Corporate Social Responsibility Theories: Mapping the Territory

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ABSTRACT. The Corporate Social Responsibility (CSR) field presents not only a landscape of theories but also a proliferation of approaches, which are controversial, complex and unclear. This article tries to clarify the situation, "mapping the territory" by classifying the main CSR theories and related approaches in four groups: (1) instrumental theories, in which the corporation is seen as only an instrument for wealth creation, and its social activities are only a means to achieve economic results; (2) political theories, which concern themselves with the power of corporations in society and a responsible use of this power in the political arena; (3) integrative theories, in which the corporation is focused on the satisfaction of social demands; and (4) ethical theories, based on ethical responsibilities of corporations to society. In practice, each CSR theory presents four dimensions related to profits, political performance, social demands and ethical values. The findings suggest the necessity to develop a new theory on the business and society relationship, which should integrate these four dimensions.

KEY WORDS: corporate social responsibility, corporate responsiveness, corporate citizenship, stakeholder manage ment, corporate social performance, issues management, sustainable development, the common good

Introduction

Since the second half of the 20th century a long debate on corporate social responsibility (CSR) has been taking place. In 1953, Bowen (1953) wrote the seminal book *Social Responsibilities of the Businessman*. Since then there has been a shift in terminology from the social responsibility of business to CSR. Additionally, this field has grown significantly and today contains a great proliferation of theories, approaches and terminologies. Society and business, social issues management, public policy and business, stakeholder management, corporate accountability are just some of the terms used to describe the phenomena related to corporate responsibility in society. Recently, renewed interest for corporate social responsibilities and new alternative concepts have been proposed, including corporate citizenship and corporate sustainability. Some scholars have compared these new concepts with the classic notion of CSR (see van Marrewijk, 2003 for corporate sustainability; and Matten et al., 2003 and Wood and Lodgson, 2002 for corporate citizenship).

Furthermore, some theories combine different approaches and use the same terminology with different meanings. This problem is an old one. It was 30 years ago that Votaw wrote: "corporate social responsibility means something, but not always the

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same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense; to still others, the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behavior on businessmen than on citizens at large" (Votaw, 1972, p. 25). Nowadays the panorama is not much better. Carroll, one of the most prestigious scholars in this discipline, characterized the situation as "an eclectic field with loose boundaries, multiple memberships, and differing training/perspectives; broadly rather than focused, multidisciplinary; wide breadth; brings in a wider range of literature; and interdisciplinary" (Carroll, 1994, p. 14). Actually, as Carroll added (1994, p. 6), the map of the overall field is quite poor.

However, some attempts have been made to address this deficiency. Frederick (1987, 1998) outlined a classification based on a conceptual transition from the ethical–philosophical concept of CSR (what he calls CSR1), to the action-oriented managerial concept of social responsiveness (CSR2). He then included a normative element based on ethics and values (CSR3) and finally he introduced the cosmos as the basic normative reference for social issues in management and considered the role of science and religion in these issues (CSR4). In a more systematic way, Heald (1988) and Carroll (1999) have offered a historical sequence of the main developments in how the responsibilities of business in society have been understood.

Other classifications have been suggested based on matters related to CSR, such as Issues Management (Wartick and Rude, 1986; Wood, 1991a) or the concept of Corporate Citizenship (Altman, 1998). An alternative approach is presented by Brummer (1991) who proposes a classification in four groups of theories based on six criteria (motive, relation to profits, group affected by decisions, type of act, type of effect, expressed or ideal interest). These classifications, in spite of their valuable contribution, are quite limited in scope and, what is more, the nature of the relationship between business and society is rarely situated at the center of their discussion. This vision could be questioned as CSR seems to be a consequence of how this relationship is understood (Jones, 1983; McMahon, 1986; Preston, 1975; Wood, 1991b).

In order to contribute to a clarification of the field of business and society, our aim here is to map the territory in which most relevant CSR theories and related approaches are situated. We will do so by considering each theory from the perspective of how the interaction phenomena between business and society are focused.

As the starting point for a proper classification, we assume as hypothesis that the most relevant CSR theories and related approaches are focused on one of the following aspects of social reality: economics, politics, social integration and ethics. The inspiration for this hypothesis is rooted in four aspects that, according to Parsons (1961), can be observed in any social system: adaptation to the environment (related to resources and economics), goal attainment (related to politics), social integration and pattern maintenance or latency (related to culture and values).[1] This hypothesis permits us to classify these theories in four groups:

1. A first group in which it is assumed that the corporation is an instrument for wealth creation and that this is its sole social responsibility. Only the economic aspect of the interactions between business and society is considered. So any supposed social activity is accepted if, and only if, it is consistent with wealth creation. This group of theories could be call *instrumental theories* because they understand CSR as a mere means to the end of profits.
2. A second group in which the social power of corporation is emphasized, specifically in its relationship with society and its responsibility in the political arena associated with this power. This leads the corporation to accept social duties and rights or participate in certain social cooperation. We will call this group *political theories*.
3. A third group includes theories which consider that business ought to integrate social demands. They usually argue that business depends on society for its continuity and growth and even for the existence of business itself. We can term this group *integrative theories*.

3. A fourth group of theories understands that the relationship between business and society is embedded with ethical values. This leads to a vision of CSR from an ethical perspective and as a consequence, firms ought to accept social responsibilities as an ethical obligation above any other consideration. We can term this group *ethical theories*.

Throughout this paper we will present the most relevant theories on CSR and related matters, trying to prove that they are all focused on one of the forementioned aspects. We will not explain each theory in detail, only what is necessary to verify our hypothesis and, if necessary, some complementary information to clarify what each is about. At the same time, we will attempt to situate these theories and approaches within a general map describing the current panorama regarding the role of business in society.

Instrumental theories

In this group of theories CSR is seen only as a strategic tool to achieve economic objectives and, ultimately, wealth creation. Representative of this approach is the well-known Friedman view that "the only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country" (1970).[2]

Instrumental theories have a long tradition and have enjoyed a wide acceptance in business so far. As Windsor (2001) has pointed out recently, "a leitmotiv of wealth creation progressively dominates the managerial conception of responsibility" (Windsor, 2001, p. 226).

Concern for profits does not exclude taking into account the interests of all who have a stake in the firm (stakeholders). It has been argued that in certain conditions the satisfaction of these interests can contribute to maximizing the shareholder value (Mitchell et al., 1997; Odgen and Watson, 1999). An adequate level of investment in philanthropy and social activities is also acceptable for the sake of profits (McWilliams and Siegel, 2001). We will return to these points afterwards.

In practice, a number of studies have been carried out to determine the correlation between CSR and corporate financial performance. Of these, an increasing number show a positive correlation between the social responsibility and financial performance of corporations in most cases (Frooman, 1997; Griffin and Mahon, 1997; Key and Popkin, 1998; Roman et al., 1999; Waddock and Graves, 1997) However, these findings have to be read with caution since such correlation is difficult to measure (Griffin, 2000; Rowley and Berman, 2000).

Three main groups of instrumental theories can be identified, depending on the economic objective proposed. In the first group the objective is the maximization of shareholder value, measured by the share price. Frequently, this leads to a short-term profits orientation. The second group of theories focuses on the strategic goal of achieving competitive advantages, which would produce long-term profits. In both cases, CSR is only a question of enlightened self-interest (Keim, 1978) since CSRs are a mere instrument for profits. The third is related to cause-related marketing and is very close to the second. Let us examine briefly the philosophy and some variants of these groups.

Maximizing the shareholder value

A well-known approach is that which takes the straightforward contribution to maximizing the shareholder value as the supreme criterion to evaluate specific corporate social activity. Any investment in social demands that would produce an increase of the shareholder value should be made, acting without deception and fraud. In contrast, if the social demands only impose a cost on the company they should be rejected. Friedman (1970) is clear, giving an example about investment in the local community: "It will be in the long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That makes it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects." So, the socio-economic objectives are completely separate from the economic objectives.

Currently, this approach usually takes the shareholder value maximization as the supreme reference for corporate decision-making. The Agency Theory

(Jensen and Meckling, 1976; Ross, 1973) is the most popular way to articulate this reference. However, today it is quite readily accepted that shareholder value maximization is not incompatible with satisfying certain interests of people with a stake in the firm (stakeholders). In this respect, Jensen (2000) has proposed what he calls 'enlightened value maximization'. This concept specifies long-term value maximization or value-seeking as the firm's objective. At the same time, this objective is employed as the criterion for making the requisite tradeoffs among its stakeholders.

Strategies for achieving competitive advantages

A second group of theories are focused on how to allocate resources in order to achieve long-term social objectives and create a competitive advantage (Husted and Allen, 2000). In this group three approaches can be included: (a) social investments in competitive context, (b) natural resource-based view of the firm and its dynamic capabilities and (c) strategies for the bottom of the economic pyramid.

a) Social investments in a competitive context. Porter and Kramer (2002) have recently applied the well-known Porter model on competitive advantage (Porter, 1980) to consider investment in areas of what they call competitive context.[3] The authors argue that investing in philanthropic activities may be the only way to improve the context of competitive advantage of a firm and usually creates greater social value than individual donors or government can. The reason presented – the opposite of Freidman's position – is that the firm has the knowledge and resources for a better understanding of how to solve some problems related to its mission. As Burke and Lodgson (1996) pointed out, when philanthropic activities are closer to the company's mission, they create greater wealth than others kinds of donations. That is what happens, e.g., when a telecommunications company is teaching computer network administration to students of the local community.

Porter and Kramer conclude, "philanthropic investments by members of cluster, either individually or collectively, can have a powerful effect on the cluster competitiveness and the performance of all its constituents companies" (2002, pp. 60–61).

b) Natural resource-based view of the firm and dynamic capabilities. The resource-based view of the firm (Barney, 1991; Wernerfelt, 1984) maintains that the ability of a firm to perform better than its competitors depends on the unique interplay of human, organizational, and physical resources over time. Traditionally, resources that are most likely to lead to competitive advantage are those that meet four criteria: they should be valuable, rare, and inimitable, and the organization must be organized to deploy these resources effectively.

The "dynamic capabilities" approach presents the dynamic aspect of the resources; it is focused on the drivers behind the creation, evolution and recombination of the resources into new sources of competitive advantage (Teece et al., 1997). So dynamic capabilities are organizational and strategic routines, by which managers acquire resources, modify them, integrate them, and recombine them to generate new value-creating strategies. Based on this perspective, some authors have identified social and ethical resources and capabilities which can be a source of competitive advantage, such as the process of moral decision-making (Petrick and Quinn, 2001), the process of perception, deliberation and responsiveness or capacity of adaptation (Litz, 1996) and the development of proper relationships with the primary stakeholders: employees, customers, suppliers, and communities (Harrison and St. John, 1996; Hillman and Keim, 2001).

A more complete model of the 'Resource-Based View of the Firm' has been presented by Hart (1995). It includes aspects of dynamic capabilities and a link with the external environment. Hart argues that the most important drivers for new resource and capabilities development will be constraints and challenges posed by the natural biophysical environment. Hart has developed his conceptual framework with three main interconnected strategic capabilities: pollution prevention, product stewardship and sustainable development. He considers as critical resources continuous inprovement, stakeholder integration and shared vision.

c) Strategies for the bottom of the economic pyramid. Traditionally most business strategies are focused on targeting products at upper and middle-class people, but most of the world's population is poor or lower-middle class. At the bottom of the economic pyramid there may be some 4000 million people. On reflection, certain strategies can serve the poor and simultaneously make profits. Prahalad (2002), analyzing the India experience, has suggested some mind-set changes for converting the poor into active consumers. The first of these is seeing the poor as an opportunity to innovate rather than as a problem.

A specific means for attending to the bottom of the economic pyramid is disruptive innovation. Disruptive innovations (Christensen and Overdorf, 2000; Christensen et al., 2001) are products or services that do not have the same capabilities and conditions as those being used by customers in the mainstream markets; as a result they can be introduced only for new or less demanding applications among non-traditional customers, with a low-cost production and adapted to the necessities of the population. For example a telecommunications company inventing a small cellular telephone system with lower costs but also with less service adapted to the base of the economic pyramid.

Disruptive innovations can improve the social and economic conditions at the "base of the pyramid" and at the same time they create a competitive advantage for the firms in telecommunications, consumer electronics and energy production and many other industries, especially in developing countries (Hart and Christensen, 2002; Prahalad and Hammond, 2002).

Cause-related marketing

Cause-related marketing has been defined as "the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in a revenue-providing exchanges that satisfy organizational and individual objectives" (Varadarajan and Menon, 1988, p. 60). Its goal then is to enhance company revenues and sales or customer relationship by building the brand through the acquisition of, and association with the ethical dimension or social responsibility dimension (Murray and Montanari, 1986; Varadarajan and Menon, 1988). In a way, it seeks product differentiation by creating socially responsible attributes that affect company reputation (Smith and Higgins, 2000). As McWilliams and Siegel (2001, p. 120) have pointed out: "support of cause related marketing creates a reputation that a firm is reliable and honest. Consumers typically assume that the products of a reliable and honest firm will be of high quality". For example, a pesticide-free or non-animal-tested ingredient can be perceived by some buyers as preferable to other attributes of competitors' products.

Other activities, which typically exploit cause-related marketing, are classical musical concerts, art exhibitions, golf tournaments or literacy campaigns. All of these are a form of enlightened self-interest and a win–win situation as both the company and the charitable cause receive benefits: "the brand manager uses consumer concern for business responsibility as a means for securing competitive advantage. At the same time a charitable cause receives substantial financial benefits" (Smith and Higgins, 2000, p. 309).

Political theories

A group of CSR theories and approaches focus on interactions and connections between business and society and on the power and position of business and its inherent responsibility. They include both political considerations and political analysis in the CSR debate. Although there are a variety of approaches, two major theories can be distinguished: Corporate Constitutionalism and Corporate Citizenship.

Corporate constitutionalism

Davis (1960) was one of the first to explore the role of power that business has in society and the social impact of this power[4]. In doing so, he introduces business power as a new element in the debate of CSR. He held that business is a social institution and it must use power responsibly. Additionally, Davis noted that the causes that generate the social power of the firm are not solely internal of the firm but also external. Their locus is unstable and constantly shifting, from the economic to the social forum and from there to the political forum and vice versa.

Davis attacked the assumption of the classical economic theory of perfect competition that precludes the involvement of the firm in society besides the creation of wealth. The firm has power to influence the equilibrium of the market and therefore the price is not a Pareto optimum reflecting the free will of participants with perfect knowledge of the market.

Davis formulated two principles that express how social power has to be managed: "the social power equation" and "the iron law of responsibility". The social power equation principle states that "social responsibilities of businessmen arise from the amount of social power that they have" (Davis, 1967, p. 48). The iron law of responsibility refers to the negative consequences of the absence of use of power. In his own words: "Whoever does not use his social power responsibly will lose it. In the long run those who do not use power in a manner which society considers responsible will tend to lose it because other groups eventually will step in to assume those responsibilities" (1960, p. 63). So if a firm does not use its social power, it will lose its position in society because other groups will occupy it, especially when society demands responsibility from business (Davis, 1960).

According to Davis, the equation of social power-responsibility has to be understood through the functional role of business and managers. In this respect, Davis rejects the idea of total responsibility of business as he rejected the radical free-market ideology of no responsibility of business. The limits of functional power come from the pressures of different constituency groups. This "restricts organizational power in the same way that a governmental constitution does." The constituency groups do not destroy power. Rather they define conditions for its responsible use. They channel organizational power in a supportive way and to protect other interests against unreasonable organizational power (Davis, 1967, p. 68). As a consequence, his theory is called "Corporate Constitutionalism".

Integrative social contract theory

Donaldson (1982) considered the business and society relationship from the social contract tradition, mainly from the philosophical thought of Locke. He assumed that a sort of implicit social contract between business and society exists. This social contract implies some indirect obligations of business towards society. This approach would overcome some limitations of deontological and teleological theories applied to business.

Afterwards, Donaldson and Dunfee (1994, 1999) extended this approach and proposed an "Integrative Social Contract Theory" (ISCT) in order to take into account the socio-cultural context and also to integrate empirical and normative aspects of management. Social responsibilities come from consent. These scholars assumed two levels of consent. Firstly a theoretical macrosocial contract appealing to all rational contractors, and secondly, a real microsocial contract by members of numerous localized communities. According to these authors, this theory offers a process in which the contracts among industries, departments and economic systems can be legitimate. In this process the participants will agree upon the ground rules defining the foundation of economics that will be acceptable to them.

The macrosocial contract provides rules for any social contracting. These rules are called the "hyper-norms"; they ought to take precedence over other contracts. These hyper-norms are so fundamental and basic that they "are discernible in a convergence of religious, political and philosophical thought" (Donaldson and Dunfee, 2000, p. 441). The microsocial contracts show explicit or implicit agreements that are binding within an identified community, whatever this may be: industry, companies or economic systems. These microsocial contracts, which generate 'authentic norms', are based on the attitudes and behaviors of the members of the norm-generating community and, in order to be legitimate, have to accord with the hyper-norms.

Corporate citizenship

Although the idea of the firm as citizen is not new (Davis, 1973) a renewed interest in this concept among practitioners has appeared recently due to certain factors that have had an impact on the business and society relationship. Among these factors, especially worthy of note are the crisis of the Welfare State and the globalization phenomenon. These, together with the deregulation process and decreasing costs with technological improvements, have meant that some large multinational companies have greater economical and social power than some governments. The corporate citizenship framework looks to give an account of this new reality, as we will try to explain here.

In the 80s the term "corporate citizenship" was introduced into the business and society relationship mainly through practitioners (Altman and Vidaver-Cohen, 2000). Since the late 1990s and early 21st century this term has become more and more popular in business and increasing academic work has been carried out (Andriof and McIntosh, 2001; Matten and Crane, in press).

Although the academic reflection on the concept of "corporate citizenship", and on a similar one called 'the business citizen', is quite recent (Matten et al., 2003; Wood and Logsdon, 2002; among others), this notion has always connoted a sense of belonging to a community. Perhaps for this reason it has been so popular among managers and business people, because it is increasingly clear that business needs to take into account the community where it is operating.

The term "corporate citizenship" cannot have the same meaning for everybody. Matten et al. (2003) have distinguished three views of "corporate citizenship": (1) a limited view, (2) a view equivalent to CSR and (3) an extended view of corporate citizenship, which is held by them. In the limited view "corporate citizenship" is used in a sense quite close to corporate philanthropy, social investment or certain responsibilities assumed towards the local community. The equivalent to CSR view is quite common. Carroll (1999) believes that "Corporate citizenship" seems a new conceptualization of the role of business in society and depending on which way it is defined, this notion largely overlaps with other theories on the responsibility of business in society. Finally, in the extended view of corporate citizenship (Matten et al., 2003, Matten and Crane, in press), corporations enter the arena of citizenship at the point of government failure in the protection of citizenship. This view arises from the fact that some corporations have gradually come to replace the most powerful institution in the traditional concept of citizenship, namely government.

The term "citizenship", taken from political science, is at the core of the "corporate citizenship" notion. For Wood and Logsdon "business citizenship cannot be deemed equivalent to individual citizenship-instead it derives from and is secondary to individual citizenship" (2002, p. 86). Whether or not this view is accepted, theories and approaches on "corporate citizenship" are focused on rights, responsibilities and possible partnerships of business in society.

Some theories on corporate citizenship are based on a social contract theory (Dion, 2001) as developed by Donaldson and Dunfee (1994, 1999), although other approaches are also possible (Wood and Logsdon, 2002).

In spite of some noteworthy differences in corporate citizenship theories, most authors generally converge on some points, such as a strong sense of business responsibility towards the local community, partnerships, which are the specific ways of formalizing the willingness to improve the local community,[5] and for consideration for the environment.

The concern for local community has extended progressively to a global concern in great part due to the very intense protests against globalization, mainly since the end of the 90s. This sense of global corporate citizenship led to the joint statement "Global Corporate Citizenship – the Leadership Challenge for CEOs and Boards", signed by 34 of the world largest multinational corporations during the World Economic Forum in New York in January 2002. Subsequently, business with local responsibility and, at the same time, being a global actor that places emphasis on business responsibilities in a global context, have been considered as a key issue by some scholars (Tichy et al., 1997; Wood and Lodgson, 2002).

Integrative theories

This group of theories looks at how business integrates social demands, arguing that business depends on society for its existence, continuity and growth. Social demands are generally considered to be the way in which society interacts with business and gives it a certain legitimacy and prestige. As a consequence, corporate management should take into account social demands, and integrate them in such a way that the business operates in accordance with social values.

So, the content of business responsibility is limited to the space and time of each situation depending on the values of society at that moment, and comes through the company's functional roles (Preston and Post, 1975). In other words, there is no specific action that management is responsible for performing throughout time and in each industry. Basically, the theories of this group are focused on the detection and scanning of, and response to, the social demands that achieve social legitimacy, greater social acceptance and prestige.

Issues management

Social responsiveness, or responsiveness in the face of social issues, and processes to manage them within the organization (Sethi, 1975) was an approach which arose in the 70s. In this approach it is crucial to consider the gap between what the organization's relevant publics expect its performance to be and the organization's actual performance. These gaps are usually located in the zone that Ackerman (1973, p. 92) calls the "zone of discretion" (neither regulated nor illegal nor sanctioned) where the company receives some unclear signals from the environment. The firm should perceive the gap and choose a response in order to close it (Ackerman and Bauer, 1976).

Ackerman (1973), among other scholars, analyzed the relevant factors regarding the internal structures of organizations and integration mechanisms to manage social issues within the organization. The way a social objective is spread and integrated across the organization, he termed "process of institutionalization". According to Jones (1980, p. 65), "corporate behavior should not in most cases be judged by the decisions actually reached but by the process by which they are reached". Consequently, he emphasized the idea of process rather than principles as the appropriate approach to CSR issues.

Jones draws an analogy with the political process assessing that the appropriate process of CSR should be a fair process where all interests have had the opportunity to be heard. So Jones has shifted the criterion to the inputs in the decision-making process rather than outcomes, and has focused more on the process of implementation of CSR activities than on the process of conceptualization.

The concept of "social responsiveness" was soon widened with the concept "Issues Management". The latter includes the former but emphasizes the process for making a corporate response to social issues. Issues management has been defined by Wartick and Rude (1986, p. 124) as "the processes by which the corporation can identify, evaluate and respond to those social and political issues which may impact significantly upon it". They add that issues management attempts to minimize "surprises" which accompany social and political change by serving as an early warning system for potential environmental threats and opportunities. Further, it prompts more systematic and effective responses to particular issues by serving as a coordinating and integrating force within the corporation. Issues management research has been influenced by the strategy field, since it has been seen as a special group of strategic issues (Greening and Gray, 1994), or a part of international studies (Brewer, 1992). That led to the study of topics related with issues (identification, evaluation and categorization), formalization of stages of social issues and management issue response. Other factors, which have been considered, include the corporate responses to media exposure, interest group pressures and business crises, as well as organization size, top management commitment and other organizational factors.

The principle of public responsibility

Some authors have tried to give an appropriate content and substance to help and guide the firm's responsibility by limiting the scope of the corporate responsibility. Preston and Post (1975, 1981) criticized a responsiveness approach and the purely process approach (Jones, 1980) as insufficient. Instead, they proposed "the principle of public responsibility". They choose the term "public" rather than "social", to stress the importance of the public process, rather than personal-morality views or narrow interest groups defining the scope of responsibilities.

According to Preston and Post an appropriate guideline for a legitimate managerial behavior is found within the framework of relevant public policy. They added that "public policy includes not only the literal text of law and regulation but also the broad pattern of social direction reflected in public opinion, emerging issues, formal legal requirements and enforcement or implementation practices"

(Preston and Post, 1981, p. 57). This is the essence of the principle of public responsibility.

Preston and Post analyzed the scope of managerial responsibility in terms of the "primary" and "secondary" involvement of the firm in its social environment. Primary involvement includes the essential economic task of the firm, such as locating and establishing its facilities, procuring suppliers, engaging employees, carrying out its production functions and marketing products. It also includes legal requirements. Secondary involvements come as consequence of the primary. They are, e.g., career and earning opportunities for some individuals, which come from the primary activity of selection and advancement of employees.

At the same time, these authors are in favor of business intervention in the public policy process especially with respect to areas in which specific public policy is not yet clearly established or it is in transition: "It is legitimate – and may be essential – that affected firms participate openly in the policy formation" (Preston and Post, 1981, p. 61).

In practice, discovering the content of the principle of public responsibility is a complex and difficult task and requires substantial management attention. As Preston and Post recognized, "the content of public policy is not necessarily obvious or easy to discover, nor is it invariable over time" (1981, p. 57). According to this view, if business adhered to the standards of performance in law and the existing public policy process, then it would be judged acceptably responsive in terms of social expectations.

The development of this approach was parallel to the study of the scope regarding business–government relationship (Vogel, 1986). These studies focused on government regulations – their formulation and implementation – as well as corporate strategies to influence these regulations, including campaign contributions, lobbying, coalition building, grassroots organization, corporate public affairs and the role of public interest and other advocacy groups.

Stakeholder management

Instead of focusing on generic responsiveness, specific issues or on the public responsibility principle, the approach called "stakeholder management" is oriented towards "stakeholders" or people who affect or are affected by corporate policies and practices. Although the practice of stakeholder management is long-established, its academic development started only at the end of 70s (see, e.g., Sturdivant, 1979). In a seminal paper, Emshoff and Freeman (1978) presented two basic principles, which underpin stakeholder management. The first is that the central goal is to achieve maximum overall cooperation between the entire system of stakeholder groups and the objectives of the corporation. The second states that the most efficient strategies for managing stakeholder relations involve efforts, which simultaneously deal with issues affecting multiple stakeholders.

Stakeholder management tries to integrate groups with a stake in the firm into managerial decision-making. A great deal of empirical research has been done, guided by a sense of pragmatism. It includes topics such as how to determine the best practice in corporate stakeholder relations (Bendheim et al., 1998), stakeholder salience to managers (Agle and Mitchell, 1999; Mitchell et al., 1997), the impact of stakeholder management on financial performance (Berman et al., 1999), the influence of stakeholder network structural relations (Rowley, 1997) and how managers can successfully balance the competing demands of various stakeholder groups (Ogden and Watson, 1999).

In recent times, corporations have been pressured by non-governmental organizations (NGOs), activists, communities, governments, media and other institutional forces. These groups demand what they consider to be responsible corporate practices. Now some corporations are seeking corporate responses to social demands by establishing dialogue with a wide spectrum of stakeholders.

Stakeholder dialogue helps to address the question of responsiveness to the generally unclear signals received from the environment. In addition, this dialogue "not only enhances a company's sensitivity to its environment but also increases the environments understanding of the dilemmas facing the organization" (Kaptein and Van Tulder, 2003 p. 208).

Corporate social performance

A set of theories attempts to integrate some of the previous theories. The corporate social performance

(CSP) includes a search for social legitimacy, with processes for giving appropriate responses.

Carroll (1979), generally considered to have introduced this model, suggested a model of "corporate performance" with three elements: a basic definition of social responsibility, a listing of issues in which social responsibility exists and a specification of the philosophy of response to social issues. Carroll considered that a definition of social responsibility, which fully addresses the entire range of obligations business has to society, must embody the economic, legal, ethical, and discretionary categories of business performance. He later incorporated his four-part categorization into a "Pyramid of Corporate Social Responsibilities" (Carroll, 1991). Recently, Schwartz and Carroll (2003) have proposed an alternative approach based on three core domains (economic, legal and ethical responsibilities) and a Venn model framework. The Venn framework yields seven CSR categories resulting from the overlap of the three core domains.

Wartich and Cochran (1985) extended the Carroll approach suggesting that corporate social involvement rests on the principles of social responsibility, the process of social responsiveness and the policy of issues management. A new development came with Wood (1991b) who presented a model of corporate social performance composed of principles of CSR, processes of corporate social responsiveness and outcomes of corporate behavior. The principles of CSR are understood to be analytical forms to be filled with value content that is operationalized. They include: principles of CSR, expressed on institutional, organizational and individual levels, processes of corporate social responsiveness, such as environmental assessment, stakeholder management and issues management, and outcomes of corporate behavior including social impacts, social programs and social policies.

Ethical theories

There is a fourth group of theories or approaches focus on the ethical requirements that cement the relationship between business and society. They are based on principles that express the right thing to do or the necessity to achieve a good society. As main approaches we can distinguish the following.

Normative stakeholder theory

Stakeholder management has been included within the integrative theories group because some authors consider that this form of management is a way to integrate social demands. However, stakeholder management has become an ethically based theory mainly since 1984 when Freeman wrote *Strategic Management: a Stakeholder Approach*. In this book, he took as starting point that "managers bear a fiduciary relationship to stakeholders" (Freeman, 1984, p. xx), instead of having exclusively fiduciary duties towards stockholders, as was held by the conventional view of the firm. He understood as stakeholders those groups who have a stake in or claim on the firm (suppliers, customers, employees, stockholders, and the local community). In a more precise way, Donaldson and Preston (1995, p. 67) held that the stakeholder theory has a normative core based on two major ideas (1) stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity (stakeholders are identified by their interests in the corporation, whether or not the corporation has any corresponding functional interest in *them*) and (2) the interests of all stakeholders are of *intrinsic value* (that is, each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as the shareowners).

Following this theory, a socially responsible firm requires simultaneous attention to the legitimate interests of all appropriate stakeholders and has to balance such a multiplicity of interests and not only the interests of the firm's stockholders. Supporters of normative stakeholder theory have attempted to justify it through arguments taken from Kantian capitalism (Bowie, 1991; Evan and Freeman, 1988), modern theories of property and distributive justice (Donaldson and Preston, 1995), and also Libertarian theories with its notions of freedom, rights and consent (Freeman and Philips, 2002).

A generic formulation of stakeholder theory is not sufficient. In order to point out how corporations have to be governed and how managers ought to act, a *normative core* of ethical principles is required (Freeman, 1994). To this end, different scholars have proposed differing normative ethical theories. Freeman and Evan (1990) introduced Rawlsian principles. Bowie (1998) proposed a combination of Kantian and Rawlsian grounds. Freeman (1994) proposed the doctrine of fair contracts and Phillips (1997, 2003) suggested introducing the fairness principle based on six of Rawls' characteristics of the principle of fair play: mutual benefit, justice, cooperation, sacrifice, free-rider possibility and voluntary acceptance of the benefits of cooperative schemes. Lately, Freeman and Philips (2002) have presented six principles for the guidance of stakeholder theory by combining Libertarian concepts and the Fairness principle. Some scholars (Burton and Dunn, 1996; Wicks et al., 1994) proposed instead using a ''feminist ethics'' approach. Donaldson and Dunfee (1999) hold their 'Integrative Social Contract Theory'. Argandoña (1998) suggested the common good notion and Wijnberg (2000) an Aristotelian approach. From a practical perspective, the normative core of which is risk management, The Clarkson Center for Business Ethics (1999) has published a set of *Principles of Stakeholder Management*.

Stakeholder normative theory has suffered critical distortions and friendly misinterpretations, which Freeman and co-workers are trying to clarify (Phillips et al., 2003). In practice, this theory has been applied to a variety of business fields, including stakeholder management for the business and society relationship, in a number of textbooks Some of these have been republished several times (Carroll and Buchholtz, 2002; Post et al., 2002; Weiss, 2003; among others).

In short, stakeholder approach grounded in ethical theories presents a different perspective on CSR, in which ethics is central.

Universal rights

Human rights have been taken as a basis for CSR, especially in the global market place (Cassel, 2001). In recent years, some human-rights-based approaches for corporate responsibility have been proposed. One of them is the UN Global Compact, which includes nine principles in the areas of human rights, labor and the environment. It was first presented by the United Nations Secretary- General Kofi Annan in an address to The World Economic Forum in 1999. In 2000 the Global Compact's operational phase was launched at UN Headquarters in New York. Many companies have since adopted it. Another, previously presented and updated in 1999, is The Global Sullivan Principles, which has the objective of supporting economic, social and political justice by companies where they do business. The certification SA8000 (www.cepaa.org) for accreditation of social responsibility is also based on human and labor rights. Despite using different approaches, all are based on the Universal Declaration of Human Rights adopted by the United Nations general assembly in 1948 and on other international declarations of human rights, labor rights and environmental protection.

Although for many people universal rights are a question of mere consensus, they have a theoretical grounding, and some moral philosophy theories give them support (Donnelly, 1985). It is worth mentioning the Natural Law tradition (Simon, 1992), which defends the existence of natural human rights (Maritain, 1971).

Sustainable development

Another values-based concept, which has become popular, is ''sustainable development''. Although this approach was developed at macro level rather than corporate level, it demands a relevant corporate contribution. The term came into widespread use in 1987, when the World Commission on Environment and Development (United Nations) published a report known as ''Brutland Report''. This report stated that ''sustainable development'' seeks to meet the needs of the present without compromising the ability to meet the future generation to meet their own needs'' (World Commission on Environment and Development, 1987, p. 8). Although this report originally only included the environmental factor, the concept of ''sustainable development'' has since expanded to include the consideration of the social dimension as being inseparable from development. In the words of the World Business Council for Sustainable Development (2000, p. 2), sustainable development ''requires the integration of social, environmental, and economic considerations to make balanced judgments for the long term''.

Numerous definitions have been proposed for sustainable development (see a review in Gladwin and Kennelly 1995, p. 877). In spite of which, a content analysis of the main definitions suggests that sustainable development is "a process of achieving human development in an inclusive, connected, equiparable, prudent and secure manner." (Gladwin and Kennelly 1995, p. 876).

The problem comes when the corporation has to develop the processes and implement strategies to meet the corporate challenge of corporate sustainable development. As Wheeler et al. (2003, p. 17) have stated, sustainability is "an ideal toward which society and business can continually strive, the way we strive is by creating value, creating outcomes that are consistent with the ideal of sustainability along social environmental and economic dimensions".[6]

However, some suggestions have been proposed to achieve corporate ecological sustainability (Shrivastava, 1995; Stead and Stead, 2000; among others). A pragmatic proposal is to extend the traditional "bottom line" accounting, which shows overall net profitability, to a "triple bottom line" that would include economic, social and environmental aspects of corporation. Van Marrewijk and Werre (2003) maintain that corporate sustainability is a custom-made process and each organization should choose its own specific ambition and approach regarding corporate sustainability. This should meet the organization's aims and intentions, and be aligned with the organization strategy, as an appropriate response to the circumstances in which the organization operates.

The common good approach

This third group of approaches, less consolidated than the stakeholder approach but with potential, holds the common good of society as the referential value for CSR (Mahon and McGowan, 1991; Velasquez, 1992). The common good is a classical concept rooted in Aristotelian tradition (Smith, 1999), in Medieval Scholastics (Kempshall, 1999), developed philosophically (Maritain, 1966) and assumed into Catholic social thought (Carey, 2001) as a key reference for business ethics (Alford and Naughton, 2002; Melé, 2002; Pope John Paul II, 1991, #43). This approach maintains that business, as with any other social group or individual in society, has to contribute to the common good, because it is a part of society. In this respect, it has been argued that business is a mediating institution (Fort, 1996, 1999). Business should be neither harmful to nor a parasite on society, but purely a positive contributor to the well-being of the society.

Business contributes to the common good in different ways, such as creating wealth, providing goods and services in an efficient and fair way, at the same time respecting the dignity and the inalienable and fundamental rights of the individual. Furthermore, it contributes to social well-being and a harmonic way of living together in just, peaceful and friendly conditions, both in the present and in the future (Melé, 2002).

To some extent, this approach has a lot in common with both the stakeholder approach (Argandoña, 1998) and sustainable development, but the philosophical base is different. Although there are several ways of understanding the notion of common good (Sulmasy, 2001), the interpretation based on the knowledge of human nature and its fulfillment seems to us particularly convincing. It permits the circumnavigation of cultural relativism, which is frequently embedded in some definitions of sustainable development.

The common good notion is also very close to the Japanese concept of Kyosei (Goodpaster, 1999; Kaku, 1997; Yamaji, 1997), understood as "living and working together for the common good", which, together with the principle of human dignity, is one of the founding principles of the popular "The Caux Roundtable Principles for Business" (www.cauxroundtable.org).

Discussion

The preceding description, summed up on Table I, leads to the conclusion that the hypothesis considered in the introduction about the four basic focus employed by CSR theories and related approaches is adequate. Consequently, most of the current theories related to CSR could be broadly classified as instrumental, political, integrative and ethical theories.

Donati (1991), a contemporary sociologist, has reviewed many aspects of the work of Parsons. He suggests that adaptation, goal attainment, integration and latency presented by Parsons (1961) as rigid

TABLE I
Corporate social responsibilities theories and related approaches

Types of theory	Approaches	Short description	Some key references
Instrumental theories (focusing on achieving economic objectives through social activities)	Maximization of shareholder value	Long-term value maximization	Friedman (1970), Jensen (2000)
	Strategies for competitive advantages	• Social investments in a competitive context	Porter and Kramer (2002)
		• Strategies based on the natural resource view of the firm and the dynamic capabilities of the firm	Hart (1995), Lizt (1996)
		• Strategies for the bottom of the economic pyramid	Prahalad and Hammond (2002), Hart and Christensen (2002), Prahalad (2003)
	Cause-related marketing	Altruistic activities socially recognized used as an instrument of marketing	Varadarajan and Menon (1988), Murray and Montanari (1986)
Political theories (focusing on a responsible use of business power in the political arena)	Corporate constitutionalism	Social responsibilities of businesses arise from the amount of social power that they have	Davis (1960, 1967)
	Integrative Social Contract Theory	Assumes that a social contract between business and society exists	Donaldson and Dunfee (1994, 1999)
	Corporate (or business) citizenship	The firm is understood as being like a citizen with certain involvement in the community	Wood and Lodgson (2002), Andriof and McIntosh (2001) Matten and Crane (in press)
Integrative theories (focusing on the integration of social demands)	Issues management	Corporate processes of response to those social and political issues which may impact significantly upon it	Sethi (1975), Ackerman (1973), Jones (1980), Vogel, (1986), Wartick and Mahon (1994)
	Public responsibility	Law and the existing public policy process are taken as a reference for social performance	Preston and Post (1975, 1981)
	Stakeholder management	Balances the interests of the stakeholders of the firm	Mitchell et al. (1997), Agle and Mitchell (1999), Rowley (1997)
	Corporate social performance	Searches for social legitimacy and processes to give appropriate responses to social issues	Carroll (1979), Wartick and Cochran (1985), Wood (1991b) Swanson (1995)

TABLE I (Continued)

Types of theory	Approaches	Short description	Some key references
Ethical theories (focusing on the right thing to achieve a good society	Stakeholder normative theory	Considers fiduciary duties towards stakeholders of the firm. Its application requires reference to some moral theory (Kantian, Utilitarianism, theories of justice, etc.)	Freeman (1984, 1994), Evan and Freeman (1988), Donaldson and Preston (1995), Freeman and Phillips (2002), Phillips et al. (2003)
	Universal rights	Frameworks based on human rights, labor rights and respect for the environment	The Global Sullivan Principles (1999), UN Global Compact (1999)
	Sustainable development	Aimed at achieving human development considering present and future generations	World Commission on Environment and Development (Brutland Report) (1987), Gladwin and Kennelly (1995)
	The common good	Oriented towards the common good of society	Alford and Naughton (2002), Melé (2002) Kaku (1997)

functions, have to be understood as four interconnected dimensions present in every social phenomenon. This suggests that the concept of business and society relationship must include these four aspects or dimensions and some connection among them must exist. This must be reflected in every theory. In some authors, such as Friedman, it is relatively easy to discover these dimensions and connections, in other theories it is not so easy.

In fact, although the main concern in the Friedman view (Friedman, 1970; Friedman and Friedman, 1962) is for wealth creation, as we have pointed out above, this concern is rooted in certain cultural values regarding the free market, private property and the fact that wealth creation is good for society. This shows us that certain values are present, even though they are frequently questioned. At the same time, he accepts the rules of the free market, laws and ethical customs in each place. Friedman and, above all, Jensen (2000) also accept the integration of some social demands into the company if it is profitable in the long-term. Regarding politics, underpinning the Friedman view there is a functional conception of the social with clear political consequences. Society is understood as a mechanism with monofunctional groups, each with a concrete purpose. Thus, the exclusive purpose of business organizations is the creation of wealth. It is held that business operating in a free market is the best way to allocate scarce resources because society can achieve an optimum situation in the sense of Pareto (Pareto Optimum). This means that the satisfaction of all people involved in the situation is the greatest possible or, at least, the situation satisfies most of them without being detrimental for others. However, in the presence of externalities, when decision-makers do not take into account secondary effects of their actions that burden or benefit others, the market is inefficient and the equilibrium is not a Pareto optimum. When externalities appear, another system of society, the political system, should act. The political system must confront these externalities through taxes, regulation and minimum package of rights. So, business contributes to the welfare of society through the market mechanism and in compliance with the law. Of course, outside business, the manager can spend any quantity of personal money on social activities according to his or her personal preferences. However, the social objectives and demands come under business consideration only through the law applied by the political system.

A contrasting theory, in which the four dimensions mentioned and their connections are not so easy to discover, is "the principle of public responsibility" of Preston and Post (1975). However, these dimensions are implicit. In fact, this theory presupposes a certain conception of society and values. The political dimension is clear, since public policy is assumed as basic criterion. Regarding wealth creation, undoubtedly the application of this theory would have consequences for profit generation. Actually, these scholars recognize that what they call secondary relationships (related to secondary involvements) "as essential to effective management over the long term" (Preston and Post, 1981, p. 57).

It is not our aim to review all theories described, but what has been said regarding the four dimensions in the approaches of Friedman and Preston and Post, could probably be extended to other theories. If our intuition is correct, a proper concept of the business and society relationship should include these four aspects or dimensions, and some mode of integration of them. Although most theories studied do not make it explicit, one can appreciate a tendency to overcome this deficit.

In fact, in the last few years, some theories have been proposed in which two or even more of these dimensions and their interconnection have been considered. That is the case, e.g., of Wood's Corporate Social Performance model (1991b). This model basically focuses on integrating social demands, however, it also considers institutional legitimacy, accepting that "society grants legitimacy and power to business" (Davis, 1973, p. 314). In this manner, Wood introduces both political and integrative dimensions while economic and ethical dimensions are implicit. Regarding the latter, the stated principles of corporate responsibility assumed are based on social control rather than on prescriptive responsibility coming from ethics. This is precisely the criticism Swanson (1995) made of Wood's model. As an alternative, Swanson (1995, 1999) proposed a derived model in which she tried to include the ethical dimension explicitly, through a theory of values. Following Frederick (1992) she accepted that business organizations have responsibilities related to economizing and ecologizing. Furthermore executive decision-making should forego power-seeking in favor of directing the firm to economize and ecologize.

More recently, Wood and Lodgson (2002), dealing with the corporate or business citizen model, have introduced the ethical dimension in their model. They focus on the political dimension but also incorporate universal rights into their vision of corporate behavior.

Theories on CSR, which take long-term profits as the main goal normally, use an empirical methodology and are descriptive, although explicitly they also present a conditional prescription. Their generic statement might take the form: "if you want to maximize profits you must assume CSR in the way proposed by this theory". In contrast, ethical theories are prescriptive and use a normative methodology. Integrating empirical and normative aspects of CSR, or economic and ethics, is great challenge. Some authors (Brandy, 1990; Etzioni, 1988; Quinn and Jones, 1995; and Swanson, 1999; Treviño and Weaver, 1994 among others) have considered this problem, but it is far from being resolved. This lack of integration has been denounced as the cause of the lack of a paradigm for the business and society field (Swanson, 1999).

Finally, the current situation presents many competing ethical theories. This very often produces confusion and skepticism. The problem is especially serious in the case of ethical theories, and even within each group of theories. Considering, for instance, the stakeholder normative theory. As we have explained above, this can be developed using a great number of different ethical theories. Although each of these theories states universal principles, in practice, the global effect is one of unabashed relativism: "If you are Utilitarian, you'll do this, if you are Kantian you'll do that." (Solomon, 1992, p. 318).

Conclusion

We can conclude that most of current CSR theories are focused on four main aspects: (1) meeting objectives that produce long-term profits, (2) using business power in a responsible way, (3) integrating social demands and (4) contributing to a good society by doing what is ethically correct. This permits us to classify the most relevant theories on CSR and related concepts into four groups, which we have called instrumental, political, integrative and value theories. Most of the theories considered do not make explicit the implications of each specific approach for the aspects considered in others groups of theories.

Further research could analyze these four dimensions and their connection in the most relevant theories and consider their contributions and limitations. What seems more challenging, however, is to develop a new theory, which would overcome these limitations. This would require an accurate knowledge of reality and a sound ethical foundation.

Notes

[1] Parsons considers the existence of four interconnected problems in any action system: (1) the problem mobilizing of resources from the environment and then distributing them throughout the system, which requires adaptation to environment; (2) the problem of establishing priorities among system goals and mobilizing system resources for the attainment of the goals; (3) the problem of coordinating and maintaining viable relationships among system units and (4) the problem of assuring that the actors in the social system display the appropriate values. This entails motivation and other characteristics (pattern maintenance) and dealing with the internal tensions and strain of the actors in the social system (tension management). That means preserving the basic structure of the system and adjusting to changing conditions within the framework that the basic structure provides. According to Parsons these problems necessitate four requisites or imperatives for the maintenance of a social system: adaptation (A), goal attainment (G), integration (I) and pattern maintenance or latency (L).

[2] Some years before, T. Leavitt, a Harvard Business School professor, expressed this approach in an even more radical way: "Corporate welfare makes good sense if it makes good economic sense – and not infrequently it does. But if something does not make economic sense, sentiment or idealism ought not to let it in the door" (Leavitt, 1958, p. 42).

[3] According to Porter and Kramer (2002), a competitive context consists of four interrelated elements of the local business environment that shape potential productivity. The first element is the factor condition, which involves employee education, natural resources, high quality technological institutions and physical infrastructure. The second element is related to demand conditions; that is to say, how the firm can influence the quality and the size of local market by, for example, developing educated and demanding customers. The third, the context for strategy and rivalry involves how the firm can invest in incentives and norms that rule competition as for example all the efforts for reducing corruption, preventing the formation of cartels and opening markets. The last is the firm's investment in related and supporting industries, for example, strengthening the relationship with suppliers of services, components and machinery.

[4] According to Davis, "markets leave business theoretically without any social power and hence, no social responsibility (balanced zero equation). This zero equation of no power and no responsibility is a proper theoretical model for pure competition, but it is theory only and it's inconsistent with the power realities of modern organizations. They posses such a great initiative, economic assets, and power in their actions do have social effects" (Davis, 1967, p. 49).

[5] In fact, different models have been constructed in order to explain how and why partnerships are built and how to determine, measure, evaluate partnerships (Andrioff, 2001; Zadek, 2001).

[6] That is not the only problem. According to Gladwin and Kennelly (1995, p. 876), the concept of sustainable development is "fuzzy, elusive, contestable and/or ideologically controversial" and with multiple objectives and ingredients, complex interdependencies and considerable moral thickness. But, in spite of everything, the concept is becoming more and more popular and has introduced an important element to the CSR debate.

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