Corporate Social Responsibility: Some Key Theoretical Issues and Concepts for New Ways of Doing Business
by David Birch

This paper brings together some of the main scholarly sources and thinkers of the last fifty years or so, who have been influential in the corporate social responsibility discussions which have become important, once again, as we begin the 21st century. The author creates a narrative of key social, economic and political concepts and themes, which are rationalised (in ways that others might not) from what is often a very disparate, diverse and not always connected discussion on corporate social responsibility. This is not an objective history, charting the developments chronologically, but is the bringing together of some serious thinking in the field of corporate social responsibility in a way which has considerable resonance for both the development of public policy and business practice in corporate citizenship at the beginning of the 21st century.

Capitalism
Lester Thurow wrote nearly forty years ago in The Future of Capitalism that: ‘Paradoxically, at precisely the time when capitalism finds itself with no social competitors – its former competitors, socialism or communism, having died – it will have to undergo a profound metamorphosis’ (Thurow, 1966:326; cf. Harris, 1997)

We are seeing increased calls for what that metamorphosis might look like now, as more and more people, individuals and groups, call upon contemporary capitalism (as expressed though business) to be environmentally and socially responsible; to be accountable and transparent; to be inclusive; to be ethical and stable; to be more equitable – to be sustainable. This is evidenced by the increasing calls by government, civil society, business groups, global agencies (like the World Council for Sustainable Development and the United Nations) and some businesses themselves, upon the corporate sector, in the last few years worldwide, to be engaged in many (or all) of the following initiatives:

- Corporate social responsibility initiatives and reporting
- Corporate citizenship initiatives and reporting
- Sustainability initiatives and reporting
- Triple Bottom Line initiatives and reporting
- Non-Mandatory social, environmental and governance initiatives and reporting
- Some mandatory social, environmental and governance initiatives and reporting
- Socially responsible and ethical investment funds reporting
- Corporate reputation indices
- National and international Corporate Governance guidelines
- Engagement with global initiatives like the UN Global Compact, the OECD Guidelines on multinationals, the Global Sullivan Principles
- Adoption of new reporting and performance guidelines and standards like the AA1000 standard on social and ethical accountability and the Global Reporting Initiative

Note: Funding towards this research was provided by the Business Council of Australia, with research assistance from Khairi bin Razaaai.
• More strategic community involvement, investment and engagement
• Long-term Business/Community partnerships
• Greater stakeholder dialogue and engagement
• Compliance with increasing legislation and regulation in corporate social responsibility, governance and related issues

Some companies, throughout history, particularly those that have survived long-term, have always engaged with these issues, in one way or another, but many, especially given the excesses of business behaviour in the 1980s, have not. If capitalism is, as many suggest, the only viable economic system we have left to us in the developed world, then the metamorphosis that Thurow talked about all those years ago, requires us to make that capitalism more sustainable – more socially and environmentally aware and responsible.

Thurow recognised that the problems intrinsic to capitalism, like inequality and instability, needed to be faced, in order to transform capitalism, as the problems of inequality and instability will continue to flow from capitalism’s growing dependence upon human capital and man made brain power industries (Thurow, 1966:325; cf. Zohar, 1997 & Hawken et al, 1999). As George Soros says in his book Open Society. Reforming Global Capitalism, ‘...the main failing of global capitalism is that it is too one-sided: it puts too much emphasis on the pursuit of profit and economic success and neglects social and political considerations.’ (Soros, 2000:179)

Thurow’s solution was for capitalism to shift from ‘a consumption ideology to a builder’s ideology’ (Thurow, 1988:315; see also Halal, 1986). Increasingly, a significant part of that building ideology is to widen the definition of capitalism from being economic-specific, to include the social and environmental, in order to build (though these are not Thurow’s words) ‘a sustainable society’. Put in business terms, a move needs to be made beyond a concentration on a single, economic bottom line, to multiple bottom lines, including, in particular, the social and environmental this is now often called ‘the triple bottom line’.

John Elkington, in his Cannibals with Forks, The Triple Bottom Line of Twentieth Century Business, develops the concept of the triple bottom line in terms of economic prosperity, environmental quality and social justice (Elkington, 1997: vii). He argues that the key to establishing the triple bottom line is stakeholder consultation. The reason for wanting to do that is to secure a sustainable future.

Sustainable capitalism, to use Elkington’s term, as a building ideology therefore requires cultural change. For example, shareholders (particularly the big pension and mutual funds) are, in Lester Thurow’s words, ‘so distant, so diversified, and so amorphous that none of them can get any enjoyment out of creating or building. They only see dividends.’ (Thurow, 1966:315). As a result capitalism ‘is going to be asked to do what it does least well - invest in the distant future and make deliberate adjustments in its institutional structure to encourage individuals, firms, and governments to make long term decisions.’ (Thurow, 1966:309; see also Chomsky, 1999). That cultural change in investing in the long-term future, and in building a sustainable society as part of it, is at the core of the corporate social responsibility discussions over the last fifty years or so. To that end, corporate social responsibility is not only about the survival of capitalism, it is about the creation of sustainable capitalism. In that respect, it is in every business persons’ interest, as well as in every citizens’ interest, in every society. As Thurow makes clear, ‘if capitalism is to work in the long run, it must make investments that are not in any particular individual’s immediate self interest but are in the human communities’ long run self interest.’ (Thurow, 1966:308; see also Piore, 1993). He asks ‘How can capitalism promote the values that it needs to sustain itself when it denies that it needs to
promote any particular set of values at all? Put simply, who represents the interests of the future to the present?’ (Thurow, 1966:308; see also Agle & Caldwell, 1999).

Some would still want to deny a seminal social role for business, and the responsibilities that go along with it (e.g. Henderson, 2001 & cf. Levitt, 1958 & Kennedy, 2000). Business, they would argue, has nothing, or very little, to do with the social system, but this is not the view of an ever growing set of people who, unlike the single issue interest groups of the 1970s, are people who are generally now working in (and with) business not against business, as key external stakeholders like the more visionary CEOs and Chairs of boards, employees, civil society groups and NGOs. These are the people in the mainstream. As Thurow puts it, at the moment ‘There simply is no social “must” in capitalism.’ (Thurow, 1966:303) There are an increasing number of people, particularly civil society groups and more enlightened managers in business conscious of the need to better position business-society relations, who are, in varying degrees, now demanding that the social ‘must’ Thurow talked about be more fully debated and incorporated into business policy and practices. The debates around capitalism and business-society relations, as they have developed in the last few years, disparate and diverse though they may have been, are building a momentum now, which sees discussion in this area worldwide, rapidly forming a consensus that business, and its reliance on an old economics which has marginalized social, environmental and cultural capital, must change. This momentum is increasingly reflected in the many demands being placed upon business to change performance, reporting and compliance behaviours, policies and practices, along the lines of the list given at the beginning of this paper, in order to become a more public and socially responsible enterprise.

Business as a Social Enterprise
Without actually using the term ‘sustainability’, one of the key lessons of the work done by James Collins and Jerry Porras in their book Built to Last – Successful Habits of Visionary Companies, is that a visionary company (and that generally means one that will survive), depends ‘on a timeless set of core values and an enduring purpose beyond just making money.’ (Collins & Porras, 1994: xix). This is a key principle of the corporate social responsibility discussions, and a key principle for a company seeking to make sustainability that ‘enduring purpose’. The company (or organization) needs ‘to change in response to a changing world, while simultaneously preserving (its) core values and purpose’. Business, they say, needs ‘mechanisms of forward progress, experimentation and entrepreneurship, or continuous self improvement.’ It needs ‘to create consistent alignment to preserve (its) core values and purpose and stimulate progress.’ Above all it needs ‘resiliency’ (p xix) and an ‘ability to bounce back from adversity’ (Collins & Porras, 1994:4; see also Chamberlain, 1972; Cavanagh, 1984; Wood, 1991 & Zadek & Tuppen, 2000). These are the issues at the very heart of the corporate citizenship, sustainability and corporate social responsibility debates right now.

John Kenneth Galbraith, in a 1972 article ‘The Emerging Public Corporation’, argued that there is a deeply embedded view in American society which maintains that a modern corporation should be free from all interference and is thought to be kept honest by competition, with the market, not the state, as the ultimate regulatory force. This disguises, he says, the public character of a corporation, with phrases like ‘private enterprise’. This has led to a view that a corporation ‘has private affairs that should be protected from public scrutiny’ There is, he says, ‘no natural right of the corporation to be left alone.’ (Galbraith, 1972 reprinted in Steiner & Steiner, 1977: 533) This last comment is a central tenet of the corporate social responsibility discussions as they developed in the 1970s. Leading sociologist Daniel Bell, writing in 1974 said, ‘to think of the business corporation simply as an economic instrument is to fail totally to understand the meaning of the
social changes of the last half century.’(Bell, 1974 cited in Beesley & Evans, 1978: 16). Thirty years on many people are saying similar things within the corporate social responsibility debates (see Birch & Glazebrook, 1998; Zadek, 2001b).

Much of this had already been said many years before, of course, by Peter F Drucker in his now classic 1946 book, The Concept of the Corporation. Management has ‘become a major leadership group in industrial society and as such have great responsibilities to their own profession, to the enterprise and to the people they manage, and to their economy and society.’ (Drucker, 1964: 247; see also Galbraith, 1968 & 1973; Denuyt, 1984 & Goyder, 1961). This view is now central to corporate social responsibility discussions (see Zadek et al, 2001; Arthur D Little, 2001; Birch, 2002; WEF, 2002 & WBCSD, 2002). The challenge, of course, is how to implement these concerns so that the paradigm actually does shift.

Using the phrase ‘industrial citizenship’, Drucker argued in 1946, that the major challenge for business, especially in mass production, in relation to its workers, is not mechanical or technical, but social, because ‘the worker has not enough relation to his (sic passim) work to find satisfaction in it. He does not produce a product. Often he has no idea what he is doing or why. There is no meaning in his work, only a pay cheque. The worker in his work does not obtain the satisfaction of citizenship because he does not have citizenship. For as very old wisdom has it, a man who works only for a living and not for the sake of the work and its meaning, is not and cannot be a citizen.’ (Drucker, 1946:135; see also Senge, 1994; Casey, 1995; de Geuss, 1997 & Goyder, 1998). By better linking the concept of citizenship to business-society relations, as has been increasingly done in the most recent corporate citizenship debates occurring worldwide, the diversity of views on business as a private, closed, enterprise, concerned only with maximising profit and shareholder return, is changing. The term ‘corporate citizenship’ may not survive the very disparate debates that have taken place in this area in recent years, but the importance of it as a mechanism to put the company as a social – more public enterprise – will.

**Citizenship**

The notion of citizenship is crucially important therefore. It has important resonances throughout corporate social responsibility discussions ‘Citizenship’ foregrounds the need to broaden responsibilities to everyone involved in an organization. This enables, not only management and workers, but all stakeholders in the organization to obtain the ‘satisfaction of citizenship’, to use Drucker’s phrase, because they have citizenship in the workplace (cf. Moon, 1995 & Handy, 1997ba).

In 1971 a new Professorship was endowed at Columbia University in Public Policy and Business Responsibility called the Garrett Professor of Public Policy and Business Responsibility. Courtney C. Brown was the first holder of this Chair and, a few years later, in his important book Beyond the Bottom Line, published in 1979, brought together (and also critiqued) many of the arguments that had been current in the previous two decades. He refers to the ‘groundswell of change in the societal values that the public holds most important.’ (Brown, 1979: 15, see also Estes, 1966). This groundswell, for the most part, focussed on the environment. But central to Brown’s position was the need ‘to delineate some of the alterations that may be imposed on the business corporation and its management by the addition, to the traditional single goal of making a profit, of what has come to be called social responsibility.’ (Brown, 1979: 15).

Chief among Brown’s required changes was a call to a shift ‘from an organization conscious of a single purpose (profit) to one conscious of a multiplicity of purposes (economic, social, psychological, educational, environmental, and even political) (Brown, 1979:20; see also Klein, 1977). Multiple bottom lines are the key to Brown’s understanding of corporate social responsibility. They are the key to current
discussions though few, if any, contemporary commentators now recognise or refer to Brown’s significant contribution here.

The central issue for Brown ‘is not the contest between private enterprise and government for control of the economy, nor the question of the nature and purpose of controls that each might exercise... but rather the underlying influences at work on society and business’ in order to bring about a modification of the business corporation. (Brown, 1979:20). ‘There is urgently needed’, he said,’ both a modification of public and government attitudes towards business, and a broadened concept of purpose and social service by business. Both are required to assure that the traditional advantages of the private enterprise corporation will survive.’(Brown, 1979:20-21).

This was written over 20 years ago, but few would question the relevance of this urgency today. His concern was not whether the business corporation has a future, but rather: ‘what is the probable nature of that future?’ (Brown, 1979:4). He argued that ‘the corporate quest’ only for ‘improved efficiency competitive success, and maximised profits’ is no longer sufficient. ‘New tasks have been assigned by public pressures, tasks for which executive management in many cases is not prepared.’ (Brown, 1979:5). This is as true now as it was then. The challenge, as Brown saw it, (as many today see it too) is to transform the business from being seen, and seeing itself ‘as a purely profit making organization...to a socio-economic institution of society’ (Brown, 1979:6). That is not easy when ‘The basic legitimacy of the corporation has been and is grounded on stockholder ownership’ (Brown, 1979: 8)

Equality of opportunity was a key social imperative of the 1970s. While that is still very significant today, probably the most important (and related) imperative is now ‘inclusivity’ - the need to have other people participating in business. The foundations for this were laid in the 1970s where values inherited from an age of science and reason, like efficiency and maximum growth (Brown, 1979:17), were ‘no longer accepted without reservation...deemed to be too lacking in solicitude for the public welfare, wanting in compassion for the disadvantaged, and lacking in protection for those exposed to exploitation.’ (Brown, 1979:17). The transformation involved in this therefore is a move from an understanding of business ‘expressing the high value society had come to place on rationality, efficiency, competition and growth.’ (Brown, 1979:17) to one which looks to a more humanist approach and which recognises the value and worth of human capital (see Zadek et al 2000).

This move was building on a tradition, dating back to the 1950s in particular, where the idea of a business with soul (not original to the 1990s by any means) was developed in a 1957 paper by C. Kaysen ‘The Social Significance of the Modern Corporation’. Kaysen talked about soulful corporations ‘discharging social responsibilities (Sheikh, 1996:20; see also Bowen, 1953 & Tomer, 1999). Even back in the 1930s, the now classic book on the modern corporation by A. Berle and G. Means, The Modern Corporation and Private Property (1933) was arguing that ‘the modern corporation should be transforming itself into a social, rather than an economic institution intent on profit maximisation alone’ (Sheikh, 1996:20; see also Birch & Glazebrook, 2000). The problem, for Courtney Brown in the 1970s, and indeed for commentators today, is that the public perception of business is generally a negative one, seeing itself often as victim or exploited, rather than as beneficiary. John Albrow sums it up nicely in the title of his 1997 book, Do Organizations Have Feelings? (Albrow, 1997)

Peter Schwartz, and Blair Gibb, in their 1999 book When Good Companies Do Bad Things - Responsibility and Risk in an Age of Globalisation, argue that many more people today consider themselves to be stakeholders in a company (Schwartz & Gibb, 1999:ix). They argue that it is essential for companies to recognise this by ‘identifying and acting on opportunities
to improve the societies in which they operate’ (Schwartz & Gibb, 1999:xii; see also Logan et al, 1997). The public, they suggest, is seeking ‘a proper balance’ (Schwartz & Gibb, 1999:6). A company’s goal therefore has to be ‘in the end, not discovery of a model of social responsibility, but development of a process that will create its own living understanding of its place in the wider world.’ (Schwartz & Gibb, 1999:82). Corporate responsibility, they argue, ‘should be derived from its stakeholder responsibilities.’ (Schwartz & Gibb, 1999:104), because ‘A group whose members trust each other can achieve more economically than a non-trusting group.’(Schwartz & Gibb, 1999:187).

This can create the corporate dilemma, which Courtney Brown argues can be found ‘in the discomfort of the process of change and the underlying nudging compulsions to choose among unfamiliar and often displeasing alternatives.’ (Brown, 1979:143). Recognising, as Brown does, that business is a social invention (p144), is the key, so that a ‘greater awareness of this fact by business management, by government personnel, and by the public at large would make its passage from a single to a multiple purpose organization less alarming and painful, and, indeed, more rational.’ (Brown, 1979:144).

Probably one of the most incisive analyses of the American corporation in this area in the early 1970s is Neil A Jacoby’s, Corporate Power and Social Responsibility (1973). He developed a social environment model to explain corporate behaviour as a response to both market and non-market forces that influences costs, revenues and profits (Jacoby, 1973:xii; see also Marks & Minow, 1991). Jacoby sought to make boards more socially sensitive by including on them ‘sophisticated and articulate shareowners’ (Jacoby, 1973:226) especially those in the trust and investment companies and pension funds, in order to ensure that, ‘The total performance of the management will receive a searching audit’. He sees this as a solution to ‘the negative perceptions of business as insensitive to social issues.’ (Jacoby, 1973:267). This can also be achieved, he argues, by employing staff expert in organisational and public affairs, and setting up ‘sensory and feedback social devices linking it with all sectors of society’. Communication is the key, with business becoming expert in political as well as social issues. Business should establish a social account, he argues, and be subjected to annual social audits. (Jacoby, 1973:267)

Peter A French, Jeffrey Nesteruk and David T Risser with John Abbarino, in their 1992 book Corporations in the Moral Community, see corporations as moral agents (French et al, 1992:50; see also Etzioni, 1988). They see business providing the environment where individuals, themselves as moral agents, ‘make choices and take actions.’ This business environment, however, is not neutral, disinterested, ground. It conditions many of the choices that are made there. As such, business has a responsibility ‘for the kinds of environments they develop and maintain’ (French et al, 1992:51). Furthermore, business needs to monitor these environments and change them if necessary. Care for this environment therefore needs to be a major priority for business. As such, care for the business culture and environment needs to be a significant tenet of corporate social responsibility and citizenship (see Marsden & Andriof, 1998 & Khoury et al, 1999).

What emerges therefore from this debate so far is a growing concern with business as both a social and public culture needing to demonstrate its institutional ‘citizenship’, and the responsibilities that go with that, in much the same way as individual citizens are expected to. No matter how diverse the views may have been so far in these discussions, one thing has become very clear – business can no longer function as if it is somehow separate from the social and cultural values of those communities in which it seeks a licence to operate. This recognition
has brought with it a keener awareness in those companies ready and willing to engage with these issues in the 21st Century, of the ‘morality’ and responsibility of their actions and positions within those communities. Related to this ‘morality’ we have seen a greater concentration in the last few years on the ethical considerations that responsible businesses need to think through and implement if they are to better engage with their communities, stakeholders and shareholders.

The Moral and Ethical Zone

Peter French argued for business as moral agents several years earlier in his 1984 book *Collective and Corporate Responsibility*, suggesting that most western moral philosophers had always positioned individuals, not organizations, at the centre of the morality discussions. In that respect it was assumed that, from the moral perspective, ‘organizations and collectives do not exist and the notions of corporate and collective responsibility are illusionary.’ (French, 1984: viii.) But for French, the key to recognising the business as a moral agent is the concept of ‘intentionality’ because a corporation’s internal decision making is not, as generally thought, the sole responsibility of individuals, but operates as a collective, identifiable, corporate entity (French, 1984:39). This is contentious, of course, especially with respect to corporate governance and liability issues, but it does reflect the underlying principle in corporate social responsibility and corporate citizenship discussions which positions the company as a public and social institution – as a coalition of interests.

John Kenneth Galbraith in his 1971 paper ‘On the Economic image of Corporate Enterprise’ argued, importantly, that ‘To recognise that the great corporation is essentially a public entity is to accept that its acts have a profoundly public effect.’ (Galbraith, 1973: 7). But as many in corporate social responsibility discussions have argued over the years, the traditional model of business as essentially private, despite its public effects, has failed to work because of the often massive differences in power between business and the individual citizen (Medawar, 1978:13). As Beesley & Evans pointed out in 1978, ‘A continuing problem of the socially responsible company is perceiving, articulating and validating the external goals to which it will respond.’ (Beesley & Evans, 1978: 169).

To a large extent, Archie Carroll, as one of the leading lights in the discussions in the 1970s, and still highly influential today, recognised that management theory needed to take on board some of these difficult issues, particularly as a means of wresting the arguments away from the alienating lobbying tactics of single issue interest groups, and getting those important arguments and issues into the board rooms. Inspired by two early papers, Michael Mazis and Robert Green’s 1971 ‘Implementing Social Responsibility’, and the now seminal 1972 paper by George Steiner, ‘Social Policies for Business’, Carroll brought together some of the leading thinkers and writers in the area in a collection of essays entitled *Managing Corporate Social Responsibility*, published in 1977 (see also Carroll, 1998 & 1999).

Keith Davis in his 1975 paper in the Carroll collection, ‘Five Propositions for Social Responsibility’ (Carroll, 1977), argued strongly for recognising that social responsibility arises from social power (Davis, 1977:57). That is the first of his five propositions. The second is that business ‘should operate as a two-way open system with open receipt of inputs from society and open disclosure of its operations to the public’. The third is that ‘social costs as well as benefits of an activity, product or service should be thoroughly calculated and considered in order to decide whether to proceed with a particular activity or not’. The fourth is that the ‘social costs of each activity product or service should be priced into it so that the consumer (user) pays for the effects of their consumption on society.’ The fifth is that ‘beyond social costs business institutions as citizens have responsibilities for social involvement in
areas of their competence where major social needs exists.' This last proposition is one of the earliest (though not the first) occasions when the idea of corporate social responsibility is seen to be an act of corporate citizenship. All of these propositions, in one way or another, have become central to the corporate social responsibility discussions, as they have developed over the years. Davis explains that, 'The fifth proposition is based essentially on the reasoning that business is a major social institution so should bear the same kind of citizenship costs for society that an individual citizen bears'.

Robert A Dahl in an important paper, 'A Prelude to Corporate Reform' published in the first issue of *Business and Society Review* in 1972, argued influentially (among academics at least) 'that every large corporation should be thought of as a social enterprise. It should be thought of as an entity whose existence and decisions can be justified insofar as they serve public or social purposes' (Dahl, 1972 cited in Beesley & Evans, 1978:17; see also McDermott, 1991). This is a position which recognised that 'business will benefit from a better society just as any citizen will benefit; therefore business has a responsibility to recognise social problems and actively contribute its talents to help solve them. Such involvement is expected of any citizen, and business should fulfil a citizenship role.' As Karl Polanyi has made clear, 'the economy requires social institutions which disseminate skills, distribute knowledge and preserve the status of human beings and nature as something other than commodities.' (Polanyi, 1957 cited in Glasman, 1996:5). Polanyi’s position, and one which is increasingly being revisited today, is that a traditionalist idea of the economy ‘as a self-regulating system of exchange grounded in individual choice, governed by prices and constrained by scarcity...is based on an impoverished conception of the importance of the economy and its institutions in the reproduction of ethics and society’ (Glasman, 1996:7). Effectively, this conception of the economy ‘seals off the economy from social institutions and political interference in the name of self-regulation and individual sovereignty while expanding the domain of its analysis to include all elements of culture as conforming with the motivation of rational self-interest.’ (Glasman, 1995:7-8). Business cannot - must not - divorce itself from this developing social understanding of economics.

To that end, good corporate social responsibility does not require outside approval, nor should it necessarily be a measure of how ‘good’ or ethical a company is. What is essential is that corporate social responsibility is made a part of all decision making in the company. It needs to be an integral part of all of the operations and policies of the business. This, in turn, requires social diagnosis (Beesley & Evans, 1978:198). This further requires an understanding of business, (not just) as instrumental, but also as organic, where ‘there are many points of leverage’ (Beesley & Evans, 1978:3200; see also Reder, 1995). It is a both/and, not an either/or situation. We are beginning to see this move away from business as instrumental to being more ‘organic’ develop more fully as the debate on corporate social responsibility widens and deepens, driven in part by the increasing external demands being made upon business to change, as discussed at the beginning of this paper, and in part by business themselves more fully articulating a business case for such change. That business case, coming out of what is increasingly understood as ‘enlightened self-interest’ is about both survivability in both local and global markets, but also about operating in, and growing those markets, in sustainable ways. Those ‘sustainable ways’ have thrown into increasingly sharper focus in recent years the imperatives upon business to be more responsible in the way it performs in and for those markets, and how it reports upon the benefits, economically, socially and environmentally, for the communities, which make up those markets.
Benefits, Responsibilities and Business Performance

Melvin Anshen, who took over as Garrett Professor of Public Policy and Business Responsibility at Columbia University from Courtney C Brown, wrote an important book, Corporate Strategies for Social Performance, published in 1980, which argued vigorously that concentrating the discussions on corporate social responsibility was too limiting. `Who', he asks, `defines the bounds and specific contents of the responsibility of a corporation to deliver benefits to society?' In answering that, Anshen argued that the concept of corporate social performance is a better concept than corporate social responsibility because, `Responsibility is outer directed; performance is inner directed. Responsibility is under social control; performance is under management control.' (Anshen, 1980:39).

David Linowes argued, as did many at the time, (see Sethi, 1981) in opposition to many traditional business economists, that it was impossible to keep the public and private sectors as separate entities - as corporate actions increasingly affect social conditions (Linowes, 1974:3). Society, he argued, is dependent upon business, but more importantly, business is a dependent on society. The distinction between being dependent and being a dependent may seem subtle, but it is crucial. Linowes make the point that `The corporation cannot realistically or rationally divorce itself from society' (Linowes, 1974:4). `Socially constructive corporate action', he argued, reflecting many commentators of the time, `will in the long run benefit all of society. Irresponsible action - or inaction - will boomerang to harm business as well as the non business sector.' (Linowes, 1974:4), and for one of the first times in the literature, the phrase `corporate citizenship' is used as a reflection of socially constructive corporate action.

Robert H. Miles, in his 1987 book Managing the Corporate Social Environment. A Grounded Theory sees corporate social responsibility as being the outcomes produced by a corporation's behaviour, (Miles, 1987:73) Corporate social responsiveness refers to the processes the businesses have developed `for understanding and responding to development in the corporate social environment.' (Miles, 1987:74) While David L. Engel in his 1979 paper `An Approach to Corporate Responsibility', published in the Stanford Law Review argues that the issues of social responsibility `cannot be debated except against the background of a general political theory' (Engel, 1979:8). He understood that a classical liberalism approach in economics, in effect, mitigates against good corporate citizenship, whereas a contemporary managerialist approach recognises the non-economic political and civic duties of business. The issue may appear to be one of choice, but as Malcolm McIntosh, Deborah Leipziger, Keith Jones and Gill Coleman, in their 1998 book Corporate Citizenship, Successful Strategies for Responsible Companies, make clear, corporate citizenship can really no longer be seen as discretionary (Mcintosh et al, 1998:xxiv).

Harold L. Johnson, in his 1979 book Disclosure of Corporate Social Performance - Survey Evaluation and Prospects, was able, unlike many commentators at the time (coming, as they often did, from an accounting perspective) to contextualise social reporting and disclosure within this larger socio-economic political context. He argued that corporate social reporting had serious implications as to the nature of evolving contemporary capitalism (Johnson, 1979:1). This meant that `institutional adjustments in the structure and process of the market economy (Johnson, 1979:2) would have to be made. This, in turn, raised the spectre, as similar arguments did in the late 1990s, of a rise in socialism, threatening the very foundations of a market economy.

Johnson, of course, is not alone in calling for new economics paradigms in the context of corporate social responsibility discussions. The philosopher, John R. Danley in his 1994 The Role of the Modern Corporation in a Free Society, argues very
strongly about the failure of traditional economics, in either classical liberalism or managerialist approaches, to understanding corporate social responsibility (Danley, 1994:209). Like the influential Will Hutton in the UK, he argues for a return to Keynesianism and pluralism, offering, as they do, ‘a dramatically different way of conceptualising the role of government in a free liberal society.’ (Danley, 1994:222).

For Keynes, investment was the key to economic activity, not interest rates. This, then, requires the business world to become much more involved in Government, (Danley, 1994:229) and, thus, to redefine what constitutes investment away from a narrow instrumentalist economic model to a more organic way of thinking about social investment. This may not involve money at all.

Social investment and social reporting require disclosure of information from a business, and for people like Harold Johnson, that means disclosure on highly organic social goals like economic justice, stability and freedom (Johnson, 1979:9). These goals are not generally associated with the core activities of business. Johnson also talks about social responsibility needing to come to terms with alternative conceptions of the business firm. For example, the idea of the firm as a shifting coalition of participants in the production process including executives, employees, dealers, suppliers and stockholders, ‘all of whom are held together by the expectation that at least minimum requisites for participation will be obtained out of the fluctuating relationships’ (Johnson, 1979:9-10).

The challenge when Johnson was writing, as now, is how transformation of business, especially along the lines outlined by Miles, can be achieved, when those responsible for implementing that change continue to have to concentrate most of their efforts on meeting exacting economic performance targets each week, month or quarter.

Tom Cannon in his 1994 book Corporate Responsibility – a Textbook on Business Ethics, Governance, Environment, Roles and Responsibilities cites Alvin Toffler who argued in his now famous 1980 book The Third Wave, for new types of corporate structure predicting that: ‘the multi - purpose corporation that is emerging demands among other things smarter executives. (This structure) employs a management capable of specifying multiple goals, weighting them, interrelating them and finding synergistic policies that accomplish more than a single goal at a time. It requires policies that optimise, not for one but for several variables simultaneously.’ (Cannon, 1994:138; see also Birch, 2001). The corporation requires attention to multiple bottom lines – social, environmental, informational, political and ethical bottom lines – all of them interconnected if it is to adequately and effectively produce better outcomes and benefits for a sustainable future. This position on sustainability is increasingly recognised as a key issue emerging from the disparate and diverse views in the corporate social responsibility debates, in recent years, for business to better engage with. Few companies would deny its importance to the way they run their businesses, though many are still struggling with how best to implement this and make it core business (see Birch & Batten, 2001)

Sustainability- A Social and Environmental Ethic

The crux of the matter with respect to sustainability is that if business seeks greater freedom of action to perform economically then this freedom must be used responsibly. In other words there is a moral dimension to corporate social responsibility and performance which involves ‘building systems of corporate ethics and values into the enterprise, tackling questions of compliance and governance, meeting the needs of the economically and socially disadvantaged, satisfying responsibilities to the environment’ (Cannon, 1994: 52; see also Fombrun, 1997 & Davis, 2001).
As David C. Korten, in his 1995 book *When Corporations Rule the World*, 1995, challenges so uncompromisingly: 'if our concern is for a sustainable human well being for all people, then we must penetrate the economic myths embedded in our culture by the prophets of illusion, free ourselves of our obsession with growth, and dramatically restructure economic relationships to focus on two priorities:

1. Balance human uses of the environment with the regenerative capacities of the eco system, and
2. Allocate available natural capital in ways that ensure that all people have the opportunity to fulfil their physical needs adequately and to pursue their full social, cultural, intellectual and spiritual development.’ (Korten, 1995:50; see also Korten, 1999)

These arguments about business making a difference to the social fabric are, of course, not new. They are all central to the discussions about corporate social responsibility which began in the 1920s (see Capp, 1950; Bowen, 1953; Heald, 1970, Davies & Frederick, 1984) and which came to prominence in the 1970s. Fred Hirsch makes the important point that, ‘The prime economic problem now facing the economically advanced societies is a structural need to pull back the bounds of economic self advancement.’ (Hirsch, 1976:190).

Nearly thirty years on, have we tackled that problem? ‘Society’, Hirsch pointed out ‘is in turmoil because the only legitimacy it has is social justice and the transition to adjust to society is an uncertain road strewn with injustice.’ (Hirsch, 1976:190) Market capitalism, predicated as it is upon individuals competing, may well raise material productivity, but at what other social costs? (Hirsch, 1976:106)

Liberal capitalism raises expectations because it can perform so well, but not everyone can be satisfied (Hirsch, 1976:110). Hirsch called for a ‘managed capitalism’ where people would be willing to put social interests ‘at a modest sacrifice of their own individualistic interests’ (Hirsch, 1976:151), which is what many in the corporate social responsibility discussions have been calling for for years. But the important point that Hirsch makes is that people ‘cannot act out this preference on their own.’ (Hirsch, 1976:151) What is needed is the formulation of a social ethic, and more than ever before, in the 21st century, that social ethic is emerging out of the successes of sustainability discussions. Even more importantly, that social ethic is arising out of concern for the fact that basically all we have left to us in western economies is a capitalism skewed in favour of the individual and not society overall. Hirsch argues that ‘individual economic freedom still has to be adjusted to the demands of the majority participation.’ (Hirsch, 1976:188) He goes even further (and this remember is now almost thirty years ago) by saying that ‘we may be near the limits of explicit social organisation possible, without a supporting social morality.’ (Hirsch, 1976:190) - a social ethic.

Increasingly as part of that emerging social ethic is a call for inclusivity. Will Hutton in his book *The State We’re in* pulls no punches about this, and says categorically (talking of Britain in particular) that ‘Altruism and the civilising values of an inclusive society have been sacrificed on the altar of self interest, of choice, of opting out and of individualism’ (Hutton, 1995: 15). Trust, commitment and cooperation, he suggests, are key elements often missing in the equation for successful businesses to create successful societies. He talks of the moral economy, arguing that what is needed to redress some of the imbalances is ‘a recognition that firms are formed by human beings with human as well as contractual claims upon each other and behind this social world lies the moral domain.’ (Hutton, 1995:23). There is, he asserts, a fundamental amorality operating in developed societies today and what is needed is a new citizenship (Hutton, 1995:24). That new citizenship he
describes in some detail in his book *The Stakeholding Society* (1999) reflecting earlier views of people like David Wheeler and Maria Silanpaa, both of whom were responsible for designing The Body Shop social audits in the late 1990s, who argue in their 1998 book *The Stakeholder Corporation, A Blueprint for Maximising Stakeholder Value* that ‘the long term value of a company rests primarily on the knowledge, abilities and commitment of its employees and its relationships with investors, customers and other stakeholders.’ (Wheeler & Silanpaa, 1998:ix; see also The Copenhagen Charter, 1999)

‘We need to think of work and workers’, Hutton says, ‘in different ways and to presuppose that it is rational for workers to expect and seek rewards from work other than wages.’ (Hutton, 1995:99). ‘Work’, Hutton writes, ‘is not a disutility even for those whose wages and conditions are poor, for the rhythm of work gives life meaning. The achievement of new tasks, the acquisition of skills and the social intercourse that is part and parcel of the work experience is not something human beings want to avoid; they want and need it. Above all, work offers a sense of place in a hierarchy of social relations, both within the organization and beyond it, and men and women are, after all, social beings.’ (Hutton, 1995:99-100).

To that end, Richard Welford, in his 1995 book *Environmental Strategy and Sustainable Development, The Corporate Challenge for the Twenty-First Century* argues that we need a new ethics which ‘depends on both the values of individuals working within the organization and particularly on the culture created by the individual ethics of senior management and on any codes of conduct which formally exist within the organization or standards adopted from external agencies.’ (Welford, 1995:29; see also Graves, 1986). At the heart of this new business ethics is stakeholder accountability and new democratic forms of organization in the workplace (Welford, 1995:49). Rethinking business strategy along the lines of sustainable development requires a change in the culture of an organization but it also opens up ‘new opportunities to reassess other aspects of business.’ (Welford, 1995:77) The challenge is to establish a corporate culture ‘consistent with the concept of sustainable development’. (Welford, 1995:114). Welford talks about business as needing to become an organization, which is able ‘to transcend the limited ideologies and values associated with traditional forms of environmental management.’ – a ‘transcendent organization’ (Welford, 1995:198; see also New Economics Foundation & Weiser & Zadek, 2000)

Central to the transcendent - sustainable - corporation is the notion of stewardship, defined by Peter Block in his 1993 book *Stewardship. Choosing Service Over Self-interest* as that part of the workplace, which has been most difficult to change in the past, namely ‘the distribution of power, purpose and rewards’ (Block, 1993:xix; see also Turner & Crawford, 1998). Put simply, stewardship is recognition that we ‘hold something in trust for another’ (Block, 1993:xx). For Block that means presiding over ‘the orderly distribution of power’ by ‘giving people at the bottom and the boundaries of the organization choice over how to serve a customer, a citizen, a community.’ ‘It is’, he says, ‘the willingness to be accountable for the well being of the larger organization by operating in service, rather than in control, of those around us. Stated simply, it is accountability without control or compliance.’ (Block, 1993:xx)

Will Hutton continues this theme in his 1999 collection of essays *The Stakeholding Society, Writings on Politics and Economics* arguing that inadequate economic structures ‘feed back into our social structures and enfeeble individual wellbeing and social cohesion.’ (Hutton, 1999:1; see also Hutton, 2002). We need, Hutton argues, a more enlightened approach, where ‘production and work are key sources of satisfaction and utility.’ Where work ‘fosters personal development, deepens skills, humanises and structures lives, above all it makes us cleverer and independent.’ (Hutton,
1999:10 see also Lane, 1993). ‘An interaction between human beings’ Hutton makes clear, ‘cannot be interpreted in the same way as the supply and demand for dead fish.’ (Solow, 1990 in Hutton, 1999:15). We also need, he says, ‘to be able to trust the social networks in which we are embedded and unless we can trust them we perform less well. We are not happy simply choosing and maximising our individual preferences which is just as well given that so many of our choices must be mistaken.’ (Hutton, 1999:28). We need therefore to recapitalise (Hutton, 1999:36), and as we do so, a new language of stakeholding as a political economy emerges: social inclusion, membership, trust, co-operation, long termism, equality of opportunity, participation, active citizenship, rights and obligations (Hutton, 1999:80). The aim, Hutton argues, and one at the theoretical core of all the corporate social responsibility discussions we have seen so far, ‘must be to build a free moral, socially cohesive society based on universal membership, social inclusion and organised around the market economy.’ (Hutton, 1999:88) This may well be too great a call to make upon individual businesses, but increasingly, as the diversity of the debate surrounding corporate social responsibility begins to settle down into key – threshold – issues, like multiple bottom lines, sustainability and greater stakeholder engagement, responsible business worldwide is answering that call in at least company-specific ways which sees them on the journey of post-capitalist economics (some of whom are well on the way) to more effective, socially cohesive, demonstrations of the public culture of corporate citizenship. That said, there is still a long way to go, but the debates so far have brought many in business worldwide to a greater awareness of the need to engage with these issues in ways they might never have done so without that debate.

**Post Capitalism as Social Ecology**

Peter Drucker, in his 1993 book *Post Capitalist Society*, makes the important point that ‘We have moved already into an employee society where labour is no longer an asset. We equally have moved into a capitalism without capitalists which defies everything still considered self evident truth, if not the laws of nature, by politicians, lawyers, economists, journalists, labour leaders, business leaders, in short, by almost everybody, regardless of political persuasion.’ (Drucker, 1993:68; see also Drucker, 1999). In other words, we are in the process of considerable change and we can no longer seek comfort in the ideologies, terminologies and power distributions of modernism.

Drucker, and others, have been saying for years that, ‘The economic challenge of the post capitalist society will be the productivity of knowledge work and the knowledge worker.’ (Drucker, 1993:8) But adds that ‘The social challenge of the post capitalist society will, however, be the dignity of the second class in post capitalist society; the service workers’ (Drucker, 1993:8). Society, at least western developed society, can no longer be considered in unitary terms - it is pluralistic (Drucker, 1993:51), not only in its make-up, now, but also in its expectations. Drucker talks about the need to redefine society in terms of social ecologies (Drucker, 1993:52), where ‘every organization of today has to build into its very structure, the management of change’ (Drucker, 1993:59).

The new challenge of the post-capitalist society, for Drucker, is productivity. Because, to ‘improve the productivity of knowledge workers will in fact require drastic changes in the structure of the organization of post capitalist society and in the structure of society itself.’ (Drucker, 1993:83). This structural change lies at the heart of corporate social responsibility discussions, and one of the terms that repeats itself time and time again as part of this change is ‘partnership’. As Drucker says, ‘Partnership with the responsible worker is the only way to improve productivity. Nothing else works at all.’ (Drucker, 1993:92). This is a change in the distribution of power and lies at the core of effective corporate citizenship. The paradigm shift, in Drucker’s terms, is one from ‘a power-based to a responsibility-
based organization’ (Drucker, 1993:102) involving a change from asking what we are entitled to, to what are we responsible for?’ (Drucker, 1993:109; see also Holme & Watts, 2000).

As Noel M. Tichy, Andrew R. McGill & Lynda St.Clair in their 1997 collection Corporate Global Citizenship Doing Business in the Public Eye, make clear, ‘As we move into the twenty-first century global businesses will find themselves increasingly intertwined with global, political, social and environmental issues that will force them to redefine their role as a potent force for world integration. This force coupled with the pressure being exerted by a burgeoning world population is determining the need for global citizenship.’ (Tichy et al 1997:4; see also Waddock & Smith, 2000). They argue that there are five corner stones to corporate global citizenship: ‘understanding, values, commitment, actions and cooperation’ (Tichy et al, 1997:5), where understanding involves human capital, social issues, cultural differences, environmental issues and ecological issues. Values are needed in order to ‘optimise the potential of human capital and to preserve the world’s environment’. Commitment involves ‘believing in and caring about these values and long term investment.’ Actions if ‘institutionalised within the company will reward employees’, and cooperation is needed ‘with people, with government, with the community.’ (Tichy et al, 1997:6; see also Nelson & Zadek, 2000)

Charles Handy in his 1997 book The Hungry Spirit. Beyond Capitalism, a Quest for Purpose in the Modern World, recognises that in a post-capitalist knowledge based economy the major asset is people, and ‘individuals aren’t ownable anymore’ (Handy, 1997b:8). Handy suggests that we need to introduce a philosophy of ‘selfishness’ into the discussions, that is, ‘the search for ourselves that paradoxically we often pursue best through our involvement with others.’ (Handy, 1997b: 9). He argues that ‘To be properly selfish is to accept a responsibility for making the most of oneself by ultimately finding a purpose beyond and bigger than oneself.’ (Handy, 1997b: 9).

Handy, like so many commentators, recognises the untenable fit between democracy and capitalism, a position, which opened this account of corporate social responsibility. Handy argues that we will either have to restrain the free market or limit democracy (Handy, 1997b: 41). As Peter Ulrich remarks, ‘There is no such thing as “free enterprises” without responsibility and accountability to the community.’ (Ulrich & Sarasin, 1995:2). It is clear, then, that we have to change the narrow emphasis upon economic growth at all costs if we are to be sustainable in the future. Handy’s solution is to ‘perhaps create more activity outside the purely economic sphere where the motivation will be unconnected with efficiency and more to do with intrinsic satisfaction and worth’ (Handy, 1997b: 48). Again, this is an argument at the core of corporate social responsibility discussions.

This argument stands in strong opposition to a very common, and generally uncontested view, that in Handy’s words, seems ‘to be saying that life is essentially about economics, that money is the measure of most things and that the market is its sorting mechanism.’ (Handy, 1979:73) But most of us, increasingly, don’t accept this view. So, as Handy suggests, trapped though we may be in the rhetoric of modernist economics, ‘there is a hunger for something else which might be more enduring and more worthwhile.’ (Handy, 1997b: 73). That hunger for something else has been at the heart of corporate social responsibility debates for many years, but as Simon Zadek says: ‘...corporate citizenship will only be effective if and when it evolves to a point where business becomes active in promoting and institutionalising new global governance frameworks that effectively secure civil market behaviour.’ (Zadek, 2001a: 221).

Being hungry for the ideas, as the expansive literature of the last sixty years has demonstrated, does not always mean effective take-up of the issues as core
business. This ‘take-up’, then, is the most serious challenge facing business today, and it cannot happen in serious and sustainable ways (i.e. going beyond a corporate social responsibility that simply helps out communities) without a serious and significant change in our thinking and processing of the fundamental economics underlying our understanding of, and practice of, capitalism. Many businesses are well on their way in this journey – many are not – but if the lessons of the very disparate, diverse and not always connected discussion on corporate social responsibility of recent years, outlined in this paper, has shown anything, it is that this debate has highlighted a number of key issues, like sustainability, Triple Bottom Line performance, accountability, better governance, increased stakeholder engagement, ethics and the ‘morality’ of business, citizenship responsibility and the benefits for a sustainable society and future, which business, in various ways, around the world is beginning to take seriously.

References


Beesley, Michael and Tom Evans (1978), Corporate Social Responsibility - A Reassessment Croom Helm, London


- and Jonathan Batten (2001) Corporate Citizenship In Australia: A Survey of Corporate Australia, Corporate Citizenship Research Unit, Deakin University, Melbourne


Davis, Keith (1973) ‘The Case For and Against Business Assumptions of Social Responsibilities’, *Academy of Management Journal*, 16, 312-322


Kumarian Press and Berrett-Koehler, West Hartford and San Francisco


New Economics Foundation, [www.neweconomics.org](http://www.neweconomics.org)


Toffler, Alvin (1980) The Third Wave, New York, Bantam


