Module 8, Lesson 1

Short Answer Assessment Questions

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**Short Answer:** Please provide a one to two paragraph answer to the following questions:

1. Why do firms exist? What value do businesses serve for society?

**Firms exist because they can pool collective resources to achieve goals unattainable by individuals. Business organizations in particular create much of the wealth and thus determine much of the well-being of society.**

1. Define ‘corporate social responsibility.’ What arguments in favor of CSR seem most important to you?

**The entirety of CSR can be discerned from the three words this phrase contains: ‘corporate,’ ‘social,’ and ‘responsibility.’ CSR covers the relationship between *corporations* (or other large organizations) and the *societies* with which they interact. CSR also includes the *responsibilities* that are inherent on both sides of these relationships (the responsibilities of corporations and also their stakeholders). CSR defines ‘society’ in its widest sense, and on many levels, to include all stakeholder and constituent groups that maintain an on-going interest in the organization’s operations.**

**Arguments in favor corporate social responsibility include the moral, rational, and economic. Each takes a viewpoint that illustrates the importance of CSR.**

1. Name the four ‘responsibilities’ of a firm outlined in Archie Carroll’s “Pyramid of CSR” model. Illustrate your definitions of each level with corporate examples.

**The most basic element of Carroll’s pyramid is the economic. Corporations are economic entities and exist to create economic good. In doing so, they must comply with the legal requirement that forms the second level of Carroll’s pyramid. The ethical level represents what society expects from organizations, though legal or economic sanctions may not be present initially. This ‘responsibility’ can be defined as ‘do no harm.’ Finally, there are discretionary actions, which the organization is free to consider or not. However, in time, discretionary issues can evolve into ethical and even legal ones with economic implications for the firm.**

1. Milton Friedman argued: “Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.” Give two arguments in support of his assertion and two against.

**If firms are distracted from pursing economic interests, they may fail, depriving owners, employees and the larger society of the goods, jobs, and services the firm provided. Further, by focusing largely on those economic concerns, profits and thus wealth can be maximized, at least in the short run.**

**Against the narrow economic view is the possibility that myopic economic pursuits can lead to countervailing forces, wherein the firm may be limited in its pursuit of economic interests. Even worse, flagrant disregard for CSR considerations can lead to consumer rejection, laws, or other limitations that may be so severe as to destroy the firm.**

1. Define and discuss briefly the primary moral, rational, and economic arguments for CSR?

**A Moral Argument for CSR: CSR broadly represents the relationship between a company and the principles expected by the wider society within which it operates. It assumes businesses recognize that ‘for profit’ entities do not exist in a vacuum, and that a large part of their success comes as much from actions that are congruent with societal values as from factors internal to the company.**

# **A Rational Argument for CSR: CSR is a rational argument for businesses seeking to maximize their performance by minimizing restrictions on operations. In today’s globalizing world, where individuals and activist organizations feel empowered to enact change, CSR represents a means of anticipating and reflecting societal concerns to minimize operational and financial limitations on business.**

**An Economic Argument for CSR: CSR is an argument of economic self-interest for businesses. CSR adds value because it allows companies to reflect the needs and concerns of their various stakeholder groups. By doing so, a company is more likely to retain its societal legitimacy and maximize its financial viability over the long term. Simply put, CSR is a way of matching corporate operations with societal values at a time when these parameters can change rapidly.**