



Corporate social responsibility and public procurement: How supplying government affects managerial orientations



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ABSTRACT

How does government drive the corporate social responsibility of firms that supply it with goods and services? This paper reviews relevant theory and practice to describe ways in which public procurement shapes corporate social responsibility, and it builds upon theory to develop testable propositions to describe these influences. Using the case of U.S. defense procurement, statistical analysis indicates a significant relationship between the extent to which firms engage in defense procurement and the corporate social responsibility orientations of their managers. The findings have application both for social responsibility theory and for public procurement policy and practice.

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1. Introduction

Noting that research in corporate social responsibility¹ (CSR) tends to focus on CSR-related behaviors as independent variables that affect profitability (see, for example, [Aupperle et al. \(1985\)](#), [Berman et al. \(1999\)](#)), scholars have called for more study of these behaviors as dependent variables ([Campbell, 2007](#); [Hiss, 2009](#)). In particular, they call for increased attention to institutional factors (e.g., laws, rules, norms) that serve as drivers to influence and shape a firm's CSR ([Williamson et al., 2006](#)). While the effect of laws and regulations on CSR is often noted (see, for example, [Goodpaster \(1991\)](#), p. 2; [Phillips et al. \(2003\)](#), pp. 490–491), and while some research examines the role of governments in encouraging or enforcing CSR ([Aaronson, 2005](#); [McCrudden, 2006, 2007](#); [Moon, 2004](#)), few have studied how, specifically, governmental actions might affect CSR activities or orientations.

1.1. Purpose, scope, and method

This paper responds to the call for study of institutional drivers of CSR by examining how engaging in public procurement² affects

a firm's CSR. When a firm supplies goods and services to the government, it has greater exposure to governmental influences than other firms in at least two related ways: first, by virtue of the buyer–seller relationship; and second, in the legal–regulatory regime that the government as buyer constructs to administer that relationship. These higher levels of exposure to governmental influences create the potential for a firm's CSR to be shaped differently through public procurement than the CSR of firms with less extensive relations with government. To put it another way, if government is indeed a driver of CSR, its effects should be more evident in those firms from which it buys than in other firms.

Extending this argument, government's influences on CSR should be most evident in those domains of public procurement which are most highly regulated and where buyer–seller relationships are closest. Accordingly, this paper focuses on defense procurement in the United States (U.S.) for three reasons. First, the procurement of defense products and services is subject to

(footnote continued)

government agencies and organizations acquire supplies and services from outside sources. It encompasses acquisition, contracting, buying, renting, leasing, and purchasing, to include functions such as requirements determination and all phases of contract administration ([Thai, 2001](#), pp. 42–43). In the public sector, “procurement” and “contracting” are both commonly used: procurement in the broad sense as the process of acquiring property or services, beginning with determination of a requirement and ending with contract completion ([Nash et al., 2007](#)); and contracting as narrower in scope, including description (but not determination) of a requirement, solicitation and selection of sources, and contract administration ([Cohen and Eimicke, 2008](#); [Garrett, 2011](#); [Greve, 2008](#)). Thus, contracting is defined as a subset of procurement.

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¹ Recognizing the contested nature of CSR definitions ([Matten and Moon, 2008](#), pp. 405–406), this paper accepts Moon's definition as “business responsiveness to social agendas in its behavior and to the performance of these responsibilities” ([Moon, 2004](#), p. 2).

² Listed as a “key topic” for *Journal of Purchasing and Supply Management* ([Elsevier, 2012](#)), public procurement includes a variety of means by which

intense scrutiny—and thus extensive regulation—in most developed nations (Rhodes, 2002). Second, the American institutional system for defense procurement is recognized as one of the world's most mature and extensive (Kausal, 1999; Kausal and Markowski, 2000). Third, defense products and services often have high asset specificity, which tends to bind government buyers and defense firm suppliers more tightly in the defense market than in other markets (McGuinness, 1994; Williamson, 1986). From a methodological perspective, U.S. defense procurement thus represents a case of public procurement in which government's influences on CSR should be strongest: if these influences are not manifested here, they would likely not be manifested in other cases.

In order to study public procurement's effects on CSR, this paper uses data obtained from well validated instruments and methodologies that characterize the CSR orientations of firm managers according to four domains: economic, legal, ethical, and discretionary (Aupperle et al., 1985; Carroll, 1979, 1991). Specifically, it examines the CSR orientations of managers in firms that supply defense products in order to determine how these orientations vary with the extent of business these firms do with the U.S. government.

1.2. Contributions

This study builds upon existing CSR theory, and it tests that extension in the realm of public procurement, thus contributing to theory and practice in several ways. In addition to shedding light on a neglected topic—how doing business with the government may shape a firm's CSR—it also is the first empirical work of which the authors are aware that relates CSR to public procurement. Since, as will be discussed, prior research has documented CSR orientations of firms in general, this study of those firms that engage in public procurement enables comparisons with those other firms. It also provides unique insights into government's influences on CSR in the defense industry sector.

Further, the paper builds upon each of CSR's two main conceptual approaches: institutional theory and agency theory. It highlights institutional factors in its focus on the highly regulated environment of public procurement, but it also emphasizes stakeholder relationships in the buyer–seller relationship of government and private industry. In the public procurement context, neither institutional nor agency theory alone has adequate explanatory power; rather, both provide useful insights.

Finally, the analysis has application for public procurement policy and practice. Specifically, the study should be useful for policy makers who seek to drive CSR-related behaviors via public procurement's institutional arrangements (see, for example, Kidalov (2011), Knight et al. (2003), Snider and Rendon (2008)) without unduly inhibiting entry of commercial firms into public procurement. Similarly, public procurement managers (e.g., government purchasing managers), who are responsible for administering these institutional arrangements and who have close, day-to-day dealings with the government's suppliers, will gain awareness of how their work may influence the CSR of these firms, and hence as well, a heightened appreciation of the importance of doing their jobs proactively, professionally, and ethically (Monczka et al., 2011, p. 593; van Weele, 2010, p. 397).

1.3. Organization

The paper begins by reviewing representative selections from the relevant literature of CSR as it relates to government action generally and to public procurement particularly. It then describes current public procurement policy and practice, emphasizing the U.S. defense procurement context, to document and

categorize the various ways in which they may influence CSR. It draws on CSR theory to develop a framework that furthers understanding of public procurement's influences on CSR, and which suggests relevant propositions. It develops and tests appropriate hypotheses, discusses the results, and concludes with remarks on implications for theory and practice.³

2. Literature review

The literature on CSR orientations deserves attention at the outset because of its importance through the remainder of the paper. Numerous studies from the 1980s to the present have measured CSR for firms and groups of firms in terms of their managers' orientations to each of Carroll's (1979, 1991) four domains: economic, legal, ethical, and discretionary. These studies employ a standard survey to determine relative weightings (on a ten-point scale) that reflect managers' CSR orientations towards the four domains. The survey consists of 20 forced-choice weighted questions with six additional demographic questions. Each forced-choice question provides a value statement and four choices of answers to which the respondent can allocate a combined value of 10 points; this construct enables measurement of each component of CSR orientation. Each answer is assigned to one of the four CSR domains as in the following example:

It is important to perform in a manner consistent with:

- A. Expectations of corporate stockholders. (economic)
- B. Expectations of government and the law. (legal)
- C. Philanthropic and charitable expectations of (discretionary) society.
- D. Expectations of societal mores and ethical (ethical) norms.

The wide and sustained use of this instrument by scholars to examine various industry segments and populations provides ample evidence of its merits.⁴

An example of one such study, which is cited for comparison purposes below (see 5.1.2), characterized the CSR orientations of chief executive officers of firms in the 1981 Forbes Annual Directory. These managers placed the heaviest emphasis on the economic domain, followed by the legal, ethical, and discretionary domains. Their scores for the economic domain were negatively correlated with those in each of the other three domains (Aupperle et al., 1985). A review of over 20 such studies (all employing the same survey methodology) found that, while CSR orientation is attributable to a variety of factors (e.g., gender, race, firm type, and industry type), this order of domain emphasis (i.e., economic strongest, followed by legal, then ethical, with discretionary last) occurred most frequently (Halpern, 2008). None of these studies, however, focused on government or public procurement as factors that might drive CSR orientations.

2.1. General theories of CSR

Garriga and Melé (2004) have mapped the terrain of various CSR theories, sorting these into four categories: (1) instrumental

³ It should be noted that, while much of the literature review and policy discussion is from the buyer's perspective (i.e., government and public procurement as CSR drivers), this paper examines supplier CSR orientations in order to assess the buyer's influences on those orientations.

⁴ See, for example, Acar et al. (2001), Aupperle et al. (1985), Burton et al. (2000), Edmondson and Carroll (1999), Ibrahim and Angelidis (1993, 1994, 1995), Ibrahim and Parsa (2005), Ibrahim et al. (1997), Petrick et al. (1994), Pinkston and Carroll (1994), Smith and Blackburn (1988), Smith et al. (2001, 2004). The instrument has been well tested for content validity and reliability; see Ibrahim et al. (2008, p. 168) on the strength of this methodology.

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