On the Folly of Exploring Whether CSR Pays

Michael Lenox
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ON THE FOLLY OF EXPLORING WHETHER CSR PAYS

THE THESIS

Social Responsibility + Customer Value
OBSERVATION 1:
SOCIAL RESPONSIBILITY IS IN THE EYE OF THE BEHOLDER
THE THESIS

Today’s progressive liberal values

Social Responsibility

Customer Value
OBSERVATION 2:
CUSTOMER VALUE CREATION IS A FIRM STRATEGIC CHOICE
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ON THE FOLLY OF EXPLORING WHETHER CSR PAYS

THE THESIS

Social Responsibility

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Today’s progressive liberal values

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Customer Value

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Spread between willingness to pay and price paid for targeted customers
OBSERVATION 3: THERE ARE DECREASING RETURNS TO SOCIAL RESPONSIBILITY
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THERE ARE DECREASING RETURNS TO SOCIAL RESPONSIBILITY
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THE THESIS

Social Responsibility

Today's progressive liberal values

Customer Value

Spread between willingness to pay and price paid for targeted customers

Concave relationship
ON THE FOLLY OF EXPLORING WHETHER CSR PAYS

OBSERVATION 4:
MANAGERS HAVE (SOME) DISCRETION TO INVEST IN CSR
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THE THESIS

Social Responsibility

Today’s progressive liberal values

Customer Value

Spread between willingness to pay and price paid for targeted customers

Endogenous concave relationship
ON THE FOLLY OF EXPLORING WHETHER CSR PAYS

A BETTER QUESTION:
HOW DO WE DESIGN SYSTEMS TO DRIVE FIRM INNOVATION TO CREATE POSITIVE PUBLIC EXTERNALITIES?
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Q.E.D.