

# The Meaning and Meaningfulness of Corporate Social Initiatives

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## ABSTRACT

In response to pressures to be more “socially responsible,” corporations are becoming more active in global communities through direct involvement in social initiatives. Critics, however, question the sincerity of these activities and argue that firms are simply attempting to stave off stakeholder pressures without providing a corresponding benefit to society. By drawing on institutional theory and resource dependence theory, we consider what factors influence the adoption of a “meaningful” social initiative—an initiative that is sustainable and has the potential for a significant positive impact on society—as opposed to a symbolic initiative. In addition, we raise the question of how social initiatives—both meaningful and symbolic—participate in the “institutional war” over the meaning of corporate social responsibility.

**T**he pressure on firms to be “socially responsible” continuously increases and originates from a range of stakeholder groups, including customers, communities, employees, governments,

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and shareholders (Sethi 2003a). Walsh and colleagues (2003: 875) go so far as to state, "Attending to social welfare may soon match economic performance as a condition for securing resources and legitimacy." Corporations have responded to this pressure in a variety of ways. An important and evolving response is the adoption of social initiatives designed to improve the well-being of the corporation's global communities. These social initiatives are well beyond traditional philanthropic activities. Corporations are not simply providing cash donations to nonprofit organizations but are directly involved in, and provide significant resources to, their community projects (Alperson 1996, 1998; Hess et al. 2002). The nature of these initiatives reflects the growing outlook among stakeholders that "people need help solving their problems, not just money" (Hess et al. 2002: 113).

Social initiatives, however, are not without controversy. Corporate critics question the sincerity of these activities and argue that firms are simply attempting to stave off stakeholder pressures without providing a corresponding benefit to society (Bakan 2004; Christian Aid 2004; Green 2001; Lopatin 2004). By not making actual changes to corporate operations, community projects allow firms to continue "business as usual," avoid new regulation, and hold off demands for changes that would be more beneficial to society. This is especially problematic if firms' social initiatives in the community have little real impact on social welfare.

Challenges by critics raise two different issues, one at the organizational level and one at the societal level. At the organizational level, firms that long used philanthropic activity as a way to improve their reputations may be using community-based social initiatives in a manner akin to "greenwashing" in environmental performance. That is, the positive public relations coverage provided by social initiatives deflects attention away from corporate practices that are harmful to society. At the societal level, these initiatives play a role in the debate over what it means for a corporation to be "socially responsible" and therefore have "legitimacy." Corporate social initiatives shape this debate in favor of corporate interests by limiting "social responsibility" to simply voluntary community activities, and excluding greater (and mandatory) obligations to society (Shamir 2005).

A review of corporate social reports provides some anecdotal evidence for both sets of issues. Social reports were envisioned as a

way to increase corporate accountability through the provision of information to stakeholders and by forcing firms to think more deeply about their impact on society (through the “triple bottom line”). In practice, however, some firms commonly use these reports to divert attention away from issues of accountability and toward their active, voluntary involvement in the community (see Adams 2002; Adams and Evans 2004). This use of social initiatives within social reports may “greenwash” current operations, as well as attempt to direct attention regarding social responsibility to a limited set of issues. For a more specific example at the organization level, consider the chocolate and candy manufacturer Cadbury Schweppes. To demonstrate that they were responsive to the problem of childhood obesity—a critical social issue facing their industry—the company donated equipment to playgrounds. To receive the equipment, however, children needed to buy chocolate to get the necessary vouchers (Cadbury Schweppes 2006). Public outcry forced the company to change its program, but the original initiative seems to demonstrate a voluntary initiative with potentially little net benefit to society, as the benefits provided by the equipment were offset by the additional candy sold and the company not otherwise changing its products or its marketing practices.

Although many firms active in community involvement initiatives are providing significant benefits to society and are using their initiatives as a foundation for infusing socially responsible behavior throughout the organization, a significant number of others are not. These differences in outcomes pose critical new research questions that have not been adequately addressed. A better understanding of when social initiatives adopted by corporations are expected to have a “meaningful” impact on society is required, as well as a better understanding of the role of social initiatives within the larger societal debate over what corporate social responsibility entails.

As a first step, we need to understand the predictors of social initiative adoption by firms and also the factors that determine the meaningfulness of the initiative. To develop an understanding of what predicts a firm’s adoption of an initiative, we draw upon past research grounded in institutional theory and resource dependency theory, which considers the adoption of management practices and organizational structures. To understand predictors of meaningfulness of a corporate social initiative, we consider the initiative’s

alignment with firm competitiveness, firm values, and the use of monitoring. Overall, our goal in this paper is to direct attention to this issue of growing concern—that is, corporations using social initiatives with limited societal impact to define themselves as “socially responsible” and deflect pressures for greater changes. We also hope to start a dialogue on what it means for a social initiative to be “meaningful” and encourage future researchers to study factors that lead to such initiatives. We begin this discussion by first considering the broader question of the role of social initiatives in the larger debate over the meaning of corporate social responsibility.

### **INSTITUTIONAL WARS AND THE ROLE OF SOCIAL INITIATIVES**

In order to understand the larger context in which social initiatives exist and their role in the “institutional war” over the meaning of corporate social responsibility, we need to examine institutional pressures more generally. Firms are embedded within a network of relationships that place pressures on them to conform to certain expectations. Over time, these expectations form the basis of rules that “function as myths, which organizations incorporate, gaining legitimacy, resources, stability, and enhanced survival prospects” (Meyer and Rowan 1977: 340). Thus, institutional theorists argue that these rules become taken for granted, and organizations become more similar over time as they all conform to the same rules. More recently, however, researchers have taken issue with such “oversocialized” explanations (Ingram and Simons 1995) that leave out the role of interest and agency (DiMaggio 1991; Powell 1991). Oliver (1991: 145) states, “Notably lacking . . . is explicit attention to the strategic behaviors that organizations employ in direct response to the institutional processes that affect them.” In response, some researchers have attempted to find a balance between the taken-for-granted aspect of institutions and the role of interest and agency. These scholars do not view institutional pressures as independent forces on firms, such as technical demands, but as forces that set “the very conditions under which the agency is able to influence the adoption of organizational structure and practices” (Goodrick and Salancik 1996). Hoffman (1997, 2001), for example, argues that institutional pressures operate as a

constraining force by setting the boundaries of appropriate structures and action, but recognizes that firms have freedom of choice within those boundaries. Likewise, Goodrick and Salancik (1996) argue that, "Organizational interests play a role in selecting practices, but as an addition to the constraint provided by prevailing institutions rather than as an alternative to them." Thus, past research suggests that firm practices are the product of institutional forces as well as strategic behaviors that reflect organizational interests.

Organizational interests are most active in shaping practices when there is uncertainty in the institutional forces, which reduces their constraining power. Goodrick and Salancik (1996) argue that there are three factors that create institutional uncertainty in the environment. These factors show that there is significant institutional uncertainty with respect to corporate social initiatives. First, there is uncertainty when the institution possesses a goal, but the means are unspecified. Social initiatives address corporate goals to "give back to the community" or become "agents of positive social change," but the specific means of doing so are left to the firm. Second, uncertainty exists when the knowledge base is limited. Currently, there are attempts at, but no well-established method of, determining the social impact of different community involvement activities. While we identify certain criteria for a "meaningful" social initiative in this paper, these criteria are far from "social fact" status. Finally, institutional values may be uncertain. Although many applaud active involvement in the community, their reasons can be based on instrumental (i.e., profit-maximizing) or normative (i.e., ethically appropriate) rationales, which can reflect significantly different values. Others, however, think that community initiatives reflect the wrong values and argue that, "Most [corporate social responsibility], in fact, is probably delusional, meaning it reduces both profits and social welfare" (The Economist 2005: 4).

Because there is significant uncertainty as to what social initiatives corporations should adopt as well as the more general question of what corporate social responsibility entails, organizations will have significant influence in how they choose to satisfy those demands (Edelman 1992; Goodrick and Salancik 1996). Based on the strength of pressures from other actors in the field, organizations will respond strategically to do their best to maximize both economic benefits and legitimacy (Goodstein 1994; Oliver 1991). Firms do this first by attempting to define social responsibility simply in

terms of voluntary community involvement rather than focusing on issues related to poor working conditions, unhealthy products, or irresponsible marketing, for example (Shamir 2004, 2005). Corporations then tout the connection between good deeds and profitability (“doing well by doing good”), thus “subjecting social considerations to commercial ones” (Shamir 2004: 683). If successful, firms can “managerialize” the concept of social responsibility in a way that managerial conceptions of social responsibility displace competing conceptions (see Edelman et al. 2001). Second, firms attempt to define the meaning of voluntary community social initiatives. Although some firms will make sincere efforts to improve societal welfare, others may simply use social initiatives as symbolic devices that play a role in the larger debate over social responsibility (see Haley 1991).

Thus, not only do firms respond actively to institutional pressures (as opposed to passively incorporating environmentally determined norms), their actions also shape the development of institutions. Recent work in institutional theory conceptualizes the development of a field as a dynamic process, whereby new actors may join or leave at different times and shift pressures (Hoffman 2001). Rather than act as a single pressure on firms to adopt a social initiative, “field level constituents engage in institutional war” (Hoffman 1999: 367) in which corporations play a central role. Corporations along with a wide variety of other actors, including social investors, consumers, nongovernmental organizations, academics, and consultants engage in an active debate over the meaning of corporate social initiatives and the values they should represent. These groups constitute the organizational field that forms around the general issue of social responsibility, as well as appropriate corporate responses to particular problems in society.

In this institutional war, social initiatives play a significant role in defining the meaning of corporate social responsibility. Shamir (2004, 2005) argues that corporations—and nonprofit organizations established to serve the needs of corporations—are attempting to alter the discussion over corporate social responsibility by moving it away from topics of conflict (e.g., labor rights) and toward an exclusive focus on community investment initiatives. Through this process, the concept of corporate social responsibility is becoming transformed such that it is no longer a radical concept concerning the responsibilities of corporations to society, but simply a tool for

managing stakeholders and improving reputations. The idea of corporations having mandatory duties enforced by the government is replaced with corporations simply having voluntary duties to assist and support government efforts in the community. In other words, instead of community involvement being one of several aspects that make up a firm's entire social performance, corporations are pushing for it to be the only aspect. In the end, "the community" then becomes a commodity that can be sold to the world as proof of responsible behavior on the side of the company" (Shamir 2004: 242–243 [quoting Kapelus]). As evidence of this shift, Shamir (2004, 2005) finds that conferences hosted to teach corporations about socially responsible behavior typically avoid any serious discussion of corporate wrongdoing and instead focus on the role of corporations as agents of "social change."

Thinking about the development of social initiatives through an institutional lens thus requires recognizing that firms are an active part in this ongoing process. Firms may respond to similar pressures quite differently. Although responses may be limited by the institutional field, the nature of the social initiatives will ultimately depend on the firm's perceptions of those institutional pressures and those perceptions' relationship to the firm's potential competitiveness benefits and identity as a "responsible" firm. Even in the face of unambiguous pressures, firms will attempt to respond in a manner that benefits organizational interests (Kelly 2003). As firms attempt to interpret pressures and develop responses, these actions will themselves determine what is an acceptable response (Edelman 1992). Therefore, firms have a significant stake in how they respond to these pressures, both to protect their legitimacy in the short term and to help define what it means to be a socially responsible firm in the long term.

### **MEANINGFUL CORPORATE SOCIAL INITIATIVES**

Firms can implement their version of social responsibility through community involvement in a variety of ways. A firm's choice of involvement includes marketing-based activities (such as sponsorships, cause-related marketing, and social marketing), employee volunteering, alliances with nonprofit organizations, and adoption of new business practices that support community initiatives

(Andreasen and Drumwright 2001; Kotler and Lee 2005; Polonsky and Wood 2001). These are not mutually exclusive categories, and many firms engage in different types of initiatives simultaneously, as either independent initiatives or reinforcing ones (Kotler and Lee 2005). As indicated earlier, there is a push for more direct involvement of the corporation in the provision of the social service to the community.<sup>1</sup> This push comes not only from stakeholders in the community, but also from corporations in their attempt to define what it means to be socially responsible. For example, the following is a summary of a seminar given by a typical speaker at a conference held to teach corporations about social responsibility:

[The speaker] offered the audience a conceptual scheme that explains the move from charity to CSR and provides the necessary language and tools. From monetary contribution to community involvement. From ad-hoc action to thematic action. From exercising charity to exercising change. From paternalism to partnership. From cash to resources. From marginal corporate action to central corporate action. From impersonal to personal involvement. From image only to multiple exposure. From “how much money to give” to impact assessment. From static to dynamic orientation. All this is necessary, he said, because CSR is a global corporate trend, because corporations have to fill the gaps left by retreating governments, and because it serves direct business interests. Shamir (2005: 243)

For purposes of this paper, we define a social initiative as a program that seeks to match the rhetoric of the speaker in the above quote from Shamir (2005). That is, a social initiative moves beyond cash contributions and involves direct involvement of the corporation. Shamir (2005) is skeptical and suggests that the real goal of seminars such as the one summarized above is to play a role in a larger strategy of watering down the meaning of corporate social responsibility. On the other hand, such initiative can in fact attend to social welfare in an effective, meaningful way (Dunfee and Hess 2000). Thus, the challenge is to determine when corporations will adopt meaningful initiatives. Below, we provide the beginnings of a discussion on the characteristics that make corporate social initiatives more likely to be meaningful.



### ***Meaningful vs. Symbolic Social Initiatives***

Any new strategy or structure adopted due to external pressures typically causes concerns over decoupling (Davis 2005). Under institutional theory, the diffusion of strategies and structures can include significantly different modes of adoption, ranging from symbolic acts to fanatical converts (Davis 2005). Even firms acting in good faith and adopting identical social initiatives may have significantly different impacts on society based on the amount of resources devoted to the project and its integration with the firm's strategy and culture (Howard-Grenville and Hoffman 2003; Nash and Ehrenfeld 2001). Other firms simply may not act in good faith when implementing a social initiative. An intentional failure to follow through with a social initiative (i.e., adopt a symbolic initiative) is consistent with the concerns mentioned earlier, that firms are involved in socially responsible activities only for public relations purposes and without any real concern for the impact of an initiative on those it is designed to help. Just as firms may tout the environmentally friendly aspects of their operations in order to "greenwash" the significantly worse nonenvironmentally friendly aspects of the majority of their operations (Tokar 1997), firms may use superficial social initiatives as a way to improve their reputation and sustain their legitimacy without any real concern for the ability of the philanthropic activity to meet society's needs.

Of course, a symbolic initiative may still provide some benefits to society. The "meaningfulness" of a social initiative, however, depends on its efficiency and effectiveness in meeting the needs of society. Society expects corporations to adopt social initiatives that actually benefit society, rather than adopting social initiatives that provide the most benefits to the firm. For example, many pharmaceutical companies had social initiatives that involved donating drugs to developing countries, but these drugs were frequently past their expiration date. In fact, this problem was so widespread that the World Health Organization had to issue guidelines to prevent such "dumping" (Joshi and Sanger 2005). These expired drugs may not be harmful to the user, but at a minimum they are less effective and in some cases may prevent the intended beneficiary from receiving more helpful medicines. Thus, such a social initiative only has limited effectiveness, at best, in meeting the needs of society, but it may still provide significant

benefits to the firm in terms of goodwill from stakeholders unaware of the “dumping” nature of the donations.

Reflecting the concerns of corporate critics, we can place social initiatives on a continuum ranging from those that provide significant benefits to society to those that have no beneficial impact, and, in some cases, to those that may harm society. An example from the positive end of the spectrum would be Timberland’s involvement with City Year, a nonprofit organization focused on community service projects. Timberland provided significant resources and numerous paid volunteer hours to City Year projects, even during an economic downturn for the company (Austin 2000). Activities in the center of the continuum that have no beneficial impact on society, but may still provide a benefit to the company, including shipments of antismoking drugs, lip balm, and cough syrup from U.S. companies to refugees in Kosovo (Abelson 1999). In some cases, though, these donations actually may have a negative impact on society since not only were one-third to one-half of the shipments of no use, but the government also had to *expend* its limited resources to destroy the items (Abelson 1999).

At the extreme negative end of the continuum, tobacco company activities illustrate the more manipulative, symbolic social initiatives. When communities sought support for educational programs on the dangers of teen smoking and called for the removal of tobacco ads directed at young people, Philip Morris announced a \$100 million “Think. Don’t smoke” campaign. This campaign involved many different projects, including the development and distribution of textbook covers for teens that conveyed the campaign’s message (Davidson and Novelli 2001; Farrelly et al. 2002; Landman et al. 2002; McQueen 2001). Philip Morris benefited from this initiative by reducing the likelihood of government regulation of tobacco advertising. Their sincerity, however, was challenged by those who claimed Philip Morris continued advertising its products directly to that very same age group. In addition, survey research on teen attitudes indicated that the “Think. Don’t Smoke” advertisements actually improved attitudes toward smoking (Farrelly et al. 2002). Thus, if the campaign is not effective in reducing teen smoking or, in this case, increases the likelihood of smoking, society is harmed by the company’s social initiative.

One goal of this paper, then, is to begin a discussion on what attributes are key indicators that a social initiative is (or has the

potential to be) meaningful, as opposed to symbolic. Building upon the public affairs literature and research on ethics and environmental initiatives, we assert that meaningful initiatives are likely to require relational commitment and the use of a firm's strategic resources.

*Commitment* Drawing on the public affairs literature on political action, social initiatives can be put on a continuum from *transactional* to *relational* (Hillman and Hitt 1999). Under a transactional approach, the firm may initiate and terminate philanthropic activity based on the fluctuation of pressures that it is facing from different sources. AT&T, for example, regularly made donations to Planned Parenthood until pro-life groups protested, and then the company immediately stopped (Hess et al. 2002). Cash donations, such as those given by AT&T, can be easily shifted based on pressures facing the firm. Although cash donations can clearly benefit society, critics suggest that they can be "narrow, self-serving, and often motivated to improve the corporation's reputation" (Pearce and Doh 2005: 32). This causes unfocused corporate giving that is not an effective use of resources to address societal problems. Porter and Kramer (2002) go so far as to state that, based on current practices, Milton Friedman was right in stating that corporations should pass these funds on to shareholders and let them decide how to distribute the money.

Under a relational approach, by contrast, the firm is committed to a project and works to establish long-term relationships with important stakeholder groups. Thus, the relational approach reflects a more stable, long-term commitment to philanthropy, which through organizational learning, resource sharing, and other mechanisms should be more likely to have a meaningful impact on society (Austin 2000; Pearce and Doh 2005). This distinction between transactional and relational approaches reflects the views of corporate social responsibility advocates who assert that corporate social responsibility must be a part of the firm's strategy and not simply an "add-on" (Hollender and Fenichell 2004; O'Reilly 2004). Building on the distinction between transactional and relational initiatives, we believe that meaningful social initiatives are more likely to result from relational forms of philanthropy that involve a substantial commitment of firm resources over time. At the other end of the spectrum are transactions such as simple cash donations or short-term collaboration such as sponsorship for a single event.

*Strategic Resources* A second key indicator of meaningful social initiatives is the use of the firm's strategic resources in the initiative, and often with a direct connection to the firm's core competencies (Hess et al. 2002; Pearce and Doh 2005; Porter and Kramer 2006). As stated by Pearce and Doh (2005: 34): "Companies maximize the benefits of their corporate contributions when they leverage core capabilities and contribute product and services that are based on expertise used in, or generated by, their normal operations." Examples include IBM's use of its technology to help schools assess student progress (Hess et al. 2002) and McKinsey & Co. providing free consulting services to nonprofit educational and cultural organizations (Bruch and Walter 2005). If the firm's resources are rare, the firm becomes one of only a few that can provide that service to the community (Dunfee and Hess 2000). In this way, the firm would be meeting a need of the community that otherwise would likely go unmet. Dunfee (2006: 186) goes so far as to argue that "firms possessing a unique human catastrophe rescue competency have a moral obligation to devote substantial resources toward best efforts to aid the victims." An example would be pharmaceutical companies having a moral obligation to provide aid to AIDS victims in Africa (Dunfee 2006).

Relational commitment and use of the firm's key resources reflect the need for the social initiative to be integrated with the firm's operations and operating ethos. Similar to ethics programs (Trevino et al. 1999) or environmental programs (Nash and Ehrenfeld 2001), the more the social initiative is integrated into firm practices, the more likely it is to be successful (in terms of impact on society) and sustainable over time. In the next section, we turn to the question of when a corporation would adopt such an initiative. We begin by presenting theory on the institutional forces that lead to adoption of both meaningful and symbolic corporate social initiatives and then continue with a more refined discussion of factors that lead to the adoption of meaningful, rather than symbolic, social initiatives.

## **ADOPTION OF SOCIAL INITIATIVES**

To briefly summarize, corporations commonly adopt social initiatives as a way to reduce pressures on the firm to be socially responsible.

In addition, these actions not only serve to reduce immediate pressures placed on the firm, but, at the organizational field level, play a role in shaping what it means for a corporation to be socially responsible and thereby influences the intensity and nature of the pressures placed on firms. To the extent that these social initiatives are not “meaningful” in their potential for an efficient and effective positive impact on society, then corporations maintain or gain their legitimacy without providing a real benefit to society. As a first step in attempting to understand when a corporation may adopt a meaningful social initiative, we look more closely at the initial motivation to adopt a social initiative.

### ***Why Do Corporations Adopt Social Initiatives?***

From a stakeholder theory perspective, firms are responsive to society’s expectations of responsible conduct based on either a normative justification or a business rationale (Donaldson and Preston 1995; Smith 2003). The normative justification is based on the claim that firms not only have an obligation to minimize any harm they cause society, but also a duty to use their capabilities to effect positive social change. The business, or instrumental, rationale relies on “enlightened self-interest” in which firms believe that being socially responsible will lead to improved financial performance (Bowie 1991; Donaldson and Preston 1995). The potential business benefits from being involved with the community through social initiatives include an improved reputation, increased access to markets, improved corporate culture, improved recruiting of employees, and boundary spanning functions (Hess et al. 2002; Wild 1993; Zadek 2000). This is an extension of the basic idea of strategic philanthropy, where firms recognized that an appropriately planned giving strategy could advance their marketing strategy in ways that traditional marketing methods could not (Smith 1994). From an institutional theory perspective, on the other hand, firms would adopt a social initiative to gain legitimacy with external stakeholders (DiMaggio and Powell 1983).

Insights from resource dependence theory for institutional theory provide guidance in understanding why firms respond differently to institutional pressures—a question increasingly raised by institutional theorists (see Friedland and Alford 1991; Greenwood and Hinings 1996; Lounsbury 2001; Powell 1991), as discussed earlier. The

approach developed here sees the development of social initiatives as a complex, ongoing process where corporations' actions respond to institutional pressures but also have an impact on the nature and intensity of the pressures they face. In addition, due to the normative moral underpinnings of many social initiatives, an organization's response to societal pressures also will depend on its perception of its own image and identity.

### ***Understanding Strategic Responses to Institutional Pressures***

Oliver (1991) developed a framework that identified five strategic responses to institutional pressures. In order from least active to most active response, these strategies are: acquiescence, compromise, avoidance, defiance, and manipulation. Acquiescence is the most passive response and involves the firm giving in to the external pressures. Manipulation, on the other hand, is the most active response and involves attempts to influence the content and nature of the pressures or assert control over those applying the pressure. The strategy a firm employs depends on the nature of the institutional pressures, which Oliver (1991) proposes is determined by five factors: cause, constituents, content, control, and context. For example, a firm will acquiesce when the external pressures are for the adoption of practices that support economic efficiency, the firm is dependent on the constituent applying the pressure, there is widespread adoption of the practice, and adoption would impose few discretionary constraints on the firm. When the factors are the opposite, however, a firm will implement a manipulation strategy (Oliver 1991).

Oliver's framework, although comprehensive and highly informative, is limited in its ability to predict the meaningfulness of a social initiative. Although a firm may adopt a social initiative—either through a strategy of acquiescence, compromise, or avoidance (e.g., a ceremonial adoption)—the implementation of that program is what has the potential to make it meaningful. Unlike other studies on the diffusion of practices or structures that focus only on whether or not a firm adopted the innovation (see, e.g., Westphal and Zajac 1994, 1998, 2001; Zajac and Westphal 1995), the adoption of a meaningful social initiative is significantly more complex and includes many factors. The study of social initiatives is more

similar to studies on total quality management, for example, that recognize firms can customize those practices to meet their needs (Westphal et al. 1997).

Thus, even a program adopted under a strategy of acquiescence may not become meaningful if the extra effort needed for implementation beyond adoption is not taken. For example, Oliver argues that high diffusion of the practice throughout the field will lead to acquiesce or compromise, rather than use of an avoidance strategy (including symbolic compliance). By contrast, Milstein and colleagues (2002) would argue that Oliver's institutional factor of diffusion would lead to superficial symbolic responses by firms, since firms may not have the necessary resources to carry out the strategy effectively or will see no economic benefit from adopting a strategy that is widespread within the industry and therefore will not expend the effort to ensure it is implemented properly.

To further explore the possibility of a firm adopting a meaningful social initiative, we first consider the decision to adopt and then to work toward a meaningful social initiative. To do this, we draw from the insights of Oliver's framework, as well as other studies using institutional theory and resource dependence theory (Barringer and Milkovich 1998; Greening and Gray 1994) and then combine them with the additional motivations based on competitiveness reasons and a sense of responsibility.

### ***Firms' Ability to Resist Institutional Pressures***

A firm's ability to resist institutional pressures will depend upon the nature and source of the pressure. Here we consider those pressures most likely to influence the adoption of a corporate social initiative. The first set of factors draws from institutional theory. Since our concern is with firms' strategic response to these forces, our focus is on coercive and normative pressures. The next set of factors draws from resource dependence theory.

*Coercive Institutional Forces* Coercive forces pressuring firms into adopting social initiatives come from a variety of sources, and they may be specific to a firm or affect all firms in the industry. When most people think of coercive pressures in the domain of social responsibility, they think of special-interest groups (Greening and Gray 1994). These groups may push for new regulations on

firms, but more often they use nonlegal sanctions, such as boycotts or negative publicity, to push their agenda. Although the empirical evidence on the financial impact of NGO tactics—such as boycotts—on the targeted firms is mixed, firms do actively respond to such pressures (Spar and La Mure 2003). Of course, one way they may respond is to attempt to divert attention from the contentious issue raised by the NGO by engaging in community investment (Christian Aid 2004; see also Shamir 2004, 2005).

Although all firms in an industry may face the same issue, some firms are more likely targets of NGO pressure than others. Most may expect that NGOs will target the worst offenders or least socially responsible firms in that industry, but recent research is suggesting the opposite. NGOs may target firms that view themselves as socially responsible under the belief that those firms may be more responsive to their pressures.

Legal and regulatory issues also create coercive pressures. Firms do not generally face legal requirements to engage in social initiatives, but such initiatives may be an effective tool to stave off regulation in related areas. For example, in 2002, lawsuits against fast-food restaurants increased public scrutiny of that industry, as well the packaged foods industry, which feared they would be the next targets. In response, some firms in these industries undertook social initiatives of providing exercise equipment to elementary schools (Branch 2002). Food industry firms adopted these programs in an attempt to demonstrate their concern for children's health and to demonstrate that additional regulation of their behavior to protect the health of children was unnecessary. Similarly, as described above, tobacco companies instituted social initiatives to avoid government regulation related to marketing and sale of cigarettes to minors (Davidson and Novelli 2001). If the firm does not conform to these external demands, then it may face severe consequences through intrusive legislation or lawsuits. Thus, when the threat of additional regulation is high, firms will be more likely to adopt a social initiative related to the topic of the legal threat (see Oliver 1991).

An indirect coercive factor involves a crisis event (Greening and Gray 1994). Such an event is an indirect factor because it works by strengthening the power, or targeting the focus, of government and special-interest groups. Firms that are facing a crisis or belong to industries facing crises may exhibit greater sensitivity to



institutional pressures to adopt a social initiative (see King and Lenox 2000). Certain industries, such as tobacco, constantly receive public scrutiny due to the harm caused by their products. Other industries face greater scrutiny during times around isolated events, such as industrial accidents. For example, firms are currently facing increased pressures to disclose information on nonfinancial matters, such as their environmental impact. Although most firms are resisting this pressure, firms facing a crisis event, such as an oil spill in their industry or a regulatory action, respond by providing greater disclosure on that matter (although it is overwhelmingly positive information) (Adams 2002; Berthelot et al. 2003; Deegan 2002; Deegan and Rankin 1996; Deegan et al. 2000).

Because a firm's social initiative plays a role in the larger debate on social responsibility, a crisis may even lead to a social initiative on an unrelated matter. Such a social initiative allows the firm to "acquire" an audience and attempt to create favorable societal perceptions (Haley 1991). It is even possible that firms would adopt a social initiative preemptively, as insurance (or a "safety net") against reputation damage from a potential future crisis or scandal (Fombrun et al. 2000).

Larger firms are particularly sensitive to the above pressures. These firms face greater attention from government bodies and the media and are more vulnerable to these pressures than smaller firms (Goodstein 1994; Powell 1991). Due to this visibility and attention, large firms must take actions to protect their legitimacy. This is consistent with research showing that a key determinant of the amount of corporate charitable giving is firm size (Adams and Hardwick 1998; Boatsman and Gupta 1996; Buchholtz et al. 1999; Galaskiewicz 1997; Useem 1988).

*Normative Institutional Forces* Normative pressures refer to a general understanding of what is the "right" way to act, as determined by professional standards, for example. Such pressure can build through the diffusion of practices throughout the firm's institutional field (Oliver 1991). For example, it is arguable that Merck's decisions with respect to the development and free distribution of a new drug to combat river blindness in developing countries led to the initiatives of Pfizer and SmithKline Beecham to develop philanthropic programs to fight trachoma and lymphatic filariasis,

respectively, in developing countries (Hess et al. 2002). Merck adopted one of the first large-scale drug donation programs, and then other firms felt pressured to follow Merck's behavior such that drug donation programs are developing into a norm within the pharmaceutical industry. As more firms adopt these programs, their validity becomes established and their use unquestioned (Oliver 1991; Meyer and Rowan 1977). If a firm does not follow the established norm, then it may face challenges to its social legitimacy. For example, after the September 11th tragedy, the public had negative reactions to firms they believed (wrongly in some cases) were not following an established norm of providing aid in such situations, and viewed such firms as "not supporting America" (Alsop 2002: B1).

In addition to the number of other firms adopting an initiative, the relationship between the firm and other organizations in the field also should affect adoption (Oliver 1991). The stronger the relationships and dependencies a firm has with those in its field, the more likely "best practices" and shared understandings are to be transferred among firms (DiMaggio and Powell 1983). One important way this can occur is through membership in organizations that purport to promote socially responsible behavior, such as those studied by Shamir (2004, 2005). These connections are especially important in the area of philanthropic activity. Galaskiewicz (1997), for example, found that CEO and director network ties influenced firms' charitable giving practices. The more embedded company officials were in the elite networks, the more their companies gave (Galaskiewicz 1997).

*Resource Dependence Theory* The nature and source of pressures on firms to engage in social initiatives affects the ability of a firm to resist. At many times the expectations of different stakeholders with respect to social initiatives are in conflict (Oliver 1991), and a firm cannot meet one demand without an action that conflicts with another constituent's demand. Proponents of stakeholder management often struggle with the issue of how to prioritize and weigh these different demands (Berman et al. 1999; Mitchell et al. 1997; Russo and Fouts 1997). Consistent with the resource-dependence theory, Mitchell and colleagues (1997) argue that managers must pay the most attention to those stakeholder groups that have legitimacy and power (and especially those with the additional attribute of urgency).

Under the resource-dependence theory, the firm's dependence on the constituent making the demand is expected to be a predictor of the firm's responsiveness to those demands (Oliver 1991). In the face of demands from important constituents, firms will find it difficult to resist those demands. For example, when oil and gas companies expand drilling operations into developing countries, they often face requests from community groups to provide local assistance with education and health care. Firms readily give into these demands in order to avoid resistance from community groups as well as human rights groups, both of which can severely hamper a firm's operations in that country (Hess et al. 2002). Similarly, firms that depend more heavily on female workers and female managers are more likely to adopt work-family programs (Goodstein 1994; Ingram and Simons 1995). Likewise, firms that rely on social investors or socially responsible consumers may be more likely to adopt high-visibility social initiatives.

At this point, we have described the pressures and demands affecting the adoption of corporate social initiatives but said little about the degree to which the adopted initiatives will be meaningful or symbolic. In the next section, we consider which factors improve the likelihood that the initiative has a sustainable and positive impact on society.

### **ADOPTION OF MEANINGFUL SOCIAL INITIATIVES**

Institutional theory and resource dependence theory provide us with significant theoretical insights and empirical evidence on when firms may adopt social initiatives, and why they may focus their efforts on one social issue rather than another. However, less is known about the likelihood of adopting a social initiative that is expected to be meaningful. For example, with respect to compliance programs, Trevino and colleagues (1999) found that membership in a professional organization made it more likely that a firm would adopt a compliance program, but that the features of the program the firm adopted were those that could be easily decoupled from actual operations, as opposed to those that had to be integrated with operations. To determine the potential for meaningfulness after adoption, we focus on the potential for the initiative to provide the firm with competitive benefits, the firm's core values, and monitoring by external bodies.

As a brief aside before beginning that discussion, it is important to note that the adoption of social initiatives should be viewed as a process, which requires that we see the choices a firm makes as path dependent. For example, when adopting a social initiative, the organization could give control over it to a social responsibility department, a corporate foundation, the marketing/public relations department, or keep it with central administration (Brammer and Millington 2003). Where the firm allocates control of the initiative will have a significant effect on its implementation (Brammer and Millington 2003) and potential to have a meaningful outcome. In a study of recycling programs at colleges and universities, Lounsbury (2001) found significant differences in the implementation of a program based on whether management of the program was given to a facilities director as an additional responsibility (role accretion) or if a new, full-time position was created to manage the program (status creation). Under role accretion, program managers continued to identify with their traditional role and put little effort into the program compared to a full-time manager. On the other hand, the full-time managers developed new occupational identities based on their position, which led to them putting more effort into expanding the programs, attempting to measure effectiveness, and overall working toward meeting the ideals of the environmental movement (Lounsbury 2001). Furthermore, these managers often had a connection with a professional organization in the field, which influenced their programs. Thus, the firm's initial response will have an impact on how future institutional pressures are perceived and acted upon within the organization. These internal groups in control of the initiative moderate the institutional pressures the firm faces by determining their importance.

### ***Alignment with Competitive Benefits***

Institutional theory treats a firm's social environment as distinct from its technical environment for the purpose of analysis, even if it is recognized that these two environments are inextricably intertwined (Meyer and Rowan 1977; Scott and Meyer 1983). In their analyses of work-family programs, Goodstein (1994) and Ingram and Simons (1995) both recognized that managers weigh institutional pressures against the perceived technical outcomes of being responsive to those demands. Those firms that are motivated

by a focus on technical outcomes will pay attention to the costs and benefits of the initiative to the firm. When deciding whether and how to implement an initiative, management will likely phrase their interests in terms of the return on this "investment," the expected reaction of the marketplace, and the effect on share value, rather than the expected impact on the community (Bansal and Roth 2000). The impact on societal well-being may only enter into management's strategic calculus if a meaningful initiative is expected to create greater benefits for the firm, such as through increased goodwill. In many ways, the societal benefits are simply a positive externality of a strictly financially oriented decision.

In other cases, when the public and private benefits are aligned, firms will adopt a meaningful initiative. For example, Rosen and colleagues (2003) argue that most multinational firms operating in developing countries have an AIDS problem in their workforce and that by taking steps to address this problem firms will save lives and money. The authors claim that globalization is built on cheap labor and emerging markets for MNC's products, but both are being threatened by the spread of AIDS. Because AIDS commonly affects workers in their most productive years, businesses lose their cost advantages from cheap labor by having to continually train new workers. In recognition of this reality, some firms are forced into taking the extreme step of hiring two or three new workers for every job opening (Rosen et al. 2003). To fight the numerous direct and indirect costs of AIDS in the workforce, firms must work toward treatment, as well as prevention in the broader community. Using six companies of various sizes operating in southern Africa as examples, Rosen and colleagues (2003) show that each firm could reduce operating costs by implementing an effective AIDS program. Thus, firms with workforces affected by AIDS are more likely to adopt a meaningful social initiative because the pressure is augmented by the business concerns of the firm.

Firms also must decide how integrated the program should be with its corporate strategy and culture. A corporation could simply adopt an off-the-shelf, generic social initiative based on that used by other firms or recommended by a stakeholder group. In this way, they will simply mimic what others are doing. If the firm does not view the proposed initiative as potentially providing contributions to the bottom line, it is more likely to take this route and adopt a widely used, generic strategy as a symbolic response to institutional

pressures (Milstein et al. 2002). On the other hand, if the firm perceives the initiative as potentially contributing competitiveness benefits, then it will undertake efforts to match the initiative with its resources in order to take full advantage of its potential organizational benefits (Milstein et al. 2002). Thus, the corporation may work toward developing an initiative that takes advantage of its resources and is integrated with the firm's culture, both of which may lead to a more sustainable and meaningful social initiative.

### ***Alignment with the Firm's Core Values***

The normative rationale for corporate social responsibility, and specifically social initiatives, relies on giving back to the community out of a sense of responsibility and a desire to do good works. Based initially on a Kantian theory of ethics and a need to take into consideration the rights of those impacted by corporate decisions (Evan and Freeman 1983), stakeholder theory has become a leading theory of business ethics. Other moral theories, such as social contracts, also have been proposed to provide the normative core of stakeholder management (Donaldson and Dunfee 1994, 1999). All, however, recognize that managers have certain moral obligations that they cannot simply cast aside in the face of conflicting strategic imperatives (Berman et al. 1999). Whereas institutional pressures may lead firms to simply acquiesce, firms with core values that favor social initiatives may work toward proactively exceeding those expectations.

In recent research by Bansal and Roth (2000) on why firms adopt ecologically responsive practices, the authors found that firms go "green" based on one of three motivations: ecological responsibility, competitiveness, or legitimization. In their study, managers adopting environmentally responsible practices based on a sense of responsibility stated, "We've always recognized that the feel-good factor is important" and "There is nothing wrong with doing good" (Bansal and Roth 2000: 725). Other managers stated, "We are talking about insurance" (legitimization) or "If environmental issues . . . put money in the till, then it will become a primary consideration" (competitiveness) (Bansal and Roth 2000: 725). Consistent with the findings of Bansal and Roth (2000), some firms may view responding to societal needs with social initiatives as part of their moral obligations. Unlike other types of structures

or practices adopted by firms and explained through an institutional theory perspective, social initiatives go to the core meaning of the firm; that is, do firms serve societal needs by simply enhancing shareholder value or do they have broader obligations to work for the betterment of society? In other words, social initiatives say something about the moral values of the organization and its members.

Accordingly, a firm's identity and image should have a significant impact on its willingness to adopt a social initiative and the meaningfulness of the initiative adopted. Elsbach and Kramer (1996: 442) state that, "An organization's identity reflects its central and distinguishing attributes, including its core values, organizational culture, modes of performance, and products." For example, a firm with an identity and image of being socially responsible is likely to face dissonance if it receives feedback that it is not doing enough for the community (see Elsbach and Kramer 1996; Gioa et al. 2000). Although some firms may then attempt to adopt changes to adjust their identity (Elsbach and Kramer 1996), others firms with an image of being socially responsible may respond differently. For example, Fox-Wolfgramm and colleagues (1998) studied banks' responses to the Community Reinvestment Act, which was a response to discrimination in lending practices. The Act required banks to meet the credit needs of the communities they serve through lending practices, as well as involvement in community development projects. Some firms, which were in actuality not meeting the requirements of the Act, believed they were meeting the requirements based on their identity. Thus, these firms resisted institutional pressures for change—which the authors labeled "virtuous resistance"—believing that those pressures did not apply to them. It was only when there was clear and unambiguous evidence of noncompliance with the Act that the firm adopted changes in its practices (Fox-Wolfgramm et al. 1998).

Other firms that do not have an identity of being socially responsible may resist change. In the Fox-Wolfgramm et al. study (1998), the bank that did not view the demands of the Act as part of its identity and image did give in to coercive pressures to meet those demands, but it did not adopt practices that would continue to meet those demands in the future. Once the pressures subsided, the firm returned to its old practices because it did not also change its identity. Thus, for firms that do not have an identity of social

responsibility, we might expect them to adopt a symbolic social initiative and then withdraw support for that initiative once pressure subsides. Firms that also have changed their identity to coincide with the institutional pressures, however, may adopt more sustainable social initiatives.

A firm does not need to have an identity related to corporate social responsibility in order for identity and image to affect the implementation of a social initiative. For example, ignoring institutional pressures relating to an important social need may conflict with the organization's identity and image as a high-quality organization. In their study of the Port Authority of New York, Dutton and Dukerich (1991) found that the organization's identity affected its selection of strategies to solve issues related to homelessness, and that subsequent changes in the Port Authority's image caused concern for employees who found that image in conflict with their personal identities. Overall, the core values of the firm (i.e., its normative orientation) influences the way the firm responds to the institutional pressures such that the firm has a greater desire to be responsive through the adoption of a meaningful social initiative if its core values align with the pressure.

### ***The Role of Monitoring***

The meaningfulness of a social initiative is not determined simply at adoption, but through its implementation. Much like the use of monitoring in the implementation of codes of conduct (Sethi 2003b), monitoring of social initiatives can provide valuable information regarding the effectiveness of current programs. We assert that monitoring will positively affect initiatives adopted by both firms that strive for social impact and those that hope to stave off stakeholder pressures. Although a firm may wish to adopt a symbolic social initiative, the presence of capable constituent groups to monitor the performance and implementation of a firm's social initiative may force the firm to increase its efficiency and effectiveness in meeting the needs of society (see D'Aunno et al. 1991; King and Lenox 2000). Organizations that use decoupling to satisfy external demands attempt to restrict the ability of constituent groups to monitor their performance (Meyer and Rowan 1977) and this will lead to less efficient and effective social initiatives. To some extent, the ability of constituents to monitor performance depends on the



visibility of (or ability to measure) the outcome of the social initiative and the proximity of the constituent group to the initiative. For example, even if pressures for a social initiative come from an NGO with legitimacy and significant normative powers (Mitchell et al. 1997), the firm may still be able to adopt a symbolic social initiative if it is not possible to monitor performance in terms of social welfare outcomes, or at least the commitment and use of resources of the firm. If the initiative includes significant involvement from an NGO, however, then the NGO should have greater monitoring ability due to its proximity and be able to ensure that the initiative is meaningful (see Austin 2000).

The importance of monitoring to the meaningfulness of a social initiative is best realized by considering the earlier examples of product donations to those in need. For instance, victims of the recent tsunami in Southeast Asia received an outpouring of donations that included obviously useless products such as evening dresses and ski jackets, as well as seemingly more thoughtful contributions such as bottled water (Barta and Bellman 2005). The organizations receiving the donations, however, wished they had a means for communicating with donors because even the bottled water (which is expensive to transport) was not needed once the water supply facilities were returned to normal (Barta and Bellman 2005). Had the recipients or NGOs played a role in monitoring the initiatives and possessed the ability to provide feedback, then the likelihood of even well-intentioned but useless donations would be lower. For corporations' donations of pharmaceuticals, the World Health Organization (WHO) serves this monitoring role (Chase and Barta 2005; Joshi and Sanger 2005). Donations of drugs to those in need are now more likely to be meaningful because the WHO promulgated guidelines that require companies to send only drugs that were actually requested by aid groups, that all drugs have an expiration date of at least 12 months away, and that the containers are labeled in a manner suitable for local users (Chase and Barta 2005).

Much like firms that seek feedback on their business practices (Sethi 2003b), some corporations voluntarily seek feedback on social initiatives from the community (Austin 2000). An organization that possesses a means for feedback and adjusts its programs based on that information displays a relational commitment to corporate social initiatives. Furthermore, the feedback system, combined with constituent oversight, increases the likelihood that

the initiative is meeting a social need. In general, the ability to monitor increases a constituent group's power and prior research has found that powerful groups can prevent symbolic responses (Ingram and Simons 1995; Westphal and Zajac 2001).

## **DISCUSSION AND CONCLUSION**

Any social initiative—whether meaningful or symbolic—contributes to shaping the issue of corporate social responsibility in the institutional field. As argued by Shamir (2005) and others, however, overemphasis on social initiatives pushes the debate over social responsibility away from issues of conflict with stakeholders and toward issues of voluntary charitable acts. This is especially problematic if corporate social initiatives provide little true value to society. Thus, we need to be cognizant of the role that social initiatives play in this debate, both positively (corporations providing aid that perhaps only they can provide and therefore should be part of their responsibilities to society (see Dunfee 2006)) and negatively (creating a distraction from other issues related to social responsibility).

Clearly, a meaningful social initiative is more beneficial to social welfare than a symbolic one. However, even a symbolic initiative can have a beneficial impact. Because the “institutional war” around corporate social responsibility involves issues of power relations (Howard-Grenville 2002), certain stakeholders may attain power by being able to point to a hypocritical social initiative. In other words, rather than staving off pressures, a symbolic social initiative can open the door for stakeholders to put even greater pressures on firms. For example, in the early 1990s, Monsanto made specific commitments to improving its environmental performance and apparently made good faith efforts at achieving those goals (Sastry et al. 2002). Once Monsanto realized it could not attain those goals, however, it attempted to change its approach by simply using the rhetoric of sustainability and not committing to specific operational changes (Sastry et al. 2002). Monsanto soon found that it could not easily shift to a decoupling strategy and faced problems from stakeholders seeking to hold the company to its earlier commitments. The Monsanto case displays the value in viewing the pressures to adopt social initiatives as a process because, in some cases, symbolic adoption may reduce institutional pressures and in

others, it creates opportunities for greater pressures to be placed on the firm.

Understanding social initiatives and their potential for meaningfulness also requires that we look inside the corporation. For example, the firm's identity has an impact on how the organization's members interpret the importance of an issue raised by constituents, and whether or not it is viewed as an issue with moral content (Dutton and Dukerich 1991). This has an impact on what the firm views as the "success stories" from other organizations that it should follow as best practices. These success stories and their transferability to other organizations are "cultural constructions, formulated in terms of the problems that actors perceive and modes of action they find comprehensible" (Strang and Macy 2001: 179). For example, pressures from consumers may cause the firm to frame the issue in terms of market demand for products embodied with socially responsible features (Hoffman 2001; McWilliams and Siegel 2001). Pressures from investors, on the other hand, are framed in terms of capital acquisition or risk management (Hoffman 2001). These distinctions in the way the firm conceptualizes stakeholder pressures will affect the firm's perceptions of the institutional field and its view of acceptable responses.

Overall, there are significant pressures on firms to develop social initiatives with the potential to cause real social change. Building on Oliver's (1991) theory which combines institutional and resource dependence perspectives, we argue that firms are not passive actors in their institutional environment but strategically respond to institutional pressures based on the nature of those pressures. We predict that the adoption of social initiatives and their potential to provide meaningful improvements to social welfare is a function of institutional pressures, perceived competitiveness benefits, and the firm's core values. In addition, monitoring by constituents is expected to play a key role in ensuring the meaningfulness of an initiative. This is an ongoing process, however, and the firm's response to pressures will guide its future actions as well as contribute to shaping the institutional field.

Future researchers should continue the theoretical and empirical development of our understanding of corporate social initiative along the path laid out here. This requires further development of what is a "meaningful" social initiative, and which factors make a social initiative more likely to be meaningful. A meaningful social

initiative can result from any motivation of the firm—moral responsibility, competitiveness, or legitimization—and we need a better understanding of what factors influence the process from adoption to implementation, regardless of the firm's initial motivation. In addition, we need a better understanding of the role of social initiatives in defining what it means for a corporation to be socially responsible.

### NOTE

1. Most of the academic literature on philanthropic activity, however, focuses only on the amount corporations give to charity (see, e.g., Brammer and Millington 2003; Buchholtz et al. 1999; Galaskiewicz 1997; Useem 1988; Young and Burlingame 1996).

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