VU Research Portal

[Review of: D. Vogel (2005) The market for virtue. The potential and limits of corporate social responsibility]

den Hond, F.

published in

Organization & Environment
2006

DOI (link to publisher)

[10.1177/1086026606292475](https://doi.org/10.1177/1086026606292475)

document version

Publisher's PDF, also known as Version of record

[Link to publication in VU Research Portal](#)

citation for published version (APA)

den Hond, F. (2006). [Review of: D. Vogel (2005) The market for virtue. The potential and limits of corporate social responsibility]. *Organization & Environment*, 19(3), 415-418. <https://doi.org/10.1177/1086026606292475>

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal ?

Take down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

E-mail address:

vuresearchportal.ub@vu.nl

Organization & Environment

<http://oae.sagepub.com/>

Book Review: The Market for Virtue: The Potential and Limits of Corporate Social Responsibility

Frank den Hond

Organization Environment 2006 19: 415

DOI: 10.1177/1086026606292475

The online version of this article can be found at:

<http://oae.sagepub.com/content/19/3/415>

Published by:

<http://www.sagepublications.com>

Additional services and information for *Organization & Environment* can be found at:

Email Alerts: <http://oae.sagepub.com/cgi/alerts>

Subscriptions: <http://oae.sagepub.com/subscriptions>

Reprints: <http://www.sagepub.com/journalsReprints.nav>

Permissions: <http://www.sagepub.com/journalsPermissions.nav>

Citations: <http://oae.sagepub.com/content/19/3/415.refs.html>

>> [Version of Record](#) - Aug 9, 2006

[What is This?](#)

David Vogel. *The Market for Virtue. The Potential and Limits of Corporate Social Responsibility*. Washington, DC: Brookings Institution Press, 2005.

DOI: 10.1177/1086026606292475

This book is an accessible and well-documented assessment of whether corporate social responsibility (CSR) works. In addressing this question, Vogel is keen to keep himself distanced from both the position of Milton Friedman and his likes, that firms when practicing CSR are hypocritical at best, but more often irresponsible by spoiling shareholder value, and the “do good—do well—everybody happy” mantra of win-win rhetorics. I appreciate the book, not because it brings new data to the debate, but because it provides balanced and thoughtful answers to three issues that I would like to discuss here. First, is there a viable market for virtue? Next, what is the role of government in creating or maintaining a market for virtue? And finally, what does all this mean for our conceptualization of CSR?

With regard to the first issue, according to Vogel, the glass is more empty than full. A viable market for virtue would exist if the firm profits from its investment in CSR and if there are positive effects on social welfare. It is undeniable that there are some firms that have achieved this dual objective, even if their effect is modest. To quote one of the many incarnations of this conclusion, “It would be better if Vietnam had more stringent occupational safety and health standards, but in their absence, thanks to Nike, some workers are exposed to fewer hazards” (p. 163). However, there are also examples where the market for virtue failed. Levi Strauss is presented as a case in which financial considerations forced the firm to step back, in 1998, from its policy of not expanding its supplier network in China, a policy that was initiated in 1993 because of substandard labor conditions in that country. The onshore dismantling of Brent Spar is presented as a decision that had a negative effect on economic welfare and that was suboptimal for social welfare, too, because it was more costly and more risky to workers and the environment.

Beyond anecdotal evidence, Vogel reviews some of the literature on the bottom line effects of CSR. Studies of the relationship between CSR and financial performance report different outcomes. It is difficult, then, to draw compelling conclusions from this literature because of the many different operationalisations of dependent and independent variables and the variety in the use of control variables, whereas the nature of the relationship remains hidden behind correlations. But even if a positive, significant correlation between CSR and financial performance were unequivocally found, Vogel argues that there are good reasons to believe that it will still be difficult to meaningfully interpret this as proof of the “doing-well-by-doing-good” hypothesis: CSR expenditures are discretionary, and for many firms, the costs and benefits of CSR are irrelevant when compared to their total earnings.

With regard to the latter, he points out the unwillingness of consumers, employees, and shareholders to pay higher prices, accept lower wages, and be satisfied with lower dividend payments. If in the absence of such a willingness, there are marginally diminishing returns to investments in CSR, then the overall relationship

between CSR and financial performance is likely to be nonlinear, in the form of an inverted U-curve. Levels of CSR beyond some optimum—the “low-hanging fruit”—must therefore have an effect on profits. The question, then, becomes about where for a specific firm the optimum level of CSR is (McWilliams & Siegel, 2001). Positive effects of CSR on financial performance are then only to be expected if firms invest in CSR at levels below this optimum. But then, the question also is whether such levels of CSR are satisfactory from a social welfare point of view. For these reasons, Vogel concludes that “CSR is best understood as a niche rather than as a generic strategy: it makes business sense for *some* firms in *some* areas under *some* circumstances” (p. 3, italics added). The implicitly drawn implication is that studies on the relationship between CSR and financial performance should yield to studies that aim to explore the conditions under which a firm’s CSR efforts benefit society (Margolis & Walsh, 2003).

Another angle to this issue is to ask how an effective market for virtue might be created. A number of firms face pressures from civil society groups, such as consumers, NGOs, trade unions, and social investment funds, to increase their levels of CSR. Pressure is usually exerted on the larger and more visible firms that evoked a proactive stance on CSR in the past and that operate in sensitive industries. Much of such pressure is in the form of “private politics”—conflict resolution between private actors without reliance on the law or government (Baron, 2003). Although the prevalence of private politics is increasing, civil society groups face considerable difficulty to exert effective pressure, all the more so if they wish to affect the industry’s rather than the firm’s level of CSR, which is arguably their broader ambition (den Hond & de Bakker, in press).

There is some irony in here. On one hand, the emergence of the CSR movement in the past two decades is not just related to the advent of economic globalization and deregulation; it has been stimulated actively by national governments and international bodies. For example, the Clinton administration was instrumental in setting up the Apparel Industry Partnership in 1996, Tony Blair’s government created the Ethical Trading Initiative in 1998, and in 1999, Kofi Annan announced the Global Compact. Their message to civil society groups was that CSR is to be organized in the marketplace and that governments would be very reluctant to interfere through regulation. On the other hand, having worked for some time now along these lines, civil society groups increasingly discover that free markets can only be effective if they are supported by strong governments through the formulation and enforcement of market clearing regulations (den Hond & de Bakker, in press).

When discussing the role of governments, Vogel turns his attention to non-Western governments and to how Western governments and international organizations can assist or encourage the development of a strong civil society in developing countries. He is right in stating that “not only is CSR not a substitute for effective government, but the effectiveness of much civil regulation depends on a strong and well-functioning public sphere, . . . particularly . . . when it comes to corporate commitments to avoid corruption and respect human rights” (p. 170). However, Vogel is amazingly silent on the role that Western governments could play in creating a viable market for virtue in Western countries. Two things are needed. Not only does civil regulation need to become legally binding to have a lasting and broader effect than on the participating actors, but more important, perhaps, is the need for government regulation to solve the information problems that currently limit the potential efficacy of civil regulation. If ultimately private

politics work by politicizing consumers (Micheletti, 2003), it is crucial that reliable information on the social impacts of firms and their supply chains becomes publicly available. Often, such information is not available, not even to firms themselves, and in the sparse cases where it is available, very few firms have decided to make this information public. Governments have been reluctant so far to positively respond to claims by civil society groups that require firms to publish transparent and verified information on social issues, also back in their supply chains. This is a serious limitation to the potential efficacy of civil regulation, but one that is not discussed by Vogel.

Finally, Vogel gives an interesting twist to the debate. If, indeed, governments are crucial to organizing a viable market for virtue, then our conceptualization of CSR should be reconsidered. Current definitions of CSR predominantly build on Carroll's (1979) pyramid, which essentially defines CSR as voluntary corporate activities beyond the realm of the state. From such a perspective, the Clinton and Blair initiatives are to be understood as defining away state responsibility for CSR issues to the private sector. If, in a similar vein, it is the central tenet of corporate citizenship that firms "(partly) take over (or are expected to take over) certain functions [of the state] with regard to the protection, facilitation, and enabling of citizens' rights" (Matten & Crane, 2005, p. 171), then the analysis of Vogel is that we should be highly suspicious of the firm's abilities to adequately fulfil this role. "Consequently," according to Vogel, "the definition of corporate social responsibility needs to be redefined to include the responsibilities of business to strengthen civil society *and* the capacity of governments to require that all firms act more responsibly" (p. 172, *italics added*). Whether a viable market for virtue can be created will therefore critically depend on the efforts of governments in creating a strong and effective regulatory context, both at home and abroad, that entices firms to do what civil society groups alone cannot accomplish. Under the provision that also the role of Western governments in Western countries is considered, Vogel's ideas can be instrumental in achieving the creation of a viable market for virtue.

—Frank den Hond
Vrije Universiteit

REFERENCES

- Baron, D. P. (2003). Private politics. *Journal of Economics & Management Strategy*, 12(1), 31-66.
- Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of Management Review*, 4(4), 497-505.
- den Hond, F., & de Bakker, F.G.A. (in press). Ideologically motivated activism: How activist groups influence corporate social change activities. *Academy of Management Review*.
- Margolis, J. D., & Walsh, J. P. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48(2), 268-305.
- Matten, D., & Crane, A. (2005). Corporate citizenship: Toward an extended theoretical conceptualization. *Academy of Management Review*, 30(1), 166-179.
- McWilliams, A., & Siegel, D. (2001). Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review*, 26(1), 117-127.
- Micheletti, M. (2003). *Political virtue and shopping. Individuals, consumerism, and collective action*. New York: Palgrave Macmillan.

Frank den Hond is an assistant professor of strategy in the Faculty of Social Sciences, Vrije Universiteit of Amsterdam, and a member of the board of the European Group of Organization Studies. His current research interests cover institutional change, notably, the role of activist groups in stimulating corporate social responsibility. He has published in journals such as Organization Studies, Business and Society, Regional Environmental Change, and Business Strategy and the Environment.

Anne K. Haugestad & J. D. Wulfhorst (Eds.). *Future as Fairness: Ecological Justice and Global Citizenship*. Amsterdam: Rodopi, 2004.

DOI: 10.1177/1086026606292472

There is a growing movement in environmental politics and political theory toward what we might call “egalitarian environmentalism.” Egalitarian environmentalists are weak anthropocentrists who extend (cosmopolitan) liberal conceptions of procedural and distributive justice to environmental issues. Typically, egalitarian environmentalists are committed to (at least one of) two general principles. First, they advocate equal substantive environmental rights for all humans. More specific, they often support the idea of equal per capita shares of ecological (or environmental) space. Second, they advocate equal procedural rights for all humans in environmental decision making. In other words, they support public and stakeholder involvement in an active “environmental democracy.” There are, of course, many different conceptions of each of these principles and, therefore, many different versions of egalitarian environmentalism. Most of the contributors to Haugestad and Wulfhorst’s eclectic selection of papers are egalitarian environmentalists of one version or another. They offer quite different perspectives on a wide range of environmental issues and problems—ranging from nuclear waste to genetic modification (GM) science, from tradable fuel permits to ecological building, from solid waste management to illegal logging—but for the most part, their diagnosis of the problem or their solution to it is either more public and stakeholder participation or a more equal distribution of environmental goods and services.

This book is the product of an interdisciplinary and multidisciplinary conference held in Copenhagen in February 2003, which was one of an ongoing series of annual conferences on the theme of “Environmental Justice and Global Citizenship” (p. vii). The editors’ introduction sets the tone of the book from the very beginning:

The chapters in this volume will hopefully contribute to a cooperative and sustainable future. The chapters deal with injustice, risks, vulnerability, trust and hope, and with lessons to be learned from each other’s mistakes and successes. (p. ix)

This is a book that aims to promote the cause of environmental justice and sustainability.

The editors have divided the book into three sections: “Facing the Challenges,” “Taking Responsibility,” and “Building Alliances.” The first section is the most interesting. It begins with an essay in environmental political theory by Andrew Dobson (the keynote speaker at the conference). Dobson’s chapter is, as always, imaginative and extremely well written. The chapter is a concise summary of arguments he has developed at greater length in the first two chapters of *Citizenship and the Environment* (Dobson, 2003), where he defends what he calls a “post-cosmopolitan” form of “ecological citizenship” (p. 9). Dobson’s challenge is to