



Someone to watch over me: The integration of privacy and corporate social responsibility



Alexis M. Allen*, John Peloza

Gatton College of Business & Economics, University of Kentucky, Lexington, KY 40506, U.S.A.

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Abstract Firms' relationships with key stakeholders are increasingly threatened by privacy concerns. Given the role of firm corporate social responsibility (CSR) initiatives in strengthening and enhancing these relationships, this article examines the intersection between privacy issues and CSR activities, and creates a framework for assessing privacy-related activities as an element of broader CSR strategy. Specifically, the present research considers a firm versus customer focus in privacy-related activities, as well as privacy-related activities in the form of business practices versus goods and services. We identify four areas of overlap between CSR and privacy. We highlight the potential opportunities to better manage privacy-related issues of stakeholders, and integrate these concerns into the broader CSR agenda.

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1. Introduction

I uninstalled it. . . Just because they “say” they aren’t going to do something, doesn’t make it so. History shows otherwise with FB. . . not to be trusted.

— J.S. (Posted on LinkedIn)

The above posting expresses concerns over consumer privacy in response to Facebook separating its messenger service from the rest of its social media platform. It illustrates that privacy-related concerns are a major challenge for managers. In an

attempt to maintain relationships with key stakeholders, managers are increasingly responding to concerns about privacy. For example, in response to several high profile security breaches of credit card data, Consumers Union called for retailers to step up protection of customer data (“Recent Data Breaches,” 2014). Policy makers are similarly concerned, with the FTC working with advocacy groups and associations such as the Interactive Advertising Bureau to implement online privacy laws to protect children (Bachman, 2013). These emerging issues, when added to the traditional need to protect trade secrets through the supply chain, have led scholars working in this area to identify privacy as a leading stakeholder management issue for decades to come (Hannah, Parent, Pitt, & Berthon, 2014; Pavlou, 2011; Smith, Milberg, & Burke, 1996). Firms that proactively address privacy concerns can enhance

* Corresponding author

E-mail addresses: alexis.allen@uky.edu (A.M. Allen), john.peloza@uky.edu (J. Peloza)

stakeholder relationships, whereas those that ignore the issue risk their deterioration.

Despite its importance, privacy is mostly absent from research on corporate social responsibility (CSR). This is surprising given that CSR activities are a primary means by which firms maintain and enhance relationships with stakeholders. By engaging in CSR activities, firms demonstrate concern for the well-being of stakeholders, and therefore enjoy such benefits as increased customer loyalty and willingness to pay (e.g., [Creyer & Ross, 1996](#); [Du, Bhattacharya, & Sen, 2007](#)), preference and loyalty from employees ([Turban & Greening, 1997](#)), fewer attributions of blame for corporate crises (e.g., [Klein & Dawar, 2004](#); [Pelozo, 2006](#)), and favorable treatment from governments and legislators ([Burke & Logsdon, 1996](#)).

Although CSR activities are identified as encompassing a broad range of stakeholders through a broad range of firm initiatives (e.g., charity donations, carbon reductions), the potential for privacy-related activities to enhance CSR objectives remains unstudied. We define a privacy-related activity as an activity undertaken by the firm to maintain or exploit confidential information. Our purpose is to provide a framework for assessing privacy-related activities by the firm as an element of broader CSR strategy.

We incorporate dimensions from both the privacy and CSR literatures to produce a framework that considers the focus (customers vs. the firm) and form (business practice vs. goods and services) of the privacy-related activity. For example, past research often considers privacy-related activities initiated with a focus on the customers, such as when the firm takes steps to protect customer transaction data. But many privacy-related activities focus on the operations of the firm, such as the use of nondisclosure agreements and exclusivity in product innovation. Turning to the CSR literature, we differentiate privacy-related activities by examining CSR opportunities that emerge in the business practices of firms as well as the goods and services they sell to customers. For instance, firms use confidential data in the business practice of targeting promotions to identified segments and in the provision of privacy-related goods and services such as ad-blocking software.

We proceed as follows. We first explore the relevant CSR literature to understand how CSR activities can enhance stakeholder relationships and increase firm value. We then integrate privacy-related issues into the stakeholder management framework, culminating in the provision of a typology of privacy-related activities based on their potential to create firm value. Our typology provides guidance to both managers and researchers seeking to understand how to address stakeholder concerns about privacy

as well as how to integrate these activities within the broader CSR umbrella.

2. Stakeholders and corporate social responsibility

The development of CSR activities is a central means by which firms maintain and enhance relationships with stakeholders ([Pelozo, 2009](#)). [Maignan and Ferrell \(2004\)](#) point out that CSR includes a broad range of activities that address multiple areas of stakeholder concern. They suggest that CSR “designates the duty (motivated by both instrumental and moral arguments) to meet or exceed stakeholder norms dictating desirable organizational behaviors” (p. 5).

[Ferrell, Gonzalez-Padron, Hult, and Maignan \(2010, p. 93\)](#) further extend the link between CSR and stakeholder management through the introduction of stakeholder orientation: “organizational culture and behaviors that induce organizational members to be continuously aware of and proactively act on a variety of stakeholder issues.” Whereas a market orientation assumes that customers and competitors drive corporate actions, a stakeholder orientation requires that the firm take into account multiple stakeholder groups, including customers, employees, governments, and NGOs. This necessitates that firms prioritize a range of issues beyond short-term profit or market share goals and adopt a culture that fosters the well-being of multiple stakeholder groups.

Manifesting in the form of CSR activities, many initiatives undertaken from a stakeholder orientation perspective enhance firm value. Researchers note that stakeholder relationships—and resulting reciprocation from salient stakeholders—is a key assumption that must be met for a positive financial return from CSR ([Pelozo, Loock, Cerruti, & Muyot, 2012](#)). Relatedly, privacy concerns permeate virtually every stakeholder of the firm, from governments who seek to balance transparency with competitiveness, to customers and advocacy groups who seek the protection of personal data, to potential new markets necessitated by consumers’ growing desires to protect their own privacy. Thus, we view privacy-related activities as one means by which a firm can signal a stakeholder orientation and subsequently enhance firm value.

3. Integrating CSR and privacy

In our integration of CSR and privacy, we utilize two key components of frameworks common to the CSR and privacy literatures, as shown in [Figure 1](#). On the

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