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Differences in social responsibility toward youth—A case study based comparison of cooperatives and corporations

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ABSTRACT

This study examines companies' responsibility for young people from the Corporate Social Responsibility (CSR) point of view. We compare cooperatives with listed companies in regard to responsibility for young people. Much research has been carried out about CSR, but comparative studies about the CSR programs of listed companies and cooperatives concerning young generation are lacking. In addition, CSR studies rarely discuss the relationship between an organization and the young generation.

The theoretical framework consists of literature of CSR including stakeholder theory and cooperative values and principles. The study uses qualitative comparative case study design. We examined why, how and to what extent listed companies and customer- owned cooperatives take responsibility for young people as well as how can companies' youth responsibility be seen in their CSR strategy and stakeholder discussions. The major research focus is: Are there differences in the companies' responsibility actions due to different ownership and stakeholder structures? The findings indicate that cooperatives engage more in youth collaboration than listed companies do. The main reasons for this are the cooperatives' local ownership and stakeholder structure and value-based operations.

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1. Introduction

Corporate social responsibility (CSR) is an increasingly growing area of research. In general, most definitions and interpretations of CSR refer to businesses undertaking activities beyond what is required in fair business practice to further social and environmental objectives (Fenwick, 2010). As Schwartz and Carroll (2003) have highlighted, these CSR definitions typically fall into two categories: (1) those that argue companies are only obligated to maximize profits within the boundaries of the law, with minimal ethical restrictions (Friedman, 1970), and (2) those that maintain a broader range of social obligations (Carroll, 1991; Epstein, 1987; Freeman, 1999). In particular, Carroll (1979) argues that a company's social responsibility encompasses the economic, legal, ethical, and discretionary expectations that society has toward the company at a given point in time.

Furthermore, according to stakeholder theory, companies must consider their responsibility toward different stakeholders such as investors, local communities (including educational institutions), environmental institutions, and employees in their decision-making (Tuominen, Uski, Jussila, & Kotonen, 2008). Stakeholder theory has been an essential part of the CSR literature for more than a decade. Freeman (1984, 46) defines a stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives." However, companies must determine which stakeholder groups deserve company attention. Post, Lee, Preston, and Sachs (2002) emphasize that relationships with stakeholders of all kinds, including resource providers, customers, suppliers, and social and political actors, can create or destroy organizational wealth. Furthermore, a company's image is just as important as its wealth. The effective management of stakeholders for mutual benefit is therefore critical to corporate success. Accordingly, over the past three decades, the focus on companies' social impact has increased.

This focus is most evident in the global rise of cooperatives. Cooperation is an international movement that highlights social responsibility. Cooperatives play an increasingly important role worldwide in facilitating job creation, economic growth, and social development. Ranging from small-scale to multimillion-dollar businesses, cooperatives employ more than 100 million people worldwide. In Finland alone, cooperatives have over 7 million member-owners, whereas listed companies have only about 1 million owners (Inkinen & Karjalainen, 2012).

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Cooperative enterprises differ from limited liability companies in the sense that cooperative members have many roles. Members are simultaneously owners, controllers, and economic partners, and, therefore, key stakeholders, in their cooperatives. In consumer cooperatives, owners are also customers. Furthermore, consumer cooperatives have an extensive number of owners from many different local stakeholder groups, creating a strong link between cooperatives and their regional area. Accordingly, CSR plays an important role in the operation and decision-making of cooperative enterprises (Jussila et al., 2007). Overall, cooperative values and principles have guided cooperatives to operate honestly and openly and consider the needs of the surrounding society (MacPherson, 1995; Nilsson, 1996).

This study focuses on cooperatives' and listed companies' CSR toward young people. Young people represent an important, under-researched stakeholder group that will form a company's future customers, workers, taxpayers, and owners. As a target group, this generation is also facing many challenges. In particular, the severe economic downturn in European countries has led to the marginalization of young people. There are over 55,000 marginalized 15–19-year-olds in Finland alone.[1] Accordingly, the president of Finland has assigned a special group to focus on the marginalization of the younger generation (Ministry of Employment and Economy, 2011).[2] By employing and training young people companies can greatly assist in mitigating this problem. The value basis of cooperation strongly directs to taking care of the youth.

Examining cooperatives' and listed companies' responsibility toward young people in Finland, this study asks: Do different ownership and stakeholder structures result in differences in companies' responsibility actions towards young people? As several researchers have argued that stakeholder theory is the most relevant approach when analyzing a company's social responsibility (Clarkson, 1995; Donaldson & Preston, 1995; Godfrey, 2005; Mitchell, Agle, & Wood, 1997; Mitchell, Agle, Chrisman, & Spence, 2011; Takala, 2000; Wood, 1991), the study addresses this major research question from the perspective of stakeholder theory.

The paper is organized as follows: First, we discuss CSR and stakeholder theory as well as earlier studies on cooperatives from the stakeholder perspective. Then, we present the study's methodology and major findings. Finally, we provide the study's conclusions.

2. Theoretical framework

This study's theoretical framework consists of the theory of CSR from the stakeholder perspective. Stakeholders are the targets of a company's social responsibility actions. On this note, we pay specific attention to cooperatives because their unique stakeholder structure differs from that of listed companies.

2.1. Corporate social responsibility

Over the past three decades, CSR has been a significant subject of interest. Although there is no universally accepted definition of CSR, most researchers agree that CSR concerns doing business in a sustainable and ethical way while addressing stakeholders' concerns for responsibility (Mitchell et al., 1997). The most common CSR definition leans on Carroll's (1979),(1991) "Pyramid of Corporate Social Responsibility": "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has towards organizations at a given point of time" (1991, 39–48). Applying this definition, in this study, we concentrate on the social responsibility of companies toward their stakeholders.

In general, CSR is based on voluntariness, that is, acting beyond the legal obligations imposed on a company (Perrini, Russo, & Tencati, 2007; VanMarrewijk, 2003). Some researchers, such as Valor (2005), stress the voluntary nature of CSR but suggest combining social responsibility with ethics, the idea of long-term profitability, and the integration of economic, environmental, and social aspects of business. Likewise, Marsden and Andriof (1998) describe CSR as satisfying the expectations of all societal stakeholders to maximize a company's positive impact on its social environment while providing a competitive return to financial stakeholders. Other researchers (Jamali, Zanhour, & Keshishian, 2009; Klonoski, 1991; Garriga & Melé, 2004) include social integration, social power, and ethics in the concept of CSR; this approach argues that ethical values should be embedded in relationships between business and society. On this note, MacPherson (1995), Nilsson (1996), and Carroll (1979) argue that companies should address society's ethical demands in their business operations.

Wood (1991) disagrees with the present definitions of CSR. He argues that the basic idea of CSR is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations concerning appropriate business behavior and outcomes. Similarly, Kanji and Chopra (2010) and Porter and Kramer (2003) maintain there is a space where the interests of pure philanthropy and pure business overlap and create both social and economic benefits.

Regardless of one's understanding of CSR, businesses can practice social responsibility by involving themselves in their communities and engaging in non-profit activities. These social responsibility actions can contribute to social capital, which members of a society can draw on. Such contributions lead to better trust between the company and its stakeholders (Moon, 2001; Uimonen, 2006). Porter and Kramer (2011) have deepened this argument by claiming that companies have overlooked opportunities to meet fundamental societal needs and misunderstood how societal harms and weaknesses affect value chains. Society's needs are growing, and customers, employees, and a new generation of young people are asking business to step up in value creation. Accordingly, Porter and Kramer (2011) argue that a corporation's purpose should be redefined as creating *shared value*.[3] Companies can improve societal conditions that often improve business conditions and, thereby, create positive feedback loops. Porter and Kramer's dominant message is that social purpose needs to be integrated into capitalism through a deeper understanding of competition and economic value creation.

2.2. Stakeholder approach

The word *stakeholder* was first used in a Stanford Research Institute internal memorandum in 1963, although the concept of a company's constituencies had already existed (Melé, 2009b). The stakeholder literature can be traced to Freeman's (1984) *Strategic Management: A Stakeholder Approach*, where Freeman articulated a "stakeholder model" of the corporation. He proposed a new concep-

[1] EVA 2012 (the Finnish Business and Policy Forum) is a policy and pro-market think tank. EVA's aim is to identify and evaluate trends that are important to Finnish companies and society's long-term success.

[2] The social guarantee for young people established by the government of Finland promises that those under 25 years old and all recent graduates, under 30 years old, will be offered work, a traineeship, or a study, workshop, or labour market rehabilitation place within 3 months of becoming unemployed.

[3] According to Porter and Kramer (2011), The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of the company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying the connections between societal and economic progress.

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