

Can TOMS' One-for-One Model be considered Strategic CSR or Altruistic CSR?

CONCEPT: Ethics



Extracted from <https://www.toms.com/> on April 29, 2020.

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Introduction

Company History

When travelling to Argentina in 2006, Blake Mycoskie, Founder and Chief Shoe Giver of TOMS, witnessed the difficulties encountered by children growing without shoes and decided to create TOMS Shoes, a company that would donate a pair of shoes for a child in need every time a new pair of shoes is purchased (TOMS, 2020).

TOMS' "One for One" is a social entrepreneurship business model, which refers to the donation of a pair of shoes to a child in need for every pair purchased. A for-profit social enterprise refers to "a form of business that has a social purpose. For-profit social enterprises aim to make profit. However, they do not want to maximize profits if doing so compromises their social purpose." (Lominé, Muchena & Pierce, 2014, p.29). TOMS has grown beyond the production of shoes and has incorporated TOMS Eyewear in which for every pair of eyewear purchased, TOMS would help give sight to a person in need and in 2014, TOMS Roasting Company was launched, helping to provide safe water to people in need (TOMS, 2020).

TOMS' strategy has contributed to the donation of over 95 million pairs of shoes to children over 80 countries since 2006. What started as a modest altruistic plan has evolved into a potent business model which helps confronting meaningful issues such as education, health and economic opportunities for communities all over the world. Yet, critics have poked considerable fractures in the One for One model, revolving over

matters of inefficiency, aid dependency and economic disenfranchisement (TOMS, 2020).

Corporate Social Responsibility (CSR) and Business Ethics

Strategic CSR can be defined as “the fulfillment of a firm’s “social welfare responsibilities”—is, however, admirable since it creates a win-win situation in which both the corporation and one or more stakeholder groups benefit.” (Lantos, 2011, p.16).

Altruistic CSR “involves contributing to the common good at the possible, probable, or even definite expense of the business. (...) This includes actions that morality doesn’t mandate but which are beneficial for the firm’s constituencies although not necessarily for the company.” (Lantos, 2011, p.15). Altruistic CSR goes further ethical performance to intentionally contribute time and/or money, despite if the engagement cedes part of the business profitability.

Ethics stems from the Greek word “ethos”, referring to moral character knowing the difference between what is right and wrong. Ethical decisions are based on one’s conscience and taking into consideration one’s beliefs and the laws of the land. Business ethics involves the right behavior to benefit all stakeholders and to deliberately prevent harm to anyone. (Einstein, 2020, para. 2)

Objective and Methodology

This commentary will evaluate whether TOMS' business model, "One for One", can be considered strategic CSR rather than altruistic CSR. This will be tied up with the concept of "ethics" particularly in determining if the firm knowingly created harm to any of its stakeholders. The discussion is based on the TOMS 2019 Global Impact Report and four articles, including a thesis on *TOMS Shoes: Positive and Negative Effects in Developing Countries* by Jasmin Lindström, an expert analysis done by Bekah Davis, supported by *Social Enterprise Institute at Northeastern University*, a *TreeHugger* article on TOMS determination to move beyond the One for One model, and a column by Kara Headley questioning the ethics of TOMS program. The aim is to respond to the question: *Can TOMS' One-for-One Model be considered Strategic CSR or Altruistic CSR?*

Research and Analysis

TOMS has achieved vast notoriety and attention for its commitment to Strategic CSR, allowing themselves to help improve lives through in-kind donations. TOMS' Strategic CSR is the considerable driver of their business model. Since its inception, their Strategic CSR has been so enmeshed with the social mission: "using business to improve lives", it is virtually indistinguishable (TOMS, 2020). The mission statement demonstrates TOMS' commitment in pursuing revenue while at the same time being socially responsible for those in need by carrying out in-kind donations. In-kind transfers have become an accepted form of direct aid to impoverished people in developing countries.

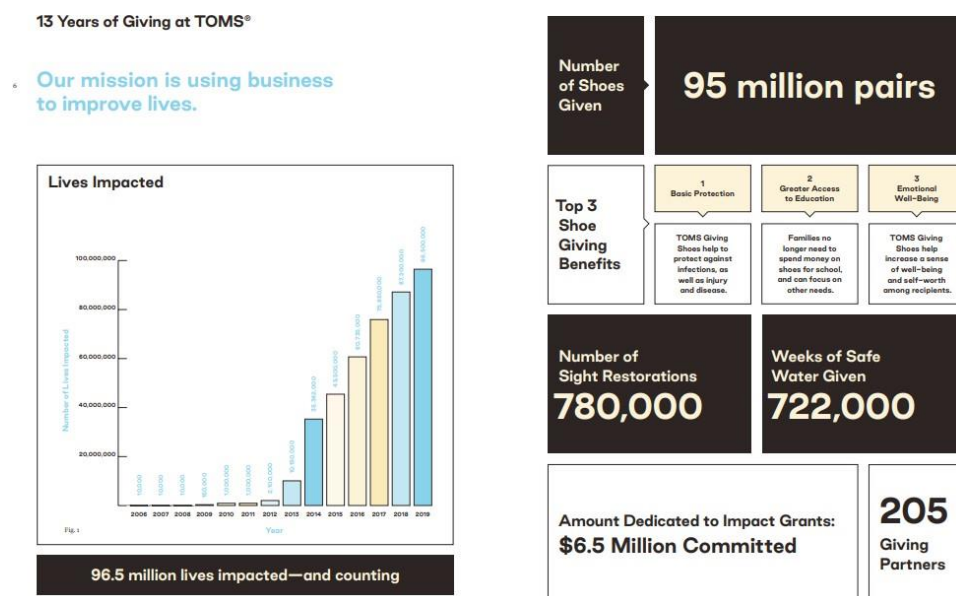


Figure 1. 13 Years of Giving at TOMS.



Figure 2. A Map of Countries TOMS Gives To 2019.

List of Countries				List of U.S. States	
Afghanistan	Dominican Republic	Lesotho	Rwanda	Alabama	Montana
Albania	Ecuador	Liberia	Senegal	Arizona	Nebraska
Angola	Egypt	Lithuania	Sierra Leone	Arkansas	Nevada
Argentina	El Salvador	Madagascar	Somalia	California	New Hampshire
Armenia	Eswatini	Malawi	South Africa	Colorado	New Mexico
Australia	Ethiopia	Mali	Sudan	Florida	New York
Azerbaijan	The Gambia	Mexico	Tajikistan	Georgia	North Dakota
Bangladesh	Georgia	Moldova	Thailand	Illinois	Ohio
Belarus	Ghana	Mongolia	Timor-Leste	Indiana	Oklahoma
Belize	Greece	Mozambique	Togo	Iowa	South Carolina
Benin	Guatemala	Nepal	Turkey	Kansas	South Dakota
Bulgaria	Guinea	Netherlands	Uganda	Kentucky	Tennessee
Burkina Faso	Guyana	Nicaragua	Ukraine	Louisiana	Texas
Cambodia	Haiti	Niger	United Arab Emirates	Maine	Utah
Cameroon	Honduras	Nigeria	United Kingdom	Massachusetts	Vermont
Chad	India	Pakistan	United Republic of Tanzania	Michigan	West Virginia
Chile	Iraq	Palestinian Territories	United States	Minnesota	Washington
China	Jamaica	Panama	Uzbekistan	Mississippi	Wisconsin
Colombia	Jordan	Paraguay	Vietnam	Missouri	Wyoming
Costa Rica	Kenya	Peru	Zambia		
Democratic Republic of the Congo	Kyrgyzstan	Philippines			
	Lebanon	Romania			

Figure 3. A List of Countries TOMS Gives To 2019.

As businesses generate more profits, society begins to expect firms to “give back” to communities. This is ethically seen as the “right” thing to do. However, a significant and developing debate exists over the implications of these in-kind donations, reason why TOMS has encountered mass criticism. The company has been mainly accused of “dumping millions of pairs of shoes onto poor countries but does not supply the infrastructure that is the root cause of why the children do not have shoes in the first place.” (Davis, 2017). Donations like shoes scarcely address the root causes of poverty and can alter developing markets and undermine local industries by creating a totally untenable aid-based economy. Business ethics specifically emphasizes that firms must **not** knowingly cause harm to its stakeholders. This is the thin line between practicing corporate responsibility and genuine ethical behavior. Here the behavior needs to be scrutinized to check if it is within the boundaries of knowing what is right and wrong.

To address its critics, TOMS consulted an association of academics to investigate the impact of the TOMS Shoe Donation Program. In July-October 2012, Bruce Wydick, a professor in the Department of Economics at the University of San Francisco, and a group of researchers, executed a cluster-randomized trial randomly among 1,578 children over 18 rural regions in El Salvador to evaluate the effects of TOMS Shoes’ on diverse variables such as school attendance, self-esteem, time allocation, health, and aid dependency.

Results indicate great degree of usage and acceptance of the TOMS shoes; 90% of the children wore their new shoes, and the modal response was that most children wore the shoes seven days a week. The investigation also proved that TOMS was not ruining local markets. For every 20 pairs of shoes TOMS donated, the residents purchased one less pair locally, a statistically trivial effect.

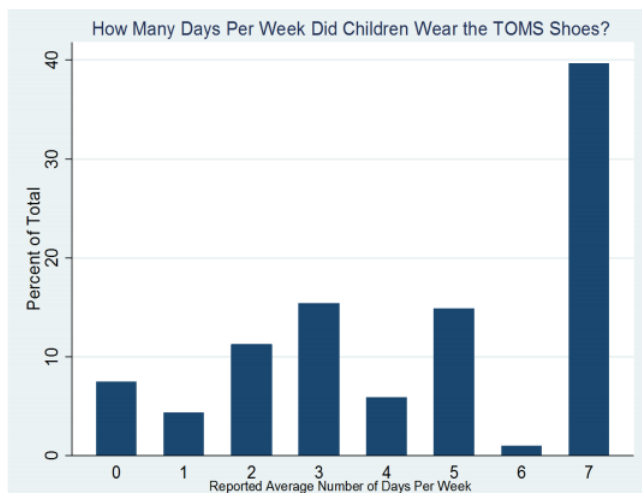


Figure 4. Days per Week Wearing Donated Shoes (Wydick, 2016, p. 35).

“While it is clear that children liked and wore the donated TOMS shoes, the question remains whether the donated shoes simply substituted for older shoes. Although we find no evidence that the shoe donations reduced shoelessness among the children in the treatment group, it thus possible that the shoes substituted for shoes of lower quality and thus still realized positive impacts on our outcome variables.” (Wydick, 2012, p.20). Wydick’s study did find evidence that the shoe donations had a minor but positive impact on school attendance, satisfying one of the three social benefits the Shoes Donation Program grants: Greater Access to Education (TOMS, 2019, p.20). Nevertheless,

researchers were unsuccessful in finding other positive impacts. The Shoe Donation Program had no significance on overall general health, foot health or self-esteem. “We thought we might find at least something,” expresses Bruce Wydick, “They [the shoes] were a welcome gift to the children (...) but they were not transformative.” (2012, p. 30).

Wydick's investigation proved that TOMS has failed to satisfy its social mission, as results evidence no improvements in day-to-day life. Despite critiques on the One for One model, TOMS shoes sales have remained practically unaffected with a rapidly ascending demand over the years. This clearly shows the effectiveness of TOMS' One for One policy making it their fundamental marketing key to success and vast popularity. The classic TOMS canvas shoes only cost approximately US\$ 9 to produce, still, customers are willing to pay prices over US\$60 for each pair of shoes. This demonstrates how TOMS' consumers believe in and purchase the brand because of the One for One model and their social mission, emphasizing its effectiveness. From the ethical angle, customers are acting on their conscience to do good through TOMS' program. However, TOMS' is now inclined to pursue its profit motives despite the harm caused.

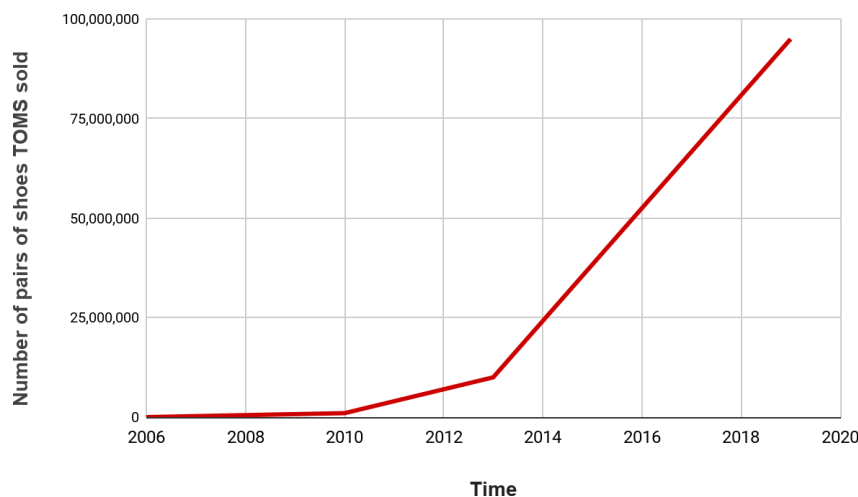


Figure 5. TOMS shoe sales over the years (2006-present).

TOMS has also sought to assemble a minimum of 1/3 of all its given shoes in geographic regions where the shoes are donated, promoting the local labor as well as the exploitation of domestic resources. "Consumers have more of an awareness now about what they're buying and where it's coming from. Since starting Toms, it has been interesting to see how the landscape of business has changed. More people are including some method of giving into their business," Mycoskie says (Anderson, 2015). Hereby, as from 2016, 40% of TOMS' supply chain takes place in the countries where they give the shoes away, for instance, Kenya, India, Ethiopia and Haiti. The creation of these factories will support local economies and it will generate committed local associations to strengthen infrastructure and labor force support organizations concerning workers, the households and the community (Lindström, 2018, p.27). There seems to be a closer link between business ethical behavior of doing what is right and the firm's social responsibility program.

Power-interest Stakeholder Analysis

		Level of interest	
		Low	High
Degree of power	Low	Group A: Minimal Effort	Group B: Keep Informed
	High	Group C: Keep Satisfied	Group D: Key players

TOMS' customers can be positioned in Group C as they have a high degree of power over the firm as they are contributing to generating profits but have a low level of interest concerning the destination of donations. Ethically, customers are following their conscience's desire to do something good for another.

Local communities' recipients of TOMS' donations are classified as Group B, since possessing a low degree of power but are highly interested in the acquisition of donations. Interestingly, communities are both beneficiaries and losers when income is taken away from local businesses. *Is it ethical to contribute to the dependency on donations?*

Blake Mykosie and shareholders belong to Group D as they make the main decisions regarding TOMS and have a high degree of power concerning TOMS' manufacture and operations. The concept of ethics is highest in this group; Is Blake truly following his conscience and beliefs at all times? Or does he close his eyes when the firm knowingly implements strategies that harm its stakeholders?

The inefficiency of the Shoe Donation Program is evidenced in several investigations, for instance, the research in El Salvador conducted by Bruce Wydick. The investigation proved that shoe donation failed to comply with most of the main benefits the program offers ¹.

Conclusion

Since its creation, TOMS' One for One model has been constantly criticized and accused of being unethical as it knowingly fails to focus on more demanding concerns to deliberately address the root causes of their poverty; it outcompetes the local market and even promotes continued dependence of donations. There is a clear division of the practice of CSR and genuine business ethics and these cannot be used synonymously. To be considered ethical, TOMS needs to go beyond providing short-term aid. The firm should implement more cost-effective, persisting solutions that will improve life quality in the long-term for its stakeholders.

TOMS does not belong to the poverty mitigation sector nor does it practice genuine Altruistic CSR. It is an organization that seems to truly care about its impact on people's lives and seeks the expansion and optimization of its business success through new directions. However, it can be concluded that TOMS successfully practices Strategic CSR, as it creates a win-win situation in which both the corporation and the donations recipients are benefited.

(Word Count 1740)

¹ "Basic protection", "Greater access to education" and "A sense of well-being" (TOMS, 2019).

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