CSR: THE ENGINE OF LONG-TERM PROFITABILITY—A GROUNDED THEORY
STUDY OF A SUSTAINABLE BUSINESS MODEL

_____

A THESIS

Presented to

The Faculty of the Department of Economics and Business

The Colorado College

In Partial Fulfillment of the Requirements for the Degree

Bachelor of Arts

By

Samuel Eldredge Bermingham

February 2020

CSR: The Engine of Long-Term Profitability—A Grounded Theory study of a Sustainable Business
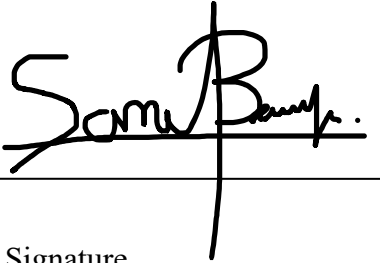
Model

Samuel Bermingham

February 2020

Economics

Abstract

In response to growing concern for social and environmental issues throughout the world, businesses are on the edge of reshaping value creation at a fundamental level. Ultimately, sustainability is the engine of long-term profitability. Corporate social responsibility (CSR) allows companies to look beyond the narrow short-term self-interest of business and focus on the long-term ability of doing good. Furthermore, CSR creates a strong sense of purpose by creating strong relationships with stakeholders and helps a company connect to its customers and adjust to the changing demands of society. This paper uses a grounded theory research approach, interviewing five employees who work for a variety of companies that have robust CSR programs to uncover the importance of implementing CSR into a firm's business model.

ON MY HONOR, I HAVE NEITHER GIVEN NOR RECEIVED

UNAUTHORIZED AID ON THIS THESIS

Signature

TABLE OF CONTENTS

1. Introduction

The business world is under siege. In recent years firms have been viewed as causing significant social, environmental, and economic problems (Porter & Kramer, 2006). Companies are prospering at the expense of society, and distrust in the corporate world is widespread. (Porter & Kramer, 2006) A significant portion of the problem stems from companies trapped in an outdated approach to value creation. Historically, value creation was measured by a firm's ability to increase profits for shareholders; in the context of corporate social responsibility (CSR), value creation is determined by a kaleidoscope of factors such as community engagement, employee well-being, and environmentally sustainable practices. It is easy to cite companies that have created schisms in the social, political, and economic fabric of society via exploitative and exclusionary practices, but there are also companies at the forefront of creating positive systemic change via ethical and inclusive practices. (Hughes, 2014)

Short term thinking often drives decision making, and in many cases, the profit generated from this type of thinking is at the expense of future generations—climate change is a great example of this. While acting with altruism is something people strive for, the business world has shown that it is unrealistic to expect that, when confronted with the choice to act in self-interest or act selflessly, people will choose the latter. But the world we live in is becoming more fluid and binaries are passé. CSR programs disrupt the economy in positive ways because they reconcile two elements that in traditional economic models were independent of one another: the ability to make a profit while also being socially responsible.

The importance of serving stakeholders and embracing purpose is becoming increasingly central to the way that companies understand their role in society. A company cannot achieve long-term profits without embracing sustainability and considering the needs of a broad range of stakeholders. Creating purpose through implementing robust corporate social responsibility programs helps companies evolve to meet the demands of society. CSR programs are defining a new way for firms to behave where being transparent and responsive with stakeholders is championed over short-term acting.

A pioneer in the trend to balance profit with purpose is the nascent B-corp Movement. B Lab, the non-profit behind the B-corp movement, was born out of the desire to redefine the way businesses approach value creation (Benefit Corporations, 2015). B Lab wanted to transition from the short-term optimization of profits to a business model that engendered an environmentally sustainable and socially responsible economy. B Lab seeks to provide the infrastructure to produce systematic change that leads to the development of a worldwide community of firms that have CSR at the core of their business model. The CSR movement is unique because it drives societal change through repurposing existing capital structures. The movement appeals to the current utility-maximizing thinking that drives our economy while leveraging the values and ideologies that fuel social movements. Milton Friedman (1970) stated that the only social responsibility of a firm is to use its resources in a manner that maximizes profits for the firm's shareholders. CRS challenges Friedman's belief given that the inclusivity of CSR models attracts, retains, and develops capable employees—important factors in determining the success and health of a company.

This thesis uses Grounded Theory to understand the implication of incorporating CSR into a firm's business model and how businesses use CSR as a mechanism for recruitment, development, and retention of talented and capable staff. Furthermore, I use the theoretical frameworks of stakeholder theory, shareholder value, and social identity theory to better understand the social and psychological drivers behind CSR. Through my research, I will challenge Milton Friedman's Agency Theory and address how CSR offers a different approach to creating value for shareholders and society that ultimately lead to a healthier ecosystem of businesses and long-term profitability.

2. Literature Review

Max Weber argued that "puritan ethics and ideas influenced the development of capitalism. The 'spirit of capitalism' does not refer to the spirit in the metaphysical sense but rather a set of values, the spirit of hard work and progress" (Weber, 1905). Weber is not arguing that protestants created capitalism, rather, the values that Protestantism champion are highly compatible with capitalism. Weber's goal is to understand the source of this spirit. He turns to Protestantism, specifically a branch of Calvinism that believes in predestination—that God has already determined who is saved and damned. A deep psychological need for clues made Calvinist value profit and success in worldly activities as signs of God's favor. "The Reformation profoundly affected the view of work, dignifying even the most mundane professions" (Weber, 1905). Protestants renounced physical pleasures in the pursuit of clues, meaning, and greater spiritual fulfillment. The idea of a calling. The spirit of working hard. The religious reformation of Protestantism placed value in work and earning money—work, money, and self-value became inextricably connected under the purview of religion. The religious doctrine to work hard

and earn money inculcated people with values compatible with capitalism, and that would lead it to succeed.

The spirit of working hard is still deeply embedded in U.S. society. Individuals use profit and material possessions to evaluate their self-worth. For protestants self-worth was defined by doing good in the eyes of God, while for today's individuals, self-worth is defined by doing good in the eyes of society. But in both cases, doing good was and is measured in monetary gains. In the twenty-first century, the driving force behind the protestant ethic is no longer religion, rather it is our place of work. Work is our new religion.

Religion and churches were institutions from which people derived social identity, which is a person's sense of who they are based on their group membership (Tajfel, 1979). One could argue that the social identity being fulfilled within the confines of the church were the parts of our identity that we associate with values and morality. Religion is almost universally concerned with moral righteousness, that is, how to be good. When the death of god was first proclaimed by Nietchitze, there was fear that a rise in secularism was going to lead to the degradation of humanity, for if you do not fear the wrath of God, what is to prevent you from being evil, or selfish (Hendricks, 2016).

Selfishness, charity, helping others are part of the Christian fabric; there was a fear that these values could not exist outside of religion, which implied that religion made us good and not that humans were inherently good. Historically, people found community in the collectivism that lends itself to religion, but in the 1990s something pivotal happened: the demise of organized religion and the rise of secularism (Thompson, 2019).

At one point, businesses lacked values, but employees found reconciliation through their church and religion. One has to wonder why the standards to which we hold firms have changed. The workplace is taking on an important role in the creation of our identity, thus, there is a demand for the workplace to embody and uphold values, ethics, and morals that were historically found in religion. People have values and morals that exist independently from religion, and we want them to be a part of our identity, regardless of if we are religious or not. As social beings, humans find meaning in community, but what types of communities they turn to for that meaning, can change from generation to generation; "people often find themselves shopping à la carte for meaning, community, and routine to fill a faith-shaped void. Their politics is a religion. Their work is a religion. Their spin class is a church. And not looking at their phone for several consecutive hours is a Sabbath" (Thompson, 2019).

Americans place a lot of importance on work, and as a result, work ends up constituting a large part of peoples' social identity. The shift towards inclusive and sustainable capitalism is occurring because of the felt effects of climate change but also because we want to feel good, and if we no longer have a religion that can make us feel that way, then we are going to turn to the place where we spend the most time: work. As a result, we expect humane and ethical capitalism, one which leads to the positive growth of community, dignified employee working conditions, and environmental stewardship which are all specific factors of CSR.

2.1 Defining CSR

The value of businesses is typically defined by its purpose and profits. The purpose being private or public, while profits have been distributed three different ways

among shareholders(private), redistributed to meet public interest(public) or reinvested back into the business(non-profit). In the past couple of decades, corporate social responsibility (CSR) has emerged as a significant aspect of businesses making the boundaries between private, public or nonprofit less distinct as numerous businesses have merged societal, environmental models and profit models. The orientation of for-profit organizations with social impact has changed from simple charitable giving to actual integration of sustainability in the core business model creating a triple bottom line (Miller-Stevens, 2018).

The concept of CSR has a long history. The first literature on the subject is from the 1930s, but the publication of Bowen (1953) is the starting point of the conversation around CSR. Bowen defined CSR as follows: "It refers to 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, pg. 6) Bowen saw it as the responsibility of all businesses to always take society into account. Later on, Davis sets forth the "Iron Law of Responsibility", which states that the social responsibility of business is determined by its social power. The extent to which a company can do social good is determined by the extent to which the company has an impact on society (Davis, 1973). Frederick puts forward an interesting perspective on CSR: "Social responsibility, in the final analysis, implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms" (Frederick, 1960, pg.60). In this definition, CSR is about the willingness of a company to look further than their short-term interest and use its

resources to have a positive impact in the future. Steiner further echoes Frederick's definition and describes CSR as follows "It [CSR] is a philosophy that looks at the social interest and the enlightened self-interest of business over the long run as compared with the old, narrow, unrestrained short-run self-interest" (Steiner 1971, pg. 164).

Carol (1979) divides CSR into four categories: economic, legal, ethical and discretionary to capture the entire range of obligations businesses have to society. The economic dimension requires that companies produce goods and services that society wants and generate economic benefit for their stakeholders, the legal dimension demands that companies obey the law, the ethical dimension calls on companies to go beyond law and engage in appropriate practices that will not cause harm to society, and the discretionary dimension invites companies to participate in philanthropic activities and be good organization (Carol, 1979). Bhattacharya, Sen, and Korschun (2008) emphasize that CSR can be used as a tool for internal marketing, proposing that "a company's corporate social responsibility activities comprise a legitimate, compelling and increasingly important way to attract and retain good employees" (Bhattacharya, 2008, pg. 41). CSR is a tool that can be used to humanize the company in ways other aspects of the company cannot; it portrays the company as a contributor to society rather than solely maximizing profits, "a paycheck may keep a person at the job physically, but it alone will not keep a person on the job emotionally" (Bhattacharya, 2008, pg. 43). Moreover, CSR can be used as a tool for differentiation allowing employees to capture what the firm is accomplishing through its sustainability programs. Drumwright (1996) revealed that firms should incorporate CSR into their mission as a long-term process for sustainable value so that their employees can buy into corporations' values and support the CSR

policy, rather than a "green-wash" corporate policy (Drumwright, 1996, pg. 79). Most of the CSR definitions entail four underlying components:

- Using business power in a responsible way
- Using resources that produce long-term profits and change
- Contributing to Society in an ethical way
- CSR as a tool for differentiation and employee retention

Over the years the literature on the definitions of CSR also led to numerous opinions and perspectives on the CSR concept. Despite the ambiguity, different theories have developed in the field during the latter half of the 20th century. Friedman (1970), criticized the concept, but more recent literature is shedding a positive light on CSR and even extends the concept.

3. Theory

3.1 Agency Theory—CSR Critique (Friedman, 1970)

A famous critique of CSR comes from Friedman (1970). Freidman in his paper *The Social Responsibility of Business is to Increase its Profits* supports Agency Theory which argues that businesses should not engage in CSR because "the one and only social responsibility of business is to use its resources and engage in activities designed to increase its profits" (Friedman 1970, p. 8) and thus doing so would be a misuse of stakeholders funds. In his view, the CEO's sole purpose is to create as much profit for the shareholders. So, by spending resources on CSR, it is taking away from the profits of the shareholders as well as resources from employees and consumers. The basis of our capitalist society is that people have the right to make their own decisions, and Friedman argues that CSR violates that right, where a CEO cannot make the decisions for

shareholders, employees, and consumers. The only social actions that are viable for an executive are to create more profit for the company. It is important to note that in this argument Friedman assumes that CSR is not profitable, but only costly for the firm.

Freidman states that: "in a free society, it is hard for "good" people to do "good", but that is a small price to pay for making it hard for "evil" people to do "evil" (Friedman, 1970, pg. 122). This concept contradicts the CSR concept. CRS is a concept that goes way further than preventing "evil". CRS is about doing "good" out of intrinsic motivation, about going further than the minimum requires to have a positive impact on future generations. CRS is a concept that allows businesses to use economic performance as a driver to create change. The underlying power of CSR is to connect business and society, where more recent theories and models agree with that.

3.2 Stakeholder Theory Wood (1991)

Stakeholders are "groups and organizations that are affected by or can affect a company's operations" (Wood & Jones, 1995, p. 231). Stakeholder theory proposes that stakeholders have three main roles concerning CSR. Stakeholders are the source of expectations about what desirable firm behavior is, they experience the effects of this behavior and they evaluate if the firm has met their expectations and how the firm has influenced the environment (Van Stiphout, 2016). If stakeholders evaluate that the behavior of a corporation does not correspond with their expectations, they will provide feedback to the relevant company. Then, companies and their managers have the responsibility to adapt to feedback and change. Otherwise, they bring the company in danger because of the principle of legitimacy (Wood, 1991) and the *Iron Law of Responsibility*: "Society grants legitimacy and power to business. In the long run, those

who do not use power in a manner which society considers responsible will tend to lose

it" (Davis, 1973). If the company does not act to stakeholders' expectations, they will

lose the support of the stakeholders and cease to exist. So even if Friedman (1970) is

right and the only responsibility of a corporation is to focus on its bottom line and make a

profit, they still have to take the expectations and feedback of all stakeholders into

account to even be able to exist and generate profits.

3.3 Shared Value Theory Porter and Kramer (2006;2011)

The most recent development around the concept of CSR is from Porter &

Kramer (2006;2011), and their concept is directly opposed to the view of Friedman

(1970). They state that "Companies should operate in ways that secure long-term

economic performance by avoiding short-term behavior that is socially detrimental or

environmentally wasteful." (Porter & Kramer, 2006, pg. 4) The core of their argument is

that companies and societies should work together and create shared value. The central

premise behind shared value is that the competitiveness of a company and the health of

the communities around it are mutually dependent. In other words, a company cannot

maximize profits for shareholders at the expense of other stakeholders. Instead, they need

to create value for both shareholders and communities.

Their view on shared value emerged from keen observations about the lack of

CSR in a corporation's business models. First, they observed that in most companies CSR

is not connected with the firm's strategy. Rather, CSR is treated as an externality or a cost

to the firm where it has no financial gains (Porter & Kramer, 2006). Therefore, it is not

surprising that CRS seems to make any impact on society and the long-term financial

performance of the firms. Firms should focus on the integration of CSR into their core

business model, Corporate social integration instead of corporate social responsibility (Van Stiphout, 2016). Secondly, they focused on the friction between businesses and societies. Both act as if the other is a major obstacle in accomplishing their goals. Most Businesses only focus on short-term profits and any action such as governmental laws or societal implications are considered as obstacles to making profits. Instead, business and society should focus on creating shared value because it will ensure long-term profitability. (Porter & Kramer, 2006).

3.4 Social Identity Theory (Tajfel, 1979)

Social Identity Theory is a psychological theory linking individuals and groups. The theory begins with the assumption that individuals exist in a society with a variety of social categories that stand in relative power and status relationship to each other (Lee, 2017). Although categories differ in scope and duration, they all have the potential to shape a person's self-concept. When individuals define themselves in terms of their social categories, a social identity is formed. In other words, social identity is "the knowledge that (one) belongs to certain social groups together with some emotional and value significance of…the group membership" (Tajfel 1972 pg. 31). Employees tend to identify with organizations that have a positive reputation in their community, where the firm's CSR actions have a direct impact on employees and organizational identity. As employees perceive their firms are genuinely engaged in CSR, from the social identity perspective, they will be proud of their organization (Lee, 2017). This, in turn, increases their connection and identity with the firm. A firm's investment into the community to support social and non-social stakeholders and consumer welfare will have a positive

impact on the firm's external image. This external image will have a positive outcome such as job satisfaction and lower employee turnover.

Aguilera, Rupp, Williams, and Ganapathi (2007) suggest that a good CSR program can decrease employee turnover in an organization. The rationale is that CSR, which is aimed at humanizing a corporation and fostering a connection between the organizations and society, can become a tool to increase an employees' sense of belonging to an organization (Aguilera, 2007). CSR causes employees to work together, not only for the organization but for the betterment of society; thus, employees experience a more collaborative and better work environment leading to higher job satisfaction. Also, employees seek to work for organizations whose practices are consistent with their Values.

4. Purpose of the Study

Climate change has become a defining factor in companies' long-term prospects, it will have a significant and lasting impact on economic growth and prosperity—a risk that firms to date have been slow to reflect on and change their habits. Most firms are trapped in an outdated approach to value creation, maximizing profits in the short-term, but these actions that damage society will catch up with a company and destroy shareholder and stakeholder value. In contrast, a hybrid model of a strong sense of sustainability while also maximizing profits can allow companies to promote long-term value. I embarked on this grounded theory study because initially, I wanted to use the Corporate Social Profitability (CSP) model presented by Wood to measure the success of companies that incorporate CSR into their core business model. Upon initial research, B-corporations (aka "B-corps") were pioneers in balancing purpose and profits. Which lead

me to my initial question: Do B-corps outperform financially to their competitors in a certain industry? Initial inquiries lead me to find out how hard it was to obtain financial data on private companies making the study almost impossible to conduct without a large sum of money to buy the data. Instead, I pivoted the research and used grounded theory study to collect qualitative data from employees who worked at companies that balanced purpose and profit to understand how CSR can help a build a sustainable and long-term profitable company.

5.   Methods

5.1 Method

I employed a grounded theory approach as a general lens through which to analyze "the common experiences for several individuals" (Corbin & Strauss, 2007, p.107). By using grounded theory, I strived to "move beyond description and to generate or discover a theory, a "unified theoretical explanation" (Corbin & Strauss, 2007, p.107) for a process or an action" (Creswell, 2018). Participants in the study would have all experienced being part of a company that is balancing purpose and profit.

Using qualitative data attained through a series of interviews, I observed what CSR meant to employees and their organization and then described this common experience without bias or speculation. By describing and not explaining the observed data, a grounded theory approach allowed an understanding to emerge that was then grounded in a previously researched theory. Through a process of grounded research bracketing, I grouped interview data into three themes, identifying the principal elements in the interviews that provided general insight into the importance of CSR for the health of a firm. Irrelevant particulars of individual accounts were set aside.

5.2 Sample

Purposeful sampling methods (Patton, 1990) were used to gather information-rich cases, primary criterion sampling. Criterion sampling refers to picking cases that meet some prespecified criterion. The inclusion criteria for this study were individuals who worked for firms balancing profit and purpose or wanted to help their company become more purpose oriented. Using my personal network and resources at Colorado College I was able to get emails and phone numbers of individuals who knew people that worked for companies with robust CSR programs. I emailed ten different individuals who all worked for different companies balancing purpose and profits. Most of the firms were located in the United States with two companies based in Uganda. Of the ten potential subjects, I conducted five interviews yielding a 50% response rate. The phone interviews yielded 143 minutes of digitally recorded data with individual interviews averaging 28.8 minutes in length. Interview duration ranged from 26 to 33 minutes.

5.3 Subjects

The subjects worked for a variety of companies from private, public, certified B-Corp to social enterprise, but all shared a common theme of balancing profit and purpose. Most companies had a triple bottom line, the only outliers were a cannabis consulting company with a bottom line and a consumer packaged goods company with five bottom lines. The first subject interviewed was an executive project manager for a cannabis consulting firm. The company is a small public company that is interested in becoming the first cannabis B-Certified corporation in the United States. The second subject was a product development and innovation manager at the same cannabis consulting company. The third subject was a national account manager a private company that produces

organic foods and drinks. This company is not a certified B-corp but has a robust CSR focused business model with five bottom lines: sustainability, people, brands, community and planet. The fourth subject was a Green Team member at a chain of privately-owned grocery stores. In 2013, the chain became the first grocery store in the world to be certified as a B-corp. The last subject was the co-founder a social enterprise that equips emerging market entrepreneurs to create affordable access to drinking water and other necessities in Kenya and Rwanda.

5.4 Procedure

Recruiting individuals who worked at B-corps or companies with strong CSR programs was a primary challenge to this investigation. Because of the short time frame of the research and not having an extensive network it was hard to find and contact individuals that were willing to be interviewed. I solicited volunteer participation using a snowball sampling technique, asking trusted participants to reach out in their network and recruit members, which resulted in ten participants that were willing to conduct a 10-15-minute interview. Although, five of the participants never responded to the follow-up email asking for availability to conduct a phone interview, resulting in only five successful phone interviews using the snowball technique. After scheduling a mutually acceptable time by e-mail and obtaining subjects consent to have the interview recorded, I lead the interview with specific questions while also encouraging subjects to reflect generally on their experience.

All interviews were conducted over the phone using voice memos to record the conversations. All authors participated in each interview with one-person conducting the interview. Immediately following the interview, I reflected on our conversations and

journaled for fifteen minutes about what I thought were the key takeaways and recorded any other observations and captured real-time analysis and thematic connections. I transcribed each interview, identifying all dialogue to facilitate coding.

5.5 Motivation and Limitation

The research that I have conducted into CSR has dramatically expanded my perspective as I engaged in a realm previously unknown to me. My initial motivation for pursuing research in CSR stems partly from curiosity as well as being an economics major with a focus on business at Colorado College. Furthermore, I believe climate change is invariably a top issue discussed in the business realm, and over the next few years, one of the most important questions firms will face is the scale and scope of how they are confronting climate change. This is where I believe CSR plays an immense role because it allows companies to use their profit as a force to do good and possibly move to a low-carbon economy.

Although my initial interest in researching CSR was to compare financial performance between B-corps and their counterparts in a particular industry, I found along the way that financial data on private companies were especially hard to gather. Furthermore, the results of the research would have been insignificant because B-corps haven't been around long enough. Although the grounded theory won't have any definitive answers, it will uncover why CSR is important for the health of a firm as well as pave a road for future research as I continue to further my understanding in a realm for which I collectively know little.

In the following section, I report my results, relying heavily on the descriptive interviews of the subject's experience and thoughts on CSR. Analyzing the data through a

grounded theory approach, I intend to focus on a "process or action…to develop a theory of this process or action" (Creswell, 2018).

6. Descriptive Data Analysis

I initially open-coded all transcripts (see figure 6.1 in Appendix) and constructed a series of memos identifying the salient categories of information supported by the text gathered through transcripts, reflective notes, and documents. Using the constant comparative approach, I attempted to "saturate" the categories. Due to the small sample size of subjects, I wasn't able to saturate my themes. After identifying the four categories, I composed subcategories, that represent multiple perspectives about the categories. I then identified a single category from the open coding list as the central phenomenon of interest. Information from the coding phase was organized into a figure, a coding paradigm, which presents the theoretical model of the process under study (See figure 6.2 in appendix).

In the following paragraphs, I report on the four common themes supported by narrative quotes from selected subjects from my sample and then provide a summary of each theme and then tie them all together into using multiple theoretical frameworks to "ground" the data.

6.2 Theme 1: Employee Retention

CSR enables companies to simultaneously balance profitability with producing social benefits; while corporate responsibility is usually defined through charitable giving or sustainable practices, nearly all the interviewed subjects spoke about CSR as a tool for employee recruitment and retention. The interviewees expressed that 'employee retention' is one of the metrics through which they quantify the impact of adopting the

CSR business model; CSR firms included in this study have better retention rates than the industry standard. The data regarding retention rates emerged through two questions: "What are the key advantages that accrue to (Company Name) by adopting a sustainable business model?" and "having a positive impact on employees, communities, and the environment seems to be a big criterion. How is this company going to measure a positive impact in each of these realms? From the perspective of employees working for CSR firms, an environment that engages its employees leads to staff growth within the company and higher retention levels of skilled labor.

- "We have a very unique business model and it was the main reason why I went to work for [our company]." (J.A.)

- "Our business model that focuses heavily on CSR helps with recruiting and retention, [our company] has less employee turnover than the industry standard so that shows how committed the employees are to [our company], they have bought into the Values by being stakeholders of the company." (J.A.)

- "This started with talking to our CEO just about our company and where we wanted to go. And one of the big things is that the cannabis industry is relatively new, and we want to be the industry leader in the way we treat our employees, from being the first to provide a full benefits package, giving people career trajectory opportunities and performance and development training." (K.T.)

- "For things like employee engagement, we will do employee engagements at the beginning of the year and then we'll go back next year and address their concerns and try to increase that year over year. And develop those metrics once we have a baseline." (K.T.)

- "So that's where the triple bottom line comes into play which is recognized in the books but at the end of the day if you're focused on revenue and meeting goals so you can give your employees bonuses or so you can grow your business and have free cash flow to do other business investments or ventures." (H.P.)
- "We look at turnover percent and compared to the industry our turnover is much lower. We look at living wages, not just minimum wage, in fact, last year we've always had a starting wage that's higher than the minimum wage." (L.K.)
- "We are ultimately growing and developing our people." (L.K.)
- "I mean I think everybody wants to work for a company that they feel that they love the mission and they want to be part of that, I think." (R.W.)
- "You look at stakeholders, which employees are stakeholders and you make sure it's a win for everybody. So, we do the best we can. That again, we were doing that even if we were, the way we organized, we still, that's the way I am. We just are doing it anyway." (R.W.)

Human capital is one of the most valuable assets of any company. As such, recruitment, development, and retention of talented and capable staff is essential to the health of any business. Interviewees' use of keywords such as 'connection', 'impact', 'community', 'growth,' just to name a few, highlights the role of CSR in fostering employee wellbeing—a critical factor that contributes to employee retention. J.A., a national account manager remarked, "I think having a purpose in business makes your job interesting and it makes it go from you selling snacks to creating change that will better our community." For employees, a meaningful connection with their work and a sense of belonging makes them feel more welcomed and incentivizes them to work

harder because their values are aligned with the companies. Employees want to see companies commit to the betterment of society by implementing programs that are not only focused on growing shareholder value but that are committed to engendering robust communities both internally and externally.

6.3 Theme 2: Community

Community engagement is one of the core pillars of CSR, all the subjects interviewed, talked about the importance of community to the success of their business. These companies define community as something beyond office culture: Community is an ecosystem made up of staff, partners, suppliers, customers, and the neighborhood they operate in.

A company with strong ties to its internal and external community has employees that are emotionally invested in the company's core mission. J.A. said, "what makes me more excited to go out and sell for this company, is its commitment to better our community and world," she continued, "I know the revenue I'm bringing in is supporting the good things were doing and I know the companies I'm selling to will value this commitment to our community and world."

When the well-being of a community becomes part of a firm's economic interest, it has the added benefit of generating purpose and meaning for employees like J.A.. Social identity theory claims, "employees use the status or social standing of their organization to evaluate their self-worth. Employees prefer to identify with organizations that have a prestigious image, which enhance their self-worth and meet their need for self-enhancement"(Tyler, 1999, pg. 236). With the firms that participated in this case study, community involvement adds to firm prestige, enhancing the self-worth of its

employees by creating purpose—employees know that the profit they help generate, will be used as a force to do good.

- "One of the main reasons why I'm passionate about CSR is that I firmly believe that Colorado legalized cannabis because we wanted that money and that profit to go back into our communities and I want that to be one of the staples of how we operate our business." (K.T.)
- "Partner with other suppliers or other organizations that share our same values to better our community and our world." (K.T.)
- "Costco has a huge sustainability program where [our company] can find ways to partner together and be seen as something more than just vendor." (J.A.)
- "Build out programs beforehand that matter and will create change in a community, and you have to not just check the boxes but have sustainable plans for those programs. Which will help you be successful in the long run because you will have the support of the community and employees buying into the company values and sustainability programs." (H.P.)
- "Thinking from a consumer perspective, especially college students like you, people who care about organically grown, giving back to the community and fighting for a cause and not just saying but doing that matters more and more and has been mattering more. It's a responsibility of all companies to do something along those lines." (H.P.)
- "Our whole brand is built on local supply chain and our markets have a really strong connection to our communities." (L.K.)

- "We think of the community as our staff and we think about the neighborhoods our stores operate in and our suppliers as partners." (L.K.)

- "We just launched the partner fund, where 1% of all of our partner brand sales go into the partner fund, the partner fund gives grant-based loans to local entrepreneurs to help grow their sustainable business." (L.K.)

- "We build more than a partnership, we build a community with our distributors where they can scale with us, allowing a lot of small businesses to become successful as we get bigger and more successful." (L.K.)

- "B economy which gives us access to so many different companies who we can partner with and work with. Becoming B certified gave us access to grow our purpose beyond our walls. Where other companies support us, as well as we support others by selling a lot of B products in our store." (L.K.)

- "We were pioneering or like championing something for the greater water sector. All the other companies that had been forced out joined forces with us, we ended up getting a pretty cool loan from a foundation that specializes in helping companies in situations like we were in." (R.W.)

- "Want to see us having a positive impact in the communities we work in. So, we genuinely are interested in the welfare and changing the game actually in terms of how money is deployed." (R.W.)

- "It's hard to measure our impact in communities, but we're raising all boats in the Harbor by the economic development that we're doing it because we're creating jobs where there weren't jobs before, good-paying jobs." (R.W.)

CSR helps firms create collective value that goes beyond the production of goods and services. A metric used to measure collective value is how a company reinvests capital back into the community and creates jobs. L.K., stated "we build more than a partnership, we build a community with our distributors where they can scale with us, allowing a lot of small businesses to become successful as we get bigger and more successful." As shared value theory demonstrates, a company can gain competitive advantage when generated revenue is reinvested in the communities they work with. Nestle, for example, worked closely with farmers of the Moga milk district in India, investing in local infrastructure to build a competitive milk supply chain that simultaneously generated social benefits through improved health care, better education, and economic development. Creating shared value is fundamental to how Nestle does business because they believe a firm cannot maximize profits for shareholders at the expense of other stakeholders. Instead, they believe a firm can only be successful in the long run by creating value for both shareholders and for society (Nestle, 2019).

6.4 Theme 3: Marketing

All the subjects in the study expressed the importance of using CSR as a tool to differentiate themselves in their respective industries. With the general population becoming more aware of social and environmental issues companies will need to adjust to the changing demands of society. John Friedman said, "companies are recognizing that consumers are not interested in buying 'responsible' products from companies that are not known for being 'responsible' themselves" (Freidman, 2015). In other words, companies that implement CSR can use it as a mechanism to reach out to the public in new ways; ways that get people connected, sharing and ultimately doing good with their dollar.

- "The B-corp certification is a huge seller. Also, a lot of these companies said that the marketing they received after becoming certified was hugely beneficial." (K.T.)

- "The concept of a B-corp and corporate social responsibility help with building that case to go raise the money to do the transaction and do all the things you say you want to do as well as differentiating yourself from what all the other businesses are doing." (H.P.)

- "Where is see B-corp making a difference is in story being told from an investment standpoint but also how it differentiates a company and at some rate, these companies in cannabis are going to develop the core competencies that are also going to differentiate them and that just saying what are you good at and this is a really good opportunity for [our company] to say were not just really good at operating were also really good at operating and having an impact." (H.P.)

- " [Our company]just committed in the next five years were all of the packaging will be 100% reusable, recyclable or compostable which is huge because the technology isn't there…and in the next five years were going to pull out a million tons of plastic from our waterways and parks and plant a million trees…where were seen as more than just a vendor." (J.A.)

- "The B-corp is just a way to help us continue to evolve and it helps us tell our story now has become something that people recognize, where it is used as a marketing tool because when customers see the "B" on our labels they now were doing more than just make a profit but use our profit as a force in doing good. So,

we think it's been pretty critical to our brand differentiation and um, and our growth." (L.K.)

CSR creates a great opportunity for firms to raise engagement and business investment, by telling a story through a unique lens of sustainability and purpose. In industries such as cannabis where it's still federally illegal, and companies aren't allowed to advertise their products, CSR programs can be used as a tool to communicate a different value—a moral one. Firms marketing their CSR programs, are able to appeal to consumers on a more human level through their ethically oriented messages and practices. Consumers are going to consume and firms with robust CSR programs can use marketing strategies to alter buying trends to favor ethical products over exploitative ones, then the capitalism that emerges will be a more inclusive, sustainable, and ethical.

7. Discussion

7.1 Theme 4: Identity

Reflecting on the descriptive analysis of the qualitative data, I note a strong occurrence that is congruent across all three themes which is the idea of identity. As stated in the literature review, social identity is how a group or a social category has the potential to shape a person's self-concept (Tajfel, 1979). Our jobs have changed from being just a paycheck to a part of our identity, at a phenomenological level, jobs play an essential role as a social category that creates and defines an individual's concept of self-worth. Millennials are looking to the workforce as a social category that aligns with their moral standards, a social setting where meaningful connections are made, and as a collective environment that provides meaning.

A recent report uncovered that 35% of employees would take a pay cut to work for an employer who's committed to prioritizing its CSR. The same report highlighted how 58 percent of employees would take a pay cut to work for an organization with values that align with their own (Haaland, 2019). A firm's investment into the community, environmental or economic development enhances its corporate image and external prestige conducting outsiders to rank it highly. Moreover, because CSR enhances a firm's image, employees feel proud to associate with it, enhancing their self-worth and self-esteem (Farooq, 2013).

If I had to distill this study down to two themes, they would be (1) boosting employee self –worth; and, (2) community engagement through CSR. Implementing CSR in a firm's core business model adds values not only for shareholders but for society, leading to long-term profitability because it improves a firm's ability to connect with employees and communities. Plenty of challenges remain, but my research challenges Friedman's (1970) agency theory "that a firm's only purpose is to create profit for its shareholders," and shows how CSR gives firms a new purpose, where investing outside the firm—in community, environment, emerging business—engenders a healthier society, which is the engine that drives long-term profitability.

8. Conclusion

In the same way that the values of a generation change, firms can change as well. A corporation is a single entity that is a legal person in the eyes of the law. American society uses the Law to encode morality—what is right and what is wrong—which in turn engenders systems of values that become internalized and shape peoples' identities. In the eyes of the law, it is illegal to steal and mistreat and threaten lives, yet firms (people, in

the eyes of the law) have been able to abuse the system and steal, abuse, and threaten the wellbeing of future generations. But just because that is how we think of firms does not mean that those values are fixed—a corporation can change its business methods to mirror the prevailing values of the generations that comprise the workforce and are the consumers, and that is what CSR is doing. It is an alternative business model that bridges two beliefs once held as mutually exclusive: profit and altruism.

These case studies challenged Friedman's narrow definition of value creation—generating profit—by demonstrating that value creation is multidimensional and factors such as employee wellbeing, community, and environmentally sustainable practices have economic implications that can lead to positive growth for a business. Max Weber proclaimed, "the fate of our times is characterized by rationalization and intellectualization and, above all, by the disenchantment of the world" (Wicke, 1995; Weber 1918). A society built around rationalization creates a world where the individual is at the center and runs the risk of feeling disconnected from the social and cultural fabric they are born into; it is a world where profit comes at the expense of ethical behavior and self-interest takes precedence over the communal. In an economic world that alienates and disenfranchises, finding meaning in the workforce can seem like a rare occurrence at best and disingenuous trope at worst. But the CSR business model offers an opportunity to find and create meaning in a world plagued by disenchantment by sewing values into quotidian actions.

Work environments have the potential to be social categories that have a positive impact on the development of self-worth. The firms in this case study are examples of environments where employees verbalized feelings of positive self-worth stemming from

their agency to impart change at local and global levels. People are beginning to hold—and hopefully enforce—firms to the same moral standards we hold humans to. CSR has the potential to reshape capitalism by giving rise to a more ethical, inclusive, and sustainable system of producing and consuming.

9. Recommendations

CSR is becoming an important topic of research as climate change and other societal phenomenon are causing firms to adapt to the changing behaviors of society. Although this paper didn't have concrete results, I hope it paves the way for future research within the realm of CSR. It is still unclear if implementing CSR has any financial profit for a firm. Future research could look at companies that have robust CSR programs that are not B-Certified and compare them to B-Certified firms and see if certification really adds value to the firm. Another area of research could look at the rise of secularism in the United states and see if there is any correlation to an increase of CSR programs in firms located in the United States. Within this research topic, researches could attempt to answers certain questions like: Why are we now seeking connection and sense of belonging at work? Why do we want ethical capitalism?

Another interesting opportunity is to conduct a grounded theory approach of B-corps and their counterparts, in order to analyze specific differences between the two different business models. Financial data shows only a small part of the wider spectrum of differences between companies.

Last, future research might look at firms that have robust CSR programs and comparing them to firms without CSR programs through a lens of employee retention. Does CSR lead to lower employee turnover? A lot of research around CSR is manly

examining the effects on financial performance or external stakeholders' behavior towards CSR. However, little attention has been devoted to employee behavior towards CSR. Human capital is an important part of firm's health and measuring employee behavior is possibly the best method to measure CSR and all of its aspects.

10. References

Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J. (2007). Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. Academy of Management Review, 32(3), 836-863.

Benefit Corporations. (2015, July 17). B Corporation. Retrieved July 17, 2015, from Powered by B Lab: https://www.bcorporation.net/

Bhattacharya, C. B., Sen, S., & Korschun, D. (2008). Using corporate responsibility to win the war of talent. Sloan Management Review, 49(2), 37-44.

Bowen, H. (1953). Social responsibilities of the businessman. New York: Harper & Row.

Carroll, A. (1979). A three-dimensional conceptual model of corporate social performance. Academy of Management Review, 4, 497-505.

Creswell, J. W., & Poth, C. N. (2018). *Qualitative inquiry and research design: choosing among five approaches*. Los Angeles: SAGE Publications.

Cropanazano, R., Goldman, B., & Folger, R. (2003). Deontic Justice: The role of moral principles in workplace fairness. Journal of Organizational Behavior, 24(8), 1019-1024.

Davis, K. (1960). Can business afford to ignore social responsibilities? California Management Review, 2, 70-76.

Davis, K. (1973). The case for and against business assumption of social responsibilities. Academy of Management Journal, 16, 312-322.

Drumwright, M. E. (1996). Company advertising with a social dimension: The role of noneconomic criteria. Journal of Marketing, 60(4), 71-87.

Farooq, O., Payaud, M., Merunka, D., & valette-Florence, P. (2013, October 27). The

      Impact of Corporate Social Responsibility on Organizational Commitment:

      Exploring Multiple Mediation Mechanisms. Retrieved from

      https://link.springer.com/article/10.1007/s10551-013-1928-3

Fink, L. (2020). Larry Fink's Letter to CEOs. Retrieved from

      https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter

Frederick, W. (1960). The growing concern over business responsibility. California

      Management Review, 23, 54-61.

Friedman, J. (2015, February 13). Corporate social responsibility: the ultimate marketing

      tool. Retrieved from https://www.europeanceo.com/business-and-

      management/corporate-social-responsibility-the-ultimate-marketing-tool/

Friedman, M. (1970, September 13). The Social Responsibility of Business is to Increase

      Its Profits. New York Times, pp. 33, 122.

Haaland, M. (2019, November 12). Employees would take a pay cut to work at an

      environmentally friendly company. Retrieved from

      https://nypost.com/2019/11/12/employees-would-take-a-pay-cut-to-work-at-an-

      environmentally-friendly-company/

Hatten, M. (2019, June 13). Corporate Social Responsibility and Retention: The Missing

      Link: Mondo: Tech Staffing Services. Retrieved from

      https://www.mondo.com/blog-corporate-social-responsibility-retention/

Hendricks, S. (2019, January 4). 'God is dead': What Nietzsche really meant. Retrieved

      from https://bigthink.com/scotty-hendricks/what-nietzsche-really-meant-by-god-

      is-dead

Hughes, J. (2014, August 7). What Value Creation Will Look Like in the Future.

  Retrieved from https://hbr.org/2013/05/what-value-creation-will-look-like-in-the-

  future

Lee, L., & Chen, L. F. (2018, April 15). Boosting employee retention through CSR: A

  configurational analysis. Retrieved from

  https://onlinelibrary.wiley.com/doi/epdf/10.1002/csr.1511

Miller-Stevens, K., Taylor, J. A., Morris, J. C., & Lanivich, S. E. (n.d.). Assessing Value

  Differences Between Leaders of Two Social Venture Types: Benefit Corporations

  and Nonprofit Organizations. Retrieved from

  https://www.academia.edu/36420872/Assessing_Value_Differences_Between_Le

  aders_o

Patton, M. Q. (2015). *Qualitative research & evaluation methods: Integrating theory and*

  practice. London: Sage Publications Ltd.

Porter, M., & Kramer, M. (2006). Strategy and Society: The Link Between Competitive

  Advantage and Corporate Social Responsibility. Harvard Business Review, 78-

  94.

Porter, M., & Kramer, M. (2011). Creating Shared Value. Harvard Business Review, 1-

  17.

Steiner, G. (1971). Business and society. New York: Random House.

Stiphout, J. B. van, & Knoops, C. (1970, January 1). [PDF] Financial performance of

  Benefit Corporations: Semantic Scholar. Retrieved from

  https://www.semanticscholar.org/paper/Financial-performance-of-Benefit-

  Corporations- Stiphout-Knoops/f684ae212ccfbc65cfa796d4249b160e3849cb14

Tajfel, H. (1982). *Social identity and intergroup relations*. Cambridge: Cambridge University Press.

The Guardian. (2015, December 29). The Guardian. Retrieved from http://www.theguardian.com/sustainable-business/2014/dec/12/b-corps-certification- sustainability-

Thompson, D. (2019, October 7). Three Decades Ago, America Lost Its Religion. Why? Retrieved from https://www.theatlantic.com/ideas/archive/2019/09/atheism-fastest- growing-religion-us/598843/

Tyler, T. R. (1999). Why people cooperate with organizations: An identity-based perspective. Research in Organizational Behavior, 21, 201–246.

Tyler, T. R., & Blader, S. L. (2002). Autonomous vs. comparative status: Must we be better than others to feel good about ourselves? Organizational Behavior and Human Decision Processes, 89(1), 813–838.

Tyler, T. R., & Blader, S. L. (2003). The group engagement model: Procedural justice, social identity, and cooperative behavior. Personality and Social Psychology Review, 7(4), 349361.

WEBER, M. A. X. (1905). *Protestant ethic and the spirit of capitalism* WILDER PUBLICATIONS.

Wicke, J. (1995). *Enchantment, disenchantment, re-enchantment: Joyce and the cult of the absolutely fabulous*. Duke University Press.

Wood, D. (1991). Corporate Social Performance Revisited. The Academy of Management Review, 16(4), 691-718.

Wood, D., & Jones, R. (1995). Stakeholder Mismatching: A Theoretical Problem in

Empirical Research on Corporate Social Performance. The International Journal

of Organizational Analysis, 3(3), 229-267.

11. Appendices

Figure 6.1

Theme 1: Employee Retention	Theme 2: Community	Theme 3: Marketing
Benefits	Investment	Differentiation
Career trajectory	Change	Story
Development training	Tight knit	Sustainability
Living wage	Support	Consolidating
Employee engagement	Story	Culture
Concerns	Differentiation	Mission
Differentiate	Identity	Values
Company values	Responsibility	Raise money
Community	Partners	Investors
Bonuses	Becoming something more	Making a difference
Stakeholders	Local supply	Having an impact
Unique model	Connection	Sustainable model
Incentivized	Community as out staff	Long term
Values	Funds	Leaders
Supporting good things	Scale with us	Luxury
Developing our people	Support systems	Triple bottom line
Love	Pioneering	Five bottom lines
Identity	Championing	Recognition
Self-evaluate	Welfare	Identity
Responsibility	Raising	Connection
Mission	Development	More than just profit
Impact	Sustainability	Force in doing good
Connection	Environment	Responsibility

Figure 6.2