2 THE DRIVING FORCES OF CSR

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

2.1 Define the five driving forces of CSR.

2.2 Evaluate how each of the five drivers has altered stakeholder expectations of business.

2.3 Evaluate how each of the five drivers has altered business operations.

2.4 Identify those firms with a strategic advantage in terms of the five drivers of CSR.

2.5 Identify those firms with a strategic vulnerability in terms of the five drivers of CSR.

CSR is essential because it is synonymous with all aspects of business operations. Consumers want to purchase products from firms they trust; suppliers want to work with firms on which they can rely; employees want to work for firms that make them proud; large investment funds want to support firms that are well managed; and nonprofits and NGOs want to partner with firms seeking practical solutions to common goals. Satisfying each of these stakeholder groups (and others) allows firms to achieve their ultimate purpose, which is to create value and contribute to society.

This is an abstract argument, however. In order for CSR to be convincing, it is necessary to place it in a contemporary context and make a practical case for its application. CSR is central to business success because it provides firms with a set of operating principles around which their multiple stakeholders can rally. Equally, those stakeholders, in aggregate, form the context in which firms operate, rewarding actions of which they approve and punishing actions of which they disapprove. So, understanding trends in that operating environment (a way of deciphering and anticipating stakeholder needs and expectations) is crucial.

CSR is an integral component of strategy that is increasingly relevant for firms due to five sociological forces that will continue to grow in importance throughout the 21st century. While each of these drivers (affluence, sustainability, globalization, communication, or brands) is present in many discussions about business, they are understood differently when viewed through a CSR lens. Collectively, they are reshaping the operating environment by empowering stakeholder groups, and thus they are directly relevant for **strategic CSR**. And because they overlap and reinforce each other, the iterative effects ensure that this complex context will not only continue to change but do so at an increasingly rapid rate.

AFFLUENCE

Different issues tend to gain a foothold in different societies due to different priorities. One of the most important determinants of a society's priorities is its level of development, which is to say its level of affluence. Societies where people have jobs, savings, and security, for example, can afford the *luxury* of choosing between expensive sports cars that pollute more and expensive electric cars that pollute less.[1] A poorer society in need of inward investment and economic development, however, is simply looking to provide basic transportation solutions for its population, so is less likely to enforce strict regulations to penalize firms that might take their business elsewhere. A higher level of affluence means a higher standard of living, which places different demands on the firms that operate in that society.

In short, societal affluence raises expectations. Accordingly, firms operating in affluent societies face a greater threshold to demonstrate they are creating value for their stakeholders. In less affluent societies, a manufacturer may be able to externalize some of its production costs to society by polluting the environment. When the majority of people are desperately focused on the need for jobs to feed their families, an externality such as pollution is of limited concern. As societies become increasingly affluent, however, the collective appreciation of issues like pollution grows, as does the ability to afford effective solutions.[2]

While affluence drives CSR, however, the concept of being *affluent* is relative. In other words, we judge our own wealth by comparing it to the wealth of others—"people's sense of well-being depends much more on their relative purchasing power than on how much they spend in absolute terms."[3] Although we can measure affluence on an objective scale (e.g., we know we are all wealthier today than we were 100 years ago), this relative measure matters to us.[4] As we become increasingly aware of the living standards of people elsewhere, inequality is rising as an issue (both within and among countries) and driving action.

Inequality within Countries

The world today is remarkably richer than it has ever been. The best way to illustrate this is in terms of absolute progress:

> John D. Rockefeller was the richest man the world had ever seen. But for most of his adult life he didn't have electric lights, air conditioning, or sunglasses. And he never had penicillin, sunscreen, or Advil. This is not ancient history: One in twenty Americans were born before Rockefeller died.[5]

As a result of our wealth and economic development, we have evolved to the state where, for the first time, "more people die . . . from eating too much than from eating too little; more people die from old age than from infectious diseases; and more people commit suicide than are killed by soldiers, terrorists and criminals combined."[6] In spite of this unprecedented wealth worldwide, it is not evenly distributed. So much so, in fact, that "if the world's wealth were divided equally, each household would have $56,540. Instead, the top 1% own more than half of all global wealth. The median wealth per household is just $3,582; if you own more than that, you are in the richest 50% of the world's population."[7] In other words, different societies are receiving vastly different amounts of the world's wealth, but these same disparities are showing up within countries, as well as across them. And this matters because the relationship between inequity, inequality, and social stability is strong, with each reinforcing the other—a society characterized by inequity produces greater inequality, and as inequality rises, stability falls:

> Fewer Americans are marrying over all, and whether they do so is more tied to socioeconomic status than ever before. . . . Currently, 26 percent of poor adults, 39 percent of working-class adults and 56 percent of middle- and upper-class adults ages 18 to 55 are married.[8]

What is important is for society to stop the trend toward greater inequality from spiraling out of control, and the firm (or, more specifically, CSR) has a role to play in that process. While growing affluence increases the demands societies place on firms, decreasing affluence (e.g., during a recession) is also an important driver of CSR.[9] In either case, increasing *relative* affluence (or income/wealth inequality) leads directly to greater resentment among segments of the population, which can lead to altered power balances within a country. In the U.S., at least, data suggest that inequality has not been this severe since the Great Depression and that it is shaping the current polarization in politics.[10] Worse, evidence suggests the Internet and globalization are aggravating this social bifurcation, rather than bridging it:

> The digital revolution is opening up a great divide between a skilled and wealthy few and the rest of society. In the past new technologies have usually raised wages by boosting productivity, with the gains being split between skilled and less-skilled workers, and between owners of capital, workers and consumers. Now technology is empowering talented individuals as never before and opening up yawning gaps between the earnings of the skilled and the unskilled, capital-owners and labour.[11]

As such, it is misguided to assume that CSR is applicable only where there is affluence. While, to some extent, companies reflect the societies in which they operate, their actions also shape those societies and, in the process, can help resolve (or exacerbate) some of their most intractable problems:

> Companies discriminate. They discriminate against black people, poor people, gay people and fat people—oh yes they do. Using callback studies, in which fictitious CVs for identically qualified candidates are sent to employers, economists have become quite good at measuring the penalty paid for being a woman, a racial minority or lower-class. Identical résumés under Asian-sounding names are 30% less likely to get call-backs from employers; for black-sounding names the penalty is 50%. Unfortunately there

appears to be little improvement over time. Estimates of racial discrimination in hiring blacks in America look as bad now as they did in 1990.[12]

While America is undoubtedly more affluent than it has ever been, in many ways, it is still developing (as is every country). It is true that priorities shift as affluence increases, but that does not mean the number of problems reduces; they merely shift in nature.[13] Thus, in economies that used to worry about basic working conditions for employees, the idea of a $15 minimum hourly wage has now "gained traction."[14] It is still a problem that needs to be addressed and, like many other social problems, involves conflicting interests among different stakeholder groups. By virtue of the fact that companies exist within a complex social environment, the challenges of that society become problems that involve companies. Their responses are therefore central to the progression of any society and also to the success of each firm. Those firms that are sensitive to the needs and expectations of their stakeholders are better placed to respond and create value for those stakeholders (and succeed) than those firms that are insensitive to the same needs and expectations.

Inequality among Countries

In addition to reflecting local concerns, evolving expectations demonstrate that stakeholders living in affluent societies are willing to impose their values on firms that operate overseas in less affluent societies. As a result of such domestic pressure, Nike, GAP, and Apple all now require their subcontractors to provide wages and working conditions above local norms. Even so, activists continue to advocate for higher standards, criticizing the pay and conditions of subcontractors that are below those in developed countries, such as the United States.[15]

Due to such activism, developed-country living standards (and the expectations that accompany them) are rapidly diffusing throughout the world. As the world's population continues to grow (projected to rise from the current level of 7.9 billion to "a little over 9.7bn people in 2050 and just under 10.9bn in 2100")[16] and more people clamor to enter the middle class (estimated to increase by "two or three billion people" over the next 40 years,[17] driven primarily by economic advances in China and India),[18] people expect more from the firms (often multinationals) that operate locally. Naturally, all people want the same living standards or, at least, the same opportunity to achieve those standards. It is not clear, however, that people realize the limits they face in seeking to progress along the same path as developed economies. This applies to environmental damage ("Delhi has become the world's most polluted mega-city, supplanting Beijing")[19] but also to restricting economic growth:

> [Pollution] not only damages a country's image and hurts its ability to attract talent, tourists and investors; air pollution also exacts heavy losses in health expenditures, labor losses, agricultural activity and premature deaths. (The W.H.O. estimates that air pollution causes close to a million deaths per year in both India and China.) Over all, the World Bank estimates that air pollution already drains at least $55 billion worth of labor output alone from the Indian economy every year.[20]

The obvious conclusion is that competitive strategies must consider the ever-shifting pattern of expectations placed on firms by the greater choices (and challenges) that affluence affords societies. But, firms need to do this not only within societies and cultures but also across them. As society becomes more complex, this task will become more difficult; it will also become more essential. Serious corporate transgressions fuel the sense of "them and us" and are always resisted by local stakeholders. Protests against foreign petroleum companies, for example, occur when operating standards are construed as being particularly harmful to the immediate community. In Nigeria, residents of the Niger Delta continue to attack oil workers and sabotage equipment because the Nigerian government is failing to distribute the wealth generated by the petroleum industry, while pollution and deforestation continue. Though Shell and other companies comply with Nigerian law, they have been attacked (both at home and in Nigeria) by those who believe the firm is doing harm. Perceived transgressions at home are protested, but the level of anger is magnified when compared with life elsewhere. As our ability to communicate with each other grows, any relative inequalities will feed into a sense of injustice and a growing body of resistance:

> The immediate sparks vary from country to country. But underlying the unrest are an often similar mix of social and economic discord helping fuel demands for sweeping changes to the existing political order. . . . Propelling the action on the streets to a kind of hyperspeed is a new generation of encrypted-messaging software such as WhatsApp and Telegram that enable large groups of protesters who have never met each other to communicate anonymously. . . . Meanwhile, the internet's global reach has helped activists learn by watching and connecting with peers in other countries.[21]

In short, affluence leads to a more engaged civil society, which leads to shifts in public attention to issues of concern. But, perceived inequality across societies amplifies the sense of injustice, which spreads worldwide in an instant. The pace at which societal attitudes can evolve on issues that previously were thought intractable has caught many firms unaware. In the U.S., for example, issues as diverse as "interracial marriage, prohibition, women's suffrage, abortion, same-sex marriage, and recreational marijuana" show that the country has moved from rejection to "widespread acceptance in a short amount of time."[22] At least some of this progression is due to reference points overseas. Firms need to understand this pace of change and adapt, but they need to do so in a way that accounts for the level of affluence locally and also for perceived differences internationally. It is this *relative* characteristic of affluence (and the challenges such inequality generates) that makes it so complicated for firms to assess comprehensively, but also what makes it such an essential driver of CSR.

SUSTAINABILITY

The impact of relative affluence and shifting stakeholder expectations of business is enhanced by a growing concern for the natural environment. When the Alaskan pipeline was built in the 1970s, crews could drive on the hardened permafrost year-round. Today, climate change is causing the permafrost to thaw at record rates,[23] research reveals that almost 30 percent of the Arctic ice cap has melted since 1981,[24] and shipping firms anticipate a day in the not-too-distant future when they will be able to transport goods regularly between the Atlantic and Pacific oceans via the previously impassable Northwest Passage.[25]

Greater instances of extreme weather events, droughts, floods, forest fires, and shrinking biodiversity all support what is intuitive—our planet has ecological limits.[26] The speed at which we are approaching these limits and the potential consequences of our actions are complicated issues about which experts do not agree. What is not in doubt, however, is that human economic activity is depleting the world's resources and causing dramatic changes to the Earth's atmosphere—changes that could become irreversible in the near future. Already, the latest data indicate "humanity has transgressed four of the nine boundaries—climate, biodiversity, deforestation and the linked nitrogen and phosphorous cycles"[27]—that have been set as "red lines" that the human race crosses at its peril. Our prognosis does not look good. A fixed supply of resources (we have only one planet) faces rapidly growing demand. In the autumn of 2011, the world's population passed 7 billion people, and the strain its growth is placing on the natural environment shows no sign of letting up:

> The first billion people accumulated over a leisurely interval, from the origins of humans hundreds of thousands of years ago to the early 1800s. Adding the second took another 120 or so years. Then, in the last 50 years, humanity more than doubled, surging from three billion in 1959 to four billion in 1974, five billion in 1987 and six billion in 1998. . . . The United Nations Population Division anticipates 8 billion people by 2025, 9 billion by 2043 and 10 billion by 2083.[28]

The scale and pace of this population growth place an enormous strain on the world's resources (from fresh water to energy provision, to affordable food, to the rare earths necessary to produce consumer electronics), causing commentators like Paul Ehrlich to predict "a collapse of global civilization."[29] This is because the world's population is not only becoming larger but also becoming more concentrated. According to the United Nations, we recently became "a predominantly urban species. . . . Having taken around 200,000 years to get to the halfway mark, demographers reckon that three-quarters of humanity could be city-dwelling by 2050."[30] As this concentration of humanity increases, the natural environment will bear the brunt of the associated resource depletion. In particular, climate change is an issue that has gained visibility in recent years, peaking in the intergovernmental commitment at the COP21 United Nations meeting in Paris in 2015 (see Chapter 11), but being advanced more aggressively by cities, counties, and states around the world.[31]

As a result of this heightened awareness and belated action, *sustainability* will increasingly drive CSR. And firms that are perceived to be indifferent to their environmental responsibilities will be punished by stakeholders. The backlash against BP's *Deepwater Horizon* disaster in 2010 ("$61 billion in cleanup costs, federal penalties and reparations to individuals and businesses")[32] is only the most prominent example of the dangers firms face if they ignore the emerging consensus around the need to act.

"THE MOST TERRIFYING VIDEO YOU'LL EVER SEE"

The video that accompanies this quote (https://youtu.be/zORv8wwiadQ)[33] condenses the convoluted, passionate, and often partisan debate about the climate crisis into a logical, cost-benefit analysis.

The goal of the presentation is to remove the conflict over the science behind climate change and global warming from the debate and, instead, reduce the argument to one of risk management. In other words, whether you believe in the science or not (and you should), the dangers of not acting far outweigh any dangers associated with acting.

What is also clear is that internalizing the nature of the problem and the extent of action necessary to effect meaningful change has implications for our entire economic system. In particular, we need to be more efficient in our resource utilization—extracting fewer raw materials and recycling (ideally *upcycling*) a significantly higher percentage of the resources we use.[34] Because waste is inherent to GDP growth (our economic model prefers us to replace our cars every three years rather than ten and buy disposable products rather than ones we can reuse), and because the supply of raw materials is finite, it is essential that we use resources more effectively.[35] Some CSR advocates see waste as a fault in our economic model and call for a *revolution*. The argument presented in this book, however, seeks *evolution*—reforming the current system to create value broadly by integrating a CSR perspective into firm strategy and throughout operations. It is only by focusing on the whole, envisioning business and society as an ecosystem, that lasting change can occur.

In response to the threat, firms as diverse as Starbucks ("becoming resource positive"),[36] Unilever ("planet & society"),[37] and Tesla ("sustainable energy")[38] recognize the advantages of innovating to meet stakeholder needs on this existential issue. Along similar lines, Apple has declared it is "now globally powered by 100 percent renewable energy,"[39] while Disney, Shell, and General Motors (part of "more than 1,200 global companies") are embracing carbon pricing in their internal budgeting models.[40] Further, at the COP26 climate change conference in Scotland in 2021, the Glasgow Financial Alliance for Net Zero (GFANZ) claimed to harness the collective investment power of "over 450 financial firms across 45 countries responsible for assets of over $130 trillion." Together, the group claims to be

> focused on broadening, deepening and raising net-zero ambitions across the financial system and demonstrating firms' collective commitments to supporting companies and countries to achieve the goals of the Paris Agreement. We also support collaboration on steps firms need to take to align with a net-zero future.[41]

While there is much progress still to be made, stakeholder awareness of sustainability will ensure that progressive firms can secure market share and competitive advantage by integrating CSR throughout strategic planning and day-to-day operations.

GLOBALIZATION

In spite of recent authoritarian political trends toward nationalism and censorship, business is increasingly taking place in a global context.[42] Operating in multiple countries and cultures, of course, magnifies exponentially the complexity of running a firm. There are not only more laws and regulations to interpret, but also many more social and cultural norms to navigate. As a result, the range of stakeholder expectations to which multinational companies are held accountable increases, as does the potential for conflict among competing demands. While globalization has increased the possibility of supply chain efficiencies and access to new markets, therefore, it also places firms on a global stage, exposing them to risks that range from cybercrime and Bitcoin extortion to the idiosyncratic cultural sensitivities of stakeholders worldwide.[43] As such, firms today find themselves squeezed on all sides—from below by customers and employees with smartphones, and from above by the threat of geopolitics and ideological retaliation:

> Companies find themselves on the front line of political fights over tariffs, technology, climate change and racial injustice. In part, this reflects a failure of leadership from politicians, which has prompted consumers and employees to demand that bosses step up instead. It also reflects the fact that firms are now pawns in wider geopolitical battles—just ask Huawei, TikTok, Harley-Davidson, America's tech giants or the French wine industry, all of which have been caught up in trade, tax and technology spats between America, China and Europe.[44]

Globalization is, therefore, another force propelling the strategic value of CSR. Large corporations, due to their scale and scope, are positioned better than most to take advantage of the potential that globalization offers, whether FAANGs (Facebook, Amazon, Apple, Netflix, and Google in the U.S.) or BATs (Baidu, Alibaba, and Tencent in China). Such firms gain significantly from globalization; they also present a bigger target for stakeholder criticism, including from their own government.[45] These outcomes (positive and negative) are enabled by the Internet, which drives this global marketplace by creating the possibility for more efficient communication, transportation, trade, and international capital flows. In the process of connecting over large distances, however, the Internet initially undermined our sense of an immediate community. This, in turn, affected business's sense of self-interest and loosened the self-regulating incentive to maintain strong local ties:

> In the capitalist utopia envisioned by Adam Smith in the 18th century, self-interest was tempered by the competing demands of the marketplace and community. But with globalization, the idea of doing business with neighbors one must face the next day is a quaint memory, and all bets are off.[46]

Access to Information

In Adam Smith's view of the 18th-century world,[47] all competition was local—the vast majority of products were produced and consumed within the same community. As a result, Smith reasoned, it is in producers' self-interest to be honest because to do otherwise would threaten the reputations and goodwill on which ongoing trade in their community depends. This is because the market works best when dealing with series of repeat interactions among parties who are known to each other. The multiple iterations of the same transaction encourage transparency, and therefore honesty, between buyer and seller because the goal is to continue the economic partnership. In turn, this promotes trust. When transactions occur less frequently or at distance, however, information asymmetry favors the seller, who is incentivized to abuse their dominant position in the exchange—there is less transparency, honesty, and trust because the prospect of a repeat transaction is small.[48] In other words, as firms grew in size, began selling to ever more distant markets, and started separating operations across geographic locations in order to increase efficiencies, Smith's fundamental assumption broke down. Firms were free to be bad employers in Vietnam or polluters in China because they sold their products in the U.S. or EU, and there was no way for Western consumers to know the conditions under which the products they were buying were being made. Disgruntled employees in Vietnam and local villagers in China were no threat to the global business model, especially when even the worst positions in the factories of multinational firms were the best source of local jobs and economic progress.

As globalization progressed, however, information was communicated ever more efficiently. It took "radio 38 years and television 13 years to reach audiences of 50 million people, while it took the Internet only four years, the iPod three years and Facebook two years to do the same."[49] As knowledge spreads, the world grows smaller, and societies return to the conditions under which Smith first suggested that self-interest effectively regulates action. Once again, "all business is local,"[50] with widespread Internet access allowing anyone with a phone to broadcast what they witness worldwide. In 2020 alone, for example, smartphone sales "in China reached over 325 million units, accounting for about 25 percent of the total volume of global [sales]" and phone subscriptions now total 1.59 billion,[51] while "every second three more Indians experience the internet for the first time. By 2030 more than 1 billion . . . will be online."[52]

Globalization transforms the CSR debate, therefore, because a domestic context is no longer the only lens through which the business should be viewed. Today, no multinational can afford to ignore its broad range of stakeholders, wherever they may be. European consumers, for example, are just as likely to look to a firm's operations elsewhere in the world when judging whether to buy its products. This is a lesson the British bank Barclays learned when it continued to do business in apartheid-plagued South Africa in the 1980s;[53] the oil multinational Shell learned a similar lesson due to its involvement with the Nigerian regime that executed writer and activist Ken Saro-Wiwa in the 1990s;[54] and it was a lesson that Siemens, the German engineering group, also learned when it was forced to pay approximately $1.6 billion in fines to settle allegations of bribery and corruption used to win overseas contracts in the 2000s.[55] Globalization enables stakeholders across different cultures to express their concerns directly. Actions that are acceptable, even required, in one culture may be frowned upon or prohibited in another. Fairly or not, firms are increasingly expected to meet these varying standards.

CULTURAL RELATIVITY

Discrimination based on gender is generally prohibited in developed societies, albeit with varying degrees of enforcement; however, in some cultures, like Saudi Arabia, women are segregated from male workers and encounter gender-based limitations on the type of work that is available to them. A firm operating in Europe and Saudi Arabia may well be considered culturally insensitive if it applies the same human resource policies across all operating locations. Yet if women are treated differently in Saudi Arabia, criticisms may arise in Europe or elsewhere, leading to accusations of social irresponsibility.

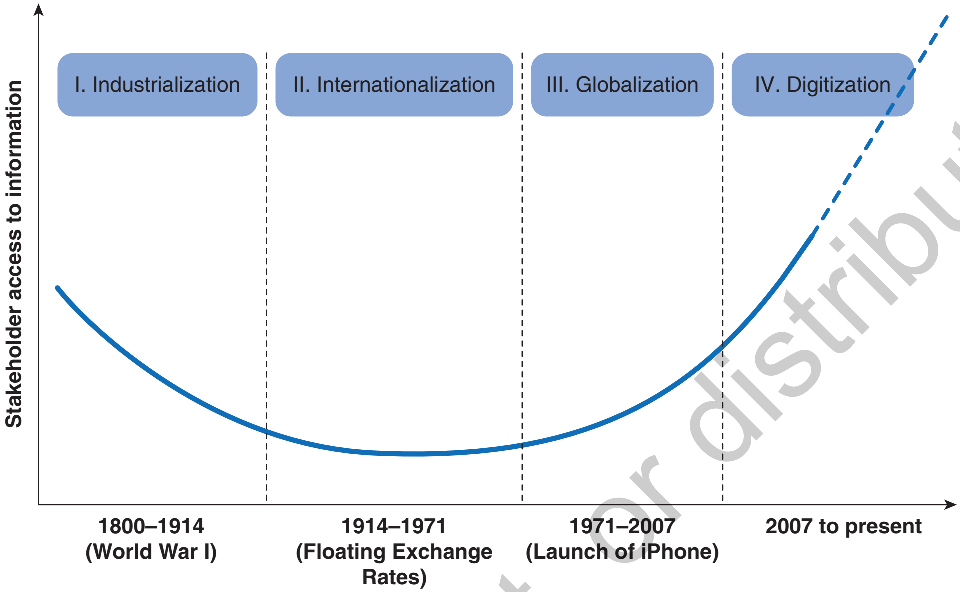
The Swedish furniture giant IKEA learned this lesson when it airbrushed women out of photos in the Saudi version of its catalog out of respect for local norms and custom.[56] Ignoring inconsistencies in company practices can place multinational firms in awkward positions. On the one hand, they must adapt their strategies to local stakeholder expectations; on the other hand, strategies based on varying standards can leave the firm open to negative publicity, lawsuits, or other harmful outcomes at home.

This progression of networked stakeholder engagement and shifting societal expectations worldwide is expressed in Figure 2.1, via the four phases of stakeholder access to information—from industrialization, to internationalization, to globalization, and to (most recently) digitization:

- **Industrialization:** Starting in the early 19th century, this initial phase ran until the outbreak of World War I in 1914.
- **Internationalization:** This second phase stretched from the two world wars to 1971, when the Nixon administration in the U.S. moved to floating exchange rates and fully dismantled the Bretton Woods financial architecture that had been constructed at the end of World War II.
- **Globalization:** Floating exchange rates led to the free flow of capital across the globe and increased trade. This phase ran from the early 1970s to the launch of the iPhone in 2007, encompassing the fall of the Berlin Wall (1989) and collapse of the Soviet Union (1991).
- **Digitization:** The introduction of the smartphone and the emergence of social media resulted in the massive expansion of cheap and readily accessible information, which continues to characterize this most recent phase of development.

While globalization is driven by the Internet, which fostered the free flow of people and ideas worldwide in the latter decades of the 20th century, the current phase (digitization) is being driven by big data, virtual reality, and artificial intelligence—computational power that would have been unimaginable to earlier generations and is, according to Google's CEO, Sundar Pichai, "more profound than fire or electricity."[57] Adam Smith lived in a simpler time, when all information was local and kept firms honest. Industrialization and international trade

FIGURE 2.1 ■ The Four Phases of Stakeholder Access to Information

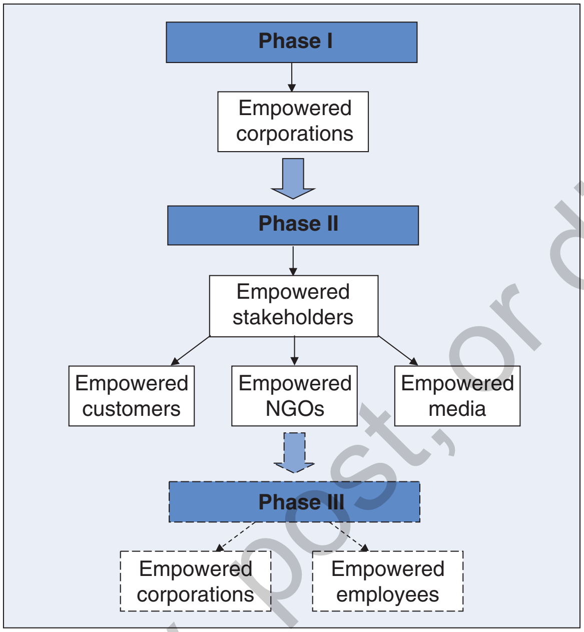


depressed stakeholder access to information due to the greater distances over which transactions were conducted and the centralization of control over information in large corporations. Gradually due to globalization and more rapidly due to digitization, however, access to information has returned to a micro level. As technological innovation empowers individuals to communicate and mobilize, the ability of firms to manipulate stakeholder perceptions of their activities has decreased and will continue to do so.

These shifts of power and control can be visualized as progressing through multiple phases. Initially, globalization empowered corporations (Phase I, Figure 2.2), enabling them to expand worldwide, shift manufacturing offshore, reform supply chains, and develop powerful global brands. Merger and acquisition activity blossomed (because it is the quickest way for firms to grow, both domestically and overseas), further increasing their influence. As business transcended national boundaries, the power of large firms grew, even to the point where they felt free to incorporate offshore or relocate their official headquarters via accounting *inversions*—both methods to avoid paying higher tax rates in their home country.

Subsequently, however, globalization (and now digitization) created countervailing forces that are curtailing the power of business (Phase II, Figure 2.2). These forces shifted the balance of power away from corporations and toward stakeholders as the democratization of information enabled anyone to access what had previously been available only to those with the most resources. What is interesting is that these forces are now shifting again as firms begin to harness big data and massive amounts of computing power to wrestle back control over the flow of information. This most recent shift suggests the possibility of a third phase (dotted lines, Figure 2.2), although the exact balance of power in this new period is yet to be determined conclusively (see discussion below). While, clearly, firms today are gathering and exploiting large amounts of information to their benefit, information remains an accessible resource for stakeholders, especially internal stakeholders, such as employees.

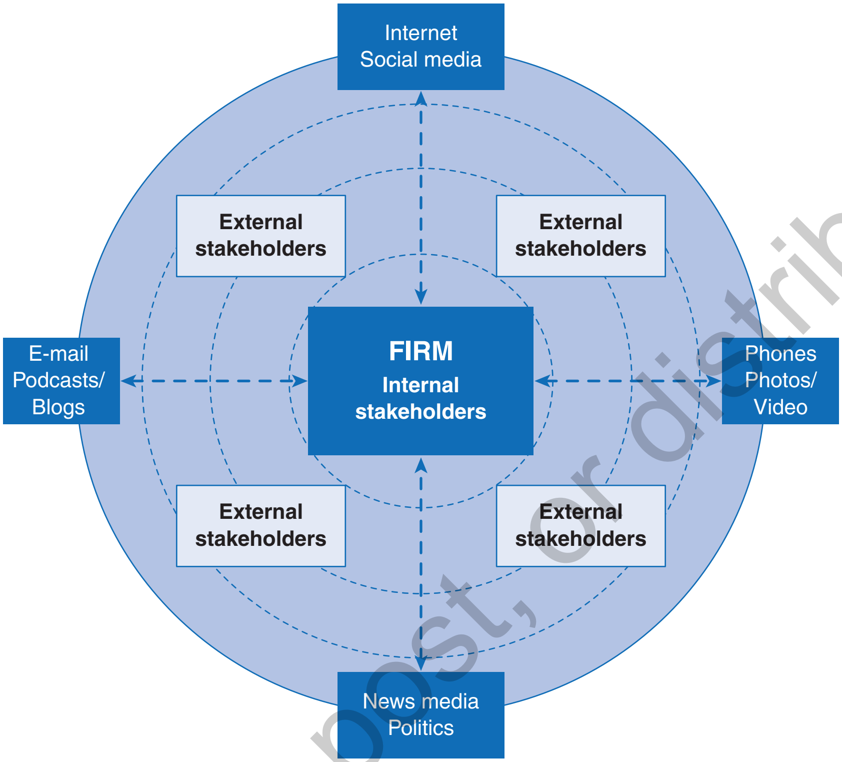
FIGURE 2.2 ■ Globalization in Multiple Phases of Empowerment



While the balance of power in Phase III is still being contested, what is clear is that firms have lost control over some aspects of the flow of information in ways that empower stakeholders to communicate and mobilize (see Figure 2.3). Social media campaigns, for example, give "customers a huge megaphone with which to shape corporate ethics and practices . . . suddenly what matters isn't what an ad says about a company, but what your friends think about that company."[58] There is a growing list of firms that are no longer able to control the narrative about their operations and how they affect societal expectations. GAP,[59] Coca-Cola,[60] and Google[61] are just a few of the firms that have been damaged in the past as global information flows forced them to react to significant transgressions in minutes rather than days. The answer is greater transparency, with firms seeking to better understand and anticipate their stakeholders' needs in order to create value in its broadest sense:

> In a world where our demand for Chinese-made sneakers produces pollution that melts South America's glaciers, in a world where Greek tax-evasion can weaken the euro, threaten the stability of Spanish banks and tank the Dow, our values and ethical systems eventually have to be harmonized as much as our markets. To put it differently, as it becomes harder to shield yourself from the other guy's irresponsibility, both he and you had better become more responsible.[62]

FIGURE 2.3 ■ The Free Flow of Information



What is apparent in Figure 2.3 is the range of tools stakeholders now have to communicate and criticize corporations. For the most part, this has led to the empowerment of those stakeholders, but it is also worth noting that, while the *quantity* of information flow has increased, it is less clear there has been a corresponding improvement in the *quality* of information flow. Similarly, while individual stakeholders are essentially now empowered to wage a campaign against a multinational corporation, it is debatable whether such campaigns are more effective—what does it mean to *like* a Facebook post? In other words, because it is now so easy to criticize a corporation, it is not news when it happens, which reduces the impact of the point that is being made—more information means that any particular message gets lost in the mix.[63] Thus, the overall effect is to alter the ratio of effective influence—external stakeholders (e.g., NGOs) become less effective at producing changes in firm behavior, while internal stakeholders (e.g., employees) have greater influence. This shift in relative effectiveness suggests a potential Phase III in Figure 2.2, an emerging trend that has become apparent at companies such as Google[64] and Facebook,[65] where there is considerable employee dissatisfaction, even though they are thought of as ideal places to work.

This self-feeding cycle of globalization and shifting control over the free flow of information ensures that CSR will increasingly become a mainstay of strategic thinking for businesses, especially multinational corporations.

COMMUNICATION

Globalization demonstrates that the pace at which information spreads is determined by the communication technologies that increasingly define the environment in which firms operate. This information exchange has risen to a level that is difficult to comprehend, but means that "every day [Google's] search engine handles 6bn requests, YouTube receives 49 years' worth of video uploads and Gmail processes about 100bn emails."[66] To put this another way, it is estimated that "by 2025, stored data worldwide will total 175 zettabytes ≈ the storage capacity of 1.75 billion human brains."[67] The sheer volume is impressive, but the relationship we have with the companies to which we willingly hand over our most personal information has profound implications for the way we work, play, and live:

> Every minute, people enter more than 3.8 million Google searches, send more than 188 million emails and swipe through Tinder more than 1.4 million times, all while being tracked by various forms of digital surveillance. We produce so much data that some philosophers believe personhood is no longer an equation of body and mind; it must also take into account the digital being. When we die, we leave behind informational corpses, composed of emails, text messages, social media profiles, search queries and online shopping behavior . . . assuming its continued existence—Facebook could have 4.9 billion deceased users by the century's end.[68]

Underlying this revolution is communication that is instant and global. It has ramifications not only for the latest news and fashions but also for social movements, as popular unrest can spread as easily as breaking news from Latin America and the latest trends from Shibuya in Tokyo. In such an environment, to the extent that a firm is out of touch with local concerns, it will face a backlash from stakeholders. Similarly, those firms that adapt and are responsive to societal claims will be appreciated by their stakeholders. The growing influence of the Internet makes sure that any lapses by firms are brought rapidly, often instantaneously, to the attention of the worldwide public. Scandal is news, and yesterday's isolated eyewitnesses are today armed with smartphones embedded with sophisticated cameras and video capability that were unimaginable only a decade ago:

> The transformative power of smartphones comes from their size and connectivity. . . . Even the most basic model has access to more number-crunching capacity than NASA had when it put men on the Moon in 1969.[69]

This technology enables communication among activist groups and like-minded individuals, empowering them to spread their message and providing the means to coordinate action. Such technologies are decentralizing power in a way that allows mobilization and protest in places such as Hong Kong and throughout the Middle East, where "the more secular forces of moderation have used technologies like Facebook, Flickr, Twitter, blogging and text-messaging as their virtual mosque, as the place they can now gather, mobilize, plan, inform and energize their supporters, outside the grip of the state."[70] Such communication tools were also used by campaigners with disparate agendas to protest at the 2021 COP26 climate change meeting in Glasgow and coordinate sympathetic action worldwide:

> According to organizers, more than 100,000 people marched in Glasgow despite driving wind and rain. Worldwide, protest groups said, more than 300 rallies were staged—from London, where thousands marched to Trafalgar Square, to Melbourne, Australia, where demonstrators wheeled a 13-foot-tall burning animatronic koala through a suburban park. The protests in Glasgow illustrated how the climate change movement has become an umbrella for a broad range of causes. Demonstrators included members of trade unions and faith organizations, left-wing activists and advocates for racial justice.[71]

As presented in Figure 2.2, Phase II of globalization records a shift in the balance of power concerning control over the flow of information back toward stakeholders, both individually and in groups. First, the Internet has greatly empowered individuals because of the access it provides to large amounts of information, particularly when an issue achieves a critical mass in the media or goes viral online. It is estimated, for example, that "every two minutes, we snap as many photos as the whole of humanity took during the 1800s."[72] Today, the Internet has "as many hyperlinks as the brain has synapses. . . . It is already virtually impossible to turn the Internet off."[73] And second, globalization has increased the influence of NGOs and other activist groups because they, too, are benefiting from easily accessible and affordable communications technologies. These tools empower NGOs by enabling them to inform, attract, and mobilize geographically dispersed individuals and consumer segments, helping ensure that socially unacceptable corporate behavior is exposed worldwide. The combination of empowering these stakeholders ensures that firms today are unable to hide behind the fig leaf of a superficial public relations campaign:

> We are approaching a theoretical state of absolute informational transparency. . . . It is becoming unprecedentedly difficult for anyone, anyone at all, to keep a secret. . . . Truths will either out or be outed . . . the future, eventually, will find you out. . . . In the end, you will be seen to have done that which you did.[74]

As online communication becomes an ever-present aspect of our waking lives, it is increasingly apparent that two trends will dominate future growth and social discourse: First, people will access the Internet via voice-activated mobile devices and, second, they will share information via social media.

Mobile Devices

Smartphones and other mobile devices are approaching ubiquity.[75] They are proliferating worldwide because they provide us with our preferred means of accessing the Internet—wireless technology. As an indicator of our insatiable demand, there are now estimated to be "8.3 billion [smartphone] subscriptions" worldwide, a total that "significantly exceeds the number of people on the planet."[76] And, as our access expands, technology evolves so that, increasingly, the way we access the Internet is via voice-activated software and the *Internet of Things* (IoT). That is, we are speaking to our devices to search online (and heat and light our homes) as much, if not more, than we are typing instructions into those devices—an emerging trend driven by convenience in the West ("[Amazon's] talking assistants . . .; Apple's face-reading phone, artificial intelligence, and augmented reality"[77]) and necessity elsewhere:

> Instead of typing searches and emails, a wave of newcomers—"the next billion," the tech industry calls them—is avoiding text, using voice activation and communicating with images. They are a swath of the world's less-educated, online for the first time thanks to low-end smartphones, cheap data plans and intuitive apps that let them navigate despite poor literacy.[78]

While a number of social ills have become associated with the use of mobile devices, such as texting while driving,[79] an increase in emergency room visits by children of distracted parents,[80] and social isolation,[81] these devices are also attractive because they make life so convenient—they are also designed to be highly addictive:

> The data suggest that . . . the average smartphone user rarely goes two hours without using her device, unlocks her device 50 or more times a day, and swipes or taps on it as many as 2,617 times in the process. . . . A 2018 Pew Research Center report found that 44 percent of teens said they often check their devices for messages or notifications as soon as they wake up, 54 percent said they spend too much time on their mobile phone, and 42 percent feel anxiety when they do not have it.[82]

Because mobile devices are now the primary way that we access information and run many aspects of our lives, we also use them to monitor companies and protest when we are angry (either virtually or in person). While social activism is now more convenient, however, it is also clear that anyone carrying a phone leaves an electronic data trail that is a gold mine opportunity for businesses, for which such data are extremely valuable, and an invasion of privacy that can be used as a means of control. This reinforces the idea of an emerging Phase III in Figure 2.2, where the balance of power shifts back toward companies as the sheer volume of information becomes too much for individuals and nonprofit organizations to use effectively, while the power of big data ensures greater control by corporations. For the most part, companies are currently using these powers to collect data and manipulate customers, largely without their consent.[83] But, the potential for even greater abuse is apparent from the way that governments are using such technology to police their citizens, whether that is the Chinese government reverting to facial recognition technology and other biometric data to identify protestors in Hong Kong[84] or the U.S. government obtaining cellphone data to track the insurrectionists that stormed the Capitol building in Washington, D.C. on January 6, 2021:

> At least five people died because of the riot at the Capitol. Key to bringing the mob to justice has been the event's digital detritus: location data, geotagged photos, facial recognition, surveillance cameras and crowdsourcing.[85]

Mobile devices have become ubiquitous not only because they are convenient and powerful tools, but also because the infrastructure necessary to support them (wireless antennas) is cheaper and easier to install than the desktop computers and land telephone lines that were the foundation of the Internet in developed economies. Developing countries that struggle to provide the basic infrastructure of society, therefore, have nevertheless seen the rapid diffusion of mobile devices—India, for example, "has more mobile phones than toilets"[86] that are being used for both business and pleasure:

> In 2016 there were only 20 Indian YouTube channels with more than 1m subscribers. Today there are 600 . . . one of YouTube's top 50 channels worldwide is largely in Bhojpuri, a language spoken only in some of India's least-developed states. Google reckons that three-quarters of all mobile traffic in India is video.[87]

A lack of 20th-century infrastructure is particularly advantageous for promoting e-commerce, which is "expanding at an average rate of 20% a year"[88] and, in China alone, is now worth "$11trn in transactions, . . . twice the size of America's credit- and debit-card industry."[89] One reason for this is that China is less reliant on physical space ("America's 330 m people have 30 times as many malls as 1.4bn Chinese do") and, as a result, has been able to build a greater proportion of online transactions conducted via mobile devices ("90% versus 43% in America").[90] In almost all aspects of e-commerce, China is more advanced and more ambitious, partly because it is easier to build new infrastructure than rebuild or replace existing infrastructure,[91] while in Africa, mobile technology shows the potential to open the Internet to those segments of the population who were previously "unbanked":

> Mobile-money services have taken off over the past decade in Africa; 1 in 10 adults across the continent—about 100 million people—use them. In Kenya, . . . M-Pesa, broadly considered the first major and most successful mobile-money technology platform, counts 26 million users, roughly half the population. More than half of the world's 282 mobile-money platforms are in sub-Saharan Africa.[92]

Another growing application of mobile technology is "digital philanthropy," where sites like GoFundMe (https://www.gofundme.com/) aim to disrupt the traditional philanthropy model by building a personal relationship between donor and cause via "a storytelling platform" that is "redefining the business of disaster relief."[93] In other words, around the world, mobile devices are enabling connections that were previously not possible and have quickly become indispensable. They have also redefined the relationship between business and society. Although there are growing concerns about the harm our devices are causing (to ourselves and the environment), it is indisputable that they have transformed the way we connect and interact—something that has largely been made possible by social media.

Social Media

As people access the Internet via their mobile devices, they are using social media to exchange information. Social media is perhaps more accurately described as "social technologies," of which there are two types—websites that "allow people to broadcast their ideas" (e.g., Twitter and its Chinese equivalent, Sina Weibo) and websites that allow people to "form connections" (e.g., Facebook and its corporate equivalent, LinkedIn).[94] The amount of data these platforms distribute is staggering, with Facebook registering 2.9 billion active users in 2022, while "Twitter's 320 m monthly users send hundreds of millions of tweets a day."[95] While much of this information is trite, some of it has the power to drive revolutions.

THE TWITTER REVOLUTION

Social media in general, and Twitter in particular, has played an important role in almost all of the major social movements of the 21st century. The hashtag (#) has become shorthand for extremely complex issues that capture the attention of an online population. What is less clear is how consequential these *movements* are. While #MeToo has led to upheaval in several creative industries, and #BlackLivesMatter has raised awareness (if not produced much substantive change), #BoycottUnited, which emerged after a passenger was dragged off an overbooked United flight, resulted in profits that "shot up 49 percent" in the quarter immediately following the so-called campaign.[96] Similarly, #BoycottUber, which followed a series of highly public PR disasters for the firm, led to net revenue that "jumped to $1.75 billion," while ride requests "increased 150 percent" from the previous year.[97]

The contradiction between passionate online protests and tepid real-world consequences suggests limits to social media campaigns. What is indisputable, though, is that Twitter provides a way for dissatisfaction to spread and protesters to mobilize. In recognition of this, here are some notable hashtags and the causes that produced them:

- March 2006: The first tweet, sent by Jack Dorsey, CEO of Twitter (@jack)[98]
- June 2009: Iran's Green Movement (#iranelection)
- January 2011: Tunisia's Jasmine Revolution (#jasminerevolution)
- February 2011: Tahrir Square, Egypt (#Jan25 #Tahrir)
- September 2011: Occupy Wall Street (#occupywallstreet)
- July 2013: Black Lives Matter (#BlackLivesMatter)
- July 2014: Death of Eric Garner, New York (#icantbreathe)[99]
- August 2014: Ferguson, Missouri (#Ferguson)
- January 2015: Oscar nominees (#OscarsSoWhite)
- January 2017: Boycott Uber (#BoycottUber)
- April 2017: Boycott United (#BoycottUnited)
- October 2017: Me Too (#MeToo)
- May 2020: Death of George Floyd, Minnesota (#georgefloyd)
- July 2020: Boycott of Facebook by advertisers (#StopHateForProfit)
- January 2021: Insurrection at the U.S. Capitol (#StopThe Steal)
- January 2021: Suspension of Donald Trump from Twitter (@realDonaldTrump)[100]

As these examples indicate, the interaction of these two technologies (mobile devices and social media) offers the potential for change. Whether it is using Facebook and Twitter to overturn decades of totalitarianism in the Middle East or GPS technology to patronize shops that support a protest movement in Hong Kong,[101] the power of technology to mobilize strangers and unite them in pursuit of a common agenda is growing daily:

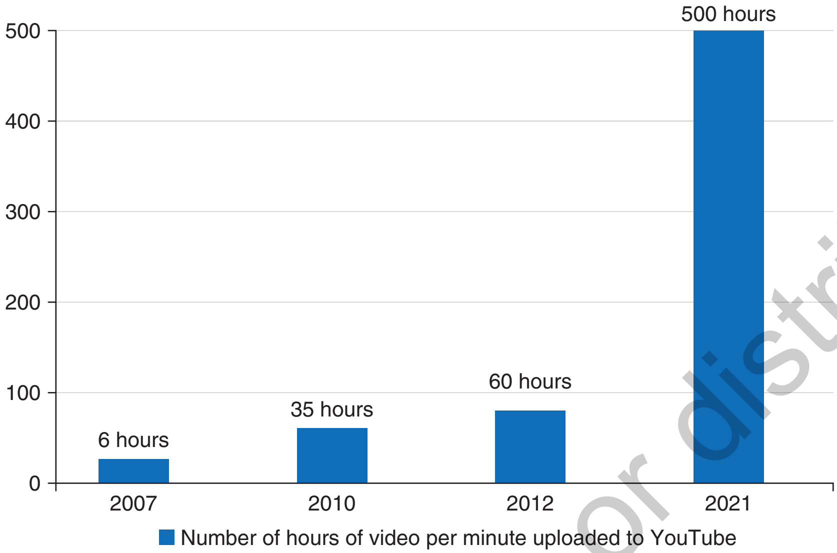
> With billions of people glued to Facebook, WhatsApp, WeChat, Instagram, Twitter, Weibo and other popular services, social media has become an increasingly powerful cultural and political force . . . because these services allow people to communicate with one another more freely, they are helping to create surprisingly influential social organizations among once-marginalized groups . . . from "alt-right" white supremacists in the United States to Brexiters in Britain to ISIS in the Middle East to the hacker collectives of Eastern Europe and Russia. But each in its own way is now wielding previously unthinkable power, resulting in unpredictable, sometimes destabilizing geopolitical spasms.[102]

This power results from an ever-widening free flow of information in a globalizing world that portends danger for entrenched interests everywhere (see Figure 2.3). As firms scramble to formulate a "social media policy," they are being forced to react to rumors and complaints that can quickly spread beyond their control. The difference for Exxon Mobil between the *Exxon Valdez* oil spill and BP's *Deepwater Horizon* disaster, for example, is the difference between an age before the existence of social media and a new reality, subsequently:

> In the two weeks after the 1989 *Exxon Valdez* oil spill in Prince William Sound, in Alaska, Exxon's shares dropped 3.9% but quickly rebounded. In the two months after the Gulf of Mexico oil spill in 2010, BP's shares fell by half.[103]

Harnessing this power and directing it at a corporate target has the potential to inflict significant damage. It is easy to imagine how Copwatch (http://copwatch.com/), a website that monitors police activity to guard against abusive behavior,[104] easily becomes *Corpwatch* (http://corpwatch.org/), a website using the same technology and community motivation to build campaigns against specific firms. The danger no longer lies in insufficient information, but the challenge in being able to detect "whispers of useful information in a howling hurricane of noise"[105] (see Figure 2.2). And the interaction between stakeholders and the growing pool of information is iterative. As stakeholders gain access to larger amounts of information and communicate among each other, they build support for issues and disseminate their opinions to other stakeholders.[106] This trend is already reflected in the exponential growth of websites that rely on user-generated content, such as YouTube, which currently has 500 hours of video uploaded to the site every minute (see Figure 2.4), and more recently TikTok, which had 1 billion monthly active users at the end of 2021 and "was the world's most-visited site."[107] It is taken a step further with the development of the sharing economy (think Uber, Airbnb, or BlaBlaCar), which allows users to rate and review the services provided, even as governments struggle to regulate these new forms of economic exchange.[108]

FIGURE 2.4 ■ Hours of Video Uploaded Every Minute to YouTube



Source: Paul Overberg & Kevin Hand, "Scale Model," *The Wall Street Journal Special Report: The Future of Everything*, December 9, 2021, p. R5.

The result is that more and more consumers are interacting with firms in real time in ways that shape purchase decisions. Consumers are informed, and just as they are willing to spread family photos and cat videos, they are also willing to share their horror stories with millions of others.[109] Consequently, firms have an even more precarious hold on their reputations and need to be more responsive to stakeholders' concerns in order to protect them:

> This is the era of internet-assisted consumer revenge, and as scorned customers in industries from dentistry to dog-walking have used digital platforms to broadcast their displeasure, the balance of power has tipped considerably in the buyer's favor.[110]

While this growth in information and communication is clearly "shifting power from a few Goliaths to many Davids,"[111] it is also unclear the extent to which stakeholders take full advantage of these capabilities. For example, while Change.org calls itself "the world's leading platform for change," it is hard to know how firms should respond to the stakeholder concerns that are registered there. If five thousand people sign an online petition, what does that mean? Will they refuse to buy from that company anymore? Will they protest at stores? And if so, so what? For a large brand, five thousand people widely diffused is a small percentage of the firm's customers, and clicking a mouse is hardly an indication of personal conviction or willingness to sacrifice on behalf of a cause.

Nevertheless, it is a brave manager who ignores the dramatic shift in engagement that has emerged online in the decade-and-a-half since Apple launched its iPhone. Going forward, those firms that can respond to external pressures for greater transparency and engagement by incorporating stakeholder concerns into their strategic planning will be best placed to operate in a business context in which they no longer control the flow of information. In short, for firms to enjoy sustained success, CSR will increasingly form a central component of strategy and operations because it is also central to a firm's reputation and brand management.

BRANDS

All of these drivers of CSR overlap in terms of the importance of a firm's reputation and brand—focal points of corporate success. Firms try to establish popular brands in consumers' minds because doing so increases their competitive advantage, which results in higher sales and margins—consumers are more likely to pay a premium for a brand they know and trust. However, due to shifting societal expectations, combined with the complexity of business in a global environment and the ability of stakeholders to spread missteps instantaneously to a global audience, a firm's reputation is increasingly precarious—hard to establish and easy to lose. Brands therefore drive CSR because they raise the stakes—those that are trusted by stakeholders will be more successful in the market than those that are not:

> If you were to treat the world's ten most valuable brands from the past ten years . . . as a stock portfolio, it would have outperformed the S&P 500 index by almost 75% and the MSCI World index by more than 400%.[112]

The value of brands to firms is quantified by Interbrand in its annual brand survey, which reveals that these assets are more important than ever. Apple's brand, for example, is estimated to be worth more than $408 billion (Interbrand's No.1 global brand), while Coca-Cola's iconic lettering is estimated to be worth $57.5 billion (Interbrand's No.6 global brand).[113] Facebook's brand is estimated to be worth $36.25 billion, while its tangible assets are reported to be worth only $14 billion (approximately 40 percent of the intangible brand).[114] In other words, firms need to take ever greater steps to protect an investment that is central to their continued success.[115] The best way to protect a brand is for the firm to integrate a CSR perspective throughout operations. Doing so can help firms build their brand,[116] insure their brand,[117] and repair their brand in the event of a crisis.[118]

Brands are integral to CSR because of the way they are built—based on perceptions, ideals, and values that appeal to stakeholders. In particular, firms with *lifestyle brands* (which base more of their appeal on aspirations) need to live the ideals they promote. A CSR perspective allows firms to match operations to stakeholder values at a time when these values can evolve. As such, brands are a way for firms to communicate directly with their stakeholders in general, but especially key stakeholders, such as their employees and customers. Of course, this works only if the narrative the firm seeks to build matches the mood of the moment, which can shift quickly. Nevertheless, one of the firms that has done this effectively is Starbucks, driven by the values of Howard Schultz:

> Promoting civic harmony represents a way for Starbucks to define itself without reference to its coffee or tea—and, let's face it, there was nothing particularly virtuous about

a $5 Frappuccino in the first place. Rather, the company is encouraging consumers to focus on its ethos—its good intentions. That is the brand, not the flavoured water in the paper cup with the plastic top.[119]

Brands with Attitude

In recent years, the relationship between firms and their stakeholders has changed, with heightened pressure for CEOs to take stands on divisive social issues. This may be a result of the hyperpartisan political environment in which we currently live, or it may be due to growing affluence; either way, CEOs are being forced to take positions on subjects they would have been free previously to ignore. While before the risk was in speaking up; now, the risk is in staying silent on an issue that is pivotal for key stakeholders:

> On politics, business leaders are risk-averse. They prioritize stability and the status quo. What has changed is the definition of the status quo. Gay and transgender rights, and action on climate change, were once liberal causes. They are now largely mainstream, particularly in big cities that are home to corporate head offices and the educated workers [businesses] covet.[120]

As a result, a refinement of the lifestyle brand suggests a need for firms to embrace controversy or, at least, not shy away from it. Organizations like Coca-Cola, Delta Airlines, and Major League Baseball were therefore expected to have a position on Georgia's voting laws following the controversy of the 2020 U.S. presidential election. Similarly, companies like Walmart are now expected to know that selling "Juneteenth T-shirts" will not be perceived as demonstrating sincerity on a sensitive issue but seen as a blatant attempt to co-opt that issue for commercial gain.[121] These are issues that matter in people's lives, and firms need to respond appropriately—understanding when expectations shift and realigning themselves with the new reality. What began with the social activism of The Body Shop and Ben & Jerry's in the 1970s to 1980s,[122] and continued with the radical advertising of Benetton in the 1980s to 1990s,[123] has come full circle with Nike's 2018 ad campaign to commemorate the thirtieth anniversary of its monumental "Just Do It" slogan:

> In an era rife with divisive political discourse, most major public companies try to avoid taking stances that could make customers angry, particularly when rabid social media campaigns can cast any decision into a larger social statement. Yet Nike has signed Mr. Kaepernick, perhaps the most divisive American athlete of his generation, . . . and will produce branded apparel with his name and image.[124]

The campaign slogan was "Believe in something. Even if it means sacrificing everything," and the ads featured Colin Kaepernick, the ex–San Francisco 49ers' quarterback who was essentially denied employment in the NFL for his social activism. Kaepernick had begun kneeling during the playing of the national anthem at the start of games in 2016 as a way of protesting against racism, police brutality, and social injustice. He was joined by a number of other players, in the face of strong public and political criticism, and was eventually fired from his job (and denied the possibility of future work) as a result. By courting controversy, therefore—not only featuring Kaepernick in its ads, but signing him to a long-term endorsement contract—Nike took a calculated risk that its stance would attract more customers to Nike than it would offend:

> Nike's strategy risks alienating countless consumers who believe the national anthem protests that Mr. Kaepernick began are disrespectful. . . . However, it could pay off among Nike's base of young customers and fans . . . and signals that political stances could be seen as winning issues by some brands. Nearly two-thirds of individuals who wear Nike in the United States are under 35 years old, and are much more racially diverse than the baby boomer population.[125]

Businesses today need to build a watertight brand with respect to all stakeholders. The attractiveness of a firm—whether as an employer, producer, supplier, or investment—is linked directly to the strength of its brand. And, increasingly, stakeholders want to be associated with brands that are aligned with their personal values—something that Nike intended to capitalize on in its partnership with Kaepernick. As the company stated, "This campaign is a compilation of the most inspirational athletes around sport—athletes who have chased crazy dreams, no matter the obstacle or outcome."[126] What makes activism like this potentially challenging for firms, though, is that while they may be rewarded with greater loyalty from stakeholders when they speak up, they are also criticized more harshly when they get it wrong. And the criticism is worse when the attempt to speak to values comes across as superficial or expedient, or even cultural appropriation—a reaction Pepsi received to one of its Superbowl ads where the ad was released online, quickly criticized "for trivializing the Black Lives Matter movement," and pulled within a day, never airing on TV:

> Soon after Pepsi's protest ad appeared online, Bernice King, the daughter of civil-rights leader Martin Luther King Jr., posted on Twitter: "If only Daddy would have known about the power of #Pepsi." The tweet quickly spread, racking up over 150,000 retweets, and was picked up by numerous media outlets.[127]

CSR affects all aspects of operations because of the need to consider the interests of a diverse set of constituent groups. Each functional area builds on the others to create a composite image of the firm (via its brand) for its stakeholders. Given the massive resources firms invest in creating brands, understanding that asset from a CSR perspective has become a vital component of generating a return on that investment—an essential means of crafting market appeal and strategic value over the long term.

STRATEGIC CSR DEBATE

MOTION: A CEO has a responsibility to advance a social agenda.

QUESTIONS FOR DISCUSSION AND REVIEW

1. List the five forces driving CSR for firms today. Of these five forces, is there one that you feel is more important than the others? Defend your choice with examples from your own experience and knowledge.
2. For each of these five forces, can you think of a firm that is strategically well positioned to take advantage of the changes being propelled by that force or is vulnerable to these shifting dynamics?
3. Who is more in control of the globalized information flow, corporations or their stakeholders/employees? In other words, who is in control of Phase III of Figure 2.2?
4. Should Nike have renewed Colin Kaepernick's endorsement contract in 2018?
5. Is social media helping society advance, or is it holding us back?