with Mollie Stone’s grocery store in Burlingame, California (Method, 2014). In 2003, method launched its product line in Target stores nationwide, establishing itself as a legitimate game changer within the industry (Method, 2014). As other national chains such as Whole Foods and Lowe’s began to carry method products, the company extended its product line to include laundry detergent and hand soaps (Spors, 2011).

The company has a *humanifesto* on its website that lists the core values of the company in nonchalant, quirky terms such as “we see that guinea pigs are never used as guinea pigs”, “good always prevails over stinky”, and “we prefer ingredients that come from plants, not chemical plants” (Method, 2014). In a similar, but more serious vein,

method is a certified B Corporation; meaning that the company exceeds social and environmental standards set by the nonprofit B Lab (B Corps: Method, n.d.).

As highlighted in a 2011 *Entrepreneur* article online, the company differentiates itself from other eco-friendly cleaning products by minimizing its green marketing and focusing on bringing interesting, fun, and high quality products to consumers (Spors). Ryan and Lowry see more value in attracting customers first and then providing sustainability education as a secondary goal, “A lot of people will come in for the design and the fragrance, but it’s the sustainability that will ultimately build the loyalty” (Ryan qtd. in Spors, 2011). The cofounders explain their approach to strengthening organizational culture in the book *The Method Method* (2011). After interviewing six established companies about creating great corporate culture, Ryan and Lowry noted three common themes that they have implemented into the method culture, including: a focus on hiring great people, emphasizing the culture from the beginning, and giving employees plenty of feedback (Ryan & Lowry, 2011, p. 41).

Method implements the Cradle to Cradle standards (explained below) in every segment of its supply chain, by innovatively designing the packaging using recycled materials that can be recycled again, building the production facilities with LEED standards, and utilizing shipping methods that use renewable resources (B Corps: Method, n.d.). Additionally method has committed to not only abstaining from testing products on animals, but also to using ingredients that are safe for pet hygiene (Method Greenskeeping).

Method prides itself on its unique and unconventional organizational culture. In an interview with *Inc.* magazine, Eric Ryan explained that by asking job candidates to

demonstrate how they plan to keep method weird, the company establishes its culture and simultaneously elicits a response that helps to gauge whether the candidate will fit within that culture (Markowitz, 2011). Ryan said of the unique culture, “...Not a lot of people dream of working for a soap company. So we have to position method as a leader to attract the great talent we need to grow” (qtd. in Markowitz, 2011). The organizational focus is on building a stronger community both internally and externally by respecting people and the planet. An example of this is the “method cares” program that gives each employee three days per year to volunteer anywhere within their community (Method Greenskeeping).

Warby Parker. In February 2010, David Gilboa, Neil Blumenthal and two other friends from Wharton business school at the University of Pennsylvania launched the prescription eyeglass e-commerce company, Warby Parker. With its name based off of two unpublished Jack Kerouac characters, the company is the epitome of millennial cool. After Gilboa lost a pair of very expensive designer glasses while traveling abroad, the idea was hatched to create affordable eyeglasses that were fashion forward (Miller, 2011). The friends developed a business plan that cut out middlemen retailers that often drove up the prices of eyewear. Founder Gilboa said of the business model, “And we just thought there was a huge opportunity to disrupt an industry and create an iconic brand, a for-profit business that did good in the world and could inspire other companies” (qtd in Pressler, 2013). Through research, they discovered that a few large licensing companies dominate the market for the industry’s production and distribution. Warby Parker is able to maintain a comparably low price point by sourcing the acetate directly from a family-owned company in Italy, manufacturing in

China, and assembling the lens with the frames at their New York headquarters (Miller, 2011).

Warby Parker provides customers with a chance to try on eyeglasses by lending five pairs for five days, with a \$95 price tag on the finalized choice. This system uniquely prompts consumers to think about their purchase options compared with many other online retailers that attempt to drive consumers to make a purchase (Miller, 2011). One of the company's strengths is excellent customer service, which helps to alleviate the risks associated with online retailing (Miller, 2011). The company employs a similar One for One giving model that TOMS utilizes, by donating a product for every product sold. Warby Parker partners primarily with VisionSpring, a non-profit that offers glasses to people in the developing world and provides employment training for low-income men and women to give eye exams and sell glasses in the local communities (Warby Parker, 2014). With goals of sustainability shaping its business model, Warby Parker chooses to sell rather than hand out eyeglasses in impoverished areas to avoid the facilitation of dependency (Warby Parker, 2014).

Besides providing customers with impeccable service and quality products, Warby Parker prides itself on attracting and retaining employees through its organizational culture. In a *New York Times* interview by Adam Bryant (2013), founder and co-chief executive Neil Blumenthal explained why his workplace stands out from other retail companies. Warby Parker uses a variety of methods to engage employees such as: weekly interdepartmental update meetings, quarterly 360 reviews for every employee, and periodical happiness ratings and innovative idea contributions (Bryant, 2013). Of the time consuming nature of these approaches Blumenthal said, "...As a

manager, it's your highest priority to be developing your people. The promise we make to our employees is that you'll always know how you're doing and that there will never, ever be surprises" (Bryant, 2013). Warby Parker was founded on being a disruptive company focused on innovation and creativity. The organizational culture therefore is one that seeks to stimulate and inspire employees at all levels of the company (Bryant, 2013). In addition to the mandatory meetings and checkpoints, the company offers informal opportunities for employees to connect with each other and management such as eleven mini book clubs (Greenfield, 2014). The company puts a great deal of emphasis on finding people who fit into the established culture by assessing the alignment of personal values with corporate core values at the interview stage (Bryant, 2013).

2 Degrees Food. Following his consultancy work in Rwanda with the non-profit, Partners in Health, businessman Lauren Walters returned to the US with a passion to create a business with a higher purpose. He expressed his dream to family friend, Will Hauser, who was anxious to leave his unfulfilling work as a financial investor, and the idea for 2 Degrees sparked. Officially launched in 2011, the company sells nutritional food bars, full of fruit, nuts, and heritage grains, online and through American retailers (2 Degrees, 2014). 2 Degrees uses the same One-for-One giving model that TOMS made famous, in which the company donates a meal to impoverished children for every bar they sell (2 Degrees, 2014). Although 2 Degrees has found success with this model, one of the challenges that the company faces is that the product is consumed rather than worn and therefore results in less word-of-mouth marketing (Marquis & Park, 2014, p.

30). Additionally, the company accepts lower profit margins in order to give substantially (Marquis & Park, 2014, p. 30).

The company partners with non-profit organizations (Action Against Hunger, Akshaya Patra, IMA World Health, Partner in Health, Relief International, and Valid Nutrition) in Haiti, India, Kenya, Malawi, and Somalia to distribute locally produced and nutritional meals (2 Degrees, 2014). Whenever possible, the non-profit organizations hire labor, buy produce from farmers, and then distribute meals all in the same locations thereby supporting and sustaining the developing communities and avoiding dependency that is often associated with corporate responsibility (2 Degrees, 2014).

Starbucks. Founded in 1971 in Seattle's historic Pike Place Market, Starbucks has revolutionized the American coffee experience. In 1981, Howard Schultz, Starbucks' chairman, president, and CEO, tasted his first cup of Starbucks coffee and was hooked (Starbucks, 2014). Drawing inspiration from a trip to Italy, Schultz bought Starbucks in 1987 with the intention of bringing the Italian coffeehouse tradition to the United States (Starbucks, 2014). Currently there are more than 21,000 Starbucks cafes in over sixty countries, yielding almost \$15 billion per year in business (Global Responsibility, 2013, p. 3). Although initially established without core values of sustainability and social responsibility, under the leadership of Schultz, Starbucks continues to adjust its operations to reflect its current vision "to be innovators, leaders, and contributors to an inclusive society and a healthy environment so that Starbucks and everyone we touch can endure and thrive" (Starbucks, 2014). The company has made significant efforts to align brand perceptions with its SRBPs such as printing

recycling information on coffee cups and publishing informational brochures to distribute in stores (Cramer & Karabell, 2010, p. 212).

In order to meet the needs of its international laborers, Starbucks implemented C.A.F.E. (Coffee and Farmer Equity) Practices by opening the first Farmer Support Center in Costa Rica in 2004 (Global Responsibility, 2013, p. 2). In 2008, the company set scalable goals regarding ethical sourcing, community improvement, and environmental restoration (Global Responsibility, 2013, p. 3). One of these goals is to ethically source 100% of coffee by 2015. As of 2013, Starbucks sourced 95% of coffee beans through their C.A.F.E. Practices, Fair-trade, or other audited and ethical systems (Global Responsibility, 2013, p. 4). The company opts for an “open-source” approach to coffee bean sourcing, in which it shares the best practices and resources with other coffee producers – including competitors – to achieve long-term sustainability within the industry (Global Responsibility, 2013, p. 5). One of these initiatives is the provision of lines of credit to coffee farmers. The goal for 2015 is to increase these loans to \$20 million (Global Responsibility, 2013, p. 8). Additionally, Starbucks adopts strict standards of social responsibility regarding suppliers for tea, cocoa, and store merchandise. Since 2006, the company frequently assesses supplier factories for compliance and halts production when standards are not adequately met (Global Responsibility, 2013, p. 6). Others goals from 2008 included 25% reductions in water and energy consumption in company-operated stores by 2015. The company saw a total decrease in water consumption of 21.1% as of 2013 and large improvements in energy consumption, but noted the need for continued innovation to see further progress (Global Responsibility, 2013, p. 12). Starbucks constantly engages in

environmental conservation initiatives by partnering with Conservation International to plant and protect forests to decrease the negative effects of climate change (Global Responsibility, 2013, p. 18).

The Starbucks Foundation, a 501(c)(3) charitable organization created in 1997 to fund literacy programs, manages over \$11 million given by Starbucks Corporation and private donations (Starbucks, 2014; Global Responsibility, 2013, p. 24). The foundation channels the funds into grants for Starbucks Youth Leadership Grants and social development grants (Starbucks, 2014). Additionally, Starbucks Foundation contributes to the Ethos Water Fund, which supports water, sanitation, and hygiene education programs (Global Responsibility, 2013, p. 23). Starbucks publishes an annual report outlining the company's social responsibility in ethical sourcing, environmental stewardship, and community involvement (Global responsibility, 2013, p. 26). This voluntary publication provides easily accessible and transparent information for interested consumers, employees, and other companies within the industry, supporting the goal of the company to constantly engage with stakeholders.

Patagonia. Patagonia revolutionized the climbing apparel market in 1974 when its founder, Yvon Chouinard, introduced brightly colored attire made from durable materials. Chouinard found his love of the outdoors in 1950s as a member of the Southern California Falconry Club. In the 1960s he partnered with Tom Frost, a fellow climber, to manufacture improved climbing tools. Although the tools enhanced the climbing experience, the design damaged the pristine faces of the rocks. Uneasy about the environmental damage caused by his products, Chouinard and Frost eliminated the best-selling product and innovated a solution. Chouinard switched business gears in

the 1970s after the brightly colored rugby shirt he wore climbing gained attention and he realized a demand in the apparel industry (Patagonia, 2014). Chouinard and his team meticulously searched for materials that would withstand the rigors of harsh climates and the wear and tear of hard-core athleticism. Over the past thirty years, Patagonia has continued to sense and respond to the demands of consumers with innovative improvements of existing products and inventive launches of new merchandise.

For the majority of the company's history, Patagonia corporate headquarters has not had private offices or a mandated dress code – even bare feet are permissible (Patagonia, 2014). The company is more focused on eliciting creativity from its employees than on maintaining a serious corporate image. In an *Inc.* article, Chouinard describes the problems with traditional management: “The worst managers try to manage behind a desk. The only way to manage is to walk around and talk to people” (Welch, 2013). Chouinard's method of increasing productivity was the coined MBA method: managing by absence. All employees are encouraged to spend time each day outside of the office; surfing at lunch, playing a pick-up game of volleyball, or taking advantage of a “Green sabbatical”, where employees take up to two months of paid leave to work for environmental groups (Hamm, 2006). When employees are in the office, the culture is one of collaboration and organizational support. The company was one of the first to offer onsite childcare to employees, prompted by Chouinard's wife, Malinda (Patagonia, 2014).

Patagonia's core values shape every level of the company's supply chain. The goals of quality, integrity, environmentalism, and breaking the bonds of convention

drive the organizational culture and vision of the company (Patagonia CSR, 2007, p.6). Since 2001, the company has participated in the Fair Labor Association (FLA) Independent External Monitoring program whereby Patagonia's social compliance is randomly audited by a third party and then publically reported, increasing the company's credibility (Patagonia CSR, 2007, p. 2). Patagonia annually gives either 1% of its sales or 10% of profits – whichever number is greater, to small grassroots groups that are making big environmental impacts (Patagonia, 2014). In 2011, the company received B Corps certification for its holistic approach to business and social development (B Corps: Patagonia, n.d.). Patagonia's effective approaches to improving the consumer goods industry has caught on. As outlined in a 2012 article in the *Wall Street Journal*, the company partnered with Wal-Mart to create the Sustainable Apparel Coalition, which sets environmental standards for clothing companies to produce merchandise responsibly (Stevenson, 2012). The company is a fantastic example that even long-established consumer goods companies can evolve their business practices to become more socially responsible in each area of supply and value chains with incremental changes and a strong passion for creating change.

Newell Rubbermaid. A conglomerate of eighteen consumer goods brands, Newell Rubbermaid employs approximately 17,000 people throughout the world, sells merchandise in over 100 countries, and yield sales over \$5 billion per year (CR Report, 2013, p. 3). Similar to corporations of its size and scope, Newell Rubbermaid has incrementally adjusted its mission and supply chain to integrate an increasing level of social responsibility into the company. Established in 1903 in Ogdensburg, New York, Newell Rubbermaid is now headquartered in Atlanta Georgia. The company boasts

well-recognized brands such as Sharpie (writing utensils), Calphalon (kitchen tools), Rubbermaid (food storage), Graco (infant supplies), and Goody (hair care & accessories) (CR Report, 2013, p. 3).

In 2012, Newell Rubbermaid implemented its “Growth Game Plan”, a corporate strategy devoted to developing and globally growing each brand through improvements in productivity and performance and a continued focus on innovation and design (Newell Rubbermaid, 2014). The values of the company, which include: growth, inspiring passion, innovation, and social relevance, clearly support the company’s purpose of helping people to “flourish every day where they live, learn, work and play” (Newell Rubbermaid, 2014). The company is committed to creating an “I want to work here” culture. Newell Rubbermaid accomplishes this goal through an employee insights team, engagement initiatives, opportunities for internal advancement, and performance recognition (CR Report, 2013, p. 9). Additionally, Newell Rubbermaid makes community outreach a priority. According to Chris Koerner, Senior Category Manager, Newell Rubbermaid conducts a corporate-wide “Global Day of Service” in which all employees are encouraged to spend time volunteering in their communities (personal communication, July 15, 2014).

Newell Rubbermaid’s goal of growth requires that all employees continue to learn and expand their spheres of knowledge and experience. To help meet that goal, the company offers a variety of courses in formal classroom and online training formats that provide learning opportunities to improve corporate efficiency and effectiveness (CR Report, 2013, p. 14). In regards to operations, the company decreased recorded injuries by 72% globally over five years through improved safety measures and the

Safety Excellence and Leadership (SEAL) process, which analyzes current issues and develops prevention methods (CR Report, 2013, p. 14). Conscious of its responsibility to the consumers that use its products, Newell Rubbermaid brands design their products with respect to the environment without losing focus of the needs of the end consumer (CR Report, 2013, p. 18). The company's product development process takes into account the entire product life cycle to evaluate the environmental impact of material extraction, manufacturing, packaging, distribution, and responsible disposal of the products (CR Report, 2013, p. 18). Taking a deep interest in sustainable design initiatives benefits the company through cost savings, the consumer through healthy and safe products, and the environment through conservation, preservation, and restoration.

Apple. Known for superior design and associated notions of "coolness", Apple is a worldwide leader in the consumer technology industry. Founded in 1976 by college dropouts, Steve Jobs and Steve Wozniak, Apple revolutionized the technology sector by offering computers small enough for personal home and office use (Richardson, 2008). Under the leadership of Jobs, Apple constantly pushed the creative limits of the industry through the expansion into mp3 players, portable computers, and music software (Richardson, 2008).

Due to its reliance on cheap labor and inexpensive industrial materials sourced from developing countries, Apple has had to overcome much public criticism (Cramer & Karabell, 2010, p. 192). Responding to social and industry pressures, in 2008 Apple instituted the Supplier Employee Education and Development (SEED) program, which offers educational courses to factory workers before or after their shifts (Supplier

Responsibility, 2014, p. 8). Since its initiation, over 480,000 workers have taken courses ranging from English to management, economics to cosmetology (Supplier Responsibility, 2014, p. 8). The company is also cognizant of its environmental impact and has sought to make necessary changes in the recent past. In 2013, Apple conducted 62 assessments to analyze risks and environmental issues that violate the company's Code of Conduct – a document outlining corporate expectations on labor rights, ethics, safety, and the environment – and mitigated these problems through a corrective action process and the accountability of third-party auditing firms (Supplier Responsibility, 2014, p. 38).

Other socially responsible institutions

American companies may choose to apply for a variety of accreditation programs and certifications to add to their internally developed reports of social responsibility. External audits and certifications do not provide a holistic picture of social responsibility, but they can help consumers quickly differentiate between consumer goods companies that put forth extra effort towards attaining sustainability and those that are merely complying with the law. Each organization uniquely recognizes different aspects of socially responsible business practices, and either completes external audits of companies to recognize companies that adhere to specific sustainability criteria (B Corps & Cradle to Cradle) or provides consulting services to adjust and enhance existing business practices (IDH).

B Corps. One nonprofit organization, B Corps, completes external audits and rates companies using the proprietary B Impact Assessment. This evaluation gives a company a score based on four categories of stakeholder impact including: governance,

workers, community, and the environment (B Corps, 2014). A company that receives a score of at least 80 out of 200 may proceed in the process to becoming certified. All companies are encouraged to take the assessment as a benchmarking activity. The B Corps “Declaration of Interdependence” states:

We hold these truths to be self-evident: That we must be the change we seek in the world; That all business ought to be conducted as if people and place mattered; That through their practices, and profits, businesses should aspire to do no harm and benefit all; and To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations.

The organization certified over 1,000 companies since its establishment in 2006 (B Corps, 2014). Of the companies profiled above, method, Patagonia, and Warby Parker have received B Corps certification (since 2007, 2011 and 2011, respectively). Once a company is certified as a B Corps, it must pay an annual fee based on yearly sales and complete a biennial evaluation, which includes the B Corps Impact Assessment and the submission of supporting documentation (B Corps, 2014).

Cradle to Cradle. With respective educational backgrounds in architecture and chemistry, William McDonough and Michael Braungart, cofounded the McDonough Braungart Design Chemistry firm, which later established the Cradle to Cradle Products Innovation Institute (C2C, 2014). The two men met initially at a meeting for the Environment Protection Encouragement Agency hosted by the director, Braungart. Following that reception, they collaborated on *The Hanover Principles*, design guidelines for the 2000 World’s Fair regarding the environmental and social impacts of buildings

and other objects (McDonough & Braungart, 2002). The firm assists corporate clients in implementing sustainable and eco-effective designs that the authors have developed. The certification that McDonough and Braungart offer, Cradle to Cradle, measures how innovatively and sustainably products can be designed and manufactured. The following excerpt summarizes the core of the Cradle to Cradle ideology: “We see a world of abundance, not limits. In the midst of a great deal of talk about reducing the human ecological footprint, we offer a different vision. What if humans designed products and systems that celebrate an abundance of human creativity, culture, and productivity?” (McDonough & Braungart, 2002, p. 15-16). Cradle to Cradle stands out from other certifications in that specific products, not a whole brand, may be certified. Products are assessed against the following criteria: material health; material reutilization; renewable energy and carbon management; water stewardship; and social fairness (C2C, 2014).

IDH: The Sustainable Trade Initiative. Many companies have the resources and the passion needed to institute SRBPs, but may not have the knowledge and know-how to actually enact change. Therefore, organizations such as the Dutch agency IDH offers consultancy services to improve the structures of and implement best practices in a variety of industries including: cocoa, tropical timber, tea, soy, cotton, coffee, cashew, aquaculture, and electronics (IDH, 2014). The institution supports the coalitions of companies, NGOs, governments, and other stakeholders in reducing poverty, protecting and preserving the environment, and facilitating transparent trade (IDH, 2014). IDH’s initiatives in each of the targeted industries improve supplier traceability and transparency, which helps companies to make sustainable decisions

regarding supply chain adjustments (IDH, 2014). For example, IDH's work in the electronics industry supports Apple's supplier responsibility initiatives in China by cultivating communication between workers and corporate leadership, improving resource usage in factories, and sanctioning collaboration with other electronics companies to pool resources on management best practices (Supplier Responsibility, 2014, p.9; IDH 2014).

Analysis

Overcoming Challenges

One of the general goals of businesses that implement sustainable and socially responsible practices is to be an agent of change. Every business, regardless of its inclinations towards contributing to the improvement of society, has challenges in operations, management, finances, marketing, human resources, etc. In light of a somewhat even playing field and the above-discussed examples of American consumer goods companies that do give back to society, every company should be capable of using its resources to address societal needs. Social entrepreneurship, social intrapreneurship, and mainstream adopting firms all take unique approaches to instituting SRBPs given that companies of different scope, size, core values, and age warrant specialized planning and implementation.

Public image. Companies are free to share or withhold as much or as little information as they wish. Reports published for the general public, often do not provide a complete picture of a company's social responsibility successes, the true financial stability, or a comparison of accomplishment with other companies in the industry. The reported integration of SRBPs may improve a company's public image, even if it is artificial. Although some of the previously discussed audits and certifications provide a more holistic picture (B Corps, Cradle to cradle, etc.), consumers must still take responsibility for purchasing decisions. Every purchase that a consumer makes, casts a fiscal vote of support for a company.

Resource constraints. The availability of financial, material, labor, and transportation resources significantly factor into the capabilities of consumer goods

companies to integrate SRBPs. Although some SRBPs do not require any extra resources (legal compliance, promotion of transparency, etc.), the integration of many SRBPs does necessitate additional resources to be accessible. There are many tangible and intangible costs associated with responsibly modifying the supply chain including, but not limited to: research and design; increased/decreased labor; new packaging; improved transportation methods; and corporate-sponsored disposal programs. Even corporate volunteerism requires the sacrifice of paid work hours and employee productivity. Consumer goods companies should carefully consider which practices would best benefit the company based on short-term resources and incorporate other SRBP goals into the long-term planning process in order to obtain necessary resources. SRBPs should also further the mission and vision of a company by maximizing current resources and advancing its core competencies.

Conclusion

Successful and sustainable SRBPs should be customized to the specific strengths of a company; create short, medium, and long-term goals; extend throughout the value and supply chains; innovate and transform markets; formulate a clear vision and framework for action; and establish accountability with appropriate audits and reporting standards. The *p* in SRBP stands for *practice*, which implies action and application. There is huge potential for consumer goods companies to positively impact society, the environment, and financial bottom lines through the integration of SRBPs into organizational cultures. Although long-term success is not guaranteed with the integration, many companies have achieved high levels of economic and social performance through the use of SRBPs.

There is a great need for American consumer goods companies to respond to societal needs by integrating socially responsible business practices into their organizational cultures. The included historical perspective provided an abbreviated overview of the historical evolution of social responsibility in the United States in the past century. This section evidenced *why* consumer goods companies must pay attention to social responsibility in order to stay relevant in a country that continually puts human development at the forefront of political policies, economic reforms, and social causes. The review of literature highlighted that leading management thinkers have long supported the idea of businesses taking responsibility for their actions and explained *how* companies can implement SRBPs into organization cultures and operational processes. The profiles of companies that employ SRBPs reinforced the

idea that American companies in the consumer goods industry can find success socially and environmentally without sacrificing economic profitability.

This thesis conveyed the importance of looking to the past to plan for the future. The world has only a finite amount of resources and holding capacity for a steadily enlarging population. All American companies and consumers have the responsibility and the capacity to contribute to maximizing the longevity of life on earth through sustainable employment, manufacturing, and product disposal. The future is ripe with opportunities to advance social, economic, and environmental development and attain sustainability!

Recommendations

After reviewing a variety of academic resources and profiling a diverse sampling of businesses that incorporate SRBPs into their organizational cultures, it is the conclusion of this author that SRBPs should be integrated into all consumer goods companies for maximum value creation in terms of economic, legal, ethical, and philanthropic goals. Crafting organizational missions and objectives that reflect societal demands in respect to the financial bottom line, the maintenance of the environment, and the protection of all stakeholders, results in a holistic system of management. Just as every company has different core competencies, each should also have distinctive SRBPs that are implemented for maximized success. American consumer goods companies should never assume a “one size fits all” method to addressing societal and environmental issues, but rather they should craft an organizational strategy of profitability, integrity, and generosity.

As stated in the PricewaterhouseCoopers document, “Sustainability is a journey, not a destination” (PWC, 2003, p. 14). Sustainability at the heart of business requires an emphasis on the interactions between company leadership, stakeholders, and the general community, and a consideration of the potential effects that decisions will have on the bottom line profit, the labor, and the environment. There is endless potential for American consumer goods companies to benefit from the integration of SRBPs into organizational cultures and supply chain operations. The long-term orientation of sustainability and the continued evolution of the American business landscape evidences that the assimilation of SRBPs is not a fad, but a steadfast means to attaining a prosperous financial and environmental future for humanity.

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Appendix A – Socially responsible business practices

The following is a non-comprehensive list of socially responsible business practices that a consumer goods company may incorporate into their operations and organizational culture.

Social	Economic	Environmental
<ul style="list-style-type: none"> • Obeys the law • Promotes honesty, transparency & ethical behaviors • Institutes safety standards in the workplace • Refrains from using misleading or deceptive marketing techniques • Makes products that are safe for consumers • Protects employees from discrimination on the basis of age, sex, religion, disability, national origin, race/color, pregnancy • Responds quickly to customer complaints • Provides employment training for low-income communities • Promotes employee volunteerism • Conducts periodic employee reviews to provide feedback • Engages employees through empowerment & leadership opportunities 	<ul style="list-style-type: none"> • Gives money to charitable, health, or educational organizations • Voluntarily seeks third-party audits • Displays a high level of transparency with stockholders • Pays taxes • Maintains strict standards against bribery & corruption • Shares financials with employees 	<ul style="list-style-type: none"> • Utilizes eco-friendly & minimalist packaging • Minimizes pollution of land, water & air • Encourages recycling & energy efficiency within the company • Transports products using eco-friendly methods • Designs products using organic or repurposed materials • Extracts raw materials with the greatest caution and care of the environment • Generates on-site electricity

Appendix B – Definitions of key terms

Corporate social responsibility

An organizational approach to enacting constructive initiatives in local and international communities. Corporate social responsibility (CSR) typically represents specific responsibility campaigns that may or may not relate to the mission, vision, values, and core competencies of a company. The Harvard Kennedy School explains that CSR “encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm” (2008). Carroll et. al (2002) described an analysis of thirty-seven definitions of CSR completed by Alexander Dahlsrud in 2008. In his research, Dahlsrud found five recurrent dimensions including: environmental, social, economic, stakeholder, and voluntariness (Carroll et. al, 2012, p. 7-8). These dimensions do give broad boundaries, but do not actually give any structure or true clarity to what social responsibility tangibly looks like.

Development

The progression of humanity in regards to the lessening of both the causes and effects of poverty; and promoting prosperity without detrimental impacts on the environment. According to the United Nations’ Human Development Index, development is measured in dimensions of health, life expectancy, accessibility of knowledge, standard of living, gender disparity, and inequality.

Management

Methods and processes that shape the operational structure of an organization. Management also refers to the upper levels of a corporate structure that provide leadership and direction for the company. Kotter (2001) makes a distinction between management and leadership, noting that management copes with complexity and delivers organization, while leadership provides motivation and casts vision.

Organizational culture

The intangible and tangible elements that characterize a company; including, but not limited to: management structure, ethical orientation, strategic mission, employee morale, hiring & firing procedures, SRBP initiatives, labor standards, etc. In a contributing article to *The Harvard Business Review*, Michael Watkins (2013) noted that organizational cultures are the following: observable patterns of behavior; processes of creating shared value through awareness and understanding of individuals; carriers of meaning; control systems to dictate the “right” systems of thinking; shaped by the broader culture of society; and dynamic and interactive.

Philanthropy

Actions related to voluntary giving of time, money, products, or services without expected reciprocation. Robert Payton and Michael Moody, authors of *Understanding*

Philanthropy: Its Meaning and Mission, discuss philanthropy as a multifaceted concept relating to voluntary giving, voluntary service, and voluntary association. In this context they define benefiting society with the following phrase, “Philanthropy is an expression of this human moral imagination that seeks to improve the quality of life” (Payton et. al, p. 64). Humans are characteristically concerned for each other at some level and consequently desire to perfect life in hopes of eradicating the world of injustice. Philanthropy is an important factor in supporting the work of nonprofit organizations and supplementing the financial contributions of the government. Payton and Moody go so far as to suggest that philanthropy is necessary for democratic societies – including that of the United States – to survive (Payton et. al, p. 13). They claim that governmental policies and plans have gaping holes that require the assistance of voluntary action to meet society’s needs.

Socially responsible business practices

An amalgamation of all CSR, philanthropic, and sustainability initiatives that a company may employ. SRBPs strategically contribute to the mission, vision, values, and core competencies of a company.

Supply chain

Every functional stage in the operational life of a consumer goods company. The supply chain takes a product from an idea to a used good through processes of innovation, design, resource extraction, manufacturing, packaging, transportation, wholesaler, retailer, consumer, and retirement, recycling, or repurposing.

Sustainability

A holistic approach to human development in which all processes and operations are viewed through a lens of long-term responsibility with respect to economic viability, internal and external stakeholders, and the environment. In regards to business, Joseph Elkington, founder of SustainAbility, coined the concept Triple Bottom Line in which businesses strategically plan to maximize the three “bottom lines”: profit, people, and the planet (TBL, 2009).