'Greed is Good'? Market Coordination and Corporate Engagement in the Advancement of Social Welfare

Silvia Dorado, Alex Nicholls, and Bogdan Prokopovych
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Under consideration for publication in
Academy of Management Review Journal Special Issue on “Management Theory and Social Welfare”

November 15, 2013

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ABSTRACT

Conventional market logics suggest that corporations are not expected to advance social welfare goals beyond what is required by the law. Corporations violating this prescription are expected to be, at worst, unsustainable over time or, at best, engaged in window dressing. Conversely, organizations that state their strategic objectives as social welfare-focused are not expected to pursue profit-making or adopt a corporate ownership form. In this paper, we advance a new, market-based, model to explain the engagement of corporations in the advancement of social goals. The model suggests that it is possible for corporations to integrate profit and social welfare goals. It identifies the institutional conditions that influence the likelihood of this integration happening. The model departs from a crucial assumption about markets, namely their disembeddedness from norms other than profit maximizing. To do this, it builds on a model of market embeddedness developed by Beckert (2009) focused on norms that solve three coordination problems: value, competition and cooperation. The paper builds on this model to identify the institutional conditions that facilitate the integration of social goals (outside the market) with economic goals (inside the market).

INTRODUCTION

Current management theories fail to explain adequately the engagement of corporations in the advancement of social welfare goals (Campbell, 2007; Donaldson, 2012; Margolis & Walsh, 2003). The central assumption is an economic one based on ownership and governance. Corporations and other organizations with private owners are assumed to advance profit goals, whereas ‘public benefit’ organizations such as charities, community based organizations, Non-
Governmental Organizations (NGOs), not-for-profits and state-owned agencies are assumed to advance social ones. The empirical evidence, however, suggests the existence of a range of organizations that focus on both profit-making and social welfare goals with a growth in the number of firms that follows this approach. The evidence, therefore, calls for new theoretical developments that help us to explain the engagement of organizations in advancing both economic and social welfare goals. In this paper, we take on that task of exploring, specifically, why corporations engage in the advancement of social welfare goals. This question is particularly relevant considering the growing evidence of such corporate activity (Williams & Aguilera, 2008) in various forms (Spar & La Mure, 2003).

This evidence tests the key tenets of organizational economics in terms of governance theories based on ownership structures (Coase, 1937; Friedman, 1970; Jensen & Meckling, 1976). As a consequence, there has been a growing acknowledgement that organizational economic theories ‘neglect[s] morally normative concepts’ (Coase, 1960; Donaldson, 2012, p. 256). This work has also yielded an alternative understanding that roots the governance of organizations in considerations not of ownership but of ‘stakeholder’ structure (Donaldson & Preston, 1995). From this perspective, differences in corporate engagement in social welfare are driven both by the nature of an organization’s stakeholders and by their ability to frame decision-making effectively considering issues of resource dependence (Frooman, 1999) and organizational legitimacy (Mitchell, Agle, & Wood, 1997).

Elsewhere, scholars embracing institutional approaches (DiMaggio & Powell, 1983; Scott, 2008; Thornton, 2004) have also pointed to weaknesses in this ownership based model. Building on
comparative institutional research, this scholarship powerfully argues that differences in corporate engagement with social welfare are the consequence of social expectations with historical, cultural, and regulatory roots (see Aguilera & Jackson, 2010 for a discussion). More recently, these scholars have further refined explanations of differences in engagement building on research on historical trends defining global changes in societal expectations of corporations (Aguilera et al, 2007; Levy & Kaplan, 2008), as well as on the emergence and influence of social movements in ‘encouraging’ such engagement (Aguilera et al., 2007; Campbell, 2007). This research has advanced views that connect differences in engagement with the presence and effectiveness of what Offe (1985) described as ‘new economic social movements’: that is, social movements targeting the advancement of social goals within the market (Gendron, Bisaillon, & Rance, 2009). This includes movements such as shareholder activism (Davis & Thompson, 1994), activist NGOs (Spar & La Mure, 2003), consumer boycotts (King & Soule, 2007), public campaigning (Jackson, 2005), and positive ethical consumption (Gendron et al., 2009).

These various theoretical reflections on emerging empirical evidence - the acknowledgement of the social disembeddedness of organizational economics, the introduction of the concept of stakeholder governance, the highlighting of the influence of social expectations, and the acknowledgement of the influence of new economic social movements - have brought about an unexpected rapprochement in our explanations that dimensionalize corporate engagement in social welfare beyond a model rooted in differences of ownership structure. Ironically (and in all likelihood unintentionally: Margolis & Walsh, 2003), when considered jointly these perspectives point to instrumental logics as the explanation for corporate engagement in social welfare: that is they suggests that, apart from differences based upon social and historical factors, corporations
only engage in social welfare when there are financial benefits to be derived (Gao & Bansal, 2013) in accordance with the logics of private, for profit, ownership structures.

In short, recent theoretical developments aimed at explaining the differences in social engagement among corporations, while adding nuance, have brought us full circle and support the dominant bifurcation between private-owners and for public-benefit organizations. As a consequence, these perspectives fail to explain the differences in social engagement - evident in reality - between companies with similar ownership structures, stakeholder basis, and subjected to similar social movements. Spar and La Mure (2003) provide a telling example:

In 1995, a group of Burmese and American graduate students at the University of Wisconsin at Madison created the Free Burma Coalition (FBC), a non-governmental organization (NGO) comprising a diverse mix of high school, university, environmental, human rights, religious, labor, and grassroots organizations. Reacting to the Burmese military government’s atrocious human rights record and disdain for democracy, the Coalition sought to cut the flow of foreign currency provided by multinational investors and strengthen the country’s prospects for democratic leadership. In pursuit of these objectives, the FBC targeted firms that sourced or produced goods in Burma with peaceful protests, consumer boycotts, shareholder activism, and federal and state lawsuits. (...) By 2002, at least thirty firms—including Adidas, Costco, Wal-Mart, and Levi Strauss—had bowed to FBC pressure and shuttered their Burmese operations. However, a handful of companies—such as Unocal, Suzuki, and France’s Total—vowed to remain. Despite
embarrassing public protests and an ongoing barrage of lawsuits and related forms of activism, these firms elected to maintain, even to augment, their businesses in Burma.

This example demonstrates that the extant theories explain why some of these companies responded but not why others refused. To provide a full explanation of such behaviors, significant theory development is required.

Some scholars have begun this task. One strand of work uses multilevel theories that explain engagement as the intersection of drivers at diverse levels (individual, organizational, field, and industry; Aguilera et al., 2007). Another approach, which we embrace in this paper, is a redefinition of corporate social welfare engagement that overcomes definitions that present it as a distinct from, and in opposition to, the profit motive within rational market action (Gao & Bansal, 2013; Margolis & Walsh, 2003; Porter & Kramer, 2006, 2011), preferring instead to explore how and why social welfare and economic goals can be integrated. From this vantage point the central question to explain corporate engagement in social welfare is not why would corporations engage but can social and economic goals be integrated within the market? In this paper we tackle this question by exploring the drivers of corporate social welfare activities as part of a larger set of market co-ordination issues.

To date, scholars considering this issue have posed it as fundamentally a cognitive problem. From this perspective, the integration of social welfare and economic goals hinges on the management capacity for paradoxical thinking (Gao & Bansal, 2013; Jay, 2013; Lewis, 2000;
Smith & Tushman, 2005): that is, the management’s ability to recognize and embrace contradictions across the financial, social and environmental dimensions of business and to seek solutions for this system of interrelated elements (Gao & Bansal, 2013: 244). Without contradicting this perspective, we argue here that a capacity for paradoxical thinking may not be enough to explain observed reality and that, in many cases, it may not even be required. As is suggested in the entrepreneurship literature, the identification of opportunities for the integration of social welfare and economic goals may depend as much on managers’ creativity as on the existence of institutional conditions that facilitate execution (Dorado, 2005; Shane & Venkataraman, 2000). In summary, this paper aims to identify institutional conditions (DiMaggio & Powell, 1983; Rao, 1998; Scott, 2008; Suchman, 1995) required for the integration of social welfare and economic goals within corporate market activity.

To do this, we build on research at the intersection of political economy (Hirschman, 1997; Polanyi, 1957) and economic sociology (Beckert, 1996; Granovetter, 1985) focused on the embeddedness of markets. This body of research suggests that whereas neoclassical economics offers a view of markets as largely disembedded, this represents an over-simplified understanding that disregards the fact that markets are moored, not only on to networks of social relations (Granovetter, 1985), but also on cognitive, cultural, and political infrastructures (Dacin, Ventresca, & Beal, 1999; Zukin & DiMaggio, 1990). Recent research on economic sociology and management has advanced our understanding of how markets are moored on a network of social relations (Poppo & Zenger, 2002; Uzzi, 1997), but our understanding of other ‘moorings’ remains somewhat underdeveloped. Working at the intersection of political economy and economic sociology, Beckert (2009, 2011, 2013) suggested a framework that addresses this
problem. We find this framework centrally relevant to understand the integration of social goals that are, by standard definition, outside of the market and economic ones that are within it.

Beckert’s (2009) framework dimensionalizes the idea of the embeddedness of markets suggesting that it is useful to think about it in terms of how social, cognitive, cultural, and political mechanisms alleviate three key coordination problems required for markets to form and operate effectively, namely: value (customer preferences); competition (strategies for competitive advantage); cooperation (mechanisms that reduce the social risks inherent in the transactions of goods and services). Building on this analysis we develop a model here that allows for the identification of social, cognitive, cultural, and political arrangements (i.e. institutional conditions) that facilitate the engagement of corporations in the advancement of social welfare goals: that is, the conditions that, not only address coordination problems, but that also facilitate (and even drive) the integration of social welfare and economic goals.

The paper proceeds as follows. Next it discusses the emergence and value of an exploration of corporations’ engagement in the advancement of social welfare considering it as integrated with their economic pursuits. Then the paper introduces the political economy underpinnings of the theoretical model and the model itself with a detailed exploration on how the three coordination problems identified by Beckert helps to explore the likelihood of corporations’ engagement in the advancement of social welfare. The paper makes two important contributions. First, it creates a conceptual bridge to connect findings from political economy (Gereffi, 2005), economic sociology (Beckert, 2009) and management (Levy & Kaplan, 2008; Porter & Kramer, 2006) to advance cross-disciplinary research on corporations engagement in the advancement of
welfare goals. Second, it sets the stage for a research agenda on the integration of social and economic goals focused not only on individual capabilities for paradoxical thinking (Gao & Bansal, 2013) and the organizational challenges involved in combining social and economic goals (Pache & Santos, 2010), but also the institutional conditions that facilitate or hinder this integration.

**CORPORATE SOCIAL RESPONSIBILITY (CSR) 2.0**

In recent decades, we have seen a significant shift in terms of society’s expectations regarding the engagement of corporations in advancing social welfare goals (Aguilera et al., 2007; Gendron et al., 2009; Levy & Kaplan, 2008). Today, in developed countries, corporations are being increasingly judged by public opinion not only by their economic performance but also by their contribution (or lack of it) to environmental sustainability and social welfare (within and without the boundaries of the organization itself: Gao & Bansal, 2013; Hart & Milstein, 2003; Porter & Kramer, 2006). These judgments can have major implications for perceptions of organizational legitimacy and, as a result, have a strong effect on resource acquisition and maintenance (Suchman, 1995). As a consequence, attention to the wider – and changing – public expectations of the responsibilities of corporations has become a central strategic issue (Spar & La Mure, 2003). Thus, what was only a marginal concern during the late 1970s – a firm’s social and environmental performance - has now become a relevant concern for managers. This shift is reflected in the development of a global infrastructure of institutions that aim to publicize, monitor, and report on corporations’ social and environmental performance (Waddock, 2006). These include formal rankings that evaluate and monitor such performance, such as the 100 Best Corporate Citizens list, global standards such as the UN’s Global Reporting Initiative (GRI), and
advanced accountability initiatives, such as the ISO 14000 family and FSC certification in the forestry industry, Fair Trade certification for commodity supply chains, or the SA 8000 from Social Accountability International (SAI) in the textile industry (Aguilera et al., 2007; Gendron et al., 2009; Waddock, Bodwell, & Graves, 2002).

The social movements literature identifies this shift too (Gendron et al., 2009; King & Soule, 2007) noting a change in public opinion concerning corporations’ responsibility to communities and the planet (Gladwin, Kennelly, & Krause, 1995). However, frequently calls for corporations to assume their social responsibilities are broad and pay little attention to the specifics of the products and services they offer: ‘goods and services that may have little to do with ameliorating human misery’ (Margolis & Walsh, 2003: 269).ii

These calls then fit well with the traditional layered understanding of corporate social responsibility, which has economic and legal responsibilities at the base and social responsibilities at the top (see Table 1). This pyramidal model is consistent with a fundamental neoliberal assumption that the engagement of corporations in the advancement of social goals is ‘neither permissible nor prudent’ (Friedman, 1970) and that corporations may only consider addressing social welfare goals if and when they are profitable and financially healthy and, only then, as philanthropic or CSR initiatives separate from core activities (Campbell, 2007).

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This hierarchical model (Carroll, 1991), reminiscent of Maslow’s Hierarchy of human needs, frames a corporation’s engagement in pursuing social welfare goals as, fundamentally, an instrumental endeavor (Gao & Bansal, 2013): that is, it is only justifiable if it positively impacts the bottom line (Jones, 1995).

Nevertheless, these perspectives have also been critiqued (Gao & Bansal, 2013; Margolis & Walsh, 2003; Porter & Kramer, 2011). Scholars have offered new conceptualizations of CSR that suggest a more integrated and less hierarchical relationship between economic and social welfare goals: for example, the idea of corporate citizenship (Matten & Crane, 2005) or Waddock’s reconceptualization of CSR and simply ‘corporate responsibility’ (Waddock et al., 2002) (see Table 1). The crux of the criticism is that, by presenting corporate engagement in social welfare as discrete and sequential, ‘as if such decisions are emerging distractions’, these perspectives ‘artificially polarize business and society, as if the two are at odds’ (Gao & Bansal, 2013: 241). Moreover, it has been suggested that framing corporations as primarily consumers of social/public and environmental goods rather than contributors to social and environmental assets is historically inaccurate (Polanyi, 1957). In reality, this is also rather disingenuous when we consider the impact (positive and negative) that corporations have - often via the externalities of their operations - on fundamental welfare issues including income security, health, or climate change (Levy & Kaplan, 2008).

The idea that corporations can address social welfare goals whilst pursuing economic objectives does not imply a naïve disregard for the ‘underlying tensions between the social and economic imperatives that confront organizations’ (Margolis & Walsh, 2003: 280). Rather, it follows from
an emerging realization that the two can be reconciled under certain circumstances. One recent and influential argument suggests that managers are increasingly identifying opportunities to create ‘shared value’ (Porter and Kramer, 2011): namely, business pursuits that integration social welfare and economic goals. However, in reality, the optimism of the shared value analysis has been tempered by research suggesting that identifying such opportunities is not an easy task. In this sense, Gao and Bansal (2013; see also Jay, 2010) argued that the identification of such opportunities is only possible by managers and entrepreneurs skilled at an integrative logic that does not dismiss, but accommodates, paradoxical thinking to transcend the logic tensions and identify creative solutions, as noted above. However, as suggested in the broader entrepreneurship literature, opportunities for paradoxical thinking to integrate social and economic goals are only possible when realized in the practice. In other words, the realization of opportunities to integrate social and economic goals does not occur in a vacuum, but is either facilitated or hindered by the institutional conditions these managers and entrepreneurs encounter in practice (Dorado, 2005; Westley et al., 2013). This perspective is valuable not only because it is consistent with the substantial body of research examining the difficulties encountered by corporations trying to advance social welfare agendas (see e.g. O’Toole & Vogel, 2011), but also because it allows for a more fine-grained understanding of engagement beyond sharp divisions rooted in differences in the ownership (privately or not) and governance (for private benefit for public benefit) of organizations.

As detailed in the next section, we argue here that a conceptualization of the institutional conditions under which corporations can identify and pursue opportunities to integrate social and economic goals requires a rethinking of the relationship between business and society (Margolis...
& Walsh, 2003). In this paper, we argue that this is best conceptualized by building on current political economy and economic sociology research concerning the embeddedness of markets in society (Beckert, 2013; Gereffi, 2005; Lamont, 2012; Zuckerman, 2012).

**THE ‘DISEMBEDDED’ MARKET?**

Building on the work of political economists (Hirschman, 1997; Polanyi, 1957) and economic sociologists (Beckert, 2009; Granovetter, 1985; Lamont, 2012; Zelizer, 1985; Zuckerman, 2012), we argue here that the institutional conditions required for the pursuance of opportunities that integrate social welfare and economic goals require the development of markets moored in specific social expectations and structures that support the integration of these twin goals.

In a careful review of the intellectual traditions from the time of Hobbes’ *Leviathan* to Smith’s *The Wealth of Nations*, Hirschman (1997) explained the triumph of the idea of self-interest, presented as a valuable social good because of its ability to provide a predictable environment for action. The argument Hirschman reached through his historical review of Western thought on the social value of markets governed by a self-interest maximization norm (Smith, 1776), is captured in the famous speech by Gordon Gekko in the 1980s movie *Wall Street*:

*The point is, ladies and gentleman, that greed, for lack of a better word, is good.*

*Greed is right, greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit.*\[iii\]
This argument, that self-interest provides clarity and predictability, represents a particular reading of the argument offered in *The Wealth of Nations* on the value self-interest as an *invisible hand* that generates allocative efficiency (i.e. collective wealth) across society. In Hirschman’s work the social contribution of self-interest derives not from its allowing for higher levels of allocative efficiency (although he does not argue against this) but, rather, from its role fueling support, particularly from social elites, to demand policies that support market order (i.e. enough for market participants to act strategically in pursuance of their self-interest). This accords with Smith’s earlier notion of formalized market exchange as a *civilizing* mechanism to reduce armed conflict between individuals and nations.

The focus on self-interest as a driver of allocative efficiency, is at the core of the normative division between organizations pursuing economic goals and those pursuing social welfare goals. But this narrow focus fails to consider the role of self-interest as fuel for policies to support market order absent in Adam Smith’s formulation. The practical consequences of this narrow interpretation were most convincingly brought to the forefront by Polanyi (1957) in his *The Great Transformation* which analyzed the 1929 crisis. He argued there that the roots of this crisis lay in the development of the modern market which, largely unfettered by norms other that the advancement of self-interest, experienced a self-generate collapsed of unexpected scope and geographic coverage. He conceptualized this unfettered market as ‘disembedded’ and placed blame on the policy shapers of the time. Schooled in this powerful idea of self-interest as sufficient for market order, they casted economic exchanges already adrift from the social norms (reciprocity, redistribution, householding, and autarchy) to which they had until then been
moored (Zukin & DiMaggio, 1990: 3) without introducing alternative norms and policies to keep them anchored and temper the rock bottom bust cycle it would finally experience in 1929.

Subsequent research by economic sociologists has focused on the value of Polanyi’s work to further our understanding of market embeddedness beyond explaining the problems deriving from disembeddedness. Among them Beckert (2009) suggests that modern markets are possible only in the presence of institutional conditions, embedding exchanges, that help to solve three key coordination problems: namely, value, competition, and cooperation. This work follows Geertz’s (1978) distinction between the modern market and the bazaar. According to Geertz (an anthropologist studying exchanges in premarket societies) market exchanges may happen in the absence of institutional conditions that solve the three coordination problems identified by Beckert. These exchanges will not resemble those of the modern market, i.e. transactions among individuals without a prior relationship—what Uzzi (1997) described as arms-length transactions, but those that happen in a ‘bazaar’ (Geertz, 1978): the type of market that preceded the development of the modern market. This is how Geertz (1978) described a bazaar:

... the bazaar is more than another demonstration of the truth that, under whatever skies, men prefer to buy cheap and sell dear. It is a distinctive system of social relationships centering around the production and consumption of goods and services ... Neither the rich concreteness or reliable knowledge that the ritualized character of nonmarket economies makes possible, nor the elaborate mechanisms for information generation and transfer upon which industrial ones depend, are found in the bazaar: neither ceremonial distribution nor advertising; neither prescribed ex-
change partners nor product standardization. The level of ignorance about
everything from product quality and going prices to market possibilities and
production costs is very high, and much of the way in which the bazaar functions can
be interpreted as an attempt to reduce such ignorance for someone, increase it for
someone, or defend someone against it (Geertz, 1978: 29)

As this quote suggests exchanges in the bazaar are surrounded by uncertainty. The ‘value’ of the
products and services is often unclear in the absence of reliable quality indicators, ‘competition’
among buyers and vendors is fierce as they have few mechanisms with which to build
sustainable advantage, and ‘cooperation’ - that is a guarantee that one party will not abuse
another - is largely absent.

We argue here that a focus on the order offered by the three coordination problems for markets
to operate identified by Beckert provides a useful model with which to explore when and
whether corporations pursue opportunities that integrate social welfare and economic goals. The
pursuance of social welfare goals, when understood as a discrete and optional added-on to
corporations’ economic and legal responsibilities, does not require a formal market setting; a
bazaar is enough since the exchange may not be repeated and its failure is unlikely to reflect
poorly on the organization. But a perspective that suggests that the organization can integrate
social welfare and economic goals requires solving these coordination problems. The next
section further explores and develops this model.
Beckert (2003, 2009, 2012) argued that markets are ‘highly demanding areas of social interaction’ which require participants to coordinate (i.e. order activists). In other words, markets require participants mutually to align their actions under conditions defined both by uncertainty and a high likelihood of conflict among their interests. Accordingly, because exchanges are ‘laden with social risks and uncertainty’, (Beckert, 2009; see also Geertz, 1978), they can only exist in the presence of institutional conditions that allow actors to resolve three coordination problems: namely value, competition, and coordination (see Table 2). Following a similar logic, we expect corporations to realize opportunities to integrate social welfare and economic goals in the presence of institutional conditions that allow for the alleviation of the risks and uncertainty surrounding exchanges around this integrated opportunity. Each coordination challenge is now considered in turn.

Value

The value coordination problem focuses on the constitution of consumer preferences. It suggests that market exchanges are unlikely where there is uncertainty regarding the value of what is exchanged. The problem is individual and subjective, but it is also collective and cultural. Individuals’ preferences are, by and large, seen as socially disembedded and can thereby be assumed away either as given and, thus, stable or highly contingent and random (De gustibus
non est disputandum: see Stigler and Becker, 1977; Beckert 2009: p. 254). There is, however, a body of research suggesting that preferences can be assumed away only in some circumstances while, in others, they are clearly embedded in socio-cultural structures that cannot be disregarded in market exchange settings (Lamont, 2012). Two examples of markets that, in the absence of institutional conditions, would function much like Geertz’s bazaars are the wine market and the market for contemporary art (Beckert & Rössel, 2013; Beckert, 2011; Velthuis, 2005). In modern markets for these goods value and price are crucially defined by institutional conditions that include mechanisms such as expert judgment, reputation, place of origin, taste makers and the like.

In the context of the integration of social welfare and economic goals, consumer preferences range from preferences based on the intrinsic value of the goods and services to those fully determined by social concerns and contexts (e.g. girl scout cookies). We argue here that, for the purposes of explaining the engagement of corporations in social welfare, it makes sense to consider the institutional conditions defining consumer preferences that favor the integration of social welfare and economic goals. In this context, researchers have pointed to preferences anchored by new social movements (Offe, 1985) that search to ‘embed’ exchanges in moral and environmental concerns (e.g. packaging and waste, organics, and distance between producers and markets) as well as other concerns around animal testing and social justice (Nicholls, 2002). This translates into customers being ‘willing to pay a higher price because their production and distribution conforms to ethical standards of fair trade, environmental sustainability or higher labor standards’ (Beckert, 2011, p. 776).
Nevertheless, this anchoring is not without challenges. There is a substantial body of research on ethical consumerism (see e.g. Nicholls & Lee, 2006; Taylor, 2005) and consumer activism (King & Soule, 2007; Micheletti & Stolle, 2005; Micheletti, 2003) that has addressed the question of how consumer preferences support or undermine the engagement of corporations in social welfare (see e.g. Micheletti & Follesdal, 2007). This research finds that preferences rooted in these social trends favor the development of markets that support the integration of social and economic goals. For example, an ‘analysis of European Social Survey data shows that, on an average, 16 percent of adults in twenty European countries have boycotted certain products for political reasons and that 24 percent have deliberatively purchased products for the same reasons’ (Micheletti & Stolle, 2005: 146). In turn, Smith and Barrientos (2005: 194) mentioned that in the UK all major supermarkets ‘now stock at least one fair trade product and they have seen impressive year-on-year growth in fair trade sales – a 112 per cent increase from 2002 to 2003 for the Co-Op, 70 per cent for Tesco and 24 per cent for Waitrose’. Stoke (2010) reported that, in the US, Transfair ‘now works with over 800 companies that serve an estimated 40 million consumers through over 50,000 retail outlets’. Some of these outlets include the best-known US retailers including Whole Foods Markets, Target, Costco, and Wal-Mart.

Interestingly, social psychological research on this area suggests that the relevant trend here may not be the usual altruistic desire to ‘do good’ identified with ethical consumption. Rather researchers have pointed to social status and reputation as the dominant social factors framing ethical consumption. Status ‘implies a hierarchy of rewards, whereby higher status individuals have greater access to desirable things’ and it can be equated with prestige (Griskevicius, Tybur, & Van den Bergh, 2010: 393). This is supported by research that has shown that self-sacrifice
for the benefit of a group of strangers increases the self-sacrificer’s status in that group, including the likelihood that the person will be selected as a leader (Griskevicius et al., 2010). Similarly, when discussing the role of reputation associated with ‘ethical’ behavior, scholars have also suggested that a reputation as a cooperative and helpful group member can be extremely valuable. Individuals with these reputations are not only seen as more trustworthy, but they also appear to be perceived as ‘more desirable as friends, allies, and romantic partners’ (Griskevicius et al., 2010).

In short, research has shown that the rise of ethical consumption and consumer activism has helped create an increasingly normative value proposition that supports exchanges in markets defined by the integration of social welfare and economic goals. It has also shown that these preferences may not be altruistic in nature. Nevertheless, what is relevant here is that, altruistic or not, these preferences provide actionable expectations for corporations, showing that there is a (growing) market for products and services that integrate social welfare and economic goals.

Connected with these preferences rooted in ethical consumption models, we have also seen in recent decades the emergence of certification and labeling initiatives that have helped define the ethical consumption market (Table 3 provides a list of some of the main initiatives). Particularly interesting because of their level of development and spread are fair trade labels. Fair trade labeling efforts began in Europe during the 1990s. Currently there are fair trade certification schemes covering a range of products, mostly commodities and food (e.g. cocoa, coffee, tea, fresh fruits and vegetables). Nevertheless, even when the institutional conditions (social trends such as ethical consumption) are in place to solve the value coordination problem in markets that
integrate social welfare and economic goals, other coordination issues still need to be taken into account: these include the institutional conditions that solve the competition and cooperation coordination problems in these markets.

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**Competition**

The issue of consumer valuation precedes and defines the overall market exchange but when discussing the other two coordination problems, competition and coordination, ‘the exchange itself takes center stage’ (Beckert, 2009: 257). As shown in Table 2, the focus is on institutional conditions that provide enough predictability in bargaining exchanges for key market participants (labor, competitors, suppliers).

A neoclassical disembedded market, voided from institutional anchoring (outside the conditions associated with perfect competition), will trend towards equilibrium generating the paradoxical result of limited profits: in market equilibrium the marginal costs equal the marginal returns and, thus, no profit beyond ‘the opportunity cost of the equity capital provided by the owner[s] of the firm’ (Douma & Schreuder, 2008: 30) can be made (Beckert, 2009, p. 257). The sources of profit for business, then, depend on their ability to build market asymmetries to take advantage and contribute to the development of specific anchors (regulations, social trends, and collaborative arrangements) that allow them to build competitive advantage and avoid perfect
competition. Such strategies define the ability of any one company to gain competitive advantage (Barney, 1991; Porter, 2008).

Competitive strategies to assure profitability are a ‘contingent political and historical phenomenon’. Regarding workers, they will be framed by factors such as regulation (e.g. minimum wages, intellectual property or protection schemes), social trends, and collaborative arrangements that define the relations of corporations with their workers. Regarding competitors, strategies hinge on the ability to create consumer loyalty (e.g. branding) and move towards singularization so as to create protected competitive spaces. Regarding suppliers, competitive strategies rely on institutional forms like standard setting or voluntary agreements that operate as soft law; they can also be based on networks such as cartels; and they can be based on institutional logics (Thornton, Ocasio, & Lounsbury, 2012) - the taken-for-granted routine knowledge on how to compete in a given market field (Fligstein, 2002).

In the context of markets facilitating the integration of social welfare and economic goals, we agree with many researchers who have suggested that the retreat of the state and globalization, has generated a higher degree of disembeddedment from norms supporting the integration of social welfare and economic goals (Aguilera & Jackson, 2010; Gereffi, 2005; Levy & Kaplan, 2008). But this period has also witnessed the development of what Waddock (2008) describes a ‘corporate responsibility infrastructure’ alternative to that provided through the regulatory and sanctioning powers of the state. This infrastructure includes organizations, associations, and forums that have created norms and standards, pressures and processes, or other institutional arrangements (Scott, 2008) for the regulation of the behavior of corporations around their
engagement in the provision of social welfare. As summarized in Table 2, the institutional scaffolding provided by this infrastructure and its influence on corporations bargaining positioning with respect to labor, other competitors, and suppliers supports the emergence of a market facilitating the integration of social welfare and economic goals.

In terms of labor, this corporate social infrastructure includes organizations, such as the Fair Labor Association (FLA) that aim to increase the global bargaining positioning of workers with respect to multinational corporations. MacDonald (2011, p. 243) described the FLA as a ‘US-based voluntary governance arrangement in which a number of high-profile apparel and sportswear companies work together with universities and nongovernmental organizations (NGOs) to promote compliance with core international labor standards within their supply chains’. Its roots can be traced back to the ‘anti-sweatshop’ campaigns that emerged in the US in the 1990s. Over the years, the FLA has gained prominence and its work made front-page news when it exposed labor issues with Foxconn – one of Apple’s key suppliers in China - with the result that Apple had to change its relationship with its Foxconn subcontractors.

Regarding competitors, the emergence of consumer preferences around ethical consumption and their stabilization through the emergence of certification and labeling systems have allowed for competitive differentiation and market niche building around social issues. The Body Shop, Patagonia, Columbia, or Whole Foods Market all represent successful corporations whose sustained integration of social welfare and economic goals is best understood in terms of their ability to carve distinctive – and highly profitable - market niches. An alternative example is the case of the ‘greening’ of the automobile industry in terms of stricter fuel efficiency standards
following what is frequently referred to as the ‘California Effect’ (Vogel, 1995). This effect describes the competitive incentives for companies to embrace social welfare and environmental goals following the introduction of regulations that affected the key market of California.

Finally, regarding the supply chain, there is a substantial body of research that explores corporations’ engagement in the provision of social welfare across the competitive structure of the supply chain (Gereffi, Humphrey, & Sturgeon, 2005; Gereffi, 1994; Ponte, 2002). This research has identified key differences between ‘producer-driven’ supply chains dominant in the automobile industry and ‘buyer-driven’ supply chains dominated by retailers, brand-name merchandisers and other trading companies with ‘decentralized production networks in exporting countries, typically in the global South’ (Gereffi, 1994). In essence, this research suggested that buyer-driven supply chains are more likely to provide a suitable infrastructure for the integration of social welfare and economic goals because these chains can be more easily subjected to pressure from consumer activism.

In addition, this research also indicated that the bargaining power of parties along a supply chain varies along two other relevant dimensions, namely the degree of standardization of products and processes (Gereffi et al., 2005) and the level of supplier competence (Humphrey & Schmitz, 2002). Interestingly, both these variables (standardization and supplier competence) appear to be reversely connected with differentiation. First, a higher level of commodification increases the attractiveness of consumer preferences supportive of social welfare goals as a source of differentiation. In turn, a lower level of supplier confidence has the same effect because these
suppliers require a higher level of engagement and direction and thereby, in buyer-driven chains, can be more readily influenced when corporations see an interest in differentiating in terms of social welfare objectives. For example, as reported by Gereffi and colleagues (2001: 56):

*In April 2000, Starbucks Corporation announced it would buy coffee beans from importers who pay above market prices to small farmers (so-called fair trade beans) and sell them in more than 2,000 of its shops across the United States. In August of the same year, the McDonald’s Corporation sent a letter to the producers of nearly 2 billion eggs it buys annually ordering them to comply with strict guidelines for the humane treatment of hens or risk losing the company’s business.*

In short, this approach to exploring the bargaining position of corporations in regards to labor, competitors, and suppliers suggests that differences in engagement in the provision of social welfare among corporations will be determined by the market infrastructure in which they operate. Above all, the fundamental source of differences appears to be based on their susceptibility to consumer preferences for products and services that advance social welfare goals. Regarding labor, customer preferences anchored in ethical consumption increase the bargaining power of workers and, thereby, the willingness of corporations to explore opportunities for integration. In the absence of these preferences, we would expect the integration of social welfare goals following only government regulations or some other institutionally based compliance mechanism. Regarding competitors, the integration of social welfare and economic goals is relevant in so far as it allows for competitive differentiation
through effective branding, enhanced reputation, or certification and similar mechanisms that allow for the formation of sustainable market niches (see Table 2).

Finally, regarding suppliers, integration appears more likely in the context of buyer-driven value chains. In fact, this argument has been used to explain the development and growth of a market for both fair trade goods (Blowfield & Dolan, 2010; Taylor, 2005) and timber from sustainably managed forests in the US and Canada (Bernstein & Cashore, 2004; Taylor, 2005). But it is not clear whether it would have an impact on supplier driven chains, regardless of whether consumer preferences are anchored on ethical consumption or not. In this context, it appears that integration may only follow from regulatory pressure either directly, or indirectly because of competitive dynamics following regulatory changes in key markets (i.e. the California Effect).

**Cooperation**

Beckert (2009, pp. 259–60) discussed the problem of cooperation by considering how the structure of exchanges facilitates or hinders the ability of actors to reduce the social risks inherent in the transactions of goods and services in order to ensure successful market exchange (i.e. incomplete knowledge about the intentions of exchange parties and the quality of the product exchange). In theory, exchanges only occur ‘when buyers are confident of not being exploited by their contract partners’ (Beckert, 2009: 260). A review of the literature yields three distinct sources of confidence: interpersonal trust, power, and normative trust (see Table 2).

In the stylized neoclassical understanding of the market, the need for trust is redundant since we assume perfect information. However, this is an over-simplified view of the contexts
where market participants face minimal uncertainty. Indeed, as elegantly shown by Uzzi (1997), under conditions of uncertainty, the arms-length transactions of this stylized version of the market, disembedded from society, have little value and market participants benefit, for their arms-length transactions, from sources of confidence anchored outside of the market. One of these sources broadly discussed in the management literature is interpersonal trust generated by past exchanges or based on interpersonal relations (Poppo & Zenger, 2002; Zucker, 1986). But researchers have also discussed the influence and defining role of power differentials among the parties involved, which is connected to factors such as those described in our discussion of supplier relations (e.g. branding or supplier capacity: see Gereffi, 2005). Government regulations can also play a role by creating rules, enforcing contracts, and legitimizing shared understandings of market arrangements (Fligstein, 2002). Alternatively, as powerfully suggested by Putnam (2001) some market participants can rely on institutional safeguards, social norms, and trust enhancing networks” that provide a powerful source for confidence in exchange relations and which is available in some specific regions (e.g. Emilia Romagna, Italy) with a specific social make up and history (Beckert, 2009, p. 261; Granovetter, 1985; Putnam, Leonardi, & Nanetti, 1994).

In the context of pursuing the integration of social welfare and economic goals, the prior discussion on competition with respect to labor, competitors, and suppliers can be framed not only as occasions for bargaining, but also for the development of long-term relations that support the advancement of integrated goals. This is in contrast to the ‘one-off’ transaction-based relations expected in the absence of sources of confidence in an exchange other than the self-interest of the parties. This discussion is, however, incomplete without reference to two other
scenarios of cooperation outlined in Table 2. One of them is based on types of unlikely collaborative arrangements, namely ‘commensalism’ (Ingram & Yue, 2008), that is cooperation among competitors for the advancement of social goals, the other one is based on multi-stakeholder collaborative arrangements (Austin, 2010; Westley & Vredenburg, 1997).

Regarding commensalism, business historians have identified many examples of commensalistic arrangements (see Ingram & Yue, 2008 for a review), as noted above. In many instances, these arrangements result in collusive behaviors. Particularly interesting examples of these behaviors were provided by Kolko (1965) in his exploration of the early days of the railroad industry in the US (see also Dobbin, 1994). Other researchers have focused on collective interests, such as knowledge sharing initiatives that provide social benefits to all participants. Ingram and Yue (2008) provided an example of ‘early hotel chains in the USA cooperating to establish the Cornell hotel school to alleviate the scarcity of qualified job applicants’. Similarly, Ingram and Lifschitz (2006) described how collaboration in R&D among shipbuilders on the Clyde River helped that area obtain the unofficial status of ‘shipbuilding capital of the world’ in the late nineteenth century.

In the specific context of the pursuance of opportunities to integrate social welfare and economic goals, we also find relevant examples of commensalism promoting the advancement of markets that support such integration. The Canada’s Oil Sands Innovation Alliance (COSIA) provides one such example. In the light of public awareness of environmental degradation and dependence on oil, competitors joined the COSIA alliance to facilitate technological innovations that assist them in curbing their impact. This is how the alliance describes itself:
Through COSIA, participating companies capture, develop and share the most innovative approaches and best thinking to improve environmental performance in the oil sands, focusing on four Environmental Priority Areas (EPAs) – tailings, water, land and greenhouse gases.

To date, COSIA member companies have shared 560 distinct technologies and innovations that cost over $900 Million to develop. These numbers are increasing as the alliance matures and expands. Through this sharing of innovation and application of new technologies, members can accelerate the pace of environmental performance improvements.

COSIA takes innovation and environmental performance in the oil sands to the next level through a continued focus on collaboration and transparent exchange.

(http://www.cosia.ca/)

The management literature also gives instances of the role of multi-stakeholder collaborative arrangements that aim to bring about the engagement of corporations in the advancement of social welfare goals (Trist, 1983; Westley, Patton, & Zimmerman, 2007). A particularly interesting example is provided by the Global Reporting Initiative, ‘the best-known framework for voluntary reporting of environmental and social performance by business worldwide’, which has been fairly successful in reforming corporate attitudes to their social welfare responsibilities ‘if measured by rate of uptake, comprehensiveness, visibility, and prestige’ (Brown, de Jong, & Levy, 2009: 571). Johnston’s (2008) description of Whole Foods Markets (WFM) helps to illustrate the influence that exchanges among diverse stakeholders can
have. She described changes in WFM's practices rooted both in its identification with an enlightened market niche that they define with their slogan ‘Whole Foods, Whole People, Whole Planet’ and with the emergence of norms valued by activists defining what this slogan actually means. The author described how:

*WFM developed policies on the humane treatment of animals after John Mackey [WFM CEO] was confronted with animal rights protestors at the corporation's annual meeting in 2003 ... John Mackey was subsequently confronted with a damning appraisal of WFM by New York Times journalist and University of California Berkeley professor Michael Pollan, in the recent book “The Omnivore's Dilemma” and in a public debate hosted by UC Berkeley. Pollan critiqued WFM for contributing to the rapid corporatization of an increasingly unsustainable organics industry, while Mackey defended WFM business practices and argued that WFM is helping increase sustainability by expanding the accessibility of organic foods. In the public debate with Pollan, Mackey pledged to change certain WFM practices, including maintaining a stronger commitment to providing locally-produced foods.*

In exploring the intersection of cooperation and consumer preferences, it becomes clear that cooperative arrangements, whether among competitors or with other stakeholders, can foster the integration of social welfare and economic goals. As illustrated by the case of COSIA, it can drive investment in technological solutions that may facilitate integration in the future or, as illustrated by Johnston’s description of WFM, it can further a deepening of the social concerns being integrated within the commercial logic of a particular corporation. Finally, it is interesting
to mention that these cooperative arrangements may facilitate the introduction of voluntary certification processes, that both influence a change in consumer preferences and drive up compliance costs: a competitive strategy that can help create differentiation and influence.

In short, using Beckert’s analysis of the institutional conditions that alleviate the coordination problems that turn markets into bazaars, we have identified a number of institutional conditions that influence the likelihood of corporations integrating social welfare and economic goals. Nevertheless, markets are rarely in equilibrium and a specific institutional arrangement that may have allowed for an anchor to drive integration at one point in time can erode and disappear later. Value preferences change, bargaining advantages become threatened or lost, and cooperative arrangements deteriorate (Beckert, 2003). Accordingly, the alignment of social welfare and economic goals is rarely a permanent alignment. For example, the success of any specific alignment may fuel the interest of competitors, which can eventually undermine the market attractiveness of the original alignment. So, for example, the competitive advantage gained by Starbucks when it embraced fair trade may be undermined as its competitors (e.g. McDonalds or Dunkin’ Donuts) follow suit. However, as illustrated by the California Effect example, this process can also run in reverse, as competition over the adoption of fuel efficiency standards can yield higher and higher levels of efficiency overall, as companies compete to produce the most efficient and green car.

In summary, we argue here that the framework provided by the three coordination problems that underpin the development of markets also offers a model with which to analyze the integration of social welfare and economic goals in corporations. This model also offers a more nuanced
explanation of the differences in corporate behavior in terms of social welfare objectives that goes beyond the historical distinctions between for private-owned and public-benefit organizations provided by a focus on ownership structures and governance alone. As summarized in Table 2, we argue, first, that the fundamental driver for the integration of social welfare and economic goals is consumer value preferences (Cashore, 2002, p. 504). We contend, however, that these preferences do not necessarily need to be altruistic in nature. Even when socially oriented consumer preferences respond to reputation and social status concerns alone, they can still have the effect of increasing corporate engagement. The fundamental issue is not the nature of the preferences per se, but rather whether they allow for the expectation of a level of demand sizable enough for a corporation to engage in products and services that can claim to serve a relevant social welfare goal.

Second, corporate engagement will be crucially framed by bargaining position. In the case of labor, the fundamental factor to consider is whether there are regulations, social norms, or any other arrangements that enhance their bargaining situation. In the case of competitors, the relevant factors are around competition dynamics and differentiation. Finally, regarding suppliers, a crucial factor framing integration hinges on whether the corporation participates in a buyer-driven commodity or a supplier-driven supply chain; we argue that all else equal, organizations engaged in buyer-driven commodity chains would be more likely to pursue the integration of social welfare and economic goals. Finally, corporate engagement will be facilitated by cooperative arrangements particularly commensalistic and multi-stakeholder arrangements supportive of the advancement of social goals.
DISCUSSION

This paper contributes to a growing body of work that reconceptualizes our understanding of corporations’ responsibilities in terms of social welfare goals as integral to their market activities rather than being a discretionary add-on (Gladwin et al., 1995; Kanter, 2010; Porter & Kramer, 2006). Past research has been largely focused on exploring the legitimacy and desirability of this shift, as well as exploring its feasibility in terms of the need for (Gao & Bansal, 2013; Jay, 2010) and difficulties of identifying and advancing opportunities for integration (Battilana & Dorado, 2010). This paper pursues an alternative, but complementary, approach.

The paper departs from the neoclassical explanation behind the triumph of market institutions (as advanced, for example, in the works of Friedman, Hirschman, and Geertz) namely that, in the words of Gordon Gekko: ‘Greed is Good.’ Most frequently this assumption has been based upon the central idea of the role of individual self-interest, the invisible hand, as the mechanism best equipped to deliver the highest possible level of allocative efficiency for society as a whole. But, we argue, that the market’s most crucial contribution is to provide enough predictability for strategic decision making in economic action to function effectively (Beckert, 1999; Dorado, 2005). Then, departing from the neoliberal assessment that markets operate best when disembedded from social norms (Friedman, 1970), we provide a framework that dimensionalizes the sources of market order along specific institutional conditions which support the integration of social welfare and economic goals. We define these dimensions in terms of the three central coordination problems suggested by Beckert as central to the predictable and stable functioning of markets (Beckert, 2009): value (consumer preferences), competition (bargaining positioning
that allow for profits), and cooperation (confidence that market participants will act as expected). The resulting theoretical model allows us to identify institutional conditions that favor and hinder the integration of social welfare and economic goals within market settings.

The model connects to mainstream explanations of corporate engagement in social welfare goals in terms of ownership structures and governance by pointing to the relevance of key stakeholders (Donaldson & Preston, 1995), social expectations (Campbell, 2007), and the role of social movements (Gendron et al., 2009; King & Soule, 2007). But the dimensionalization of these factors in terms of Beckert’s coordination problems allows for a more fine-grained analysis of engagement. It also helps to capture the tensions involved in the integration process (Margolis & Walsh, 2003).

This paper provides several new contributions. First, it contributes to a system perspective on corporations engagement in the advancement of social welfare that moves the conversation from whether managers have the capacity and motivation to identify areas of ‘shared value’ to a consideration of what the institutional conditions might be for managers to recognize and capture such opportunities in the market. This perspective complements the discussion on the potential for the hybridization of social and economic logics advanced in the literature on social business and social enterprise; that is organizations that integrate social and economic goals as their main strategic objective (Battilana & Dorado, 2010; Besharov & Smith, 2013; Pache & Santos, 2012).

The link established with the social business hybrids literature opens new venues for research to advance our understanding of research on the governance of this type of organization. By
focusing on the institutional conditions, instead of the ownership and governance factors, this research suggests a new agenda of empirical work on the sustainability of such integrations over time. Arenas of particular research interest may be in corporate engagement with microfinance or ethical consumption.

The governance of microfinance organizations has been a central topic of interest to scholars in this field (Campion, 1998; Dorado & Molz, 2005; Hartaska, 2005; Labie, 2001; Mersland & Strøm, 2009; Mersland & Strøm, 2010; Mersland, 2009; Otero & Chu, 2002; Rock, Otero, & Saltzman, 1998). This research has explored the influence of economic and governance variables such as ownership structure, compensation for top organizational leaders, the size and composition of the board of directors, auditing, information disclosure, the market for corporate control, and competition (Hartaska & Mersland, 2012). To date, the results have been rather disappointing (Hartaska & Mersland, 2012) but, interestingly enough, the most promising ones are connected with two governance mechanisms, namely the quality of the board of directors (Hartaska, 2005) and competition (Mersland & Strøm, 2009) that are consistent with the institutional conditions model advanced here. Differences in the quality of the board can yield a different likelihood for these organizations to define new ways to combine the paradoxical tensions between social welfare and economic goals (Jay, 2010) while competition is explicitly considered in the model.

Second, the model showcases the potential to further our knowledge in this area by incorporating insights from research in political economy and economic sociology on the order of markets. Recent political economy research exploring the nature and changes in global supply chains
provide an alternative and valuable venue to explore corporate engagement in, for example, the advancement of workers rights globally and limiting their adverse environmental impact. In turn, economic sociology research on the micro foundations of order in markets (Beckert, 1999; Boltanski & Thévenot, 2006; Granovetter, 1985; Lamont, 2012; Owen-Smith & Powell, 2008; Uzzi, 1997; Zuckerman, 2012) facilitates analyses that, as shown in this paper, provide a more fine-grained understanding of corporate responsibility and engagement in the advancement of social welfare goals.

This paper suggests a mode of exploring the dynamics of interventions advanced by new social movements (Offe, 1985) and institutional entrepreneurs (Waddock, 2008) to pressure corporations to advance social welfare goals. For example, one innovation that has driven corporate engagement in ethical consumption has been the introduction of fair trade labels: yet, the very success of this intervention, which has engaged some of the largest multinational corporations (Nestle, Wal-Mart), has resulted in new competitive dynamics that may ultimately undermine the integrity and legitimacy of the label and, as a consequence, diminish the consumer value of fair trade (and ethical consumption) overall (Gendron et al., 2009).

In conclusion, it is relevant to note that the model advanced in the paper does not aim to contradict prior research in this area. The perspective that pursuing social goals must remain separate from a corporation’s economic responsibilities may still be valid. A conceptualization of social welfare goals as integrated with economic goals does not imply that corporations may not pursue discrete investment in social welfare or philanthropy. It simply suggests that the
pursuance of an integrated perspective may require markets anchored on specific institutional and coordination conditions. Similarly, this paper does not aim to suggest that corporations offer the best solution to the complex ‘wicked problems’ facing society today (Dorado & Ventresca, 2012) without any real impact on their root cause (Kanter, 2010; Khan, Munir, & Willmott, 2007). Rather this research proposes that the range of value that corporations can legitimately generate in the market goes beyond the purely economic. The additional social welfare generated via this integrated approach can complement but, we think, is unlikely to replace the need for conventional sources of public and social value expected from public-benefit organizations (we include here state agencies).
REFERENCES


### TABLE 1:
**DISCRETIONARY VERSUS INTEGRATED DEFINITIONS OF CSR**

<table>
<thead>
<tr>
<th>Engagement in advancing social welfare goals</th>
<th>Definitions</th>
<th>Sources</th>
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</table>
| **Discretionary**                           | “CSR are situations where the firm goes beyond compliance and engages in ‘actions that appear to further some social good, beyond the interests of the firm and that which is required by law’” (McWilliams, Siegel, & Wright, 2006: 1) | Aguilera, Rupp, Williams, Ganapathi (2007)  
Campbell (2007)  
Davis (1973)  
McWilliams & Siegel (2000, 2001, with Wright, 2006) |
| **Integrated**                              | Investment in areas of shared value; that is where there is a strategic overlap between pursuance of social improvements and/or internalization of externalities and pursuance of competitive advantage (Porter and Kramer, 2011). | Gao & Bansal (2013)  
Kanter (2010)  
Margolis & Walsh (2003)  
Waddock (2006; 2008) |
TABLE 2:  
BECKERT'S MODEL APPLIED TO  
THE INTEGRATION OF SOCIAL WELFARE AND ECONOMIC GOALS

| Coordination Problems | Institutional Conditions |  |
|-----------------------|--------------------------|  |
| **Favoring predictability in markets** | **Favoring predictability in markets defined by the integration of economic and social goals** |  |
| **Value (consumer preferences)** | **Patterned along social trends** | **Patterned along specific social trends i.e. ethical consumption/consumer activism** |
| **Competition (i.e. bargaining and cajoling among parties with conflicting interests)** | **With labor: regulations, social norms, and collective agreements that frame labor negotiations** | **With labor: regulations, social norms, collective agreements that increase the bargaining position of labor** |
| | **With competitors: regulations, social trends, and collaborative arrangements that support differentiation strategies/creation of barriers to entry** | **With competitors: regulations, social trends, and collaborative arrangements that support differentiation/barriers to entry aligned with social welfare goals** |
| | **Along the supply chain: regulations, social norms, and conditions that increase the bargaining position of vulnerable participants (such as small or disenfranchised participants)** |  |
| **Cooperation (mechanisms that support confidence that market participants will act as expected)** | **Trust built on past exchanges or on interpersonal relations supports exchanges under conditions of uncertainty at a transactional level** | **Trust built on past exchanges or on interpersonal relations supports exchanges under conditions of uncertainty with the aim of long-term social capital building** |
| | **Differentials in power allow for coordination through compliance or subordination** | **Regulations, social norms, and collaborative arrangements redefined power differentials in support of market participants advancing social goals** |
| | **General social norms favor predictability in transactions** | **Social norms and collaborative arrangements foster norms that support welfare integration** |

Source: Authors building on Beckert (2009)
TABLE 3:
Sampling of labeling, certification, standards, reporting systems and membership organizations that facilitating corporations engagement in advancing social welfare

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
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<tbody>
<tr>
<td>FLO and FLO-CERT of Fairtrade International</td>
<td>Building on the first Dutch fair trade label ‘Max Havelaar’ in the 1990s, Bonn-based Fairtrade International launched a Fairtrade Certification scheme. In 2004 it was divided into two independent organizations – the standard-setting FLO and FLO-CERT that inspects and certifies compliance with the Fairtrade standards. <a href="http://www.fairtrade.net/">http://www.fairtrade.net/</a></td>
</tr>
<tr>
<td>Fair Labor Association</td>
<td>“As a collaborative effort of socially responsible companies, colleges and universities, and civil society organizations, FLA creates lasting solutions to abusive labor practices by offering tools and resources to companies, delivering training to factory workers and management, conducting due diligence through independent assessments, and advocating for greater accountability and transparency from companies, manufacturers, factories and others involved in global supply chains.” <a href="http://www.fairlabor.org/">http://www.fairlabor.org/</a></td>
</tr>
<tr>
<td>Fair Trade USA</td>
<td>Formerly known as TransFair USA, Fair Trade USA is an NGO - third-party certifier that audits US companies and certifies that their products comply with international Fair Trade standards. <a href="http://www.fairtradeusa.org/">http://www.fairtradeusa.org/</a></td>
</tr>
<tr>
<td>Forest Stewardship Council</td>
<td>Emerged in the 1990s, following intensive consultations in ten countries to build support for the idea of a worldwide certification system. Since then the number of forest management and chain of custody certificates have increased exponentially, passing a total of 20,000 certificates in 2011. Decision-making within FSC takes place by members around the world. International Members are divided into chambers (Environmental, Social, and Economic), with an additional, Aboriginal Peoples chamber in Canada, each with equal voting power. The purpose of the chamber structure is to maintain the balance of voting power between different interests. <a href="https://us.fsc.org/">https://us.fsc.org/</a></td>
</tr>
<tr>
<td>Sustainable Forestry Initiative (SFI, Inc.)</td>
<td>SFI Inc. is an independent, nonprofit organization that is solely responsible for maintaining, overseeing and improving the internationally recognized Sustainable Forestry Initiative (SFI) program. SFI chain-of-custody (COC) certification tracks the percentage of fiber from certified forests, certified sourcing and post-consumer recycled content. SFI on-product labels identify both certified sourcing and COC claims to help consumers make responsible purchasing decisions. SFI Inc. is governed by a three-chamber board of directors representing environmental, social and economic sectors equally. <a href="http://www.sfiprogram.org/about-us/basics-of-sfi/">http://www.sfiprogram.org/about-us/basics-of-sfi/</a></td>
</tr>
<tr>
<td>Program for the Endorsement of Forest Certification (PEFC)</td>
<td>Founded through the initiative of forest owners and forestry industry associations in 1999, PEFC endorses national forestry certification schemes, which are tailored to local conditions and are developed with participation of multiple stakeholders. <a href="http://www.pefc.org/">http://www.pefc.org/</a></td>
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<td>Name</td>
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<td>Rainforest Alliance</td>
<td>Formed in 1986 as a response to destroying rainforests, RA provides certification of forestry and agriculture. Being FSC-accredited and one of FSC founders, it certifies based on the FSC standards and also uses its own “Rainforest Alliance Certified” and “Rainforest Alliance Verified” labels. <a href="http://www.rainforest-alliance.org/certification-verification">http://www.rainforest-alliance.org/certification-verification</a></td>
</tr>
<tr>
<td>Marine Stewardship Council (MSC)</td>
<td>MSC was founded by WWF and Unilever in 1997. It runs a third-party certification program for wild-capture fisheries, i.e. independent certifiers validate that a fishery is compliant with the MSC standards. <a href="http://www.msc.org/">http://www.msc.org/</a></td>
</tr>
<tr>
<td>The Aquaculture Stewardship Council (ASC)</td>
<td>This independent NGO was established by WWF and IDH Netherlands in 2010 to provide a responsible aquaculture standard for fish farmers. <a href="http://www.asc-aqua.org/">http://www.asc-aqua.org/</a></td>
</tr>
<tr>
<td>ISO 14000 family of International Standards</td>
<td>Based in Geneva and building on the voluntary quality management standard ISO 9000, the International Organization for Standardization established a 14000 series of environmental standards in 1996, with 14001 being the most prominent. <a href="http://www.iso.org/iso/home/standards/management-standards/iso14000.htm">http://www.iso.org/iso/home/standards/management-standards/iso14000.htm</a></td>
</tr>
<tr>
<td>Global Reporting Initiative (GRI)</td>
<td>With its roots in the Coalition for Environmentally Responsible Economies (CERES), Global Reporting Initiative was founded in Boston in 1997. An international network-based NGO, provides companies with a reporting system that allows for metrics and methods to measure and report sustainability-related impacts and performance. <a href="https://www.globalreporting.org/Pages/default.aspx">https://www.globalreporting.org/Pages/default.aspx</a></td>
</tr>
<tr>
<td>Canada’s Oil Sands Innovation Alliance (COSIA)</td>
<td>It is an alliance of oil sands producers focused on accelerating the pace of improvement in environmental performance in Canada's oil sands through collaborative action and innovation. <a href="http://www.cosia.ca/">http://www.cosia.ca/</a></td>
</tr>
<tr>
<td>Equitable Origin</td>
<td>Equitable Origin, LLC., incorporated in Delaware, provides social and has created a third-party certification system based EO100™ Standard for oil and gas industry in Latin America. <a href="http://www.equitableorigin.com">http://www.equitableorigin.com</a></td>
</tr>
<tr>
<td>GoodWeave</td>
<td>Formerly known as RugMark, GoodWeave sets child-free labor standards for the carpet industry and monitors compliance. It was established in 1994 on the initiative of a coalition of NGOs, government agencies, businesses and multilaterals. <a href="http://www.goodweave.org/home.php">http://www.goodweave.org/home.php</a></td>
</tr>
<tr>
<td>AccountAbility Principles Standards</td>
<td>AccountAbility's AA1000 series are principles-based standards to help organizations become more accountable, responsible and sustainable. They address issues affecting governance, business models and organizational strategy, as well as providing operational guidance on sustainability assurance and stakeholder engagement. The AA1000 standards are designed for the integrated thinking required by the low carbon and green economy, and support integrated reporting and assurance.” <a href="http://www.accountability.org.uk/">http://www.accountability.org.uk/</a></td>
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<td>Name</td>
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<tr>
<td>Roundtable on Sustainable Palm Oil (RSPO)</td>
<td>Founded by a group of non-profits and private sector companies that included WWF and Unilever in 2004 in Zurich, RSPO provides a third-party certification mechanism for palm oil plantations and millers. RSPO certification ensures that the palm oil is sustainably produced. <a href="http://www.rspo.org/">http://www.rspo.org/</a></td>
</tr>
<tr>
<td>The Union for Ethical BioTrade</td>
<td>The Union for Ethical BioTrade is a non-profit association that promotes the “Sourcing with Respect” of ingredients that come from biodiversity. Members commit to gradually ensuring that their sourcing practices promote the conservation of biodiversity, respect traditional knowledge and assure the equitable sharing of benefits all along the supply chain. <a href="http://ethicalbiotrade.org/">http://ethicalbiotrade.org/</a></td>
</tr>
<tr>
<td>The 4C Association</td>
<td>This online platform brings together participants of the coffee market. It provides assurance that participants who adopted 4C standard comply with its main principles of not using the child labor. <a href="http://www.4c-coffeeassociation.org/">http://www.4c-coffeeassociation.org/</a></td>
</tr>
<tr>
<td>The Global Sustainable Tourism Council (GSTC)</td>
<td>Endorsed by the United Nations (UN), this is an international organization that provides brings together and approves existing ecolabels, certification mechanisms and standards. <a href="http://www.gstcouncil.org/">http://www.gstcouncil.org/</a></td>
</tr>
<tr>
<td>UTZ Certified</td>
<td>UTZ Certified stands for sustainable farming and better opportunities for farmers, their families and our planet. The UTZ program enables farmers to learn better farming methods, improve working conditions and take better care of their children and the environment. Through the UTZ-program farmers grow better crops, generate more income and create better opportunities while safeguarding the environment and securing the earth’s natural resources. <a href="https://www.utzcertified.org/">https://www.utzcertified.org/</a></td>
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i It may be required by pioneers but not by the organizations that follow them.

ii Of course, an exception to this has been the development of so-called Bottom of the Pyramid markets (Prahalad, 2004). The rhetoric of this market is that corporations can make profits whilst simultaneously serving previously excluded – poor – consumers with life enhancing products and services. This assumption has been widely criticized,
however.
visited on November 7, 2013.

Pollan’s open letter to Mackey can be found in
http://www.michaelpollan.com/article.php?id=80), and Mackey’s open letter to Pollan in
Founded in 1892, the University of Rhode Island is one of eight land, urban, and sea grant universities in the United States. The 1,200-acre rural campus is less than ten miles from Narragansett Bay and highlights its traditions of natural resource, marine and urban related research. There are over 14,000 undergraduate and graduate students enrolled in seven degree-granting colleges representing 48 states and the District of Columbia. More than 500 international students represent 59 different countries. Eighteen percent of the freshman class graduated in the top ten percent of their high school classes. The teaching and research faculty numbers over 600 and the University offers 101 undergraduate programs and 86 advanced degree programs. URI students have received Rhodes, Fulbright, Truman, Goldwater, and Udall scholarships. There are over 80,000 active alumnae.

The University of Rhode Island started to offer undergraduate business administration courses in 1923. In 1962, the MBA program was introduced and the PhD program began in the mid 1980s. The College of Business Administration is accredited by The AACSB International - The Association to Advance Collegiate Schools of Business in 1969. The College of Business enrolls over 1400 undergraduate students and more than 300 graduate students.

**Mission**

Our responsibility is to provide strong academic programs that instill excellence, confidence and strong leadership skills in our graduates. Our aim is to (1) promote critical and independent thinking, (2) foster personal responsibility and (3) develop students whose performance and commitment mark them as leaders contributing to the business community and society. The College will serve as a center for business scholarship, creative research and outreach activities to the citizens and institutions of the State of Rhode Island as well as the regional, national and international communities.

The creation of this working paper series has been funded by an endowment established by William A. Orme, URI College of Business Administration, Class of 1949 and former head of the General Electric Foundation. This working paper series is intended to permit faculty members to obtain feedback on research activities before the research is submitted to academic and professional journals and professional associations for presentations.

An award is presented annually for the most outstanding paper submitted.