Contemporary issues in CSR management: The case study of ‚GlobalTech‘ company

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**Abstract**

With the environmental and societal developments taking place, the management of CSR is increasing in strategic importance and complexity (Bertels & Peloza, 2008;Saeidi *et al.*, 2015;Du et al., 2010) **.** In this essay, the case study of an IT business – further referred to as “GlobalTech”[[1]](#footnote-1) is used to illustrate some of the best practice and challenges. First, the company’s formal programs are discussed to demonstrate a multi-dimensional approach to CSR consistent with Caroll’s (1991) pyramid model. Second, GlobalTech’s relative success is linked to organisational culture and leadership, using the concepts of *virtue ethics* and *moral management* as a theoretical basis. And third, three cases of decisions taken about censorship are presented to demonstrate the specific challenges of globalisation (e.g. legal and cultural considerations) and decision-making process itself. As a result, this essay demonstrates the combined use of ethical theories in guiding organisational conduct, highlighting the specific benefits of *virtuous leaders* and *discourse.* However, it was also proved that the management of global CSR efforts remains highly uncertain, leading to adverse outcomes even where cultural and legal differences were accommodated.

**Introduction**

Nowadays, the concept of corporate social responsibility (CSR) is omnipresent (Dahlsrud, 2008), including increasingly frequent reports of ethical misconduct in the media (Maguad and Krone, 2009). It is, however, important to note that CSR is not a new phenomenon. In fact, existence of the concept can be traced back to the days of Industrial Revolution in 19th century (Brown et al., 2010).

It is, indeed, the nature of the concept itself, and the society within which it takes place, that has changed radically since. As argued by Carroll (1991), the idea of shareholder’s wealth maximization as a sole purpose of organization has long been abandoned. In addition, Brown et al. (2010) suggested that the focus shifted from concerns about employees and community to philanthropic efforts, which also implies inclusion of wider range of stakeholders(Crane and Livesey, 2003). This is, in part, powered by globalization – as the scope of responsibility issues is becoming global (Carroll, 2000), and so do the stakeholders (Dahlsrud, 2008). The increasing pressure of such stakeholders (Treviño et al., 2006) then leads to steadily increasing CSR expenditures by managers of companies (Du et al., 2010).

Moreover, as Lantos (2001) argued, the CSR expectations from businesses are rising steadily over time, and managing CSR reputation is becoming ever more challenging (Bertels & Peloza, 2008;Saeidi *et al.*, 2015). However, engaging in CSR efforts is no longer only about improving corporate image, but also about attracting and retaining employees, cost-cutting, appealing to customers, and risk management (Du et al., 2010;Weber, 2008).

Given the developments, it is not surprising that many different definitions of CSR exist in the literature (Graafland and van de Ven, 2006; Dahlsrud, 2008). Moreover, previously developed definitions often must be reconsidered in response to changed circumstances. For instance, in 2001, the European Commission (EC) defined CSR as: “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis“ (Commission of the European Communities, 2001, pg.8). However, in 2011, it has been replaced by less extensive: „responsibility of enterprises for their impacts on society” (European Commission, 2011, pg.6).

In this essay, the case study of GlobalTech is used to illustrate the *best practice* in building and maintaining CSR reputation, and describe some of the challenges in the process, such as global scope of issues, and/or CSR communication effects. I aim to base the arguement on ethical theories - with the emphasis on *virtue ethics* – and supporting concepts such as *stakeholder theories* (Mitchell et al., 1997).

The structure of the discussion will be as follows: (1) discussion of CSR and stakeholder theories, (2) summary of selected ethical theories (*virtue ethics, discourse ethics,* and *utilitarianism)*, and (3) the GlobalTech case study, highlighting: (a) current CSR efforts, (b) leadership and organisational culture, and (c) GlobalTech’s stance toward censorship.

**Corporate Social Responsibility**

As briefly mentioned in the Introduction, there are significant incosistencies in the definitions of CSR (Graafland and van de Ven, 2006; Dahlsrud, 2008). Moreover, the term is also often used interchangeably with Corporate Sustainability and/or Corporate Citizenship (Garriga and Melé, 2004;Brown et al., 2010) in research. However, because defining the concept is not in the scope of this essay, I will start from one of the most frequently used models in the last 30 years (Carroll, 2016)– the Carroll’s CSR model.

In his original study, the author (Carroll, 1991) proposed a pyramid model containing four types of interrelated responsibilities: (1) economic (required by society) – refering to maximizing shareholder’s wealth, profitability, competitive position and efficiency; (2) legal (required by society) – highlighting the obligation to obey applicable laws and regulations; (3) ethical (expected by society) – whereas firms are expected to obey moral and ethical norms; and (4) philanthropic (desired by society) – refering to engagement in charitable efforts. Carroll (2016, pg.5) later argued that the way „companies decide to balance these various responsibilities goes a long way towards defining their CSR orientation and reputation “. Therefore, truly responsible corporation would strive to achieve all components at the same time (Carroll, 1991). However, if we revisit the EC’s (2001) original definition of CSR, it becomes apparent that two areas of responsibilities were omitted by the pyramid model – social and environmental. Also, while ethics appears in the pyramid as an independent dimension, the author (Carroll, 2016) later clarified that ethics underly all components of the model.

Another concept which was briefly addressed in both the EC (2001) definition and CSR pyramid is the acknowledgment of stakeholder groups (SG) importance (Carroll, 1991). This conception has been widely explored in research under so-called *stakeholder theories*. As argued by Cragg (2002, pg.135), “good managers are aware of their stakeholders and treat them with consideration and respect" to avoid risks. In addition to stockholders – whose interests were considered to be the only corporate responsibility by some (Carroll, 1991) - the stakeholder groups (SG) may include customers, employees, communities, non-governmental organisations (NGOs), or even environment itself (Carroll, 2016).

With so many different SG, it is inevitable that their interests come into conflict sooner or later (Crane and Livesey, 2003;Wood, 1991). Therefore, CSR can be perceived not only as a an *act of balancing* different responsibilities, but also different SG’s interests (Lantos, 2001). The original pyramid model, however, did not provide guidance on how those elements should be balanced (Crane and Matten, 2016).

Useful framework for classifying stakeholders was provided by Mitchell et al., (1997). The authors argued that SG should be identified and prioritized based on possession of one or more following attributes: (1) a *power* to influence the firm, (2) *legitimacy* of relationship with the firm, and (3) *urgency* of their claim toward the firm (*ibid*, pg.854). Based on the attributes possessed, stakeholders were divided into seven groups and 3 categories, as summarized in Table 1. The groups were organised based on their relative salience (Mitchell et al., 1997). Therefore, organisations should give the highest priority to responsibility toward definitive stakeholders, relatively high to expectant ones, but rarely (or voluntarily) to latent stakeholders.

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| Table 1: The classification of stakeholders (Mitchell et al., 1997, pg.872-878) | | |
| Stakeholder groups | **Attribute possesed** | **Category** |
| 1. Dormant Stakeholders | Power | Latent |
| 1. Discretionary stakeholders | Legitimacy |
| 1. Demanding stakeholders | Urgency |
| 1. Dominant Stakeholders | Power, Legitimacy | Expectant |
| 1. Dangerous Stakeholders | Power, Urgency |
| 1. Dependent Stakeholders | Legitimacy, Urgency |
| 1. Definitive Stakeholders | Power, Legitimacy, Urgency | Definitive |

*CSR and Ethics*

As argued by Crane & Matten (2016), ethical theories are crucial to the business context as a means of evaluation, justification and/or explanation of decisions. They are normative in its nature, as they attempt to provide rules on determining right or wrong (*ibid*). The authors (*ibid*, pg.87) identified three possible approaches to business ethics (BE): (1) absolutism – calling for „universally applicable moral principles“, (2) relativism – defending the concept of subjective morality, and (3) pluralism –which argues for combination of both approaches (whereas some general norms on widely agreed upon issues are accepted; the rest being addressed subjectively). As illustrated in Figure 1, the approaches may be perceived as a spectrum, with ethical theories inclining to one end or the other.

Ethical Pluralism

**Contemporary theories:**

* Virtue Ethics
* Feminist ethics
* Discourse ethics
* Postmodern ethics

**Western Modernist theories:**

Non-consequentialist:

* Ethics of duties
* Ethics of rights and justice

Consequentialist:

* Egoism
* Utilitarianism

Figure 1: The spectrum of ethical theories

The absolutist theories were categorized as non-consequentialist – concerned with motivation and action aspects of BE, and consequentialist – concerned with the actions and outcomes in BE (Crane & Matten, 2016).

In this essay, one absolutist theory (Utilitarianism) and two relative theories (Virtue & Discourse Ethics) were selected, as I believe they are most powerful in explaining the BE practices in GlobalTech. Therefore, the three theories will be now briefly defined.

*Virtue ethics*

The Virtue Ethics (VE) theory argues that ethical behaviors start with ethical individuals (Crane & Matten, 2016). Therefore, in BE, emphasis should be given to development of ethical virtues such as “honesty”, “courage” and/or “fairness” (Mingers and Walsham, 2010, pg.836). It is closely related to the concept of *moral leadership*.

As argued by Maguad & Krone (2009), management’s ethical commitment and leadership has a major impact on behavior of employees. They lead by example(Maguad & Krone, 2009), drive the formulation, adoption, and implementation of CSR practices (Hemingway & Maclagan, 2004), and shape the organisational culture and climate (Wang, Cheney and Roper, 2016). However, Wang et al., (2016) also found that *genuine (*rather than *strategic)* interest in CSR leads to better performance. From this point of view, the success of leaders’ ethical impact is inherently related to his personal *virtues*.

This notion is supported by Maguad & Krone (2009), who argued that rather than being the result of ethical training and policy adherence, *moral leadership* comes from *within* the individual.

Three models of management were identified: (1) Immoral – where managers pursue corporate and personal gains (Maguad & Krone, 2009) without consideration of ethical norms and values (Carroll, 2000); (2) Amoral – where business is considered to be neutral of ethical norms (Maguad & Krone, 2009), intentionally or not (Carroll, 2000); and (3) Moral – whereas managers „act“, „think“, and „lead“ by the highest ethical standards(Carroll, 2000, pg.39).

While VE provides useful framework for assessing the antecedents and motivations of CSR, they are criticised for not providing guidance in ethical decision-making (Arjoon, 2000). This limitation can be, however, addressed using following theory.

*Discourse ethics*

Rather than being concerned with defining what is morally *right* or *wrong*, Discourse Ethics (DE) focuses on the process by which ethical issues are being resolved (Mingers & Walsham, 2010). It also relates to the process of *balancing* stakeholder’s interests, as DE calls for resolving conflicts in BE by engaging stakeholders in dialogue (Crane and Matten, 2016). However, as argued by Mingers & Walsham (2010), successful discourse requires that: no one is prevented from participation; expression of his/her concerns, attitudes and/or needs; and questioning claims made in the discourse; and such environment is not easily achieved.

*Utilitarianism*

*Utilitarianism* takes an absolutistic stance, arguing that the behavior of individuals should be based on the „maximization of total wellbeing“ (Demuijnck, 2015, pg.821). In other words, organisations should consider the relative *utility* of alternative actions, defining the one with highest value as morally right (Crane and Matten, 2016). However, as pointed out by Mingers & Walsham (2010), such approach may lead to neglecting minority, and/or result in justification of actions that would be otherwise dismissed as unethical.

**Case Study**

GlobalTech was founded in 1998 by a duo of technology engineers – further referred to as Founder 1 and Founder 2. As illustrated in Figure 2[[2]](#footnote-2), the company has grown significantly since then, with the number of employees in 2017 being 21x the number in 2004 – the year of its initial public offering (Cheng, 2016).

The reason we selected GlobalTech for our case study is that: (1) it possesses undoubtable expertise in CSR management – being in the top ten most reputable CSR companies list (Strauss, 2017); and (2) GlobalTech is concerned with CSR since its early years.

When going public, GlobalTech’s mission loosely stated: ‘to create good for the society’ (Brandt, 2011). It could be argued that such statement is philanthropic in its nature. Even though it eventually evolved into more operation-centric statement highlighting their contribution through opening up and organising information, there are still many mechanisms through which GlobalTech nurtures its CSR reputation. Starting at the top of Carroll’s (1991) pyramid, the company’s charitable efforts are mostly managed through:

*GlobalTech.org* - a philanthropic arm of the company originally endowed with over 1.5 billion worth of GlobalTech’s stock (Brandt, 2011). The purpose of the organisation is to identify not-for-profit projects that have (scientifically documented) power to „positively impact as many people as possible.“ (GlobalTech, n.d.). Selected projects are then supported by funding, skilled-workforce, or donation of GlobalTech’s products and services. One of the most recent projects is the 5-year commitment of $1 billion and 1 million of employees to improve equality of opportunities.

Unlike the pyramid, however, GlobalTech also addresses the responsibility toward environment since its early years. From repurposed furniture in the first GlobalTech’s offices, achieving carbon neutral operations in 2007 (GlobalTech, 2016), and aiming for 100% renewable energy use till 2017 (GlobalTech, 2017), the company proactively manages its impact on the planet.

The management of ethical issues in GlobalTech is, however, less straigthforward (and observable) than philanthropy and environmental sustainability. We posit that its relative CSR success can be explained through VE theory (based on its link to leadership and organisational culture), and the DE theory (based on observation of the decision-making process).

*Leadership and Organisational Culture*

The company’s motto can be paraphrased as ‘Do good’, and it is perhaps the most prominent evidence of the company’s ethical values. It is said that the sentence was originally used by one of the executives during meeting (Brandt, 2011) before rapidly spreading throughout the company and becoming an unwritten (and later written – in preface to their Code of Conduct) rule for decision making. As it came from within the company rather than from the *top*, and because a significant commitment to the values existed among employees (Brandt, 2011), we argue it reflects the strong ethical organisational culture (OC) and values.

In defining the motivation (and mechanisms) behind GlobalTech’s OC, we started with Founder 1 and 2, the fathers and long-term leaders of the organisation. It is a logical step, as the effect of leadership on forming OC is well documented in research (Brown et al., 2010;Treviño et al., 2006).

For instance, Treviño et al. (2006) argued that fair treatment of employees makes them more susceptible to ethical conduct initiatives. From the beginning, Founder 1 took proactive stance to employee well-being – such as programs for new parents (e.g. home food delivery, or designated private spaces for nursing) (Vise and Malseed, 2006) – and, nowadays, the company is famous for the many *perks* it offers to workers. We argue it is not only an evidence of fair treatment, but also evidence of Founder 1’s *virtuous* character.

As Brandt (2011) argued, he was seen as the main judge of what constitutes unethical. Therefore, he can be considered a *moral compass* for the whole organisation. To support the argument about the founders’ *virtues,* we have selected few quotes (see Table 2) used by different people on account of their character.

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| Table 2: Quotes describing GlobalTech’s moral leadership | |
| Person | **Quote** |
| K. B. – University of Maryland professor | [Founder 1] is „a super nice guy. There’s a gentle spirit about him. He seems to be somebody who wants to use his intelect to do good“ (Brandt, 2011, pg.31) |
| L. B. - chief philanthropy evangelist at GlobalTech.org | „They come from a very moral base“ (Brandt, 2011, pg.31)  „That’s what was so impressive about [Founder 1] and [Founder 2]. I was double their age and they had thought more deeply about some of the moral issues of technology and business than I had.“ (Brandst, 2011, pg.218) |
| C. S. – long lasting GlobalTech’s employee | „They believe… that, being a corporate corporation, it’s still possible to be an ethical company“ (Brandt, 2011, pg.129) |
| E. S. – former GlobalTech’s CEO | (*what defines evil*) „The rule is, it depends. We don’t actually have a one-paragraph rule. Our process is to rely on people with good judgement.“ |
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While the last quote (Table 2) does not refer to the duo specifically, we provide it as an evidence that: (1) ethical decision-making reflects elements of VE, and (2) the company relies on *multiple* moral leaders, rather than Founder 1 and 2 only. Both points are, in fact, also expressed in GlobalTech’s CoC (GlobalTech, 2017), as the conclusion acknowledges the fact that employees face wide range of different ethical issues which could not possibly be covered by rules, and should therefore rely on their (and other employees‘) good judgment.

However, I argue that highlighting the consultation of other employees also implies a *discourse* approach in day-to-day ethical decision-making, rather than blindly relying on individual’s *virtues*. The company, for instance, insisted that each claim is supported by factual analysis (Brandt, 2011). The information was then subdued to thorough discussion, before (and if) agreement was reached and rules generated (*ibid*). As such, claims from different sources were considered.

In the same time, it demonstrates a *pluralistic* view of ethics, as GlobalTech recognises that some issues require individual appoach rather than universal rule. In Table 3, we have summarized three cases of GlobalTech’s decisions about censorship. From one point of view, the cases illustrate the increase in complexity of ethical decision-making added by globalization.

While the decision in USA was straigthtforward and guided by the founders’ *virtues,* in foreign cases, GlobalTech engaged in thorough research (and discourse) to evaluate differences in cultural and legal issues[[3]](#footnote-3). That is, however, not to say that *virtues* played no role in those decisions. On the contrary, we posit that to successfully analyze such situations, the individuals concerned should possess a *virtue of perspective-taking*, such as exhibited by Leader 1 (Table 3).

The case of Country 3 (Table 3) is, however, particulary interesting one, due to its negative effect on GlobalTech’s reputation (Vise and Malseed, 2006). The decision’s outcome can be interpreted in several ways. For instance, we could argue that GlobalTech’s decision-making process in this case was flawed. From the perspective of VE, the actors failed to follow instincts given them by their *virtues*[[4]](#footnote-4). In the light of DE, it could be claimed that the *discourse* failed to reach outcome agreed upon by all involved. In fact, decision in this case was made on the principles of *utilitarianism*[[5]](#footnote-5). Given the limitations of such approach (see Utilitarianism), the harm to GlobalTech’s reputation might be a result of adopting incorrect process of decision-making. This is closely related to the stakeholder theory.

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| Table 3: GlobalTech and censorship – case study | | |
| Country | **Case** | **Year** | |
| U.S. | In 2004, the company appeared in the spotlight of negative attention, as upon *searching a religious term,* the first link that appeared was a site containing hate-speech against the religion. The company issued statement distancing itself from the antisemitic values, however, they also refused to censor the site, as it would compromise the independence of both their anti-censorship stance and objectivity of search results  Source: Brandt, (2011, pg.132), Baker (2004) | 2004 | |
| Country 1 | A video untastefully criticising the leader of Country 1 was posted by a user on GlobalTech’s website. The company decided to send Leader 1 into the country for a “field-research” on the issue.  Upon return, she made two conclusions – first, criticising the leader was, in fact, illegal in Country 1; and it seems to be against their ethical values and norms, too – as people voluntarily engaged in rituals to celebrate the leader. Therefore, Leader 1 concluded that GlobalTech should respect the cultural differences and ban the video, although only in Country 1.  *Source:* Brandt (2011, pg.134) | 2007 | |
| Country 2 | In 2004, GlobalTech started to think about entering Country 2 with its information services. However, with the political regime the country has, it would be legally binded to extensively censor its results. A thorough discussion of the problem took place among the leaders (including the founders, CEO, and Leader 1), and final decision was not made until 2006. Throughout the discussion, many alternative steps were considered.  For instance, some argued that GlobalTech should enter the country, but avoid censorship nonethless. Such alternative was, however, quickly dismissed as breaking the law is not ethical in its essence and might jeopardize the safety of GlobalTech’s employees in the country. Second alternative proposed claimed the company shouldn’t enter Country 3 at all. However, with the market growth in the country, it would be against GlobalTech’s responsibility toward its shareholders. In addition, the company tried to „push“ uncensored information into Country 3 through its offshored GlobalTech website – only to be, first partially, then completely, blocked by the government’s firewall.  That left GlobalTech with one last alternative – enter the market. In the end, GlobalTech arrived to the decision that it is more effective to provide users in Country 3 with censored information rather than no information at all (since the offshore website was banned). However, the company would inform users that content was removed; and pledged to not collect any personal information that might fall into hands of the country’s government. The decision, however, caused a turmoil in media, which significantly strained GlobalTech’s reputation.  Source: Brandt (2011, pg. 16-17, 136-143), Vise & Malseed (2006, pg.267-268) | 2004-2006 | |

The stakeholders might have, for instance, perceived the company’s actual motives as different from those communicated publicly, which resulted in skepticism (Du et al., 2010). Moreover, the extent of criticism might have been affected by the industry of operation. As argued by Hoffman and Ventresca, (2002), industry *reputation commons* exist - whereas harmful actions undertaken by one company in the industry may negatively impact the reputation of other firms in the industry. The authors (*ibid*, pg.395-398) refered to the problematic as *reputation commons problems*, and argued they are likely to occur: (1) where stakeholders cannot reliably distinguish/measure the extent of harm caused by individual players in the industry (which applies to censorship), resulting in "collective blame" approach; and (2) where stakeholders possess the attribute of power. From this point of view, previous misconducts of GlobalTech’s two main competitors could have negative *spillover* effect on the company's reputation*.*

**Discussion and Conclusions:**

The management of CSR is becoming ever more challenging (Bertels & Peloza, 2008;Saeidi *et al.*, 2015), and managers spend increasingly more resources on CSR efforts (Du et al., 2010), as a means of enhancing its image, attracting and retaining talent, cost-cutting, meeting customer demands, and managing risks (Du et al., 2010;Weber, 2008).

This essay focused on the *best practice* of CSR and the applicability of ethical theories, using the case study of GlobalTech. First, the organisation’s efforts in philanthropy and environment protection were highlighted, to illustrate some of the formal CSR programs in GlobalTech. However, it was further argued that GlobalTech’s CSR reputation is the consequence of organisational culture and values build by its founders and can be successfully explained through *ethics of virtue* theory (VE) and *moral management*.

Because VE is more suitable for explaining the motivators of CSR, rather than the decision-making process (Arjoon, 2000), I argued for the simultaneous use of *discourse ethics*. As such, the GlobalTech case study illustrates how different ethical approaches are often combined in business practice to direct ethical conduct.

Three examples of GlobalTech’s decisions about censorship were then presented, to illustrate how globalization leads to difficulties in decision-making, as it adds the dimension of cultural and legal differences (Crane & Matten, 2016). Moreover, the case of Country 2 proved that the outcomes of CSR are uncertain, even where local law and cultural differences are accommodated.

We proposed several factors that might have negatively impact the decision-making – such as flawed application of ethical concepts (ignoring the *virtuous* instincts, not reaching agreement in *discourse*, incorrect prioritizing of stakeholders); and its outcomes – the effects of CSR communication (such as stakeholder scepticism), and possible negative effects of reputation commons in the territory of Country 3.

We argue that, based on the OC built on *virtues* and *discourse*, GlobalTech should avoid acting upon the principles of *utilitarianism* to prevent future ethical issues, as the approach seems to be incompatible with their overall CSR approach.

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1. The individuals, company, and other specific circumstances of the case study were ‘pseudonymized’ and references adapted accordingly for anonymity purposes. [↑](#footnote-ref-1)
2. Data sourced from Statista (2018) and Pingdom (2010) [↑](#footnote-ref-2)
3. Two out of three issues acknowledged by Crane & Matten (2016). [↑](#footnote-ref-3)
4. Particularly because, as described by Brandt (2011), the founders never stopped doubting the morality of decision to enter Country 2. [↑](#footnote-ref-4)
5. When decision could not be reached through discourse, GlobalTech decided to evaluate which alternative creates largest amount of good for the largest amount of people (i.e. not providing Country 2 users with any information was considered worse than providing a censored one) [↑](#footnote-ref-5)