CORPORATE SOCIAL RESPONSIBILITY: THE CONCEPT

Learning Outcomes

After studying this chapter, you will be able to:

7.1 Understand why corporate social responsibility (CSR) has emerged as an important component of management practice.

7.2 Describe corporate social responsibility.

7.3 Debate the pros and cons of corporate social responsibility in Canadian business.

7.4 Appreciate the various foundations of social responsibility theories.

7.5 Explain Carroll's pyramid of corporate social responsibility.

7.6 Define the four contemporary CSR concepts: corporate sustainability, reputation management, social impact management, and triple bottom line (TBL).

7.7 Describe the views of corporate and business citizenship.

WHAT WOULD YOU DO IF ...?

Louis Richard graduated from a college business program and started work for a mid-sized Canadian cosmetics company. During the first few months, he was rotated among various departments so that he could become familiar with the company. The appraisals of his performance must have been good, as the CEO asked him to work in her office as an assistant for a year with a focus on special projects.

The CEO had attended a recent Conference Board of Canada seminar and learned about corporate social responsibility (CSR), corporate sustainability, and corporate citizenship. The conference and the supporting materials provided a lot of background on the concepts, and she learned a lot from other executive participants.

In the interview for the job, the CEO asked if Louis had been exposed to business ethics and CSR in any of his college courses. He had taken a course in "Business and Society," which covered these topics, and many other courses had touched upon them. This must have satisfied the CEO, as she offered Louis the job.

Despite having attended the seminar and having read some papers on the subject, the CEO admitted that she was still not clear on the concepts and

approaches involved. In particular, she was not clear what CSR would look like in the cosmetics industry. As a first assignment, she asked Louis to prepare a concise position paper outlining what this whole area means to the company and what course(s) of action should be followed. Louis left the office wondering where to start.

If you were Louis, what would you do?

This chapter defines social responsibility, reviews the case for business social involvement, reviews the arguments against involvement, and describes recent theories and approaches to corporate social responsibility including corporate citizenship.

7.1 │ THE RATIONALE FOR CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR)
The way a corporation achieves a balance among its economic, social, and environmental responsibilities in its operations so as to address shareholder and other stakeholder expectations.

Corporate social responsibility (CSR) is the way a corporation achieves a balance among its economic, social, and environmental responsibilities in its operations so as to address shareholder and other stakeholder expectations. It is known by many names, including corporate responsibility, corporate accountability, corporate ethics, corporate citizenship, sustainability, stewardship, and triple-E bottom line (economical, ethical, and environmental). CSR is a general management concern; that is, it is important to all aspects of business, and it is integrated into a corporation's operations through its values, culture, decision making, strategy, and reporting mechanisms. Some thoughts on CSR by CEOs are given in Everyday Ethics 7.1.

EVERYDAY
ETHICS

7.1   *Executives Talk about CSR*

The following are quotations about CSR by some leading Canadian businesspersons. Despite these supportive comments, there are businesspersons who are not committed to CSR.

Peter Munk, Chairman, Barrick Gold Corporation
"Barrick's reputation rests on responsibility. Good corporate citizenship is a calling card that precedes us wherever we go."

George A. Cope, President and Chief Executive Officer, BCE Inc. and Bell Canada
"Combined with the service and network investment initiatives Bell is undertaking in order to deliver a better customer experience at every level, the corporate social responsibility practices and initiatives we support are crucial elements in our journey to achieving that goal."

Gerald T. McCaughey, President and CEO, CIBC
"At CIBC, we are committed to sustainable, consistent performance over the long term. This includes making a difference in the communities where we operate by investing in their social and economic development."

Rick George, President and CEO, Suncor Energy Inc.
"I like to view the financial support Suncor provides nonprofit organizations as an 'investment' rather than a 'donation.' That's because the financial contributions we make provide significant dividends to our communities—dividends that are represented by an improved quality of life."

Sources: Barrick Gold Corporation, http://www.barrick.com/CorporateResponsibility/OurCommitment/default.aspx; "Living up to high expectations," BCE Inc. 2008 Corporate Responsibility Report, http://www.bce.ca/en/includes/responsibility2007/pdfwindow.php; and "Leadership Challenge: A Call to Action," Imagine Canada Information section, *The Globe and Mail,* June 13, 2006, 3.

CSR is important because the business system is the mechanism selected by society to produce and distribute goods and services. Originally, people felt that a business enterprise had fulfilled its social responsibility by surviving and realizing the maximum profit possible. The resources of society could be used by the corporation to make profits as long as the corporation complied with the few rules imposed by governments to check abusive practices. The market system provided the regulation necessary to police the system, and profits provided incentive and ensured efficiency. The work ethic and self-interest were the guiding principles of the system. By making a profit, corporations contributed to a growing, healthy economic system that provided employment and adequate incomes for all. In other words, corporate social responsibility was to operate profitably, and the corporation could not survive without profits, much less play a social role.

More recently, there has been a belief that business exists for more than profits (or economic goals), with the public expecting something else from business. As a result, the original concept of social responsibility involving the maximization of profits has been modified. Although profits are to be made, social, as well as economic, goals are to receive attention. Society depends on business to achieve social as well as economic goals—that is, social responsibilities are placed on business.

The issue of social responsibility cannot be easily resolved. To illustrate, consider the following questions: How should corporate performance in society be judged apart from traditional economic standards? Are there goals and measures that individuals inside and outside the corporation can use for guidance? Given the relationship between the corporation and its social environment, what is the scope of managerial responsibility? To what extent should the corporation involve itself in social concerns? How do corporations typically respond to social involvement issues? Is there a common process that will enhance the corporation's understanding of corporate social performance?

It must be appreciated that corporate social responsibility and a corporation's social performance are two of many factors in an extremely complex business environment in which the corporate manager is called upon to operate the business. Various stakeholders are constantly seeking a different role for business in society. Government continues to influence the business system and to change the forms and manner of this influence. Technological change is occurring at a very rapid pace. The public media advise citizens quickly of events in the business world, allowing for quick public reaction.

7.2 | DESCRIBING CORPORATE SOCIAL RESPONSIBILITY

There have been many definitions of corporate social responsibility in addition to the one given above; rather than describing them, listing the key elements found in various definitions may be more insightful. Buchholz identified five key elements found in most, if not all, definitions:

1) Corporations have responsibilities that go beyond the production of goods and services at a profit.
2) These responsibilities involve helping to solve important social problems, especially those they have helped create.
3) Corporations have a broader constituency than stockholders alone.
4) Corporations have impacts that go beyond simple marketplace transactions.
5) Corporations serve a wider range of human values than can be captured by a sole focus on economic values.[1]

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[1] Roger A. Buchholz, "Corporate Responsibility and the Good Society: From Economics to Ecology," *Business Horizons* (July/August 1991): 19.

According to Wood, the "basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities" and that expectations are placed on business due to its three roles: as an institution in society, as a particular corporation or organization in society, and as individual managers who are moral actors within the corporation. These roles result in three levels of analysis—institutional, organizational, and individual— and can be expressed in terms of three principles of corporate social responsibility: legitimacy, public responsibility, and managerial discretion.[2]

The principle of *legitimacy* refers to society's granting of legitimacy and power to business, and business's appropriate use of that power and the possibility of losing that power. Corporate social responsibility defines the institutional relationship between business and society that is expected of any corporation. Society has the right to grant this power, to impose a balance of power among its institutions, and to define their legitimate functions. The focus is on business's obligations as a social institution, and society takes away power or imposes some sort of sanction on business if expectations are not met.

The principle of *public responsibility* means that business is responsible for outcomes related to its areas of involvement with society. The level of application is organizational— that is, the corporation—and confines business's responsibility to those problems related to a firm's activities and interest. This principle includes the view that corporations are responsible for solving the problems they create. The nature of social responsibility will vary from corporation to corporation as each corporation impacts society's resources in different ways or creates different problems. The principle involves emphasizing each corporation's relationship to its specific social, ethical, and political environment.

Last, the principle of *managerial discretion* refers to managers as moral actors who are obliged to exercise such discretion as is available to them to achieve socially responsible outcomes. Discretion is involved as the actions of managers are not totally prescribed by corporate procedures. The level of application is the individual who has the choices, opportunities, and personal responsibility to achieve the corporation's social responsibility.[3] Table 7.1 summarizes the three principles.

Table 7.1   WOOD'S PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

Principle of Legitimacy	Principle of Public Responsibility	Principle of Managerial Discretion
• External focus on expectations of society	• Beyond general expectations of society, that is, at the corporation level	• Involves individual choice or managerial discretion
• Society grants the right to business to operate	• Determined by uniqueness for circumstances of the corporation	• Individual decision makers or managers determine
• Adherence of social norms of society	• Resource dependence determines	• Relates to latitude of action possible by management
• Pressures particularly strong on some corporations, e.g. large ones or consumer products	• Involves managing relationships with immediate environment	• Focuses on range of strategic options available to management

Source: Compiled from Christine Shropshire and Amy J. Hillman, "A Longitudinal Study of Significant Change in Stakeholder Management," *Business & Society,* Volume 46, Number 1, March 2007, 68–74.

[2] Donna J. Wood, "Corporate Social Performance Revisited," *The Academy of Management Review*, Vol. 16, No. 4 (1991): 695.

[3] Ibid, 695–700.

The discussion of definitions and meanings of corporate social responsibility could be extensive, but the purpose is to provide an appreciation for social responsibility. Further understanding of the concept, its origins, and its interpretations is achieved by summarizing some of the debate over social responsibility.

7.3 | THE CORPORATE SOCIAL RESPONSIBILITY DEBATE

The discussion of the appropriateness and meaning of social responsibility continues. This debate is treated in two ways in this chapter: through a listing of the arguments for and against social responsibility, and through a summary of the theories used to represent the variety of views toward social responsibility.

The Case for Involvement

There are many arguments in support of business involvement in society; that is, in support of the social responsibility or social responsiveness of business. These arguments are summarized below.

1) Business should operate in such a way as to fulfill society's needs or expectations. It should do so for a very pragmatic reason: it is believed in some quarters that business functions by the consent of society and therefore must be sure to satisfy the needs of society. In other words, the existence of the business system depends on its acceptance by society. If business is to prevent criticisms or mutinous behaviour, it must be receptive to what is happening in society and respond in some way.

2) A social responsibility role should be undertaken in order to prevent some public criticism and discourage further government involvement or regulation. This is a defensive approach designed to offset possible government action against those in the business system who use their power irresponsibly.

3) Business must realize that society is a "system" of which corporations are a part, and that the system is interdependent. Therefore, if business institutions interact with others in society, the need for social involvement along with increasing interdependence comes the need to participate in the complex system that exists in society. There are many mutual involvements among individuals, groups, and organizations in society, or among subsectors of society. Business is vulnerable to the actions or events that occur in other subsectors.

4) Social responsibility is in the shareholder's interest; that is, being socially responsible will simply be profitable, especially in the long term. Corporate virtue is good for profits.

5) A poor social responsibility role on the part of the corporation means poor management to some investors. They view failure to perform in society's interest in much the same way as they view the corporation's failure to perform in financial matters. Similarly, consumers are showing increasing interest in and support for responsible business practices. (Refer to Responsibility for Ethics 7.1.)

6) Business must realize that social problems can become opportunities, or can lead to profits. Expenditures on pollution abatement may result in the retrieval of materials that were formerly disposed of as waste, or may allow for equipment to operate more efficiently, thereby generating more profits on future operations.

7) With regard to social responsibility matters, business should take a long-run as opposed to a short-run view. Profits may increase in the long run as a result of actions taken at the present time. Judging the benefits of social responsibility becomes a simple matter of ascertaining whether it is in the corporation's longest-term self-interest to be conscious of social responsibility matters.

8) Corporations must be concerned with the public image and the goodwill generated by responsible social actions.

9) Business should be given an opportunity to solve some social problems. The logic behind this argument is that business can solve problems as well as government can and that it certainly cannot do any worse than government has in the past: business possesses the expertise, in its managers and executives, to develop plans to overcome social problems. As government is reducing its efforts to address some social problems, business needs to fill the gap.

10) Preventing is better than curing. It is better to take a proactive stance than a reactive one.

11) Businesspeople are also concerned citizens and humans who are interested in social matters. It is not appropriate for them to ignore social matters.

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7.1   *Ethical Investment Funds*

Pension and mutual funds are one type of owner of Canadian corporations. These funds manage the contributions of employees/employers to pension funds and the mutual funds purchased by consumers. The managers of some of these funds explicitly state their intention to consider the social and environmental performance as well as the economic performance of a corporation when investing.

The managers influence the corporations in two ways. They can decide not to purchase shares or bonds in corporations they consider not socially responsible. Criteria for undesirable corporations, for example those that sell tobacco products or manufacture military weapons, are excluded by a "negative" screen. Corporations considered socially responsible are selected on the basis of a "positive" screen. A second approach is to purchase shares in corporations that are not socially responsible and attempt to get management to change their operations. Some mutual funds are even marketed as containing only corporations that are ethically, socially, or environmentally responsible. Ethical investing is discussed further in Chapter 11.

The Counterargument

Although there are several arguments for social involvement by business corporations, there also are many arguments against business social involvement—including the following:

1) Profit maximization is the primary purpose of business, and to have any other purpose is not socially responsible (as argued in Responsibility for Ethics 7.2). To have anything other than a profit maximizing goal is to sabotage the market mechanism and distort the allocation of resources. Generally, then, it is contrary to the basic function of business to become involved in social matters. It should not be forgotten that business is an economic institution, not a social one, and its only responsibility is to manage efficiently within the law. The corporation would be irresponsible if it did not pursue profits and operate in the efficient market.

2) Business corporations are responsible to the shareholders and, in effect, have no authority to operate in the social area. When a corporation becomes involved in social matters, there is a question of legitimacy. Even if corporations are sufficiently competent and powerful to bring about social changes in matters considered beyond the range of their immediate involvement, there is a real question as to whether such endeavours are appropriate. Managers should let shareholders decide whether or not they wish to become involved in social issues.

3) Social policy is the jurisdiction of governments, not business.

4) Business lacks training in social issues, and lacks social skills necessary to carry out social programs. In other words, business is not competent to undertake social responsibility tasks.

5) Social responsibility is viewed by some as another excuse to let big business increase its power. The increase in power comes as a result of business becoming involved in social as well as economic matters. Imposing business values on social issues may lead to inappropriate domination: business already has sufficient power, and it would be inappropriate to extend that power to other matters.

6) Business involvement in social matters increases costs—not only costs to the organization, but also possibly even social costs—instead of decreasing them. This in turn may lead to business failures.

7) There is no acknowledged source of reliable guidance or policy for business in social responsibility questions, and it is not easy to make the choice between responsible and selfish action in social issues. Social responsibility is an elusive concept for which few standards are available to evaluate and control the actions of corporations.

8) As institutions in society, business corporations cannot be held accountable for their actions in a way sufficient to satisfy demands for social involvement. Institutions involved in social matters should be accountable to society for that involvement. At the present time, there are few mechanisms available to ensure business corporations are accountable for their social actions.

9) There is divided support in the business community for social involvement, and as a result there is unlikely to be a very satisfactory treatment of social issues by business.

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7.2   *Milton Friedman*

Milton Friedman, a Nobel Prize winner in economics, is often quoted as saying the only social responsibility of business is to make profits. Here is the quotation this refers to:

The view has been gaining widespread acceptance that corporate officials and labor leaders have a "social responsibility" that goes beyond serving the interest of their stockholders or their members. This view shows a fundamental misconception of the character and nature of a free economy. In such an economy, there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception of fraud. Similarly, the "social responsibility" of labor leaders is to serve the interests of the members of their unions.

Source: Based on Milton Friedman, *Capitalism and Freedom: A Leading Economist's View of the Proper Role of Competitive Capitalism* (Chicago: The University of Chicago Press, 1962), 133.

Critiquing CSR

Explanations and critiques of corporate social responsibility appear regularly in the media and academic literature (some examples are provided in Responsibility for Ethics 7.3). Many of these discussions are repetitious, but one that added to the analysis of the concept was a special section in *The Economist,* "The good company: A survey of corporate responsibility."[4] The thesis of the section was that the corporate social responsibility movement dominates most management thinking, and that this is unfortunate because it is not necessary if the functioning of capitalism is understood. Furthermore, CSR is practised in many different ways, creating confusion regarding what it really means.

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[4] "The Good Company: A Survey of Corporate Responsibility," *The Economist*, 24-page special section, and editorial, January 22, 2005: Special Section and 11.

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7.3   *Critical Comments on CSR*

Despite widespread acceptance of corporate social responsibility, there are those who are critical of it. The following quotations from the business press illustrate the criticism.

"Corporate Social Responsibility is a proposition with which it is allegedly impossible to argue. If you question its multiplying meanings or its murky metrics, you are accused of espousing 'irresponsibility,' of wanting to outlaw philanthropy and trash the environment, of being a blinkered ideologue who believes employees, suppliers and local communities should be treated with contempt. This is all, to put it bluntly, baloney."—Peter Foster, "The Bottomless Pit of CSR Policies," *National Post,* March 2, 2005, FP23

"CSR contains many misconceptions about the role corporations and profit-seeking shareholders play in wealth creation and rising standards of living. One deliberately fostered misconception is the idea that corporations, shareholders and executives, having collected profits, most adopt CSR as a way of 'giving back' to society."—Terence Corcoran, "Misguided Virtue," *National Post,* February 2, 2002, FP11

"In embracing CSR, many corporations and business organizations have failed to contest—or have even endorsed—the arguments and demands of anti-business activist groups. They have treated these arguments and demands as reflecting the views of society. They have failed to make an effective case for the market economy."—David Henderson, "The Harm of CSR," *National Post,* February 2, 2002, FP11

"Under the label of Corporate Social Responsibility, firms are to take on a non-wealth-producing agenda of goals: profits will be lowered to safeguard labour rights, human health, civil liberties, environmental quality, sexual equality, and social justice. The fact that the corporation already plays its most effective role in these areas by profit maximization is little understood by CSR advocates."—Steve Forbes, "Welcome to Market Socialism," *National Post,* January 15, 2005, FP11

"When corporations take on a social role, often at the urging of elected officials themselves, it relieves governments of their responsibilities to mediate social demands. It removes policy-making from its proper forum. Put plainly, CSR is undemocratic."—Konrad Yakabuski, "The Kindness of Corporations," *Report on Business Magazine,* July/August 2008, 68.

The article argues that there is no need to impose CSR on corporations, as they are acting in a responsible manner already. The point is made that capitalism has been the driving force behind unparalleled economic and social progress, but unfortunately it is still suspected, feared, and deplored. Two reasons are given for this fear of capitalism: the idea that profit is inconsistent with the public or social good, and the belief that in their pursuit of private gain corporations are placing crippling burdens on society and the environment. *The Economist*'s article does not consider either of these reasons to be appropriate.[5]

The Economist article says that enlightened self-interest and ethical conduct work well together. But, two values must be understood in relation to the proper good of the corporation, and without these two values business is not possible. The first value is ordinary decency—that is, being just, honest, and fair. The second value involves distributive justice where the benefits within the corporation are aligned to the contribution made in adhering to the aims of the corporation—for example, pay is linked to performance and promotion

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[5] "The World According to CSR: Good Corporate Citizens Believe That Capitalism Is Wicked But Redeemable," The Good Company: A Survey Of Corporate Social Responsibility, *The Economist* (January 22, 2005): 10–14.

to merit. With regard to stakeholders, corporations should take them into account without being accountable to them.[6]

This critique generated substantial response, including several letters to the editor in subsequent issues—the majority of which disagreed with the thesis of the survey. An invited contributor to *The Economist* responded with a countering view. Ian Davis, worldwide managing director of McKinsey & Company, stated that business leaders should not fear greater advocacy of the contract between business and society and that the role of business is changing.[7] *Corporate Knights* did an analysis of the survey, pointing out that the complete separation of government and society from the private sector was no longer a reasonable assumption to hold.[8] Most commentators thought that to be successful the modern corporation must consider the interests of stakeholders in addition to shareholders.

The Economist did have a follow-up report in January 2008, "Just good business: A special report on corporate social responsibility."[9] An accompanying editorial was entitled "Ethical capitalism: How good should your business be?"[10] The tone of the second report was somewhat different from the first one. The first report questioned the legitimacy of CSR, while the second report focused on how CSR was being accomplished. Some observations from the second report were: CSR has gained considerable momentum and rather than being a sideshow, is now seen as mainstream. Few corporations are doing it well and it has some limitations. The report concluded that CSR is just good business.

The arguments for and against CSR have been made. Various forms of CSR are widely practised and knowledge of the concept is essential for effective management in today's environment. The following section also addresses this debate but from a different perspective, summarizing the different corporate social responsibility theories that exist. The existence of these theories helps explain why there are so many interpretations associated with the concept.

7.4   SOCIAL RESPONSIBILITY THEORIES

Klonoski[11] sets out to address a fundamental question: "Does business and the corporation have a social nature, or not?" The answer given by any stakeholder can be associated with a theory of corporate social responsibility, and these theories fall into three categories: amoral, personal, and social.

The Amoral View

This category represents a traditional view of business and the role of the corporation; that is, the corporation is seen as a "highly individualized rights bearing economic entity designed for profit making and legitimatized by the laws governing incorporated businesses."[12] Free market defenders and legal recognition theorists are among those holding this view, including some who believe there is no such thing as corporate social responsibility. Over the years many theories have advocated this view of social responsibility; these are listed in Table 7.2. The amoral view is still held by some in the business community.

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[6] "The Ethics of Business: Good Corporate Citizens, and Wise Governments, Should Be Wary of CSR," The Good Company: A Survey of Corporate Social Responsibility, *The Economist* (January 22, 2005): 20–22.

[7] Ian Davis, "The Biggest Contract: By Building Social Issues into Strategy, Big Business Can Recast the Debate about Its Role," *The Economist* (May 28, 2005): 69–71.

[8] "Analyze This! An Analysis of *The Economist*'s Analysis of CSR," *Corporate Knights* (Spring 2005): 30–33.

[9] "Just good business: A special report on corporate social responsibility," *The Economist*, January 19, 2008.

[10] Ibid, 12–13.

[11] Richard J. Klonoski, "Foundational Considerations in the Corporate Social Responsibility Debate," *Business Horizons* (1991, July/August): 16.

[12] Ibid, 16.

Table 7.2   **EXAMPLES OF AMORAL-VIEW THEORIES OF SOCIAL RESPONSIBILITY**

Fundamentalism—The corporation has no or very little social responsibility.

Legal recognition—The corporation is an autonomous entry and not the creation of society.

Individual agreement—Corporations can be socially responsible, but only within the limits of a prior contractual agreement with shareholders.

Traditional shareholders model—Beyond individual agreements, corporations are not ethically required to be socially responsible; they are responsible only to monies and to maximize profits (as so famously stated by Milton Friedman).

Source: Summarized from Richard J. Klonoski, "Foundational Considerations in the Corporate Social Responsibility Debate," *Business Horizons* (July/August 1991): 9–18.

The "amoral" view should be carefully defined and not confused with an "immoral" view. Amoral refers to an activity without a moral quality; that is, something that is neither moral nor immoral: moral standards, restraints, or principles do not exist. This is quite different from immoral, which denotes activities that are not moral and do not conform to usually accepted or established patterns of conduct. Amoral means lacking in morals, good or bad, while immoral connotes evil or licentious behaviour. Although in some contexts being amoral is considered as reprehensible as being immoral, that is not the position taken by most advocates of the theories listed in this category.

The Personal View

This view discusses the nature of the corporation in ascertaining whether it can be held accountable. The question involved is whether corporations are "moral agents" or "full fledged" moral persons. Corporations are viewed as collectives that act as individuals; they exist as legal persons and can be held responsible for their actions. This question has been extensively discussed in the literature.

Those arguing that corporations are persons claim that corporations are responsible for their actions in a way comparable to the actions taken by natural persons or individuals. Therefore, the corporation can be morally blamed in a way that is identical or very similar to natural persons. A strong counterargument in the literature claims that corporations are not persons. Supporters of this view argue that it is not possible to impose moral sanctions or punishments on corporations as corporations. It is possible to blame or punish the people who work for or manage the corporation, but not the corporation itself. Some punishments, such as fines, are in effect paid by shareholders or passed on as costs to consumers.

The debate over whether the corporation can be seen as a moral person does not provide an answer as to whether the corporation is a social institution. Those who claim the corporation is a person believe that it is socially responsible for its impact on society, and that it can be held morally accountable for its actions in the social sphere. Those who do not consider the corporation to be a person say that claims against the corporation by society need a different basis than that provided by the moral person or agency theory. The "personal" view represents a middle position between the amoral and social views.

The personal view leaves the debate unresolved. However, the arguments favouring the treatment of corporations as persons lead to the next theoretical view of corporate social responsibility: the social view.

The Social View

This view holds that the activities of corporations occur within an interpersonal and, most likely, social context. The corporation is considered a social institution in society, with social responsibilities. The social nature of business can rest in many different theories, some of

which are listed in Table 7.3. The extent of corporate social responsibility depends on the theoretical foundation used to support the view.

It is argued that the corporation should be considered a social institution, as it exists because individuals come together to achieve some objective related to the provision of goods and services. Today, corporations exist because society implicitly sanctions them to operate in that form. Many in society believe that corporations now operate within the "social" view of corporate social responsibility despite the continuing claims of those who argue the "amoral" view, with its incomplete vision of the corporation operating as a private institution with a solely economic purpose.

Many theories and frameworks have been presented to describe corporate social responsibility. Some of them overlap and some parallel the arguments for and against corporate social involvement. The existence of numerous theories supporting corporate social responsibility makes it difficult to find a comprehensive and definitive definition, as mentioned in section 7.2 about describing social responsibility.

Despite the numerous views of corporate social responsibility, many business-supported organizations advocate it, some of which are listed in Responsibility for Ethics 7.4. The literature contains numerous models of social responsibility, and one has been selected for presentation. Carroll's pyramid of corporate social responsibility is a practical framework for managers: it incorporates economic, legal, social, and ethical responsibilities.

Table 7.3   EXAMPLES OF SOCIAL-VIEW THEORIES OF SOCIAL RESPONSIBILITY

Social contract—An implicit social agreement exists between business and society that determines the social nature of the corporation, identifies its duties and rights, and is considered to be an evolving document.

Ideological/historical—Society evolves and history gives rise to new social needs, societal demands, and changes in social values to which business is expected to contribute.

Stakeholder—There is a social responsibility function of the interrelationships developed by the corporation with groups that have a stake. This approach was also referred to as "constituency theory." This theory is one of the main underpinnings of this book.

Legal creator—The corporation is a creature of law, existing only in contemplation of law, and is thus made by society for the common good of society.

Social permission—Society can legitimately demand the corporation do certain kinds of activities and, if the corporation is harming the public good, can restrict or eliminate its activities.

Corporate citizenship—With the charter, the corporation becomes a legal entity with standing as a citizen similar to that of the individual and has duties as well as rights and privileges.

Social impact—Business has the power to change society and must consider social responsibilities.

Social interpenetration—Business is so intertwined with society that it cannot avoid social responsibilities.

Moral gratitude/reciprocity—As business operates within a social system, it should be socially responsible out of "gratitude" or have a moral responsibility to "reciprocate." Corporations benefit from and thus owe society.

Utilitarian—It is to the benefit of society or for the greatest good for the greatest number of people that corporations are socially responsible; social responsibility is in business's best interest.

Virtue-based—This view focuses on the development of good or morally virtuous people instead of principles or contracts. A morally responsible business is one in which good people make decisions based on generally developed moral character, self-discipline, moderation, hard work, courage, creativity, good humour, and intelligence.

Source: Summarized from Richard J. Klonoski, "Foundational Considerations in the Corporate Social Responsibility Debate," *Business Horizons* (July/August 1991): 9–18.

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7.4   *Business-Supported Organizations Working on CSR*

Several organizations are promoting CSR with support from Canadian businesses:

Canadian Business for Social Responsibility—Founded in 1995, CBSR is a business-led, non-profit CSR consultancy and peer-to-peer learning organization that provides its members with candid counsel and customized advisory services as they formulate powerful business decisions that improve performance and contribute to a better world.

Conference Board of Canada—The Conference Board of Canada is an independent source of insights for business leaders. CSR is considered relevant to business, a key determinant of a corporation's relationship to the world. It conducts and publishes research, and disseminates knowledge to its members by conducting and publishing research and sponsoring conferences and seminars.

Corporate Knights—Founded in 2002, Corporate Knights Inc. is an independent Canadian-based media company that publishes the world's largest-circulation magazine with an explicit focus on corporate responsibility.

Canadian Centre for Ethics and Corporate Policy (EthicsCentre.ca)—EthicsCentre.ca is a registered charity and independent ethics centre formed to champion the application of ethical values in the decision making process of business and other organizations.

Ethics in Action Awards Society—This non-profit organization is incorporated in British Columbia and governed by a volunteer board of directors. Its main purpose is to recognize leaders and businesses that go beyond the financial bottom line in balancing social principles with profits.

Imagine Canada—Imagine Canada is a non-profit organization that helps charities and non-profit organizations fulfill their missions, champions corporate citizenship, and helps businesses partner in the community. It accomplishes this through research, developing public policy, promoting public awareness, and encouraging businesses to become better corporate citizens.

7.5 | THE PYRAMID OF CORPORATE SOCIAL RESPONSIBILITY

One way to view corporate social responsibility is through Carroll's[13] pyramid, which he claims presents the concept such that social responsibility will be accepted by a conscientious businessperson. There are four kinds of social responsibility—economic, legal, ethical, and philanthropic—which can be depicted in a pyramid, as presented in Figure 7.1. Carroll contends that all of these responsibilities have always existed to some degree, but ethical and philanthropic responsibilities have become significant only in recent years.

Economic responsibilities relate to business's provision of goods and services of value to society. Profits result from this activity and are necessary for any other responsibilities to be carried out. It is assumed that corporations will be as profitable as possible, maintain a strong competitive position, and maintain a high level of operating efficiency. These are responsibilities that the corporation "must do" and the key stakeholders are shareholders, creditors, and consumers.

[13] Archie Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons* (July/August 1991): 39–48.

Figure 7.1   CARROLL'S PYRAMID OF CORPORATE SOCIAL RESPONSIBILITY

PHILANTHROPIC
Responsibilities
Be a good corporate citizen.
Contribute resources
to the community;
improve quality of life.

ETHICAL
Responsibilities
Be ethical.
Obligation to do what is right, just,
and fair. Avoid harm.

LEGAL
Responsibilities
Obey the law.
Law is society's codification of right and wrong.
Play by the rules of the game.

ECONOMIC
Responsibilities
Be profitable.
The foundation upon which all others rest.

Source: This article was published in *Business Horizons* journal, July/August 1991 by Archie Carroll, "The Pyramid of Corporate Social Responsibility," 42. Copyright Elsevier & Kelley School of Business, Indiana University.

Society expects business to conform to laws and regulations formulated by governments that act as the ground rules under which business must operate. Corporations are expected to pursue profits within the framework of the law, which establishes what are considered fair operations. Society expects that all goods and services and relationships with stakeholders will meet at least minimal legal requirements.

Ethical responsibilities include those activities that are not expected or prohibited by society as economic or legal responsibilities. Standards, norms, or expectations that reflect concern for select stakeholder input is fair, just, or in keeping with their moral rights. Ethics or values may be reflected in laws or regulations, but ethical responsibilities are seen as embracing the emerging values and norms that society expects of business even if not currently required by law. These responsibilities can be thought of as things the corporation "should do." These responsibilities are more difficult for business to deal with as they are often ill-defined or under continual public debate. Ethical responsibilities also involve the fundamental ethical principles of moral philosophy, such as justice, human rights, and utilitarianism. The changing or emerging ethical responsibilities are constantly pushing legal responsibilities to broaden or expand, while at the same time expecting business's ethical behaviour to go beyond mere compliance with laws and regulations.

Philanthropic responsibilities involve being a good corporate citizen and include active participation in acts or programs to promote human welfare or goodwill. Examples are contributions to the arts, charities, and education. Such responsibilities are not expected in an ethical or moral sense, making philanthropy more discretionary or voluntary on the part of business even though society may have such expectations of business. Few in society expect corporations to have these responsibilities and they can be thought of as things corporations "might do."

Carroll views the pyramid as a basic building-block structure, with economic performance as the foundation. At the same time, business is expected to obey the law, behave ethically, and be a good corporate citizen. Although the responsibilities are portrayed as separate elements, in practice they are not mutually exclusive; however, the separation aids managers to appreciate the

different obligations that are in a constant but dynamic tension with one another. For example, there are particular tensions between economic and ethical responsibilities. In summary, Carroll views the total social responsibility of business as involving the simultaneous fulfillment of the four responsibilities—which, stated in pragmatic terms, means that the corporation should strive to make a profit, obey the law, be ethical, and be a good corporate citizen.[14]

Carroll's pyramid represents one of the earliest attempts to integrate the economic and social responsibilities of the corporation. Evidence is accumulating that supports consideration of economic (tangible) and social (intangible) responsibilities:

- Economic (profits) and social responsibilities (ethics) are not mutually exclusive.
- Research shows that economic and social responsibilities are often inseparable.
- Corporations that consider social responsibilities seriously tend to outperform solely profit-seeking corporations.

There is resistance to this convergence of economic and social responsibilities. Managers who incorporate social responsibilities into decision making are sometimes labelled as "do-gooders" who are ignoring profits. There are segments of society that suggest there is nothing good about business and that it cannot be ethical or concerned about social issues. It is argued that business should stay out of social responsibilities, as it is often difficult to judge what is right or wrong and managers are not prepared to make such decisions.

An outcome of this shift toward integrating economic, social, and environmental responsibilities has been the emergence of new concepts, several of which are discussed in the following section.

7.6 | CONTEMPORARY CSR CONCEPTS

Corporate social responsibility is the terminology still widely used to represent business's social responsibilities. However, other terms have appeared that incorporate the consideration of economic responsibilities as well, including corporate sustainability, reputation management, social impact management, triple-E bottom line (TBL), and corporate citizenship. The first four terms will be briefly described here; corporate citizenship is a more prominent term and will be discussed in detail in the following section.

Corporate Sustainability

As with the definition of CSR, academics, consultants, and practitioners have formulated many definitions of corporate sustainability, some of which are similar to those for CSR. **Corporate sustainability (CS)** refers to corporate activities demonstrating the inclusion of social and environmental as well as economic responsibilities in business operations as they impact all stakeholders. Marrewijk identified five levels of CS that are similar to how CSR could be viewed:

Corporate sustainability (CS) Corporate activities demonstrating the inclusion of social and environmental as well as economic responsibilities in business operations as they impact all stakeholders.

- *Compliance-driven CS*—Involves following government regulations and responding to charity and stewardship considerations considered appropriate by society.
- *Profit-driven CS*—Consideration is given to the social, ethical, and environmental aspects of business operations provided they contribute to the financial bottom line.
- *Caring CS*—CS initiatives go beyond legal compliance and profit considerations where economic, social, and environmental concerns are balanced, as it is the right thing to do.
- *Synergistic CS*—Well-balanced and functional solutions are sought that create value in the economic, social, and environmental areas, as it is a winning approach for all stakeholders.

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[14] Ibid, 39–43.

- *Holistic CS*—CS is fully integrated and embedded in every aspect of the corporation's activities, as this is important to the quality and continuation of life on this planet.[15]

Corporate sustainability has been recognized by the financial markets because it creates long-term shareholder value by embracing opportunities and managing risks as the result of economic, social, and environmental developments. This idea is illustrated in Responsibility for Ethics 7.5.

RESPONSIBILITY FOR ETHICS

7.5   *The Dow Jones Sustainability Indexes*

Dow Jones states that corporate sustainability is important to long-term shareholder value, which is achieved by embracing opportunities and management risks from economic, social, and environmental developments. Launched in 1999, the Dow Jones Sustainability Indexes (DJSI) track the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Indexes, STOXX Limited, and SAM Group, the indexes provide asset managers with reliable and objective benchmarks to manage sustainability portfolios. The DJSI family currently includes indexes covering global, European, North American, Asian, and U.S. benchmarks.

The DJSI North America index surveys the 600 largest corporations of which 78 are Canadian, including Suncor, TransAlta, RBC Financial, Sun Life, CGI Group, and Bell Canada Enterprises.

Source: Dow Jones Sustainability Indexes, http://www.sustainability-index.com/.

Reputation Management

Reputation management
Any effort to enhance the corporation's image and good name; in the past, the focus of these efforts was on media and public relations, and, to some extent, crisis management.

Reputation management is any effort to enhance the corporation's image and good name. In the past, the focus of these efforts was on media and public relations, and, to some extent, crisis management. Today, reputation management is being extended to relations with all stakeholders. Many managers believe that reputation management enhances financial performance, improves competitive positions, and increases public approval of corporate activities, and studies support this view.[16]

A successful process to implement reputation management involves several stages: the identification of a desired perception of the corporation, the recognition of the significance of image with all stakeholders, an awareness of the influence of interactions with stakeholders on the corporation's reputation, and continuous efforts at maintaining relationships with stakeholders.

Reputations take a long time to establish and can be destroyed quickly. As a result, a reputation can be an asset but at times a liability. Managers must understand all the factors that encompass a reputation and be aware of the measures used to differentiate a good reputation from a bad one. Examples are provided by surveys appearing in the media, including the "Canada's Most Respected Corporations" survey in *The Globe and Mail,* sponsored by KPMG and conducted by Ipsos-Reid; the "Canada's Best Managed Companies" survey in the *National Post,* sponsored by Deloitte, CIBC, and the Queen's School of Business; and the "Best Corporate Citizens in Canada" survey by *Corporate Knights: The Canadian Magazine for Responsible Business.* The purpose in describing these surveys is to establish that public measures assessing a corporation's reputation are available. It also establishes the importance of reputation and the need for managers to consciously monitor it.

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[15] Marcel van Marrewijk, "Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion," *Journal of Business Ethics,* 44, No. 2 (2003): 102–103.

[16] Peter W. Roberts and Grahame R. Dowling, "Corporate Reputation and Sustained Superior Financial Performance," *Strategic Management Journal, 23* (2002): 1077–1093.

Social Impact Management

One of the main advocates of social impact management is the Aspen Institute. The Institute defines **social impact management** as "the field of inquiry at the intersection of business needs and wider societal concerns that reflects and respects the complex interdependency between the two."[17] This is very much a "business and society" approach, stressing the need for contemporary business to recognize and understand this interdependency if business and the society in which it operates wish to thrive. The Institute argues that this understanding is becoming increasingly important as corporations take on a bigger role and society increases pressure for corporations to address more essential social and environmental concerns.

The approach stresses the intersection of traditional business concerns (i.e., for financial or economic matters) and society's concerns for the consequences of the impact of the corporation (i.e., the social impact of business). Thus, social impact management is two-directional: society's influence on corporations, and the corporations' influence on the social and environmental concerns of society.

The Institute believes that "social impact management, as a way of thinking about business activities, explicitly considers and evaluates three aspects of a business:

1) Purpose: What is the purpose—in both societal and business terms—of a business or business activity?
2) Social Context: Are the legitimate rights and responsibilities of multiple stakeholders considered? Is a proposed strategy evaluated not only in terms of predicted business outcomes, but also in terms of its broader impacts—for example, on quality of life, the wider economy of a region, and security and safety?
3) Metrics: How is performance and profitability measured? What is being counted and what is not being counted? Are impacts and results measured across both short and long term time frames?"[18]

Triple Bottom Line (TBL)

The **triple-E (economic, ethical, and environmental) bottom line** evaluates a corporation's performance according to a summary of the economic, social, and environmental value the corporation adds or destroys. A variation of the term is the triple-P bottom line: people, planet, profit. The narrowest meaning of the term is a framework for measuring and reporting corporate performance against economic, social, and environmental indicators. Recently, a broader meaning has been attributed to the term in that the concept is used to capture a whole set of values, issues, and processes that corporations must address in order to minimize any harm resulting from their value-adding or -destroying activities. This includes clarifying the corporation's purpose and taking into consideration all stakeholders. The triple-E bottom line approach is often the basis for corporate reporting of economic, ethical, and environmental responsibilities. Everyday Ethics 7.2 is an example of TBL at Canadian Tire.

The triple bottom line approach has been criticized as being of limited value and even misleading. Norman and MacDonald argue that conceptually and practically the approach is not helping the discussion of CSR. The claims made are difficult to assess and amount to misleading rhetoric. The authors claim that the use of the triple bottom line may be providing a smokescreen behind which corporations can avoid ethical and environmental responsibilities and reporting.[19]

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[17] The Aspen Institute, "Social Impact Management: A Definition," http://www.aspeninstitute.org/site/c.huIWJeMRKpH/b.729881/k.5FC2/Social_Impact_Management_A_Definition.htm.

[18] Ibid.

[19] Wayne Norman and Chris MacDonald, "Getting to the Bottom of 'Triple Bottom Line,'" *Business Ethics Quarterly,* Volume 14, Issue 2, 2004, 243–262.

7.2 *Triple Bottom Line at Canadian Tire*

Canadian Tire Corporation thinks of its ethics and responsibilities in terms of a triple bottom line. It integrates economic, social, and environmental concerns into its values, operations, and business strategy.

Economic responsibility has enhanced shareholder value and delivers long-term earnings growth to shareholders. The company is committed to conducting its business in a responsible and ethical manner and its business practices are governed by a Code of Business Conduct.

Social responsibility includes community investment, donations, sponsorships, fair employment practices, and ethical sourcing. An Employee and Director Code of Conduct and a Supplier Code of Business Conduct influence behaviour in delivering social responsibilities.

Environmental responsibility is carried out through product stewardship programs, reducing waste and increasing recycling, consumer protection and education about products, and environmentally responsible operations.

Source: "Corporate Social Responsibility," Canadian Tire Corporation, http://corp.canadiantire.ca/EN/CSR/Pages/default.aspx.

7.7 VIEWS ON CORPORATE AND BUSINESS CITIZENSHIP

Corporate citizenship has recently become a commonly used term to describe the role of business in society. The term appears in the academic literature and business media and is used by corporations to describe their activities. Consulting firms promote their version of corporate citizenship and sell services to assist corporations in establishing and describing their citizenship activities. University research centres have been established on the topic, numerous books describe the concept, and there is a *Journal of Corporate Citizenship.*

Corporate citizenship
The demonstration by a corporation that it takes into account its complete impact on society and the environment as well as its economic influence.

Despite the common usage of the term, definitions vary. **Corporate citizenship** is the demonstration by a corporation that it takes into account its complete impact on society and the environment as well as its economic influence. It concerns the economic, ethical or social, and environmental responsibilities to all stakeholders involved with consideration given to inputs from various stakeholders and the practices of corporations to develop relationships with stakeholders.

There are many justifications for corporate citizenship, with one of the most frequently referenced being the "Business Case for Corporate Citizenship" that was posted on the World Economic Forum Web site.[20] According to this report, good corporate citizenship can provide business benefits in eight areas:

- *Reputation management*—A corporate reputation is built and maintained by fulfilling the expectations of multiple stakeholders.

- *Risk profile and risk management*—Risk is reduced when corporations understand stakeholder concerns.

- *Employee recruitment, motivation, and retention*—Obtaining and keeping employees is made easier for companies known as good corporate citizens.

- *Investor relations and access to capital*—Many investors are interested in non-financial as well as financial performance, and there is a proven link between good corporate citizenship and good financial performance.

[20] World Economic Forum—The Business Case for Corporate Citizenship, "Global Corporate Citizenship," http://www.weforum.org/site/homepublic.nsf/Content/Global+Corporate+Citizenship+Initiative.

- *Learning and innovation*—Corporate citizenship objectives can encourage creativity and innovation.
- *Competitiveness and market positioning*—Increasingly, consumers are inquiring about the corporate citizenship performance of companies and tend to be loyal to those with a good record.
- *Operational efficiency*—A focus on corporate citizenship can lead to direct improvements to the bottom line.
- *Licence to operate*—Companies with a good record of corporate citizenship are given greater leeway when problems occur and are less subject to unfair criticism.

This list illustrates the broad scope of activities and stakeholders that are impacted by corporation citizenship practices, including on a global scale. The report concluded that increasing corporate citizenship was an integral part of good business management. Everyday Ethics 7.3 is an example of how one corporation defines citizenship.

7.3   *Corporate Citizenship at Imperial Oil*

Many corporations are utilizing the concept of corporate citizenship to outline their relationship with society. Imperial Oil's Corporate Citizenship Report contains information such as:
- an outline of the company's approach to corporate citizenship;
- an overview of key performance highlights;
- a Q&A section with the Chairman;
- an overview of the corporation's energy outlook; and
- detailed sections outlining how the business is managed, and environmental, workplace, community and social, and economic performance.

Source: "2008 Corporate Citizenship Report," Imperial Oil Limited, http://www.imperialoil.ca/Canada-English/Files/Corporate_Citizenship/2008_Full_CCR.pdf.

The quantity and diversity of the literature on corporate citizenship makes it difficult to concisely review. The following discussion attempts to organize the views that are held regarding corporate citizenship (inappropriate, limited, equivalent, extended, and business). The final section argues that a more appropriate term is "business citizenship."

The Inappropriate View

Many have posed the questions, "Can the corporation be a citizen?" and "Is a corporate citizen the same as an individual citizen?" The nature of citizenship has its roots in political theory, philosophy, law, sociology, and psychology and is a complex phenomenon that has been discussed and debated for centuries. Individual citizenship involves the relationship of the person to the state, the rights and duties of citizens, and the national and cultural identity involved.[21]

Any attempt to extend the individual's role as a citizen to that of a corporation is thought by many to be completely inappropriate. A corporation is not an individual citizen, as it does not possess the attributes or characteristics of a person. Any attempt to project the qualities of a person to the corporation is false and meaningless. Given the prominence of corporate citizenship in the academic and practitioner spheres, this view is not widely held, although it does have its advocates.

[21] Donna J. Wood and Jeanne M. Logsdon, "Theorising Business Citizenship," Jörg Andriof and Malcolm McIntosh, *Perspectives on Corporate Citizenship* (London: Greenleaf Publishing, 2002), 87.

Limited, Equivalent, and Extended Views

Matten and Crane[22] described three views of corporate citizenship: limited, equivalent, and extended. These views will form the categories of how corporate citizenship is considered. These three views are summarized in Table 7.4, which is followed by an explanation of why "corporate" citizenship would be more appropriately viewed as "business" citizenship.

Table 7.4   THREE VIEWS OF CORPORATE CITIZENSHIP

Limited	Equivalent	Extended
Corporate giving or philanthropic responsibility was the focus	Citizenship is defined as what society expects are responsibilities of business	Citizenship is defined as a set of individual, social, civil, and political rights
Reasoning is that something should given back to the community	Emphasis on sustainability, the stewardship role of business, and the stakeholder approach	Social rights provide the individual with the freedom to participate in society, for example the right to education
Considered to be enlightened self-interest	Considered to be rebranding or re-launching existing ideas and concepts of business–society relations	Civil rights provide freedom from abuses and interference by third parties, for example the right to own property
		Political rights extend beyond the protection of the individual and involve the individual's participation in society, for example the rights to hold office and to vote

Source: Compiled based on Dirk Matten and Andrew Crane, "Corporate Citizenship: Towards an Extended Theoretical Conceptualization," *Academy of Management Review* 30, No. 1 (2005):168–170.

Approach to Corporate Citizenship

Building on the "extended" view that citizenship is based on the shared understanding of the basic social, civil, and political rights, a different way of considering corporate citizenship emerges. However, it is questionable whether social and political rights can be regarded as rights of the corporation. Instead, the corporations could be viewed as powerful actors that have a responsibility to respect individual rights.
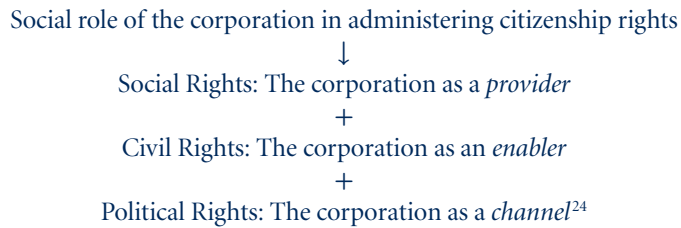
Globalization has shifted responsibility for protecting citizenship rights away from governments, as seen by the activism of non-governmental organizations (NGOs). Instead of seeking from governments a solution to corporate misdeeds, NGOs pressure corporations directly or indirectly through stakeholders such as consumers and the media. The result is that many social changes are taking place beyond the power and influence of the nation-state. The absence of government initiatives has caused a gap in providing these rights, and corporations are increasingly filling this gap as they are principal actors in society and drivers of globalization.

Matten and Crane[23] cited some examples of change that have resulted as governments ceased to be the only guarantor of citizenship. There are areas where governments cease to administer citizenship rights, and corporations may step in or their role may become more pronounced, as illustrated in privatization and welfare reform. Another occurs where governments have not yet administered citizenship, for example in the regulation of sweatshop working conditions. Lastly, there are areas where the administration of citizenship rights may be beyond the nation-state or government, for example the creation of transnational institutions and global codes of conduct.

[22] Dirk Matten and Andrew Crane, "Corporate Citizenship: Towards an Extended Theoretical Conceptualization," *Academy of Management Review 30*, No. 1 (2005): 166–179.

[23] Ibid, 172–173.

In this context, corporation citizenship is described as the role the corporation plays in administering citizenship rights for individuals and away from considering the corporation a citizen to one where the corporation administers some rights. Corporations would take on this role for altruistic, enlightened self-interest and pure self-interest motivations. This extended role of the corporation is represented in the following diagram:

Social role of the corporation in administering citizenship rights

↓

Social Rights: The corporation as a *provider*

+

Civil Rights: The corporation as an *enabler*

+

Political Rights: The corporation as a *channel*[24]

This view describes the role of the corporation as being involved with the administering of citizenship rights for individuals rather than as a "citizen" as such. Matten and Crane's summary argument is that:

> *We have identified citizenship as* an arena *where two parties are involved: (1) the state (originally) as the party administering rights of citizenship and (2) the private citizen as the receiver of those rights. We have then argued that corporations have become major actors in this arena. Our extended conceptualization locates CC [corporate citizenship] in the administration of citizenship rights, which, in the liberal view, is clearly an aspect of citizenship. Of course, this does not mean that corporations "are" citizens or that they "have" citizenship, but they are certainly active* in *citizenship* behaviors.[25]

Corporate citizenship is considered at a different level; that is, not at the same level as for a private citizen. This view of corporate citizenship implies that corporations have replaced some of the functions of government as they administer citizenship. Corporations enter this different level on a discretionary or voluntary basis and accountability becomes an issue. The adequacy of such accountability will be discussed later.

Business View

Wood and Logsdon[26] argue that the term "business citizenship" may better incorporate the broader perspective on business rights and duties, stakeholder relationships, and responses to the opportunities and challenges that accompany the global socioeconomy of the twenty-first century. **Business citizenship** includes the responsibilities of corporate citizenship on a local and national basis and extends it to a global or universal scope.

Business citizenship
Includes the responsibilities of corporate citizenship on a local and national basis and extends it to a global or universal scope.

The authors explain the states of citizenship for individuals and then compare this reasoning to the business organization or the corporation. Thus, the individual as citizen is local, community, and national in scope and the relationship of the individual is with the state and involves rights and duties. Today, the individual as citizen is global or universal in scope and concerned with common humanity, interdependence, and universalism, which are less grounded on fixed rules or laws.

Further, the corporation as citizen can be considered as either a "corporate" citizen or a "business" citizen. As a corporate citizen, corporations are a responsible player in local environments, involved with volunteerism, charity, and rights and duties in and for the community. Today, thinking in terms of being a corporate citizen associated with corporate–com-

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[24] Mattan and Crane, 174.

[25] Mattan and Crane, 175.

[26] Wood and Logsdon, 183–103.

munity relations may be too narrow to represent the depth and variety of business–society relationships. Thus, a "business citizen" would not only be responsible for local actions—that is, concerned with organizations' rights and societies within and across national and/or cultural borders—but also for global or universal actions. Wood and Logsdon provide the rationale for moving from individual citizenship to corporate citizenship by outlining the similarities and differences, and then moving the corporate citizen on a local, community, and national scope to the global or universal scope.[27]

The following quotation summarizes Wood and Logsdon's argument for using "business" instead of "corporate" citizenship:

> *'Business citizenship,' …, provides an overarching rations for corporate social perform-ance, for the study of ethics in business, for stakeholder theory and issues management, for business-government relations and for concerns over major social, political and human issues such as labour rights and environmental protection. Business citizenship can be one of the conceptual balance beams of the long-standing paradox of self-interest and other interest, of individual versus collective outcomes.*[28]

This presentation has provided background on the views of corporate and business citizenship in the literature and in practice. Currently, the more widely accepted term is corporate citizenship, but the use of business citizenship is considered more appropriate as it avoids the problematic discussion of whether or not the corporation is a citizen. It is also more inclusive as it incorporates the complete business system, including the global nature of business.

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[27] Ibid, 87.

[28] Donna J. Wood and Jeanne M. Logsdon, "Theorizing Business Citizenship," in Jörg Andriof and Malcolm McIntosh, *Perspectives on Corporate Citizenship* (London: Greenleaf Publishing, 2002), 87.

SUMMARY

- Rather than provide one definition of social responsibility, the chapter identifies the elements found in the majority of definitions. Corporate social responsibility is a reflection of the fact that business and society are interwoven and can be expressed in terms of three principles: legitimacy, public responsibility, and managerial discretion. The principle of legitimacy refers to society's granting of legitimacy and authority to business, along with business's appropriate use of that power; the principle of public responsibility means business is responsible for outcomes related to its areas of involvement with society; and the principle of managerial discretion refers to managers as moral actors who are obligated to exercise such discretion as is available to them to achieve socially responsible outcomes.

- The debate as to whether social responsibility is an appropriate concept is summarized in arguments for and against corporate social involvement.

- These arguments are reflected in Klonoski's summary of social responsibility theories, categorized according to three alternative views of the corporation as amoral, personal, and social. The arguments and theories are presented not to provide a definitive answer to the question of corporate social responsibility but to review the background to the debate. In fact, the debate has not been resolved to date, as evidenced by the critique of CSR in a leading business magazine.

- A pyramid of corporate social responsibilities is presented, based on economic, legal, ethical, and philanthropic responsibilities. A hierarchy of responsibilities exists; economic and legal obligations are primary and basic. In recent years, the ethical and philanthropic responsibilities have received more attention.

- Social responsibility has evolved, and today other terminology is being used to describe the concept. This terminology includes corporate sustainability, reputation management, social impact management, triple-

E bottom line, and corporate citizenship. Definitions are provided so that a distinction can be made among the terms.

• Corporate citizenship is another term used interchangeably with CSR. It is an inclusive term to capture the economic, social, and environmental respon-sibilities of the corporation and relies on stakeholder theory. As with CSR, various interpretations are given to the term, and it is argued that the term business citizenship would be even more inclusive as it is global or universal in scope.

KEY TERMS

CRITICAL THINKING AND DISCUSSION QUESTIONS

1. Why should corporations and their management be concerned with corporate social responsibility?

2. Distinguish among Wood's three principles of corporate responsibility: legitimacy, public responsibility, and managerial discretion.

3. Why do some corporations and their management oppose corporate social responsibility?

4. Is there any legitimacy to the argument put forth by Milton Friedman and *The Economist*'s article on corporate social responsibility?

5. Social responsibility is interpreted in many ways. State your understanding of corporate social responsibility.

6. List the 10 stakeholders you think have the greatest influence on a corporation's social responsibility.

7. Can the corporation have a conscience?

8. Do you agree that "economic responsibilities" are a component of corporate social responsibility?

9. What does a corporation have to do to have a "good" reputation?

10. Is the corporation a "citizen" of society?

CASES

7.1   WOULD YOU LIKE TO DONATE …?

Suzanne Valentine had been noticing an increasing number of businesses asking their customers to donate to charities when they make a purchase. One example was the Shoppers Drug Mart's "Tree of Life" campaign, which encourages customers to purchase a $1 leaf, a maple leaf for $5, or an apple for $50. All proceeds go directly to the women's health charity organization chosen by the Associate-owner of that particular store. In 2009, 249 community women's health charities benefited from the campaign.

Loblaws has a similar approach. Customers are asked to contribute to charity at the checkout through the "Give a Little Help a Lot" campaign. The Canada Post Foundation for Mental Health supports mental health organizations through sales of special commemorative postage stamp booklets and donations directly at post office sales counters.

Suzanne was directly affected by this type of corporate social responsibility fundraising. She worked part-time as a cashier at her neighbourhood grocery store and the owner established a donation scheme, "Pennies for Pets." The owner was a strong supporter of animal causes and the donations were to support the local animal shelter. All cashiers were instructed to ask customers if they wanted to donate $1 or $2 to the shelter.

Suzanne followed instructions but she had several reservations about the scheme. She felt awkward asking customers for the donation, particularly those who looked like they could not afford it. Some customers might be intimidated by the request and she did not believe that they should be put on the spot and say "No." Some customers may not wish to support this particular charity. As well, she was not convinced that the particular shelter deserved funding, as there had been some articles in the media about its poor management and treatment of animals. Lastly, she was not sure how much of the money collected was forwarded to the charity, and whether or not the owner matched the customer donations.

QUESTIONS

1. **What are the ethical implications in this example of corporate social responsibility?**

2. **What information should the company provide Suzanne and customers?**

3. **Carroll has identified four corporate social responsibilities: economic, legal, ethical, and philanthropic. Which responsibilities are involved with "Pennies for Pets" or similar fund-raising schemes?**

4. **How does Suzanne resolve her personal ethical dilemmas?**

Sources: Community Investment, 2009 Tree of Life Campaign, Shoppers Drug Mart Inc., http://www.shoppersdrugmart.ca/english/corporate_information/about_us/community_investment/local_community_support/tree_of_life.html; and Canada Post Foundation for Mental Health, Canada Post, http://www.canadapost.ca/cpo/mc/aboutus/cpfoundation/default.jsf.

7.2   MAGNA'S "THE NEXT GREAT PRIME MINISTER" AWARD COMPETITION

Magna International Inc. is the most diversified automotive supplier in the world; it designs and produces parts and components in 22 countries on four continents. The company was started in 1957 by Frank Stronach in a Toronto garage as a one-man tool and die shop called Multimatic. First-year sales were C$13,000, and in 2005 total sales were US$22.8 billion with a net income of US$636 million.

Stronach is still the Chairman of the corporation and is active in its management, with a special interest in corporate social responsibility. Magna's Corporate Constitution is considered a very progressive statement of how a corporation will conduct its business. The Constitution contains a provision that Magna will allocate a maximum of two percent of pre-tax profits to support charitable and non-profit organizations in health, culture, education, sports, and politics.

Of particular interest to Stronach is the "Next Great Prime Minister" competition, which he originated in 1995. Up until 2004, young Canadians were asked to prepare essays describing their vision for Canada. The competition now requires young persons aged 18 to 25 to submit videotapes of three- to five-minute speeches outlining what they would do if they were prime minister. The submissions of the top five contestants are aired on a one-hour televised final, where finalists participate in challenges and debates to determine the winner. The winner receives a prize of $50,000 and a six-month paid internship to a maximum compensation of $30,000 equally split among corporate, government, and non-governmental organizations. The remaining four contenders receive $5,000 and a three-month internship to a maximum compensation of $9,000 equally divided among the three employment sectors.

QUESTIONS

1. **What are the ethical implications in this example of corporate social responsibility?**

2. **Does the sponsorship of this competition make Magna a good corporate citizen? Why or why not?**

3. **Carroll has identified four corporate social responsibilities: economic, legal, ethical, and philanthropic. Which responsibilities are involved with the "Next Great Prime Minister" award competition?**

Sources: Based on Magna International Inc., http://www.magnaint.com/magna/en/; and The Next Great Prime Minister, http://www.thenext greatprimeminister.ca/Home/.