

**Do socially responsible managers violate their  
fiduciary responsibilities?**

**Yes (if they do not “invest” in CSR strategically)**



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# Outline

- ❑ **My Journey Into the Study of CSR (e.g., McWilliams and Siegel, 1997)**
- ❑ **Theoretical Perspective: Theory of the Firm/Supply and Demand/Economic/Strategic Perspective (McWilliams and Siegel (SMJ-2000, AMR-2001, JMS-2006, JOM-2011); Siegel-AMP-2009; Siegel and Vitaliano-JEMS-2007)**

## **CSR: Definition**

**□ CSR-Actions Taken by a Firm that Appear to Further Some Social or Environmental Objective, Beyond the Interests of the Firm and that Which is Required by Law (McWilliams and Siegel, 2001)**

**(Economists Call This “Private Provision of Public Goods”)**

**CSR: Theory of the Firm/Demand for CSR  
(McWilliams and Siegel, 2001):**

**Components of Demand for CSR**

- Consumer Demand**
- Investor Demand**
- Additional Stakeholder Demand for CSR (e.g.,  
Workers, Suppliers, Community)**

# **CSR: Theory of the Firm/ Demand for CSR (cont.)**

## **Consumer Demand for CSR**

**Creation of New Product Categories:**

**Organic Products**

**“Free Range” Chicken and Beef**

**“Made in America” Apparel**

**“Dolphin-Free” Tuna**

**Mix of Product and Process Innovations**

**⇒ Each CSR characteristic is Valued by Some Consumers, as well as Other Stakeholders**

# **CESR: Theory of the Firm/ Supply of CSR**

**“Supply” of Goods and Services with CSR Characteristics:**

$$Q_y = Q_x + Q_{CSR} = f(K_x + K_{CSR}, L_x + L_{CSR}, M_x + M_{CSR},)$$

**where: Q=output**

**K=capital**

**L=labor**

**M=materials**

**⇒ CSR characteristics entail higher costs because firms must devote additional resources or inputs to generate these “social/environmental” characteristics**

## **Conclusions Based on the Theory of the Firm/ Supply and Demand Framework for CSR**

- ❑ Firms Use CSR Strategically-Can Be An Integral Feature of Their Corporate and Business-Level Strategies**
- ❑ They Weigh The Costs and Benefits Of Engaging In These Activities**
- ❑ Apply SCP or RBV Paradigms to CSR (Predictions Regarding Patterns of Investment in CSR Across Firms and Industries)**
- ❑ CSR is correlated with R&D and Advertising (role of information asymmetry)**

## **Conclusions Based on the Theory of the Firm/ Supply and Demand Framework for CSR (cont.)**

**□ CSR can also be used to employ pre-emptive strategies (Siegel (2009))**

**□ Raising Entry Barriers**

**□ Influencing Industry Regulation to the Advantage of the Firm**

**□ Raising Rivals' Costs**

**⇒ Empirical Patterns of Firm-Level “Investment” in CSR Are Consistent With Strategic/IO Theories of CSR (Siegel and Vitaliano-JEMS-2007)**



# **Some Managerial and Policy Questions That Can Be Addressed Using the Theory of the Firm/ Supply and Demand Framework for CSR**

- ❑ How Should Managers Allocate Resources to CSR Activities?**
- ❑ What is the Role of Individual Managers/CEOs (Waldman, Siegel, and Javidan (2006)-JMS)**
- ❑ Implications for “Responsible” Leadership? (see exchange with Waldman in Leadership Quarterly)**