Philosophical Perspectives on Corporate Social Responsibility: Theory and Practice

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PHILOSOPHICAL PERSPECTIVES ON CORPORATE SOCIAL RESPONSIBILITY: THEORY AND PRACTICE

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Abstract: Ethical theory must be applied in business for it to benefit society concretely. This thesis examines the problem of the relationship between theory and practice in Corporate Social Responsibility (CSR). After describing CSR, its evolution, and main theoretical approaches, we provide critical analyses of CSR theories, the academic literature (re: theory and practice), and Alasdair MacIntyre’s views on the gap between moral theory and social practice. Key insights are: that CSR needs a robust and comprehensive ethical framework; that gains on the side of theory cannot be sought at the expense of application; and that CSR theory requires ethical tools both to understand and evaluate business practices, and to critically analyze the intersection between business and society. MacIntyre’s ethical theory, his notion of a ‘practice’, and his analysis of how social practice distorts moral theory may be helpful in bridging the gap between theory and practice in CSR.
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I would like to acknowledge the support I received from Dr. Kenneth Melchin and the Lonergan Research Centre of Saint Paul University during the research and writing of this thesis. I would also like to thank Morag McConville, of the Lonergan Research Centre, for her assistance with my research on Bernard Lonergan's ethical resources, and Catherine MacNeill for her assistance in editing the text.
INTRODUCTION

A man is usually more careful of his money than of his principles.

— Oliver Wendell Holmes, Jr., Speech in Boston, MA, 1897

...from virtue comes wealth and all other blessings to men both individually and socially...

— Socrates

The actions of business enterprises influence the shape of society and affect its citizens in many ways. Discourse on ethics in business has a long history both in philosophy and in theology, and has provided guidance on conduct in the sphere of commerce, and on stewardship of the earth's resources. More recently, the study of business ethics has provided a framework for the analysis of questions relating to the morality of commercial activities. This framework is not provided by any particular philosophical


2Typically a philosophical analysis begins with a framework and questions for analysis. Because of the lack of clarity in the field of corporate social responsibility we have, in this thesis, taken the opposite approach. We have surveyed the literature to determine if a shared or dominant framework for the ethical analysis of CSR-related questions would emerge among those writing in the field.
theory, such as utilitarianism, Kantianism or virtue ethics, but is instead defined by essential questions that one can approach from a philosophical, theological, business management, or other point of view. Prior to 1960, work on ethics in business was carried out principally in the areas of theology and religion, but philosophers began entering the field in increasing numbers in the 1970s. Richard T. De George credits John Rawls’s *Theory of Justice*, written in 1971, as having made the application of ethics to business and economics more acceptable in the eyes of academic philosophers. Since then, philosophers have helped shape the emergence of business ethics as a distinct academic field, made important contributions by virtue of their knowledge of ethical theory and philosophical analysis, and provided useful tools with which to debate the morality of emerging issues.

Business ethics deals with three 'levels of analysis' and their interaction: the study of the morality and justification of economic systems, the study of corporations within a free market system, and the morality of persons in economic and commercial relationships. The two moral theories most frequently applied to business ethics are utilitarianism and deontology, with theories of rights, justice and virtue also featured in the literature.

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4De George, “The Status of Business Ethics,” 201–2 Also, from the late 1800s, papal encyclicals have addressed issues such as a just wage, worker rights, and the preferential option for the poor.
7Ibid.
8Ibid.
9Mark S. Schwartz, and Archie B. Carroll, “Integrating and Unifying Competing and Complementary Frameworks: The Search for a Common Core in the Business and Society Field,” *Business and Society* 47, no. 2 (June 2008): 159 Schwartz and Carroll also mention that other moral standards used, though to a lesser extent, include moral relativism, ethical egoism and religious traditions.
Within the field of business ethics, we find the topic of Corporate Social Responsibility (CSR). While notions of the social responsibility of business originated in the distant past, several scholars trace the origin of the modern era of CSR to the 1950s. There are many definitions of CSR, but in essence it refers to the responsibilities of businesses (most notably large corporations) toward society that extend beyond economic and legal obligations. These responsibilities are carried out through various voluntary programs and activities. Though many agree that businesses should have social responsibilities, there is much debate about what CSR actually is, and how it should be carried out. This debate frequently occurs in the 'business and society' or 'business ethics' literature. There are two principal schools of thought in CSR: one that argues that the responsibility of business is limited to making a profit (with minimal legal and ethical compliance), and another that argues that business has a wider range of responsibilities toward society.

CSR initiatives were developed by businesses in the 1970s as a response to growing public criticism over the increasing power of 'big business', i.e. large corporations, and concerns about corporate environmental degradation, worker safety, minority hiring practices, unsafe products, and government

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11 If actions are taken merely to comply with the law, they would not be considered part of CSR. Though the criteria of voluntariness remains an important feature of CSR, Carroll notes, in "Corporate Social Responsibility: Evolution of a Definitional Construct" p. 276, that "it is impossible to distinguish between that which is "purely voluntary" and that which is in response to social norms."


13 Schwartz, and Carroll, 156.
deregulation. Businesses wanted to be seen as responsible during a time of social unrest aimed in large measure at corporations. Initially the focus of CSR was on reducing the negative impacts of business on society, through an emphasis on human rights and improved working conditions. Over time, however, there has been an inclination to adopt the more general approach of “doing good” for society.

In 1980 Thomas M. Jones noted that criticism of corporate performance and of the power accruing to large businesses in the U.S. had increased significantly during recent years and acknowledged the appeal of CSR as a type of control on business, “a form of self-control which involves elements of normative constraint, altruistic incentive and moral imperative in the quest for corporate social nirvana”. Many authors from various disciplines have contributed to the CSR literature over the years, providing a wide range of terms, concepts, themes, theories and approaches. Chapter One of this thesis will present an overview of CSR, including a more detailed description of CSR, its evolution, and the current CSR landscape including four main theoretical approaches to the subject.

CSR exists at the intersection of ethical theory and business practice. The literature includes theoretical perspectives on what business ought to do with respect to CSR, as well as descriptive, empirical studies on what business actually does. Ethical theory can assist businesses in understanding what their social responsibilities should be. But in order for it to be useful in business, and for it to make a positive contribution to society, managers and others in

15Schwartz, and Carroll, 156.
organizations must be able to apply it in practical ways. This might include, for example, the development of plans, policies and programs that constitute or support CSR initiatives. Ethical theory should also be adaptable to new business practices as they emerge. What we often find, however, is a missing link between ethical theory and business practice.

On the one hand, a frequent criticism of philosophy is that it has offered little that is of practical value to the field of business ethics.¹⁷ On the other hand, in business research (which informs business practice) academics frequently ignore matters of ethics, morality and judgment because they cannot be quantified, despite the fact that they are key to good business decisions.¹⁸ This lack of connection between theory and practice has been noted by a number of authors in the field. Chapter Two will begin with a critical assessment of the four theoretical approaches to CSR, followed by a number of criticisms arising from the CSR literature that relate to this theory-practice relationship, including the problem of the theory-practice gap.

While this gap has been identified, there does not appear to be a great deal of reflection, especially of late, on how to bridge the theory-practice divide. In fact, there appears to be a move away from ethical theory with the current emphasis on building the business case for CSR (i.e. businesses 'do well' by 'doing good'), and seeking justification for socially responsible actions in measurable improvements to the corporate bottom line. One ethical theorist who has reflected more generally on the theory-practice relationship, not specifically within the field of CSR but as a general concern within ethics, is

Alasdair Maclntyre. In Chapter Three of this thesis we will briefly introduce Maclntyre's moral theory, examine his analysis of the gap between moral philosophy and social practice, and consider how it might shed light on the theory-practice gap in CSR. We will also provide a summary discussion and propose possible directions for further research on philosophy and CSR.
CHAPTER ONE
CORPORATE SOCIAL RESPONSIBILITY: AN OVERVIEW

In the society of organizations... Who is concerned with the public good?

— Peter Drucker, The Essential Drucker

1.1 What is Corporate Social Responsibility?

Though the term corporate social responsibility might appear to relate only to private sector enterprises, it also applies to organizations in the public and non-governmental organization (NGO) sectors. Governments are increasingly involved in encouraging and supporting CSR; the United Kingdom, for instance, now has a CSR minister. NGOs are also becoming involved to a greater extent because of CSR practices involving partnerships or collaborations with the business sector.19 We generally consider CSR in relation to larger corporations and multinationals, since these organizations have the greatest impact on society by virtue of their size and scope of operations. Some basic "institutional prerequisites" make CSR possible: an operative market, functional governmental and legal institutions, and a civil society able to define and institutionalize social values and preference; without these institutions the risk of irresponsible corporate behaviour increases.20


Archie B. Carroll calls Howard R. Bowen the Father of Corporate Social Responsibility because his 1953 book, *Social Responsibilities of the Businessman*, is felt to represent the beginning of the modern era of CSR literature. Bowen recognized the power of the many large corporations in the U.S. and their impact on the lives of citizens. He defined a business's social responsibilities as the obligations of business persons to create policies, make decisions, and take actions considered worthwhile in terms of society's goals and values.

The nature of CSR has always been subject to debate. From the outset its appearance as a business practice provoked "the most heated antagonism and venomous critique." A central point in this debate is how corporations are to be understood; their legal definition and moral agency have been debated, as well as their moral responsibility. Interpretations of CSR abound; in an article from 1999 Carroll presents over two dozen different definitions. More recently, the ISO Strategic Advisory Group on Social Responsibility found no universal, authoritative definition of corporate or organizational social responsibility. The Group did note, however, that definitions generally highlight the inter-relationships of the social, environmental and economic dimensions and impacts of organizations and a balancing of related issues so as...
to benefit individuals, communities and society at large.\textsuperscript{27} CSR definitions have most often come from North America and Europe, and a 2008 worldwide conference on CSR noted an absence of voices from southern nations with respect to definitions of CSR.\textsuperscript{28} Given the lack of consensus on a clear definition, it has been suggested that CSR should be understood not as a concept or theory, but rather as a "field of scholarship" encompassing different views but maintaining at its core the social obligations and influence of business in society.\textsuperscript{29}

Conceptions of CSR and emphases on particular social issues vary among companies, sectors, and countries due to several factors (e.g. cultural norms, local traditions), and emphasis on particular issues can change over time due to local, national or corporate priorities.\textsuperscript{30} Throughout its history, the CSR agenda has always been driven by international issues, from the early days and concerns surrounding Western business' part in South African apartheid, to more recent discussions on sweatshops, fair trade, and the worldwide fight against HIV/AIDS.\textsuperscript{31}

Though CSR initiatives often involve additional expense for organizations, there are some competitive advantages that can compensate firms for the higher costs of socially responsible actions. These include a better ability to solve "commitment problems" (with customers, employees, other


\textsuperscript{28}This message was articulated at the May 2008 CSR World Wide Week held in The Netherlands. For more information, see http://www.regoverningmarkets.org/en/articles/new_from_mvo_platformcsr_the_north_looks_for_processes_the_south_looks_for_impact.html (accessed March 17, 2009).

\textsuperscript{29}Crane, et al., "The CSR Agenda," 6.

\textsuperscript{30}International Institute for Sustainable Development, et al., 4–5.

firms); the willingness of customers to pay more for socially responsible products; and a competitive advantage when it comes to recruiting staff. Ethical corporations can also benefit from favourable social investment ratings. Socially Responsible Investing (SRI), also called ethical investing, allows investors to choose companies with good CSR records and provides a way for stakeholders to influence the behaviour of business executives and managers by establishing incentives for ethical action.

To date, much of the formal CSR literature has originated in North America. There, De George notes, the approach to business ethics has focused primarily on corporations - their structure, functions, activities - whereas in Europe the focus has tended to be more on social structures and economics. There is no one European approach to business ethics, but many approaches distinguished by various factors. These include European philosophical and theological traditions; a more collaborative approach among business, government, civil society and trade unions; and a wider range of social, legal and linguistic perspectives. Discussions about business and morality in Europe are profoundly linked to culture and are language-dependent. In the Canadian context, culture and language are also central to business ethics in Quebec, which is distinctive and characterized by three defining factors: economic nationalism, collective rights (especially language rights), and social

solidarity. Given that the formal CSR literature is mostly American, it does not necessarily constitute an accurate reflection of Canadian attitudes, experience and values with respect to business and social responsibilities.

Beyond North America and Europe, CSR is on the agenda of firms throughout the world, and is of growing importance in nations like Japan, South Korea, China and India. In developing countries, companies operate in different social and economic contexts, sometimes providing social services that would elsewhere be delivered by governments. In these countries CSR tends to be less formal and more issue-specific. It tends to focus on economic development and "draws strongly on deep-rooted indigenous cultural traditions of philanthropy, business ethics and community embeddedness."39

CSR typically includes initiatives and activities relating to a number of business topics, including corporate governance, transparency, anti-corruption/anti-bribery, human rights (including labour rights), human resource management, health and safety, environmental sustainability and/or stewardship, staff volunteering, community involvement and investment, corporate philanthropy, and corporate social performance reporting.40

A business may be deemed socially irresponsible through the commission of certain acts, or through acts of omission. It can fail in its social role by making light of its responsibility, or by demonstrating a lack of awareness or

38Visser, and Matten, x.
concern regarding its impact on society. Firms can be socially responsible and socially irresponsible at the same time. For example, the cigarette manufacturer Philip Morris, though involved in social responsibility initiatives, makes a product that can cause illness and death. The production of CSR reports by companies known to produce unethical products (e.g. tobacco) or to behave in unethical ways (e.g. price fixing) can leave the impression that CSR is merely a public relations exercise designed to increase sales or customer loyalty, fostering skepticism about the whole CSR enterprise.

There is no question that business plays a significant role in society. More than half of the hundred largest economies worldwide are not countries, but multinational corporations. These large corporations can function like national governments. They can work together to circumvent the mechanism of the free market, as when airlines collaborate in fixing prices so as to avoid competition. Today the scope, scale and global context of business operations imply huge impacts on society, locally and globally, and make CSR-related reflection and action all the more important, and challenging.

1.2 The Evolution of Corporate Social Responsibility

The factory system in Great Britain and America led not only to a concern for employees, but also to philanthropy, an early form of CSR that became

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41 Banner, 27.
42 Crane, et al., "Conclusion," 574.
more common in the late 1800s. Sometimes, as in the case of John D. Rockefeller (1839-1937), it was difficult to tell whether the philanthropy was business or personal philanthropy. The views of social agencies concerned with social problems were beginning to influence business leaders at this time, but debate was more often centered on legal questions about whether corporations - that is, boards of directors - could spend shareholder money on anything other than business operations. Many were against this notion. Corporate contributions to Young Men's Christian Associations (YMCAs) in London and the US in the mid-1800s were early examples of CSR initiatives.

At around the same time that Andrew Carnegie (1835-1919) was giving his personal money away to various social causes, Julius Rosenwald took over Sears Roebuck, a failing company, and began to practice social responsibility as part of his business; perhaps the first person to do so in the U.S. He spent vast sums bringing scientific knowledge about agriculture to his customers, most of whom were farmers. Both businessmen differed from their wealthy predecessors who often spent money on monuments to their accomplishments, but also differed from one another: "Carnegie believed in the social responsibility of wealth. Rosenwald believed in the social responsibility of business."

While in the late 1700s only businesses considered to be "socially useful" were awarded a charter of incorporation, by the mid 1860s charters were readily available and difficult to revoke. Big corporations, many with the power of governments, started dominating the economy: "[c]oncentrated eco-
nomic power was drawn into the hands of a few, and this raised up a corporate ruling class with almost limitless power.\textsuperscript{48}

As the influence of businesses grew along with the monopolies and trusts they controlled, so too did corruption within the ranks of their leaders, contributing to general economic collapse. The unethical practices of business leaders influenced not only the fate of individual stakeholders, but society as a whole. The resulting upheaval in society in turn shaped the habits of businesses in the post-Depression years, leading to a redefinition of the business-society relationship. The role of managers shifted from that of agents of the company to that of trustees with responsibility for optimizing stockholder wealth \textit{and} balancing the claims of other stakeholders.\textsuperscript{49} A company's stakeholders are those who have a 'stake' in the business and may include employees, suppliers, customers, communities, etc. R. Edward Freeman describes them as “groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions.”\textsuperscript{50}

From a handful of books in the 1950s, the CSR literature and debates grew considerably in the 1960s and 1970s, as did the number of definitions, interpretations, and empirical studies.\textsuperscript{51} In the U.S., the Committee for Economic Development noted a broadening of the social contract between business and society during this time; scholars spoke of companies thinking beyond their own (financial) interests and balancing many stakeholder interests. They speculated on the long-term payoff of CSR, and made a number of normative claims. These included that companies should consider the effects of their deci-


\textsuperscript{49}Ibid.

sions on society so as to achieve both profits and social benefits; that social
responsibility should be commensurate with a firm’s power; that larger com-
panies should have greater social responsibilities than smaller ones; that com-
panies should act as good citizens; and that economic production and distribu-
tion should improve socio-economic welfare. This last point was not new, of
course, since economics and ethics have always been related. Three key issues
in this relationship are: the significance of the profit motive; whether limitations
should be placed on the private ownership of property; and the nature of jus-
tice, since the distribution of wealth in society requires knowledge of what con-
stitutes fair and unfair distribution.

Throughout history, those concerned with economic matters have also
been concerned with ethics, but it is often argued that this changed with Adam
Smith, the “father of modern economics”. Amartya Sen points out that Smith
has frequently been misread, resulting in the widespread belief that he had
advocated an economics divorced from morality, and was responsible for the
emergence in the 19th and 20th century of an “ethics-less view” of business and
economics. In fact, Sen argues, Smith was concerned not only with peoples’
self-interested motivation for exchange, but also with economic production and
distribution in a mutually beneficial system relying on trust and requiring a
mutual confidence among participants in the ethics of other partners.

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52This list is not meant to be exhaustive. For details on the debates and developments during this period,
see Carroll, “Corporate Social Responsibility: Evolution of a Definitional Construct,” 270-84.
53Thomas Donaldson, Patricia H. Werhane, and Margaret Cording, “Property, Profit and Justice,” in
Ethical Issues in Business: A Philosophical Approach, 7th Ed., edited by Thomas Donaldson, Patricia H.
54Amartya Sen, “Does Business Ethics Make Economic Sense?” in Ethical Issues in Business: A
Philosophical Approach, 7th Ed., edited by Thomas Donaldson, Patricia H. Werhane, and Margaret
Cording (Upper Saddle River, NJ: Prentice Hall, 2002), 244.
55Ibid.
56Ibid., 246–47.
Patricia H. Werhane has written of the role of philosophy in this relationship between economic and ethics. She believes that part of philosophy's role in business ethics is to “reconfigure the economics v. ethics paradigm (often expressed as “it is just business”) by demonstrating the normative dimensions of economics and other social sciences” and by revealing how facts are important to ethical decision-making.57

During the 1980s, there was growing interest in the question of whether CSR was linked to the financial performance of the firm. One noteworthy development was a new focus on measuring the social responsibility of business and attempting to link those results to the corporate bottom line, a task which sent researchers looking for good CSR measures with which to assess corporate social performance.58 One such measure is the social audit, which involves a business rating itself on some pre-established list of social criteria.59 Efforts were also underway to specify types of responsibilities, identify core principles, develop models incorporating various components or dimensions of CSR, and define the relationships among these dimensions. De George points out that by the mid-1980s the field of business ethics was unquestionably interdisciplinary, with frequent blurring of the lines between business research and philosophy.60 During this same period Jones, in comparing the arguments for and against CSR, surmised that those in support of social responsibility seemed

to be winning the day, and that this had led many observers from the business and academic sectors to declare the usefulness of CSR as a theoretical concept.  

The 1980s were a time of corporate scandals, bribery, and blatant violations of environmental health and safety regulations, which led to a public perception of a profound and widespread erosion in ethics, with business and politics "at the forefront of this unhappy development." During this period of heightened interest in ethics, a number of alternative CSR concepts and models appeared as scholars built upon the work of others and introduced their own variations on existing themes. In addition to terms we have already mentioned, the CSR vocabulary now featured many new terms such as corporate social responsiveness, stakeholder model, corporate social performance, and corporate citizenship. Certain topics appeared to emerge as separate literatures, including corporate philanthropy, corporate citizenship, issues management and social accountability.

To further complicate matters, some authors used these terms as replacements for CSR (i.e. as newer, more developed versions), while others used them interchangeably. William C. Frederick used the terms CSR1, CSR2 and CSR3 to refer to separate ‘waves’ of literature emphasizing responsibility, responsiveness and rectitude, respectively. It was becoming harder to say exactly what CSR was.

[61] Jones, 60.
The publication of the World Commission on Environment and Development’s *Our Common Future* in 1987 brought the issue of sustainability into the parlance of international politics and helped create an international focus on sustainability and the environment. Two related terms subsequently came under the CSR umbrella: sustainable development and the ‘Triple Bottom Line’. The Triple Bottom Line, a now-popular term coined by John Elkington, represents the three ‘bottom lines’ of business - economic profitability, environmental sustainability, and social justice “against which”, he says, “individual businesses and, increasingly, entire economies will be held to account, and have to perform, as we move into the 21st century.”

The concept of the Triple Bottom Line represents a further refinement of the original sustainability agenda, understood as a balancing of the economic and environmental aspects of business. It has encouraged some companies to look more closely at the impact of their operations on people and communities. Elkington notes, however, that the social justice element is one which business has “preferred to overlook.”

Today, much of the focus on CSR is on sustainable development and stewardship of the environment, recognizing that companies must now take account of their ‘externalities’, that is, all of the results of their production of goods and services, from point of origin to point of final disposal, that are beyond the products themselves. Some externalities of companies from developed nations are now transferred to poorer nations, as in the case of exports of...
toxic E-waste (electronic waste) and chemicals sent overseas for disposal. Huge stockpiles of toxic waste from rich countries are currently being dumped in Africa, Asia and Latin America, in countries where environmental laws are less stringent. In the past, business has been able to focus on job creation and shareholder profits, leaving others, usually governments, with the responsibility for environmental clean ups. Despite problems that remain, such as E-waste, today companies cannot dismiss their responsibilities for these externalities so easily. Business is no longer able to “dump the environmental and social costs of production onto those communities who are least represented by the market, that is, the poor and disenfranchised.”

In the 1980s and 1990s the focus in CSR was on developing ethical cultures in organizations, and new CSR-related positions (e.g. ethics officer, manager of CSR, manager of community or public affairs, manager of corporate giving) began appearing in corporations. Since 1990, there has been a significant increase in the number of published articles on CSR/CSP. By 2005, when a bibliometric analysis was conducted on 30 years of academic research in this area, over 600 articles had been written by more than 800 authors. These authors come from many disciplines, including management studies, business strategy, organizational analysis, marketing, business ethics, sociology, law, social psychology, economics, theology and philosophy. Given the multi-disciplinary nature of business ethics, and the number and variety of voices in the CSR arena, it is not surprising that today we are confronted with a complicated and murky CSR landscape. We will now provide an overview of this landscape by reviewing the principal approaches to CSR.

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70 Ibid.
72 de Bakker, Groenewegen, and den Hond, 295–301.
1.3 The Current Landscape of Corporate Social Responsibility: Four Theoretical Approaches

The evolution of the field of CSR has not featured steady progress towards better and clearer understanding. It has, instead, followed a disjointed and fragmented path, with little agreement on some of the fundamentals, such as a generally accepted definition of CSR, even after 50 years. It is evident from the bibliometric analysis of CSR/CSP research that there are many approaches to CSR. Views stem from economic, political, social and/or ethical perspectives and have different foci, such as the corporation as wealth producing entity, the moral agency of the corporation and how it uses its power in society, how business should adapt to social demands, etc. Various attempts have been made to organize and categorize CSR approaches into overarching groups or frameworks according to their core elements or main theoretical camps, or to combine the common elements into a comprehensive model.

We will be using Domèneç Melé's four main approaches to CSR, presented in a chapter on CSR theories in the 2009 Oxford Handbook of Corporate Social Responsibility, to examine the field’s principal theories. This authoritative text is the most current and extensive survey of contributions to the field of CSR. Melé's framework is comprehensive and analytical, and represents, according to the editors of the Oxford Handbook, a "state-of-the-art review of

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75 Melé, “CSR Theories,” 47–82.
CSR theory." We will present a general overview, followed by a discussion of the philosophical foundations, for each of Melé’s four approaches to CSR: Shareholder Value, Stakeholder, Corporate Social Performance, and Corporate Citizenship.

1.3.1 The Shareholder Value Approach

1.3.1.1 Overview of the Shareholder Value Approach

This approach is based on Shareholder Value Theory (SVT), also called Fiduciary Capitalism Theory, which seeks to maximize shareholder value, that is, to maximize the return to corporate shareholders through profit and share price optimization. It is one of several instrumental theories that see CSR solely as a means to attain economic goals, i.e. wealth creation. Other instrumental theories include strategies for competitive advantage, such as making social investments for competitive purposes, and cause-related marketing which seeks to increase revenues or build customer loyalty by tying the corporate brand to social causes. Firms espousing the SVT approach may undertake some philanthropic activities or social investments (such as investing in community institutions), but these are pursued only if they support the pursuit of profits or are required by law. Neoclassical economic theory is built

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78 Garriga, and Melé, 55; Melé, “CSR Theories,” 55.
79 Garriga, and Melé, 53.
upon the assumptions of SVT, which is concerned first and foremost with the maximization of shareholder utility.\textsuperscript{80}

An oft-cited proponent of SVT is economics Nobel Laureate Milton Friedman who, in a 1962 book co-written with his wife Rose, called CSR a "fundamentally subversive doctrine" in a 'free society', adding that business has only one social responsibility: "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 or fraud."\textsuperscript{81}

SVT is consistent with Agency Theory,\textsuperscript{82} which holds that managers are agents who have fiduciary duties to owners.\textsuperscript{83} Friedman believed that managers are agents of the firm's owners and as such have a primary duty to act in accordance with the owners' desires, in other words to make as much money as they can. Executives or managers may, he maintained, behave in socially responsible ways (e.g. by volunteering, donating money to charities, etc.) but on their time, with their money. If in their role as agents of the company they seek social benefits (e.g. reducing pollution, recruiting the 'hard to employ')

\textsuperscript{80}Mele, "CSR Theories," 55.
\textsuperscript{82}Agency Theory is used here in a narrow sense that pertains to the shareholder value approach, and to the relationship between a firm's 'principals' (its shareholders) and its managers (employed as 'agents' of the principals). The shareholder value approach assumes that there is an inherent risk of managers, as self-interested persons, pursuing their own interests (e.g. by allocating the firm's resources in a self-serving way) rather than shareholder interests. Various incentives such as high salaries, stock options, etc. are established to help motivate managers to align their interests more closely with those of the principals; in other words, to maximum shareholder returns. In this thesis, therefore, 'Agency Theory' is used in the context of an economic theory of rationality rather than in a broader context of human agency - as discussed in Alan Gewirth's Community of Rights (Chicago, IL: University of Chicago Press, 1996) - or agent-centered theories (http://plato.stanford.edu/entries/ethics-deontological/#AgeCenDeoThe).
\textsuperscript{83}Mele, "CSR Theories," 56.
beyond what is legally required, then they would effectively be spending money that belonged to someone else for a "general social interest", in effect imposing a tax on the company, and determining how proceeds from the tax should be spent as well. Small business owners, on the other hand, can operate as they see fit since they act on their own behalf.

Friedman also rejects the argument that social problems require urgent action and that political processes are too slow, arguing that since those desiring the public good have been unable to convince the citizenry of the value of their cause, they should not be able to circumvent democratic processes in order to achieve their goals. For him there are "no values, no 'social' responsibilities in any sense other than the shared values and responsibilities of individuals."^85

The aim of the Shareholder Value approach is often to structure incentive packages for managers so that their economic interests are in sync with those of the owners (i.e. share price maximization). This is not always a good thing, of course, since it can lead to a short-sighted focus on profit maximization, exorbitant CEO salaries, and a temptation to 'cook the books' to show a better bottom line.^86

Although Friedman's arguments provoked much debate at the time they were presented in the 1960s and over the decades that followed, he was not alone in his views. Following SVT thinking, merger and takeover initiatives were widely used starting in the late 1970s, especially by British and American

^84Friedman, 33–34.
^85Ibid., 37.
^86In 2007 CEOs of big companies in the US earned as much in one day as average workers earned in one year, according to “Corporate Responsibility: The Facts” (New Internationalist, accessed online at www.thefreelibrary.com on January 9, 2009); the article referred to the May 2007 Executive Compensation Study of the Economic Research Institute and careerjournal.com. There have been a number of corporate scandals involving "cooking the books", most notably Enron and Arthur Anderson.
firms, to discipline business managers who did not achieve increases in shareholder value. More recently, we have seen new variations on SVT. These include arguments that CSR can be profitable, that social responsibilities can be turned into business opportunities, that strategic CSR can produce significant benefits for firms, and that short term profit seeking must shift to a longer-term view of profit maximization, but in each of these cases CSR remains in essence an exercise in cost-benefit analysis motivated by the bottom line.

1.3.1.2 Philosophical Foundations of the Shareholder Value Approach

The Shareholder Value approach is predicated on the utilitarian principle of the greatest good for the greatest number, and on property rights. The philosophical assumptions of SVT and its view of business have their roots in John Locke's social contract theory and Adam Smith's conceptions of the operation of the free market economy. Social contract theory assumes a social contract with business where the rights and duties of persons and groups in society are spelled out. Business is seen to contribute to the well-being of citizens by competing in a free market, and economic progress is seen as social progress. The market economy and the operation of Smith's "invisible hand" are assumed to contribute to the wealth of all members of society. The only func-

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87 Melé, “CSR Theories,” 57.
90 Klonoski, 12.
tion of business is economic, and the lens through which business activity is justified and evaluated is economic. The economic assumptions behind SVT and the maximization of individual self-interest promote a notion of untrustworthy corporate agents, and a kind of exemption from moral responsibility.92

SVT’s view of persons is narrow and individualistic; people are defined by their roles as agents or principals and not as persons and members of communities. They have their own particular desires and inclinations which are motivated by self-interest, and they seek only to maximize their wealth. Melé has noted that SVT emphasizes particular civic rights (e.g. the right to life, private property, and freedom, with a focus on economic freedom); represents society as only the aggregate of individuals; and defines the social good as “only the agreement on individual interests.”93 SVT’s view of the firm is that of an artificial entity, created by law, that sets out its duties and rights. Often it is seen as a nexus of contracts between buyers, suppliers, and others involved in business operations.94

There is in SVT an important, implicit, and contentious philosophical assumption: that the private and public spheres are completely separate. Business is seen as an independent endeavour with no responsibilities other than wealth creation and compliance with the law. Its only normative criteria are managers’ fiduciary duties and compliance with governmental regulations.

93Melé, “CSR Theories,” 58 In this first chapter, our review of the literature seeks to determine whether any consensus or clarity emerges from the literature with respect to what is meant by ‘the social good’. The idea of the social good will be addressed more fully in Chapter Two, where it is discussed in Aristotelian terms.
94Melé, “CSR Theories,” 59.
According to this approach, Melé tells us, the public good must only be pursued by politicians and public servants, and not by private enterprise.\textsuperscript{95}

1.3.2 The Stakeholder Approach

1.3.2.1 Overview of the Stakeholder Approach

This approach moves beyond the Shareholder Value approach in that it seeks to balance the firm's economic goals with the interests of its stakeholders. These stakeholders may be either directly involved in the firm's operations or linked to its success, or more indirectly associated with its activities. Freeman proposed the stakeholder theory to challenge the overriding importance of stockholder interests in SVT, and to better correspond to changes in the law that had come to restrict the ability of firms to pursue stockholder interests to the detriment of other claimants, such as employees and even local communities.\textsuperscript{96} It was initially proposed as a management theory but is also normative in that it imposes on managers a moral duty to safeguard the survival of the firm by ensuring its financial viability, and by balancing the competing claims of stakeholders.\textsuperscript{97}

Corporations have recently come under pressure from a number of fronts (e.g. NGOs, activists, media, etc.) to be more socially responsible, and they have responded by creating stakeholder management strategies and processes that aim to manage stakeholder relations and address those issues of

\textsuperscript{95}Ibid.  
\textsuperscript{96}Freeman, "Stakeholder Theory of the Modern Corporation," 39–40.  
\textsuperscript{97}Melé, "CSR Theories," 63.
greatest importance to their stakeholders. Managers may have to weigh less important interests of more important stakeholders - such as shareholders - against key issues of less important stakeholders, something that can be challenging in practice. The Clarkson Center for Business Ethics at the University of Toronto’s Rotman School of Management has developed a set of guidelines that aim to assist in applying stakeholder theory in business practice. These are called Principles for Stakeholder Management, and include requirements for managers to consult with stakeholders, to minimize risks created by business activities, and to avoid activities that endanger inalienable human rights, among others.99

1.3.2.2 Philosophical Foundations of the Stakeholder Approach

This approach shares with the Shareholder Value approach its assumptions regarding the free market economy and its narrow view of persons as independent beings whose relations with others are motivated by self-interest. It does consider the intrinsic value of persons’ rights and interests however, so has a thicker view of persons in that sense, though it stops short of considering capacities for cooperation and the need for human flourishing.100 It views society as a group of self-interested persons linked through relationships that satisfy their personal desires. The firm is seen as a type of “abstract entity” where many interests converge, as opposed to a “set of contracts.”101 Business is an instrument for coordinating stakeholder interests, and its purpose is to

98Garriga, and Melé, 59.
100Melé, “Mainstream Theories on Normative Corporate Social Responsibility: Analysis from Catholic Social Thought,” 8–9.
101Melé, “CSR Theories,” 64.
attempt to meet the demands and expectations of its stakeholders while ensuring the survival of the firm. This goal of satisfying stakeholder interests implies a responsibility to consider the impact of corporate activities on these individuals and groups. Managers, under this approach, have fiduciary duties to owners, and multifiduciary duties to various stakeholders that must be weighed and balanced in accordance with some type of normative standard. Positive duties to stakeholders are limited by negative duties not to break the law, etc.

This approach is predicated on the utilitarian principle of the greatest good for the greatest number. Melé argues that it is Kantian at its core; however other authors draw on alternate philosophical theories to support the Stakeholder approach. Among the Kantians, some base their defense on two of its key ethical principles, which reflect Kant’s maxim of respect for persons. The first is the Principle of Corporate Rights, which holds that the company and its management must not violate the rights of others in seeking their own ends, and the Principle of Corporate Effects, which imposes responsibility on the firm and its management for the impact of corporate activities on others. Others claim that stakeholder theory incorporates theories of distributive justice, and supports the theory of property rights. The doctrine of fair contracts and the

103 Ibid., 209.
105 Melé, “CSR Theories,” 64.
106 Ibid., 64–65.
fairness principle, based on Rawls' attributes of fair play, have also been proposed as normative ethical theories to support the Stakeholder approach.  

Some authors use different ethical theories within an overarching framework of the Stakeholder approach, including Feminist Ethics and Integrative Social Contracts Theory. Another approach to CSR that maintains a concern for stakeholders, but offers a broader view of persons and of the character and purpose of business is the Common Good approach. It holds that persons are social beings who interact for reasons beyond self-interest, and that business is part of society and so must contribute to the common good. This includes all that leads to the flourishing of persons within a community or association (e.g. family, organization, business) and to the association as a whole. So, while normative stakeholder theory aims to balance economic and stakeholder interests, this approach can be elaborated using many different ethical theories. While each of them may claim universal principles, "in practice, the global effect is one of unabashed relativism", for a Kantian will do one thing, while a Utilitarian will do another.

107 Garriga, and Mele, 60–61. Rawls' attributes of fair play, listed on p. 61, include: "mutual benefit, justice, cooperation, sacrifice, free-rider possibility and voluntary acceptance of the benefits of cooperative schemes."
109 Melé, “Not Only Stakeholder Interests;,” 197. For a discussion on these and other aspects of the common good approach see also Helen Alford and Michael J. Naughton, “Beyond the Shareholder Model of the Firm: Working Toward the Common Good of a Business,” in Rethinking the Purpose of Business: Interdisciplinary Essays from the Catholic Social Tradition, edited by S. A. Cortright and Michael J. Naughton (Notre Dame, IN: University of Notre Dame Press, 2002).
110 Garriga, and Melé, 65.
1.3.3 The Corporate Social Performance Approach

1.3.3.1 Overview of the Corporate Social Performance Approach

Corporate Social Performance (CSP) is a more comprehensive, sociology-based approach to CSR. Donna J. Wood, who proposed the basic CSP model frequently used by researchers, believes that the essential idea behind corporate social responsibility is that society and business are not unconnected, but are in fact “interwoven” entities, and so society expects certain behaviors and results from business that it (society) has deemed appropriate.111 With respect to the scope of responsibilities, CSP rejects the extreme positions that business should have no social responsibilities or have responsibilities for everything, and identifies two key responsibilities for business persons: “socio-economic responsibility for general economic welfare and socio-human responsibility for preserving and developing human values.”112 It asserts that corporations should have responsibilities not only to create wealth and operate lawfully, but also to address social problems, and includes elements of harm reduction and benefit creation.113

CSP advocates emphasize that doing the ‘right thing’ is not a matter of economics but of ethics, that a company’s reputation and approval within the community are enhanced when it acts in a socially responsible way, and that it incurs risks when it acts otherwise.114 CSP features three main elements: princi-

112 Mele, “CSR Theories,” 52.
113 Ibid., 49.
114 Ibid., 49–50.
pies of responsibility, processes of corporate social responsiveness, and outcomes of corporate behaviour.\textsuperscript{115}

Wood's CSP model has principles of responsibility at the institutional, organizational and individual level.\textsuperscript{116} The 'Institutional Principle' or 'Principle of Legitimacy' applies to all businesses to whom society bestows power and legitimacy, and states that they should not abuse this power. Society gives business a 'license to operate', and it must in return respond to social needs and meet society's expectations.\textsuperscript{117} The 'license to operate' concept comes from the fact that, in order to conduct business, each company requires either explicit or implicit permission from governments and a variety of stakeholders, including communities.\textsuperscript{118} Failure to exercise power responsibly can result in a loss of legitimacy with serious consequences (e.g. reduction in sales, government intervention).

At the organizational level, there is a Principle of Public Responsibility requiring that businesses be responsible for addressing those social problems that their business has caused, or that are related to their operations; one example would be computer hardware manufacturers supporting programs for the responsible disposal of old computer equipment. The Principle of Managerial Discretion operates at the level of the individual and declares that managers

\begin{itemize}
\item \textsuperscript{115}Wood, 694–713.
\item \textsuperscript{116}Ibid., 695–99.
\item \textsuperscript{117}Mele, "CSR Theories," 49. A number of authors in the field of CSR make reference to the 'expectations of society' or 'social expectations'. A review of the literature shows, however, that there is no clear consensus on precisely what is meant by the term. Wood, 695, states that society has "certain expectations for appropriate business behavior and outcomes" that relate both to firms and their managers. Social expectations are sometimes differentiated as economic, legal or ethical expectations, but are not fully defined. Economic and legal expectations may be more easily understood (for example society expects firms to obey the law, and corporate criminal behaviour is subject to legal sanctions), but the term 'ethical expectations' is considerably less clear. 'Social expectations' are most often referred to in general terms only.
\end{itemize}
should be responsible for using their managerial discretion to make decisions and carry out activities in a responsible manner. They cannot escape this responsibility by referring to particular corporate directives or procedures.\textsuperscript{119}

This last principle is a noteworthy one. Despite the importance of individual decision-making in business, some researchers feel that managers and their values are often ignored in business ethics, their virtues replaced by bureaucratic conventions, their work ethic supplanted by "administrative hierarchies, standardized work procedures, regularized timetables, uniform policies, office politics, and centralized control", leading to what has been called the 'bureaucratic ethic'.\textsuperscript{120} Another related issue is what researchers have termed 'moral muteness': the reluctance of managers to talk about their decisions or actions in moral terms, or to discuss ethical problems with peers.\textsuperscript{121} According to Frederick Bird and James Waters, research has shown that managers do make value judgments and rely on moral standards, but tend to justify them in non-moral terms in the workplace.\textsuperscript{122}

The second main element of Wood's model, after principles of responsibility, involves processes of corporate social responsiveness. CSP grew out of corporate social responsiveness - the response of business to society's concerns with big business in the 1960s and 1970s - and involves companies adapting to society's requirements and demands.\textsuperscript{123} This is done by means of three processes: environmental assessments (scanning the firm's environment to establish context and help develop appropriate responses); issues management

\begin{itemize}
\item \textsuperscript{119}Wood, 699.
\item \textsuperscript{120}Donaldson, Werhane, and Cording, "Corporations, Persons and Morality," 231–32.
\item \textsuperscript{122}Ibid., 302.
\item \textsuperscript{123}Mele, "CSR Theories," 48, 50.
\end{itemize}
(developing and adjusting processes for handling corporate responses to social issues which are either external, e.g. involvement in the community, or internal, e.g. ethics codes and training); and stakeholder management (developing processes to deal with various stakeholders).\textsuperscript{124}

The last element of Wood’s model is outcomes of corporate behaviour. Outcomes are important for the measurement of CSP, and are of three types: the social impacts of business behaviour, organizational social programs, and policies.\textsuperscript{125} There are social impacts of business behaviour, however they might have occurred and irrespective of the motivation behind them; the idea is that everything a company does has some type of social impact, either good (e.g. producing goods and services, creating employment) or bad (e.g. polluting the environment, manufacturing unsafe products). The social impacts of actions can, however, be difficult to assess. Research on social impacts is mainly in the area of corporate social reporting. It relies on assessment tools such as social indicators (e.g. measures relating to such things as community investments, health and safety, employment), reports on performance against goals, the social balance sheet, etc.\textsuperscript{126} Social and environmental accounting offers techniques for assessing the impact of business on staff, consumers, communities, and the physical environment; it is a way for managers to monitor key social and environmental threats and opportunities, and to track information for external reporting.\textsuperscript{127}

A second type of outcome of corporate behaviour is the development of social programs to manage social impacts. Programs are designed to meet

\begin{footnotesize}
\textsuperscript{124}Wood, 703–6.
\textsuperscript{125}Ibid., 708–11.
\textsuperscript{126}Ibid., 708.
\textsuperscript{127}Owen, 418–19.
\end{footnotesize}
some socially beneficial purpose for the firm, and may be of short or long duration. The last type of outcome is the development of corporate social policy that should assist managers in day-to-day decision-making and, ideally, link back to support the CSR principles of maintaining corporate legitimacy in society. Such policy enables the firm to effectively respond to changes in its environment, and enhances the capacity for managerial discretion through the creation of an ethical business culture. Policies should be developed at the institutional, organizational and individual level across all business domains, i.e. economic, legal, philanthropic, etc.

1.3.3.2 Philosophical Foundations of the Corporate Social Performance Approach

CSP pulls together many of the CSR developments through the 1980s, along with one of its inherent weaknesses: the lack of clear definitions for some key concepts. Whereas the early advocates of CSR sought the goals of respect for persons, defense of human rights, and good working conditions in business, later authors in the field have appeared unwilling to associate CSR with ethics, perhaps because of the prevalence of ethical relativism at the time, or to sidestep debates about what was considered morally right or wrong. References to ethical principles, ethical values and the ethical consequences of actions did increase in this literature after the late 1970s.

While CSP still lacks clarity as a construct, a bigger problem is that it is based on society’s expectations; it speaks of the social responsibilities of business in terms of meeting social norms, social values and social expectations.

References

129 Mele, "CSR Theories," 54.
instead of performing ethical duties. In this way it suffers from ethical relativism because ethical norms, and hence the organization's responses, would vary among social contexts.\textsuperscript{130} Thus its normative foundation is not really ethics. In addition, the expectations or demands of society are not sufficient to justify corporate responsibility. This may be because the demands of society are "unjust or immoral, because of the nature of what is demanded, or because the demands place an unfair burden on companies, or because they tend to serve the interests of the powerful."\textsuperscript{131}

CSP's idea of a company receiving legitimacy and power from society, and so being expected to assume social responsibilities, is similar to the notion of corporations having a "duty of beneficence" to society because it has received benefits from society, but here the intention is different; it is instrumental.\textsuperscript{132} This approach to social responsibility is motivated by economic goals, and so CSR activities are undertaken to ensure the long-term viability of the enterprise.

\textsuperscript{130}Melé, "Mainstream Theories on Normative Corporate Social Responsibility: Analysis from Catholic Social Thought," 3; Melé, "CSR Theories," 54.


1.3.4 The Corporate Citizenship Approach

1.3.4.1 Overview of the Corporate Citizenship Approach

Though the concept of the firm as citizen appeared early on in the CSR literature, it has become increasingly popular of late due to several factors including globalization, deregulation, and the increasing power of corporations.\(^{133}\) Elisabet Garriga and Melé describe three views on Corporate Citizenship (CC): a limited, more traditional view (close in meaning to corporate philanthropy, social investing, or community involvement); a more common view that sees it as essentially the same as CSR; and a newer, more innovative view that represents an alternate means of comprehending the role of business in society.\(^{134}\) Melé notes that some researchers say this term connotes the participation of firms in society, while others feel it embodies an important shift in normative understanding about business' relationship with stakeholders.\(^{135}\) Corporate Citizenship speaks to the rights and duties of businesses toward society as a whole, something that other CSR frameworks do not specifically address.\(^{136}\)

Some caution is needed in applying the concept of citizenship to firms because generally it relates to persons. Two authors have developed a Global Business Citizenship theory by carefully working through an analysis of the concepts of citizen, corporate citizen, and business citizen, which stems from and is subordinate to individual citizenship.\(^{137}\) They relied upon existing dis-

\(^{133}\)Garriga, and Melé, 56–57.
\(^{134}\)Garriga, and Melé, 57; Melé, "CSR Theories," 68–69.
\(^{135}\)Melé, "CSR Theories," 69.
\(^{136}\)Schwartz, and Carroll, 165.
\(^{137}\)Melé, "CSR Theories," 71.
tinctions between three concepts of citizenship. The first is a minimalist view, where citizens live in a common area and agree on certain rights and duties. The second is a communitarian view, where citizens are seen in a socio-cultural context, with meaningful traditions and rules. The third is a universal rights perspective deemed suitable for application to global business operations, where rights are needed to recognize human dignity and achieve human agency.\textsuperscript{138}

Global Business Citizenship policies and practices can assist multinational firms with interests and operations in many geographic areas, and with multiple stakeholders, by codifying core values, guiding business behaviour according to global ethical standards (called hypernorms), and helping to respect location-specific deviations that conform to these hypernorms.\textsuperscript{139}

Another (civic participation) approach to CC involves a descriptive, non-normative analysis of the citizenship concept through the lens of political theory, and a consideration of the effect of globalization on business' role in administering (i.e. providing or enabling) citizens social, civil, and political rights where national governments either do not, or cannot, do so.\textsuperscript{140} This approach begins not from the firm's political or legal status, but from its social role in supporting the rights of citizens.\textsuperscript{141} These rights are provided to the firm's direct stakeholders, such as customers and staff, but may also extend to other constituents. While multinationals may in fact carry out such

\textsuperscript{138}Ibid.
\textsuperscript{139}Ibid., 72.
\textsuperscript{140}Ibid.
responsibilities - in developing countries for example - this concept of CC is problematic in that such corporations function without accountability to society. Proper governance policies and mechanisms would be needed to ensure this accountability.

In response to growing protests against globalization within the last number of years, leaders from the largest multinational firms came together in 2002 at the World Economic Forum to sign a document called *Global Corporate Citizenship: The Leadership Challenge for CEOs and Boards*. For the Forum, CC refers to business' contribution to society made through its main business activities, corporate philanthropy, community investments and engagement in public policy.¹⁴²

**1.3.4.2 Philosophical Foundations of the Corporate Citizenship Approach**

Though CC theories are concerned with rights, they focus to an even greater extent on duties and responsibilities, as well as possible collaborations between business and various groups and institutions in society.¹⁴³ The word 'citizenship' comes from political science and speaks of duties and rights within a political community, but it also conveys a sense of being part of, and participating in, a community.¹⁴⁴ "In the Aristotelian tradition, business firms are seen as an integral part of society and for this reason they ought to contribute to the common good of society," in particular within the local community in which they operate.¹⁴⁵

¹⁴²Melé, "CSR Theories," 70.
¹⁴³Ibid., 71.
Business citizenship presupposes the Universal Declaration of Human Rights as the basis for an organization’s contribution to social welfare, considers human liberty the highest standard of corporate action, and represents for some a means to the common good. Though a complete theory of CC has not been developed, approaches to CC include a broader understanding of persons than do the SVT, Stakeholder and CSP approaches. The CC approach supports the notion that businesses ought to respect the rights of persons and, as participants in the life of the community, contribute in different ways to the well-being of citizens. This approach implies an integration of the environmental and social aspects and impacts of business, and not simply an adding-on of social and environmental considerations to core economic goals.

The realities of globalization present ethical challenges to corporations. Those whose operations extend beyond national borders are confronted with different ethical standards, norms and values in various geographic locations. Thomas Donaldson has proposed three core values that he believes represent minimum ethical standards for businesses operating anywhere in the world: respect for human dignity, respect for fundamental rights, and good citizenship (which involves supporting social institutions and protecting the environment). These core, global ethical standards are consistent with an approach such as Global Business Citizenship.

146 Alford, Sena, and Shcherbinina, 9.
1.4 Summary of Chapter One

Philosophy has helped contribute to the field of business ethics by influencing our understanding of the social responsibilities of business. Society's expectations regarding corporate behaviour have changed over time, and continue to change, but many concerns regarding environmental degradation and the increasing power of business persist. Businesses have responded to these concerns with a variety of initiatives and activities related to governance, human rights, the management of resources, sustainability, community involvement, philanthropy and social performance reporting, among others. The structure, content and motivation underlying these social responsibility initiatives and their implementation have given rise to diverse approaches to CSR.

As indicated in Chapter One, approaches to CSR either limit the social responsibility of business to maximizing profits (with a view to producing economic benefits for society), or admit some wider notion of social responsibility. The Shareholder Value approach focuses on wealth maximization, whereas the other three approaches seek broader responsibilities on the part of business. In the Stakeholder approach, the responsibilities of business extend to a consideration of the rights of stakeholders and the impacts of business activities on individuals and groups. Business still acts responsibly in order to maximize wealth, but does so by balancing the interests of stakeholders. The Corporate Social Performance approach, meanwhile, includes responsibilities for economic welfare, and for preserving and defending human values. Managers are called to act ethically, the organization is called to respond to social expectations, and there is an acknowledgment of public responsibility for addressing
social problems created by, or related to, business operations. The organization acts responsibility in order to improve its reputation and lower its business risk. Finally, the Corporate Citizenship approach emphasizes rights and the integration of social and environmental factors into business decisions. In some of its variations, it is unique in its acknowledgment of the duties of organizations towards society in general.

Among these alternative approaches, which is the more ethically sound? Having provided an overview of CSR, its evolution, and the mainstream approaches to the subject we will turn, in the next chapter, to analysis. Chapter Two endeavours to identify the most robust theoretical approach to CSR, outline the requirements for a comprehensive normative CSR framework, and provide insights into bridging the theory-practice divide. In short, it aims to offer a better understanding of theory and of how to move from theory to practice.
CHAPTER TWO
CRITICAL ANALYSES OF CORPORATE SOCIAL RESPONSIBILITY:
THEORY AND PRACTICE

Man is not only a knower but also a doer; the same intelligent and rational consciousness grounds the doing as well as the knowing.

– Bernard Lonergan, *Insight*

We begin our critical analysis with an analysis of theory, and will present the four theoretical approaches to CSR in order to assess their diverse philosophical groundings. Next we will examine several key criticisms in the literature that focus on the theory-practice relationship. These criticisms include: the relationship between ethical theory and business practice, the shift from theory to practice, the failure of theory to address all levels of practice, the separation of theory from practice, and the gap between theory and practice. These criticisms are not confined to particular theories, but tend to apply more broadly to the field in general. Some relate to conceptions of CSR, some to its scope or usefulness. Others refer to applied ethics in general, or highlight problems inherent in the application of CSR principles in the workplace. A review of these criticisms will identify important considerations in the application of CSR theory.
2.1 Critical Assessment of the Main Theoretical Approaches to CSR

Our analysis of theory draws upon Melé's assessments of the four mainstream approaches to CSR, which we will examine in turn.

2.1.1 Assessment of the Shareholder Value Approach

Many of us believe, Carroll claims, that the pursuit of economic profitability is something that business does for itself, while legal compliance, ethical considerations and philanthropic initiatives are undertaken for others.\(^{149}\) While acknowledging the appeal of this distinction he argues that, in fact, economic profitability is something that the corporate sector does for society, though we tend not to see it that way.

The Shareholder Value approach does offer an efficient means of producing economic benefits for society through wealth creation and the optimal allocation of resources resulting from the operations of a free market economy. SVT limits CSR to making a profit and assumes that looking after the public interest is the job of government. Proponents of SVT argue that assigning social responsibilities to corporations leads to concerns over too much power in the hands of managers, who have neither the know-how nor the right to impose their own ideas of what constitutes the public good.\(^{150}\) They contend that businesses foster innovation, create lower prices through competition, and pay taxes that are used by governments for the benefit of society. Any negative impacts of business are to be remedied through our legal and regulatory sys-

\(^{149}\) Carroll, "CSR: Evolution of a Definitional Construct," 284.
tems, and through charity that can address social problems, such as inequalities, produced by markets. The Shareholder Value approach is frequently upheld by law, and is currently followed by many companies, particularly in Anglo-Saxon countries.

However, critics of SVT argue that while firms do produce social benefits, their activities, while they may be efficient and economically successful, may at the same time be monopolistic, exploitative, damaging to the environment, or otherwise harmful. From the time of the industrial revolution, businesses have endeavoured to internalize the gains and externalize the costs of their operations. The 'tragedy of the commons', also called the free-rider problem, is pervasive with respect to public goods such as air and water. No business is motivated to incur the cost of reducing harmful by-products of production or cleaning up the environment, and so we end up with pollution. According to SVT, the only social responsibility of business is to create corporate profits. Responsibility for negative business outcomes, so long as they are legal, is dismissed. Society as a whole must bear the costs of dealing with these negative business outcomes. The costs of addressing these outcomes are to be recouped through taxation and controlled through regulation.

With this approach, finance moves beyond its function as a technique of business and attempts to establish itself as a social philosophy using agency theory as a philosophical basis; finance “prescrib[es] what a business ought to be.” The Shareholder Value approach reflects financial thinking which, according to Helen Alford and Michael Naughton is constrained thinking:

151 Mele, “CSR Theories,” 60.
152 Ibid.
154 Ibid.
155 Alford, and Naughton, 33–34.
It is the discipline of thinking as if “good” could only mean “good for earnings” or “good for net profit”; the deliberately constrained nature of its assumptions about the human person and what counts as the purpose and good of the business necessarily makes it unable to give a full and complete account of the nature and purpose of business.\(^\text{156}\)

In our view, the Shareholder Value approach does not effectively and comprehensively define the social responsibilities of business. Maximizing shareholder wealth is too narrow a conception of the function of business, especially in today’s reality where society expects business to take on a larger role in contributing to the social good. We will now examine the second approach to CSR, which improves upon SVT in a number of ways.

2.1.2 Assessment of the Stakeholder Approach

Melé notes that this approach appears ethically superior to SVT by virtue of several advantages. It goes beyond the law in that it considers the rights and interests of stakeholders (they are considered for their own sake, not only for their ability to contribute to the bottom line), recognizes specific responsibilities to persons or groups affected by business activities, imposes wider duties on managers (beyond fiduciary duties), better meets the requirements of justice by considering property rights, and shows greater respect for human rights and dignity.\(^\text{157}\) He also points out that stakeholder theory is a practical approach that can contribute to business success, and that it is currently accepted and practiced in many companies.

Wood claims that Freeman’s stakeholder analysis has helped bring clarity to the abstract notion of society by defining stakeholders, and helped us

\(^{156}\)Ibid., 33.
\(^{157}\)Melé, “CSR Theories,” 66.
understand how society provides and withdraws corporate legitimacy (e.g. by customers refusing to buy products, shareholders selling stock, governments regulating, social activists suing, etc.). By defining stakeholders, this approach can help managers to operationalize CSR.

Stakeholder theory does, however, have its challenges. These include how to balance the interests of stakeholders, and how to incorporate the environment into stakeholder analysis. Freeman acknowledges that the literature is divided among descriptive, instrumental and normative strands of research, leading to theoretical confusion and less rigorous analysis. Mark S. Schwartz and Carroll note that a number of stakeholder-related concepts (e.g. stakeholder management, stakeholder model, stakeholder analysis) are described, applied and critiqued in different and sometimes contradictory ways, leading to some confusion. Kenneth Goodpaster argues that knowing that a company does stakeholder analysis, which might be motivated by any number of non-ethical concerns, tells us little about the ethical character of the company or its managers. Such analysis, he maintains, is morally neutral and so should not be considered on a par with normative ethical thinking. In his view, the Stakeholder approach fails “not because it is immoral; but because it is nonmoral.”

Goodpaster also notes that the multifiduciary approach does not consider the fact that management’s responsibility to shareholders is ethically dif-

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158 Wood, 697.
159 Alford, Sena, and Shcherbinina, 7.
161 Schwartz, and Carroll, 160.
163 Ibid., 52.
different than its relationship with stakeholders. He describes what he calls the “stakeholder paradox” as follows: management has a fiduciary duty to shareholders, i.e. a duty to maximize profits, yet it seems necessary for corporations to consider a multifiduciary process which conflicts with their accountability to shareholders. The paradox arises because there appears to be an ethical problem with either approach. He also recognizes the inherent difficulty in managing stakeholder relationships:

much of what makes responsible decision-making difficult is understanding how there can be an ethical relationship between management and stakeholders that avoids being too weak (making stakeholders mere means to stockholders’ ends) or too strong (making stakeholders quasi-stockholders in their own right). Goodpaster also suggests that considerations of the wider social impact of business decisions (e.g. on public health, the family, the moral development of children, the environment, etc.) are generally not viewed in stakeholder terms. Stakeholder thinking, he tells us, normally presupposes a specific business context, with particular customers, staff, suppliers, etc., whose ideas regarding their own goods, interests and rights “may or may not survive scrutiny from a more objective point of view.”

While the Stakeholder approach presents advantages over SVT, it is still fundamentally about economics and the maximization of wealth. This wealth is enhanced through the establishment and maintenance of good relationships with a designated set of stakeholders. What is good for stakeholders, however,

164 Ibid., 54–55.
165 Ibid., 49–50.
167 Ibid.
is not necessarily beneficial to society at large. Stakeholders whose interests do reflect broader concerns for social welfare might be consulted, but they might not be the ones wielding the most power and influence around the boardroom table. In fact, as Ulrich Steger notes in a recent article, the empirical evidence suggests that the greater the interest that stakeholders (such as NGOs) have in CSR, the less significant they are (economics-wise) to firms. Both SVT and stakeholder theory see profitability as the goal of business, with the latter adding on the necessary requirement to balance stakeholder interests. These approaches “remain in the mindset of classical economics, with the concept of the person as an autonomous actor seeking preference satisfaction, and the understanding of morality as consisting of procedural rules of justice.”

Given the factors outlined above, we feel that the Stakeholder approach can be helpful in operalizationalizing CSR, and that it offers advantages over the Shareholder Value approach by broadening the scope of business responsibilities. It shares some limitations of SVT however, and does not provide a satisfactory means of considering and reflecting on the good of society in general. The Stakeholder approach presumes that the community benefits when self-interested stakeholders negotiate agreements where each receives some of what they want; but this may not ultimately contribute to the overall good of the community. The use of this approach should be considered “a

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necessary but not sufficient condition for social responsibility.”

We now turn to Melé’s third approach to CSR.

2.1.3 Assessment of the Corporate Social Performance Approach

CSP offers an improvement over SVT and the Stakeholder approach in that it explicitly stipulates that corporations should address problems that they create, or that are related to their operations. Also, many researchers have used this approach to investigate the relationship between a firm’s ‘doing good’ (CSP) and ‘doing well’ (e.g. its corporate financial performance). One could argue that this approach serves to highlight the potential benefits to organizations of socially responsible actions. But in this case the motivation for change is to secure corporate advantage, not to work toward the good of society.

Research has shown that organizations respond differently at different times to different issues; they may even use several types of responses concurrently. The emphasis with CSP is on how businesses should respond to social expectations, not how they should conduct business, treat their staff or other stakeholders, or interact with individuals or groups in society in general. According to this approach, the reason that corporations act responsibly is to enhance their reputation and avoid risks that can have a negative impact on their bottom line. Economics and ethics are thus separate, and social responsi-


\[172\] Crane, et al., “Conclusion,” 570.

\[173\] Wood, 707.
bility is viewed as a type of constraint on business. The main problem with CSP, then, is a weak integration of normative ethics and business activity.

In addition, there are several problems inherent in the assessment of corporate social performance. First, CSR policies and practices are often not linked to outcomes, and so are hard to measure. Second, some CSR activities are under-reported, leading to underestimations of CSP. Lastly, no standardized form of corporate social performance reporting exists.

Finally, the term CSP itself is problematic. It is unclear whether social performance includes environmental performance, and this problem has prompted some to suggest the use of the term corporate citizenship as "a (conceptually equivalent, yet rhetorically superior) synonym of CSP." Not everyone considers these terms to be synonymous, however. We will now turn to an assessment of Corporate Citizenship, Mele's last main approach to CSR.

2.1.4 Assessment of the Corporate Citizenship Approach

Mele notes that problems with this approach include its reliance on managerial discretion, and the fact that it is an umbrella concept for many themes (e.g. corporate community economic development, philanthropy, public-private partnerships, etc.) which might require further theoretical development.
in order to achieve greater coherence. Melé notes that both CC models outlined in Chapter One have been criticized for various reasons. The Global Business Citizenship theory is faulted for its narrow view of corporate activities, its simplistic notions of citizenship, and its weak normative base. The weakness of the civic participation model is its failure to adequately address the responsibilities of business.

The Corporate Citizenship approach does, however, have a number of advantages. It moves beyond the limited view of persons as self-interested wealth maximizers. It sees businesses not as exclusively economic institutions, but, more realistically, considers them active participants in the life of communities. As such, firms operate in relationship with individuals, groups and other social institutions. Goodpaster reminds us that the common good cannot be the responsibility of any one organization. He suggests that in addition to stakeholder responsibilities, firms have a responsibility "of a different kind (or of a different order), namely, the responsibility (deriving from membership in the community) to contribute to solutions that call for ethical collaboration, not simply company-specific ethical behavior." 

The CC approach emphasizes the role of the firm in contributing to social welfare and human development, and the importance of upholding human rights. It looks beyond the level of the individual shareholder or stakeholders to the needs of society. It regards social responsibilities in their own right, and not only as they relate to market share and competitive advantage. Firms with a CC approach, with its more comprehensive,
integrated view of ethics, should therefore be the least likely to drop CSR initiatives, even in an economic downturn.

CC's scope is global, making it more suitable to today's business environment than other approaches. According to Melé, the term is also favoured by business practitioners, giving it general acceptance in the corporate sector.\textsuperscript{181} For these reasons, and given current social expectations on business, and the approach's suitability for global business operations, we suggest that the CC approach is the most ethically sound approach. It may also be the most promising of Melé's four approaches, in terms of achieving long term business success. Existing weaknesses will need to be addressed, but efforts to improve the Corporate Citizenship approach will likely occur, since it appears to be garnering increased interest. One author, in commenting on the recent exponential growth in the business sector's use of the term, characterized it as "not a new concept, but one whose time has come".\textsuperscript{182}

2.1.5 Conclusion: Assessment of the Main Approaches

Having assessed Melé's main theoretical approaches to the field of CSR, we have found Corporate Citizenship to be the most ethically robust. In moving through the approaches, from Shareholder Value to Corporate Citizenship, we notice that the later models appear more theoretically comprehensive than the earlier ones. However, as approaches become more ethically sound, they seem to fall prey to criticisms regarding precision at the level of

\textsuperscript{181}Ibid.

application. This raises a question regarding the theory-practice relationship: How do we preserve a strong ethical foundation while maintaining precision and clarity at the level of application?

In terms of understanding how a theoretical approach such as Corporate Citizenship might work in practice, we need to turn to the second component of our analysis, criticisms arising in the literature. As noted earlier, these criticisms do not apply to any one of the four main approaches to CSR; they apply to the field in general and, in our judgment, represent one of the most important challenges in advancing the field of CSR. These criticisms highlight important considerations for the theory-practice relationship, and so provide guidance on what is required to move effectively from theory to practice.

2.2 Criticisms Arising in the Literature: The Relationship Between Ethical Theory and Business Practice

A review of the literature highlights a number of criticisms that are part of the corporate social responsibility discussion, and that pertain to the relationship between theory and practice. We will examine each in turn: the shift from theory to practice, the failure of theory to address all levels of practice, the separation of theory from practice, the effects of practice on theory, and the gap between theory and practice.
2.2.1 The Shift From Theory to Practice

Melé notes that some early scholars were reluctant to link CSR with ethics. Some emphasized the ethical principles and duties influencing the business-society relationship, while others spoke more in terms of social values, norms and expectations. The issue of the need for better normative analysis was expressed in the mid-1980s by Frederick, who distinguished between the first wave (1950s-1970s) of CSR literature, which he called CSR₁, focusing on responsibility, and the second wave, CSR₂, focusing on responsiveness (that is, responsiveness to social demands). He found that while the early work in CSR “struck a moral stance whose foundations were never revealed, [...considerably less credit for normative clarity can be given to the wave of corporate social responsiveness (CSR₂) literature that followed the pioneers' work.”

Frederick felt that CSP proponents encouraged business to avoid questions of a more philosophical nature concerning their social responsibilities, and instead concentrate on the more practical tasks of responding to social pressures through issues management, social audits, etc. He called for management scholars to work more closely with philosophers to improve their knowledge of ethical reasoning, and for corporations to move from social responsiveness to ‘social rectitude’ by acknowledging the central importance of ethics to policies and decisions, developing the analytical tools to deal with ethical problems, and attuning corporate policies to central values within the culture of ethics.

In the 2000s, Carroll tells us, the focus on theoretical contributions to the notion and meaning of CSR gave way to empirical studies, with interests.

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183 Melé, “CSR Theories.” 54.
184 Frederick, “Toward CSR3,” 130.
185 Ibid., 136–37.
This shift from theory to practice has given rise to a need for better normative analysis in the field. The current focus on the business case for CSR should, we suggest, be replaced with a more balanced ethical analysis that includes philosophical considerations of social responsibility.

2.2.2 The Failure of Theory to Address All Levels of Practice

Deon Rossouw argues that applied ethics goes beyond the traditional realm of philosophical ethics (with its focus on the nature of ethical obligations, their underlying principles, etc.) by grappling with ethics not only on the intra- and interpersonal levels, but also on the level of economic and social systems. "Instead of merely making moral judgements, it also attends to the prevention of individual and systemic moral failures." While business ethics spans three levels of analysis (economic systems, corporations, and persons), De George notes that the focus has been primarily on corporations. Descriptive studies of CSR, generally from the business management literature, often employ a case study approach to examine ethical issues within a firm or industry-specific context. Since the dialogue has been primarily limited to large, publicly-traded North-American or European-based corporations, academic business ethics has been criticized as having little relevance for the vast majority of business persons.

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even though the locus of decision-making in firms is its managers, these very individuals - and their character and values - are often left out of business ethics altogether.\textsuperscript{190} Another related criticism is that discussions in academic business ethics speak more to government policy toward big business and the capitalist establishment than to how business ought to conduct itself; such discussions stem more from political philosophy than from moral theory.\textsuperscript{191}

Schwartz and Carroll note that some approaches to CSR - such as Corporate Social Performance - focus more on the outcomes of business than on ethical principles or individual responsibility. They suggest that while CSR refers to the responsibilities of organizations, it has trouble describing the ethical responsibilities of individual employees and managers towards others and towards their organization.\textsuperscript{192} Wood has also identified a shortcoming of CSR at the level of the individual within an organization. She surmised, upon reviewing the literature, that efforts to identify specific principles of CSR have not adequately differentiated between three levels of ethical analysis. These include: expectations put on persons as moral actors within firms, expectations put on individual firms because of what they do, and expectations put on all firms because of their function as economic institutions within society.\textsuperscript{193}

With respect to the role of the firm as an economic institution, various influences on corporate activities have important repercussions for CSR at the level of society. This can be illustrated by briefly examining one issue, globalization. While it is beyond the scope of this paper to describe a full range of effects of globalization, they include a regulatory vacuum effect, and a "race

\textsuperscript{190}Donaldson, Werhane, and Cording, "Corporations, Persons and Morality," 231.


\textsuperscript{192}Schwartz, and Carroll, 157.

\textsuperscript{193}Wood, 695.
to the bottom” effect. The vacuum effect refers to the limited ability of national governments to police the activities of multinational corporations, criticized as a main source for many trans-national problems (e.g. global warming, corruption, and human rights abuses). The “race to the bottom” effect refers to the shifting of corporate operations to geographical locations that offer cost savings, and so higher profits, thanks to lower taxation, lower wages and weak unions. This situation results in national governments having to participate in a race to the bottom (in terms of ethical standards) against other governments, in order to attract corporate investment. The literature suggests that CSR discussions often neglect this socio-political level of morality:

While normative approaches to CSR criticize the economically narrow world perception of purely instrumental research and attempt to embed questions of societal responsibility... they often leave aside political aspects of the CSR issue and do not consider the underlying institutional political order of society and the concept of democracy.

Manuel Velasquez notes that by 1999 there were over 54,000 multinational companies doing business around the world, and that globalization had created particular challenges for business. These challenges included how to do business in less developed countries, what environmental guidelines to follow, what labour standards to apply, and how to deal with corrupt foreign governments. By 2008, the number of multinational corporations had risen to 79,000. Velasquez states that managers in multinational firms must regularly make judgments related to complex business decisions and arbitrate moral con-

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195 Ibid., 420.
flicts involving persons from different cultures, and he believes that traditional moral theories are not helpful in this context. "[C]ontemporary ethics", in his view, "has utterly failed the multinational manager." While some type of global governance system to regulate corporate behaviour internationally would be useful, many argue that such a system is either not desirable, and/or not feasible. CSR tools (e.g. codes of conduct, global principles for labour and environmental standards, etc.) rely on companies to comply with what is essentially a type of market-centered (or private) global governance. Jan Aart Scholte argues that it remains to be seen whether this voluntary approach will be successful.

What is needed for comprehensive ethical analyses, in addition to a strong normative base, is reference to a moral theory that functions at all three levels of morality: that of the individual, of business practice (whether large or small; from the public, private or civil society sphere), and of society. It must also be adaptable to new business practices, such as those required by firms adapting to global markets. We will now examine a third criticism, the supposed separation between philosophical ethics and the economics of business.

2.2.3 The Separation of Theory from Practice: The "Two Cultures" Phenomenon

While CSR exists at the intersection of ethical theory and business practice (as previously noted), business ethicists exist between the realm of aca-

\[^{198}\text{Velasquez, 344.}\]
\[^{200}\text{Ibid., 241–42.}\]
demic moral philosophy and the front lines of business. They are sometimes ignored by those philosophers who do not consider business ethics "real philosophy" and by those managers who do not think that ethicists can know anything about "real business". In academia, Werhane notes, the "two cultures" phenomenon refers to the split between humanists and scientists; in philosophy, debate concerns the normative-descriptive divide, and in business management the focus is on the apparent separation between economics and ethics.201

Freeman calls this two cultures phenomenon 'The Separation Thesis', and counts it as one reason for philosophy's perceived irrelevance to business. The Separation Thesis, he suggests, has been highly influential in contemporary economics. The Thesis is the view that "[t]he discourse of business and the discourse of ethics can be separated so that sentences like "x is a business decision" have no moral content, and "x is a moral decision" have no business content".202 Freeman says that while philosophers, experts in ethical analysis, have proclaimed the superiority of the normative, those from the social sciences, methodological experts, have favoured the empirical. Suggestions that the normative must derive from an understanding of the empirical would be rejected by many philosophers citing Hume's Law, that is, that one cannot derive an "ought" from an "is".203

Freeman brings in another thesis, The Responsibility Thesis, to help with his analysis. This thesis asserts that the "basis for ethics, or the moral point of view, is that most people, most of the time, take, or want to take, responsibility

201Werhane, 401.
203Freeman, "Business Ethics at the Millenium," 172.
for the effects of their actions on others. And, if they did not, then what we call "ethics" and "morality" would be meaningless. Mainstream discussions on business and capitalism, which tend to support the Separation Thesis, cannot also support the Responsibility Thesis, because there is no role for responsibility if business and ethics are separate. Attempts by philosophers and social scientists to introduce notions of responsibility into these discussions would therefore be disregarded:

[r]esponsibility has the weakest scientific reputation and the weakest status/prestige in the business school, dominated by the scientific model. The technical language of philosophical ethics is arguably impenetrable for managers and business students (without deep study); and also next to useless for practical decision calculations in business.

Freeman contends that business ethicists have tended to ignore the importance of economics. If trade and value creation happened solely within more or less homogeneous societies, then setting out all the normative claims before explaining business or its theoretical relationships would make sense. But this approach, he argues, simply doesn't work in the real world.

Norman Bowie believes that managers are most interested in asking about the effect of ethical behaviour on the business' bottom line, and notes that even non-Kantian philosophers do not like that question. Philosophers, he tells us, would argue that managers should consider an action because it is right, not just because it will benefit their business. He argues, however, that philosophers should not be put off by the question, and must instead recognize that managers have a contractual obligation to owners and that businesses have a moral obligation to shareholders to turn a profit. Bowie contends that if busi-

\[204\] Ibid.
\[205\] Windsor, 507.
\[206\] Freeman, "Business Ethics at the Millenium," 173.
ness ethics philosophers feel that questions regarding the relationship between profits and ethics are not legitimate, they risk isolating themselves from important areas of research and becoming irrelevant to business practitioners.\textsuperscript{208}

Warren G. Bennis and James O'Toole believe that an important factor in the disconnect between business and ethics is the training future managers receive at business schools.\textsuperscript{209} They see these schools as based on the scientific model, and built on the false assumption that business is an academic discipline like biology or geography. They maintain that business is, in fact, a profession. Professions have, in addition to an established body of knowledge, a process of certification to ensure that knowledge is acquired, a code of ethics that is enforceable, and a commitment to the public good.\textsuperscript{210} This approach to formation, they argue, would provide the knowledge of ethics and morality needed for difficult business decisions.

Duane Windsor supports this argument, stating that the scientific model, with its emphasis on economics, psychology and quantitative methodology has tended to prevail in contemporary business education programs, at least in the U.S.\textsuperscript{211} The professional model, on the other hand, has a more interdisciplinary approach, and a focus on a concept of leadership tied to values, responsibilities and ethics. Alasdair MacIntyre similarly tells us that our colleges and universities perpetuate the status of moral philosophy as something belonging to a sphere 'irrelevant' to daily life, and offer instead the techniques of applied

\textsuperscript{208}Ibid., 19–20.
\textsuperscript{209}Bennis, and O'Toole, 98.
\textsuperscript{210}Ibid., 102.
\textsuperscript{211}Windsor, 504.
science and economics as the means to our various social/corporate/organizational ends.212

The literature suggests that CSR theory requires normativity, and specificity at the three levels of morality; it must also be informed by business practice. It needs to recognize the importance of economics and the moral obligation of managers to their shareholders; ethics and economics must co-exist in business practice. Next we will consider several criticisms relating to applied ethics in general, and the extent to which they apply to the field of business ethics.

2.2.4 The Effects of Practice on Theory: Applied Ethics and Philosophical Integrity

According to Rossouw, three key criticisms have been leveled against applied ethics: that it is un-philosophical in nature, that its scope is too limited, and that it lacks philosophical integrity.213 With respect to the claim that business ethics is un-philosophical, he states that this cannot be deemed a serious challenge for two reasons. First, the claim is based on the false assumption that applied ethics simply involves a systematic application of current moral theories to contemporary moral issues. Though this does occur, he finds that this is by no means the core of work in this area. Second, Rossouw notes that a review of the books written and articles published by philosophers in scholarly journals in the business ethics field does not support this charge.214

213 Rossouw, 164–66.
214 Ibid., 164.
With respect to the claim that the scope of applied ethics is too restricted, he maintains that there is nothing in applied ethics, or in philosophical business ethics, that hampers engagement with any philosophical aspect of moral issues. He suggests that business ethics, in fact, offers the possibility of not only engaging with philosophy, but also challenging current philosophical perspectives with respect to their usefulness and meaning for contemporary economics and perceptions of work.215

The third criticism of applied ethics is the most serious: that its academic and philosophical integrity can be forfeited and become subordinate to the prevailing order.216 The concern here, Rossouw explains, is that philosophers working in business ethics, tempted by money and prestige, might lose their ability for critical reflection and their inclination to challenge the values of modern culture. Among the various fields of applied ethics, he argues, business ethics is the one most likely to succumb to this temptation. The prospect of renouncing philosophical integrity for material or status gains is a reality because ethics experts are sought by the public, private and NGO sectors and opportunities exist for philosopher business ethicists to increase their earnings.

Rossouw proposes that practical knowledge, or practical wisdom - one of five classifications of knowledge according to Aristotle,217 the others being scientific knowledge, technical skill, intuition and wisdom - provides a model on which to base any kind of applied ethics. He also identifies three things that are required in order to practice applied ethics well. The first is a good understanding of the contexts and factors among which moral difficulties, quandaries

215Ibid., 165.
216Ibid.
217For a fuller discussion of these five types of knowledge, or Chief Intellectual Virtues, see Aristotle, The Nicomachean Ethics VI, 3-7.
and challenges occur. In the case of business ethics, and CSR, philosopher business ethicists need to have a good understanding of the realms of business and economics. (This is consistent with our last criticism, the "two cultures" phenomenon, which called for a moral theory informed by business practice). The second requirement is an understanding of the (human) good, which involves a consideration of the individual and collective good. The third is the requirement that we determine the significance and value of our social, political and economic practices. Economic and business practices, he explains, must be assessed to evaluate their impact on persons and society. Judgments about what is right or wrong, therefore, cannot be made without an understanding of the context of business activities, an understanding of the human good, and an evaluation of impacts on individuals and society as a whole.\(^{218}\)

The criticisms presented in the last four sections concern problems with ethical theory or considerations relevant to the theory-practice relationship that are helpful in moving from theory to practice. The final, and related, aspect of our analysis of the theory-practice relationship pertains to the gap between theory and practice that currently exists in CSR.

2.2.5 The Gap Between Ethical Theory and Business Practice

It has been argued that the purpose of philosophy, with regard to business ethics, should be to specify norms internal to the practice of business, rather than to submit synopses of ideal business institutions preferred by academics.\(^{219}\) After reviewing 50 years of work in the field, Carroll has indicated

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\(^{218}\)Rossouw, 167.
that empirical research is needed to "reconcile" practice with theory. Dean Maines and Michael Naughton recognize the difficulty in translating moral norms and principles into day-to-day business practice. They suggest that, although the literature relating to moral principles is vast, we often have difficulty connecting these principles to organizational policies, procedures or quantifiable outcomes. The result is the gap that we see between ethical theory and business practice.

Frederick maintains that:

[t]he mark of business ethicists on business practice is not large and never has been. Practitioners frequently arrive at an ethical posture on their own and in their own pragmatic way... The prescriptions offered by business ethicists may appear, and may be, couched in language and logic not translatable into the routines of the work day, so that they are unable to touch the moral sensitivities of the practitioner.

The classic, abstract, logical analysis used by professional philosophers, he tells us, has provided little that is of use in improving ethical practice in business.

The difficulties involved in translating theory into practice have been noted by a number of CSR scholars. In 1980 Jones stated that criticism of CSR applied not to the concept but rather to the challenges inherent in its application. Given the difficulty in reaching agreement on the extent to which specific actions qualify as being socially responsible, he concluded that CSR should be viewed not as a particular set of outcomes (ends) but rather as a process (means):

222 Frederick, "Notes for a Third Millenial Manifesto," 162.
223 Jones, 60.
[c]orporate behaviour should not, in most cases, be judged by the decisions actually reached, but by the process by which they are reached....[t]he appropriate demand to be made of those who govern large corporations is that they incorporate into their decision-making process means by which broader social concerns are given full considera-

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Edwin M. Epstein, writing around the same time as Jones, espoused a similar view: that CSR has a dual character which includes product and process, where product refers to outcomes (what managers do) and process represents a method of decision making whereby firms try to predict and plan for the effects of these decisions before taking action.225 While it may be very difficult to evaluate business outcomes, the incorporation of sound processes for the evaluation and judgment of ethical issues is, one could argue, more easily accomplished.

Over the past several decades, efforts at developing universal ethical guidelines for business have faced this problem of translating principle to practice. Over the last twenty five years, many global codes of business conduct have been developed, and each one faces the same practical problem: how can they be implemented or “brought to life” in the context of specific organizations?226 There are many challenges in implementing such codes, including the identification of a common core set of values, and the development of international ethical standards (e.g. environmental and labour standards, etc.). While it is beyond the scope of this paper to assess such efforts, we can state that a number of tools or resources (e.g. principles, guidelines, codes of conduct) have

224Ibid., 65.
225Epstein, 23-4.
been developed and that work is ongoing. Criticisms aimed at these advances, particularly as relate to their weak theoretical foundations and lack of moral grounding, have resulted in a type of "checklist" approach for CSR. Such an approach is ineffective in advancing the moral understanding of corporations and transforming their internal relationships.

Bowie points out that normative theory can accomplish what descriptive theory cannot, and that philosophy has much to contribute to ongoing discussions in the world of business - beyond codes and guidelines - on topics such as meaningful work, leadership, and citizenship. In fact, he tells us, philosophy is able to make a contribution to business ethics, in terms of theory, that no other discipline can offer. Philosophy can offer a coherent, normative theoretical grounding for corporate social responsibility. But ultimately, in order for ethical theory to benefit society, businesses must be able to apply it day-to-day; it must be brought to life within organizations. Bridging the theory-practice gap is about more than specifying ethical norms, principles and decision-making processes for business practice. It is about more than translating abstract analyses and philosophical terminology into concrete models and practitioner-friendly language. It is about advancing the moral understanding of business and changing social relationships.

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227 Tools include principles and guidelines (such as the Good Company Guidelines for Corporate Social Performance developed by Canadian Business for Social Responsibility; The Global Sullivan Principles of Social Responsibility; the CAUX Roundtable Principles for Business and the related Self-Assessment and Improvement Process proposed by The Caux Round Table, a group of international business leaders), performance indicators, measures and reports, training, etc. Ongoing work includes efforts by the Global Reporting Initiative and its sustainability reporting guidelines; codes of conduct such as ISO 26000 Standard on Corporate Social Responsibility, ISO 14000 on the environment, SA 800 for social standards, etc.; the UN's Global Compact Initiative, and Transforming Business at Cambridge University. This list is by no means meant to be exhaustive.

228 Maines, and Naughton, 4.

2.2.6 Conclusion: The Relationship Between Theory and Practice

CSR theory should deal with individual, organizational and socio-political levels of morality, recognize the context of business, acknowledge the importance of economics, and consider both the individual and the collective good in order to respond to the criticisms raised in the literature. With respect to the gap between theory and practice, the literature recognizes the need for tools to evaluate social practices, and suggests that existing tools lack the moral grounding necessary to properly evaluate such practices, advance our understanding of the good, and transform our social relationships.

2.3 Summary of Chapter Two

Ethical theory grounds and directs the concrete application of normative precepts and principles in business practice. We began Chapter Two with an assessment of theory, and identified Corporate Citizenship as the most ethically sound theoretical approach to CSR. We next examined some of the key factors in the theory-practice relationship that emerged from a critical review of the CSR literature. These factors are important considerations for successfully “doing CSR” in business, including having a strong normative foundation, a good understanding of business, economics and the human good, being able to relate theory to the three levels of practice, and evaluating the impact of business practices on persons and society as a whole.

While good theory is necessary, and reflection on the criticisms from the literature is helpful, these may not be sufficient to fully understand the
obstacles involved in moving from theory to practice. A final analysis will therefore be introduced in Chapter Three: Alasdair MacIntyre’s exploration of the general concern in ethics regarding the gap between moral philosophy and social practice. His examination provides insights into how conditions within culture itself might influence the application of moral theory.
CHAPTER THREE
THE THEORY-PRACTICE GAP,
SUMMARY DISCUSSION, AND DIRECTIONS
FOR FURTHER RESEARCH

If ever the separation of business concerns from those of society generally was real and justified... such a separation is now not only conceptually invalid, but is pragmatically untenable.

— Elizabeth C. Kurucz et al.,
The Oxford Handbook of Corporate Social Responsibility

Our final chapter further explores the gap between ethical theory and business practice, by means of a review of MacIntyre’s assessment of the theory-practice gap in ethics. Next we provide a summary discussion on the results of our critical analyses regarding CSR theory and practice, and the insights they have yielded. Finally, we offer suggestions regarding further research, and a brief discussion on the need for ethical tools for business.

3.1 Alasdair MacIntyre’s Critical Assessment of the Theory-Practice Gap

In After Virtue230 MacIntyre suggests that modern morality is disordered. “We have”, he says, “- very largely, if not entirely – lost our comprehension, both theoretical and practical, of morality.”231 He highlights differences

230 Alasdair MacIntyre, After Virtue, 2nd Ed. (Notre Dame, IN: University of Notre Dame, 2003).
231 Ibid., 2.
between modern and historical conceptions of morality, most notably Aristotelian, and how we have come to lose our understanding of moral theory and practice. He challenges liberalism's view of the self, its renunciation of man's telos, and its discounting of the importance of social context. Maclntyre also proposes a moral theory, built around the concepts of a narrative self, tradition and practices, that seeks to address our lost understanding of theory and practice.⁴ We will briefly examine his notion of a social practice before turning to his analysis of the gap between ethical theory and social practice.

3.1.1 Social Practice

Maclntyre's narrative concept of selfhood involves the notion of persons as subjects of their life history, accountable for the actions and experiences that make up their life, and the notion of selfhood as correlative where persons require accountability of others.⁵ The narrative self must be related to some notion of the human good. Maclntyre's concept of tradition acknowledges that part of what we are today comes from what we have inherited from our past. We are part of a history - characterized by membership in a family, neighbourhood community, city, tribe, etc. - and bearers of a tradition that shapes us, and our reasoning.⁶ Our traditions typically define the context within which each person seeks his or her own good. Traditions also shape practices, the last component of MacIntyre's moral theory. He defines a practice as:

any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are

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⁵MacIntyre, After Virtue, 217-18.

⁶Ibid., 221-22.
realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended.238

A practice, such as the practice of business, involves adherence to standards of excellence and the attainment of both internal and external goods. Internal goods are enabled by virtues, and their achievement is beneficial to the entire community taking part in the practice. External goods, such as money, power, etc., are usually "objects of competition in which there must be winners and losers."236 Maclntyre formulates a fundamental distinction between managers who relate "good" to an internal standard of virtue, and those who relate it to an external standard of "winning," and he contends that our modern view of the legitimacy of business forces us into the second camp.237 While effectiveness at achieving one's goal (winning) may coincide with excellence, the two are not necessarily connected. Excellence relates to performance in a social role and involves a socially-approved internal standard (linking the individual good to the social good), whereas effectiveness may relate only to being good at accomplishing some goal. "Without a coherent ethical rationale for justifying the particular business activity, then "effectiveness" alone cannot be enough. People can be effective at bad jobs."238 Many contemporary business authors recognize the need for good moral character, a characteristic of pre-enlightenment ethics, and support Maclntyre's virtue-based ethics paradigm for business.239

235Ibid., 187.
236Ibid., 190.
238Ibid., 514.
239In "Excellence V. Effectiveness" (p. 505-07) Horvath cites a dozen studies written between 1984 and 1990 that support Maclntyre's approach and touch on the need for the development of moral character in business persons.
MacIntyre's notions of tradition and membership in a community (the context within which we seek our own good) can easily be adapted to the business environment. Individuals serve their business community in designated capacities or roles. Business communities have their own definition of "the good" and unique organizational cultures that reflect social culture at large. The tradition is "carried in culture, both societal and organizational." The implementation of CSR programs and initiatives in various businesses must take into account these cultural dynamics. MacIntyre suggests that culture is a factor in the theory-practice relationship, and his views on the importance of the link between culture and ethics is supported in both the sociological and business literatures. He explores the impact of culture through an examination of the gap between moral philosophy and contemporary social practice, and why it exists, in *The Tasks of Philosophy: Selected Essays, Volume I*, published in 2006. His analysis provides guidance, from a theoretical viewpoint, on why the theory-practice gap remains so prevalent in ethics. His views seem to suggest that the theory-practice gap that we observe in the field of business ethics, and in CSR, has its roots within moral theory itself. We now turn to his reflections on the theory-practice relationship.

### 3.1.2 The Gap Between Moral Philosophy and Social Practice

MacIntyre contends that for philosophers, moral theory is "almost always pursued at a level of abstraction from the concreteness of everyday

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240Horvath, 520.
241Ibid., 506.
242MacIntyre, "Moral Philosophy and Contemporary Social Practice."
life." He argues that there is difficulty in applying the precepts of moral philosophy to current social practices, not because moral philosophers confine themselves exclusively to the realm of theory, but because our current social realities themselves present obstacles to efforts to live (in practice) the central concepts of modern academic moral philosophy. He believes that we encounter ethics in two disparate ways: one as an academic subject in ethical theory, and the other in the realities evident in our social relationships, social goods and norms. In his view, the original tenets of moral philosophy - whether based in utility, justice and rights, or the virtues - become distorted in their transition from theoretical constructs to concrete application within social structures such as families and workplaces.

MacIntyre notes that, as moral actors, we generally operate not in seclusion but in relationship with others in various social networks, and that the way we participate in these relationships says something about our moral selves. An understanding of social contexts should be important to moral philosophy, he contends, since moral precepts and principles may be interpreted and applied in different ways depending on which groups are doing the interpretation and application, and in what social context such activity occurs. MacIntyre suggests that we would expect philosophers to be concerned both with the relationships among their theoretical conceptions and with their "social embodiment", but argues that philosophers do not seem inclined to study the actual application of moral precepts or principles by rational agents.

243 Ibid., 105.
244 Ibid., 113.
245 Ibid., 104.
246 Ibid., 106.
247 Ibid., 105.
MacIntyre claims that philosophers sometimes speak of our moral intuitions (referring to what amounts to “ostensibly prephilosophical moral judgments”) to explain morality, but in speaking of our moral intuitions, they may neglect to specify exactly who we are, and so we do not know from which social group and context such intuitions originate, what these intuitions therefore really mean, and to whom and where they might apply. He notes that some writers criticize the principal thrust of current academic analytic moral philosophy and maintain that we cannot study moral concepts removed from the social and political contexts in which they operate. These writers stress that theoretical inquiry should observe exactly how moral and functional concepts work in guiding and responding to activities in various social contexts. In this way, what theory is able to extract from social practice is not distorted by a lack of attention to important characteristics of practice. The nature of these key characteristics or features remains a subject of debate within philosophy.

We need to consider, MacIntyre tells us, whether moral theory’s concepts (e.g. rights, utility, justice) are the same concepts used in practice (that is, in our social reality), or whether they are meant to be intelligible quite apart from any reference to social reality. If the latter is true, then are these concepts only idealized versions of social reality, or have they been gleaned from practice and intended to teach about that practice, or are they a “blueprint for practice, designed to be translated more or less immediately into practice?” According to him these questions are not even asked. To find out why, we must consider the state of academic moral philosophy not as independent of, but as one feature of, the state of the modern social, political, and cultural order.

248 Ibid., 105–6.
249 Ibid., 109.
250 Ibid., 112.
While in earlier times (e.g. 18th, 19th centuries) moral philosophers were in closer contact with the social order and involved in discourse with advocates and opponents of particular political and social positions, MacIntyre suggests that this is no longer the case. Today, moral philosophers would find obstacles to the application of their moral theories, originating in the social order itself, that is, in the sphere of practice. This is because ordinary people living ordinary lives - in business, for example, or elsewhere - “could not in centrally important ways become responsive to the concepts and precepts of academic moral philosophy and remake and redirect their actions in accordance to them.” 251 This observation confirms Frederick’s claim (from 2000, previously referenced), that moral philosophy has little or no influence on contemporary business practitioners.

The reason this is so, according to MacIntyre, is that the activities and established social practices of such ordinary persons are already influenced by existing moral concepts that MacIntyre considers to be “distorted and distorting parodies” of the concepts of contemporary moral philosophy. 252 MacIntyre is suggesting that there are problems within contemporary culture itself - some type of ethical dysfunction - that can affect the application of theory to practice. Such problems could contribute to a similar type of ethical dysfunction in business which would influence the practice of corporate social responsibility. When culture is distorted, ethical theory must be able to critique existing social practice. But whereas some authors in business ethics do critique social practice, ethical analysis in CSR generally does not. Instead, it responds to prevailing social expectations and adapts business practice to those expectations to give

251Ibid., 113.
252Ibid.
the impression of doing the "right" thing, to satisfy stakeholders, to attract social investors, etc. This makes the choice of an ethically robust CSR theory all the more important, but finding a good, philosophically-grounded theory to apply in business contexts may not suffice. Such a theory may find itself considerably removed from the practice of contemporary social life. Thus, if MacIntyre is correct, the failure of CSR to bridge the theory-practice gap may be the result of distorted, or dysfunctional, cultural practices. The value of MacIntyre's theory is that it provides a philosophical framework within which to analyze and address this problem.

MacIntyre identifies three features of contemporary social practice that alter the very nature of moral, theoretical concepts such that when embedded in practice they are no longer accurate reflections of the moral theory. He then explains how such "parodies" of moral concepts interfere with the dialogue between moral theory and social practice. These three features - the professionalization of procedures, the compartmentalization of role-structured activity, and the negotiated aggregation of costs and benefits - distort the nature of justice and rights theories, virtue ethics, and utilitarianism, respectively.253 We will now consider each of these features, and how they might relate to the theory-practice gap in CSR.

3.1.3 Features of Social Practice That Alter Moral Theory

The first feature, the professionalization of procedures, distorts the use of the concept of a right (and associated concepts). In the past, efforts to correct a wrong done to someone included not only a demand for the wrongdoer to

253Ibid., 114.
make reparation, Maclntyre argues, but also an appeal to some authority figure from the family or community to assess the particulars of the incident and pass judgment. This was done in a way that sought to re-establish a relationship of trust between the victim and perpetrator of the offense, each of whom had their own role, status and connections within that community. What has now changed, according to Maclntyre, is that such an authority is not available, or is not trusted, so that there is no sure guarantee of a remedy for wrongs.²⁵⁴

He claims that today, therefore, those who have suffered a wrong may be open to the idea that they should abandon their trust in community conventions and appeal to some (universal) norm which accords them rights as individuals, rather than as (local) community members with particular roles or status. Such a remedy becomes available exclusively through the “bureaucratized procedures of some agency, court, or tribunal, appeal to which involves putting oneself into the hands of hitherto unknown others, so that one may be assigned the appropriate status.”²⁵⁵ The whole process is thus transformed from one of parties working from a shared understanding to seek a remedy and restore their relationship of trust, to one of estranged parties following the advice of unknown experts in a legalistic, expensive and impersonal system that tends to lead to a further breakdown of trust. This new reality, our lived social practice, has therefore, Maclntyre maintains, turned out to be something quite different from what rights theorists, of various stripes, originally intended.

The second feature of current social practice that alters moral concepts is the compartmentalization of roles. Maclntyre considers this feature a distortion

²⁵⁴Ibid.
²⁵⁵Ibid., 115.
of the philosophical conception of the virtues. Compartmentalization implies that we split our social life into separate realms, each with its own unique standards of failure and success, detailed normative expectations, and requirements for the development of habits to satisfy these expectations and standards.\footnote{Ibid., 117.} For example, the roles of parent, business owner, environmental activist and coach each require particular expectations and standards for performance. The self is thus fragmented into many different selves seeking effectiveness in a variety of roles, and virtue becomes understood as effectiveness at some particular skill, rather than as the perfection of some unified self as imagined by virtue theorists. These theorists \textit{intended} that the virtues help us identify and attain good ends, as defined by Aristotelian or other approaches. With our modern day compartmentalization of roles, however, the virtues become the means to our new ends: socially significant and valuable skills or character traits.\footnote{Ibid., 117, 119.} These traits are disconnected from a broader understanding of ourselves as complete persons.

MacIntyre’s third feature of social practice, the negotiated aggregation of costs and benefits, is said to distort the moral theory of utilitarianism. Classical utility theory seeks to assess the actions, policies or decisions of organizations (e.g. governments, corporations) based on their effect on the whole social/political community, guided by the notion that every person has an equal voice and the goal of the greatest good for the greatest number. This is done using “rationally justifiable and impersonal answers” to questions such as: Which factors do we consider in terms of assessing costs and benefits in this case? and: What will be weighed and measured?\footnote{Ibid., 120.} Today’s reality is that
assessments of costs and benefits are made on the basis of negotiations with organizational stakeholders and are subject to the power and influence of these stakeholders. The outcomes of assessments are therefore not necessarily rationally justifiable and impersonal. They are instead, Maclntyre claims, geared to stakeholder interests and benefits, and may neglect consideration of the broader effects of policies or actions on the whole community. Though some stakeholders may champion community interests, it is their relative power within the group that will determine their influence on decision-making, and thus the extent to which such community interests are considered.

Maclntyre’s analysis of the three key features of social practice that distort theory (and he tells us there are others) suggest that we live in an entrenched social and cultural order that is fundamentally opposed to, and which has made itself mostly immune to, criticism from the point of view of moral philosophy. So, even if we try to follow the precepts of moral theorists, our actions are often thwarted by the workings of social practice.

3.1.4 Critique of Maclntyre

The goal of this section is not to provide a comprehensive philosophical discussion of Maclntyre and his critics. It is simply to consider, in brief, several criticisms related to features of Maclntyre’s work that we have examined. We will consider criticisms relating to his assessment of modern culture, and to his proposed ethical theory.

\[259\]Ibid., 121.
According to David Solomon, there are two key critiques of MacIntyre's broad views in moral philosophy formulated since *After Virtue*. The first relates to MacIntyre's negative evaluation of modern culture and its representative moral philosophy, and the second relates to his defense of his proposed virtue ethics theory against emotivist and Enlightenment versions.

With respect to the first critique, Solomon tells us that critics claim MacIntyre's characterization of modern culture, and especially the "disordered state of moral discourse" is simply incorrect. This argument takes two forms. In the first form, some argue that MacIntyre's assessment of the odds of reaching agreement on moral issues is too pessimistic, sometimes pointing out that many problems in culture have, in fact, been resolved over time. Such resolutions, critics claim, have been achieved through a general agreement on the maxims of liberal political culture, and a regulated market mechanism. In short, this view maintains that moral disagreement and disintegration are not as bad as MacIntyre claims. His view of a modern culture as "constituted by a fragmented moral vocabulary, a vanishingly thin emotivist self, and interminable and incommensurable moral debates is seen on this view as simply Celtic pessimism."

In the second form of this argument, critics hold quite the opposite view. Rather than criticizing MacIntyre's view as too pessimistic, they maintain instead that it is too optimistic. They contend, Solomon suggests, that MacIntyre errs in proposing that interminable moral debates are a unique characteristic of current times, instead claiming that they can often be found

\[260\] Mark C. Murphy, ed., *Alasdair MacIntyre* (Cambridge, UK: Cambridge University Press, 2003), 142.
\[261\] Ibid.
\[262\] Ibid., 142–43.
\[263\] Ibid., 143.
throughout history when the particular aspects of collapse and disintegration that MacIntyre finds in contemporary culture are not evident. This view maintains that moral disagreement and disintegration might be prevalent, as MacIntyre claims, but that interminable moral debates are nothing new.

The second broad critique relates to MacIntyre’s defense of his ethical theory, and Solomon tells us that critics question whether he has produced a normative ethical theory at all. They remind us of four important facts. First, MacIntyre rejects the Enlightenment Project and its efforts to build normative theories based on rational tenets available to rational persons. Second, he also “rejects (at least in After Virtue) any help he might get from a classical teleological metaphysical view in anchoring a justificatory normative theory.” Third, he claims to be part of a culture with moral principles based on fragmented and outdated moral conceptions. Lastly, his ethical theory uses principles and concepts that cannot accord with those of rival traditions. Solomon notes that despite these facts, MacIntyre still maintains that he is a moral realist seeking to attain the truth in ethics. Some critics argue his views must be relativistic or perspectivist, others would sooner align him with anti-theorists, such as Bernard Williams. We will comment further on the charge of relativism below.

Other criticisms relate to two key features of MacIntyre’s ethical theory: the notions of a practice and a rational tradition. It has been suggested that one difficulty with MacIntyre’s conception of human practices is that they have

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264Ibid., 145.

265Ibid.

266Murphy, 145. Bernard Williams renounced the notion of codifying ethics into moral theories that Kantians and utilitarians, especially, view as central to philosophical thinking about ethics. He argued that moral life is too disorderly to be described by moral theory. Source: Stanford Encyclopedia of Philosophy online. s.v. “Bernard Williams,” http://plato.stanford.edu/entries/williams-bernard/ (accessed July 30, 2009).
been determined by standards that have been achieved to date by "historically situated practitioners." This understanding of excellence may change, and is established by practitioners at a given time. This differs, Janet Coleman argues, from the characterization of excellence as established by an unchanging definition of what makes up the fundamental aspects of human nature in its existence. She contends that MacIntyre "misunderstands how an Aristotelian and a Thomist regard definitions which grasp the natures of things absolutely, so that his discussion of historical practices and traditions is neither Aristotelian nor Thomist." The notion of tradition is central to MacIntyre's view, and he believes that rationality is tradition-dependent. John Horton and Susan Mendus argue that his refutation of the supremacy of abstract or 'pure' rationality, distinct from tradition, and his assertions on the importance of social context to notions of the good set him apart from those moral philosophers who attempt to develop notions of morality from reflections on rational agency, and political theorists who attempt to offer a view of social justice suitable for all, regardless of their particular notions of the good. Horton and Mendus claim that some of those who agree with the weight MacIntyre accords to the social aspects of persons have trouble allowing that this has significant normative consequences. They contend, therefore, that this "relationship between the epistemological and the normative is one of the most interesting and problematic aspects of MacIntyre's work." His focus on the importance of tradition has also led to claims of relativism (as Solomon has indicated). Some critics argue that he is

268 Ibid.
269 Ibid., 7.
270 Ibid., 9.
steadfastly dedicated to a type of moral relativism that sees persons as caught within their own traditions, without the means to connect with and evaluate different traditions.\textsuperscript{271}

In spite of his critics, Maclntyre remains an influential voice within philosophy. In Solomon’s view, “Maclntyre’s philosophical opponents who are less concerned with engaging the culture purchase a certain theoretical tidiness and clarity for their views, but one suspects at the cost of irrelevance to the lives of those whose choices they hoped to influence.”\textsuperscript{272} Maclntyre offers a more concrete ethical theory against the more abstract Kantian and consequentialist alternatives for CSR. He offers helpful analytical tools, we suggest, for bridging the theory-practice gap in CSR. Although the criticisms we have briefly outlined above are important, we would argue that they do not detract from the contributions, outlined in this chapter, that Maclntyre can offer to help advance the work in CSR.

3.1.5 Conclusion: Maclntyre’s Assessment of the Theory-Practice Gap

Our examination of Maclntyre’s concept of a social practice and his analysis of the gap between moral theory and social practice, including the influence of culture on ethics, provided further insights on potential obstacles to the successful practice of CSR. A number of authors in the field of business agree that Maclntyre’s virtue-based ethics is a viable and suitable alternative to

\textsuperscript{271}Horton, John, and Mendus, Susan, 12. The authors also note that MacIntyre, in his subsequent works (\textit{Whose Justice? Which Rationality? And The Three Rival Versions of Moral Enquiry}), refutes the objections of relativism, attempting to demonstrate how the interaction of competing traditions can offer opportunities for critical reflection on a tradition. For further discussion on criticisms of relativism in Maclntyre’s work, see also John Haldane, “Maclntyre’s Thomist Revival: What Next?” in \textit{After Maclntyre}, p. 91-107.

\textsuperscript{272}Murphy, 144-45.
business ethics' usual choice of Kantian or utilitarian ethical theory. His notion of a social practice is particularly helpful, we suggest, in the analysis of business practice. He articulates the requirement for a sound ethical rationale for business activities, and his framework contrasts excellence and effectiveness, virtue and utility, community and self, character and actions, telos and winning, and cooperation and competition effectually.273

We have noted that bridging the theory-practice gap in CSR involves advancing the moral understanding of the firm and changing social relationships. Maclntyre's analysis offers several important considerations in this regard. He acknowledges persons as social actors engaged in relationships of trust within social networks, where business is actually carried out, and has a notion of a narrative self tied to some notion of the human good. He stresses the importance of social context and of ethical theory informed by practice. His approach calls for an understanding of the good in business (internal goods of practice), with virtue as an internal standard linking it to the good of the community. Maclntyre also tells us that the goods internal to a practice need to adhere to standards of excellence and be evaluated in some way to determine their relative merit.274 His theory is compatible with newer views in CSR on the relationship between social progress and economic progress, such as Elkington's Triple Bottom Line. Despite the concerns raised by MacIntyre's critics, some of which we have outlined in brief, we suggest that his ethical framework and analytical tools are helpful in understanding the theory-practice gap in CSR.

273 Horvath, 515.
274 MacIntyre, After Virtue, 202.
In summary, MacIntyre offers an ethical theory that tries to address our current lack of understanding of the theory and practice of morality. He stresses the importance of studying moral concepts in the social and political contexts in which they operate. He provides a virtue-based ethics paradigm useful in analyzing the functioning of a business practice, and a philosophical framework for understanding the problems within contemporary culture that can affect the application of moral theory to social practice. We suggest that his framework is helpful in understanding the theory-practice relationship, and gap, in CSR.

3.2 Summary Discussion

Our critical analyses of corporate social responsibility in Chapter Two have provided three key insights related to theory and practice. First, CSR requires an ethical framework that is robust and comprehensive enough to permit an understanding and evaluation of the full range of complexities arising both within business, and at the intersection of business and society. As we saw in our review of the four approaches to CSR, the narrower approaches simply do not succeed in dealing adequately with the breadth of ethical issues encountered by businesses, both in terms of their internal practices and their relationship with society. MacIntyre’s Aristotelian virtue ethics may constitute a suitable theoretical framework in this regard.

Second, gains on the side of theory cannot be obtained at the expense of precision on the side of practical application. We have noted that as CSR theories become more robust, they lose some of this precision, and so face criti-
cism with respect to implementation. This is because more robust theories lack the tools for specific, concrete application. Currently, we see that the field of CSR has, in its efforts to move towards more concrete application, adopted a more limited ethical framework. MacIntyre's construct of a "practice" may provide a means of gaining this precision while maintaining a sound theoretical framework, and so help concretize our understanding of business and the virtues.\(^{275}\)

Third, not only does theory require tools for concrete application within a business practice, it also requires tools for the critical analysis of the intersection between business and society. MacIntyre's analysis has shown that distortions in culture can sometimes introduce distortions into business that impede its ability to act responsibly on behalf of the common good. It is not sufficient to say that businesses should meet social expectations. As we have indicated, society's demands may be unjust or immoral, or may serve the interests of the powerful. Therefore, what is required is an ethical framework that provides tools for precise analyses of the relationships between cultural contexts (prac-

\(^{275}\)Bernard Lonergan's understanding of the human good, and his "goods of order" could be helpful in contributing to this greater precision in implementation. Lonergan's structure of the human good involves three levels of moral knowing that outline a trajectory of moral progress. The first level relates to particular goods that satisfy the needs and desires of individuals. The second level includes the goods of order, comparable to MacIntyre's internal goods of practice. They involve the effective functioning of recurrent patterns of social cooperation that lead to the delivery of particular goods, and entail moral obligations. The third level involves an evaluation of the second level goods of order to determine whether they lead to individual and social flourishing (moral progress towards the common good) or decline. At the the third level of the human good, judgments of value are made relating to human welfare. In our view, Lonergan's threefold structure of the human good and his goods of order could be helpful in advancing MacIntyre's ideas. For a discussion of the human good and the goods of order, see Bernard Lonergan, *Method in Theology* (Toronto, ON: University of Toronto Press, 2007 (Orig. pub. 1971)), chapter 2; Bernard Lonergan, *Insight: A Study of Human Understanding. 5th Ed. Vol. 3 of The Collected Works of Bernard Lonergan. Edited by Frederick E. Crowe and Robert M. Doran*. (Toronto, ON: University of Toronto Press, 2000 (Orig. pub. 1957)), chapter 18.
tices) and business practices, and for determining when distortions in culture restrict or impede business practices.\textsuperscript{276}

\section*{3.3 Directions for Further Research}

In light of the three key insights identified above, we suggest several possible avenues for further research on philosophy and CSR. First, contributions to CSR research might include the appropriation of MacIntyre's virtue ethics framework in the development of the Corporate Citizenship approach. Second, MacIntyre's idea of a "practice" could be developed in the context of implementing CSR initiatives and activities in the workplace. It could help practitioners gain a better understanding of internal goods and the role of virtues, and clarify the link between the individual and the collective good. Lastly, MacIntyre's analysis of the features of social practice that distort moral theory could be used to critically assess the way in which culture can influence the implementation of CSR.

We suggest that MacIntyre's insights can help in understanding and addressing the effects on organizations of distortions in the nature of justice and rights theories, virtue ethics and utilitarianism. For example, rights used to be dictated by institutional norms involving relationships of trust, where individuals had rights by virtue of their standing or role within their particular

\textsuperscript{276}Lonergan's scale of values could be helpful in advancing MacIntyre's ideas with respect to the evaluation of practices. The scale of values is a hierarchical scale of five levels of values according to which judgments of social and cultural practices can be made. A commitment to higher level values (by virtuous persons) leads to progress at the level of the individual and society. Lonergan's scale of values can help businesspersons understand a broader range of values (individual, organizational, social). It explains the dynamism towards moral progress. For a discussion of the scale of values, see Lonergan, \textit{Method in Theology}, 30–32, 39, 50, 52, 111–12, 115, 240.
local business community. His first feature (professionalization of procedures) describes how people seeking remedies for wrongs, because of their lack of trust in community conventions, now turn to bureaucratized procedures that accord them universal rights as individuals. Resorting to rules and ignoring relationships leads to a further breakdown of trust and a further erosion in relationships. Bringing ethics to life in organizations involves a transformation of internal social relationships.

Many CSR approaches treat persons as self-interested, wealth maximizing individuals, rather than acknowledging them as moral actors operating within particular social and business networks. Without an ethical framework for understanding persons as members of business communities and networks, engaged in relationships built on trust, a rules-based, compliance-centered type of ethics prevails. This situation is consistent with the notion of the bureaucratic ethic explored in Chapter One, where the virtues of managers are replaced by bureaucratic conventions, policies, office politics and centralized control. Organizations must recognize the importance of trust and the need for personal and organizational responsibility, and not rely on some automatic, institutional system of checks and balances for meeting the needs of individuals. If human relationships are uninformed by morality, then persons are treated as means to an end.277 Firms should create the conditions of possibility for the effective resolution of internal issues, without people having to resort to bureaucratized procedures and outside professional experts.

MacIntyre's second feature (compartmentalization of roles) relates to virtues, which have traditionally pertained to the attainment of good ends. In contemporary society, he suggests, they relate instead to the attainment of techn-
nical skills, which may or may not lead to good ends. Virtues should relate to how we work with others in achieving the internal goods of practice, the realization of which represents a good for the community at large. Individual goods are thus linked to the collective good. The end result is a more unified self, and the development of greater moral competency across all social relationships (as opposed to developing effectiveness in particular roles). CSR should be concerned with how business, as a social institution, contributes to the achievement of excellence and the common good. In order to overcome the compartmentalization of roles, business needs to articulate what constitutes the internal goods of a business practice. Normative expectations and required habits should be consistent across business activities and roles.

Maclntyre's last feature (negotiated aggregation of costs and benefits) is particularly relevant for CSR, given the prevalence of the Stakeholder approach. The analysis of ethical issues and the evaluation of consequences of business decisions and activities today do not generally represent a utilitarian ideal of rationally justifiable and impersonal assessment. They revolve, instead, around who has power and influence. The determination of costs and benefits, of what is evaluated and how, and of what is downplayed or ignored is a negotiated process involving designated stakeholders. Costs and benefits are assessed in terms of stakeholder interests, not in terms of society at large. In the absence of a unifying ethical consensus, a power struggle can ensue. The Corporate Citizenship approach calls for a consideration by all stakeholders of the effects on society of corporate actions, and represents a way to overcome the negotiated aggregation of costs and benefits.

Maclntyre suggests that the development of applied ethics over the last several decades strongly confirms his hypothesis regarding these three features,
and identifies two key aspects that lend particular support. The first is the focus of applied ethics on the ethical problems or deliberations of persons within professional or institutional situations (as opposed to the structures which define the nature of the situations). Since the spotlight is on how a particular person in a given situation thinks or acts, we do not see substantive changes in our prevailing forms of social life, nor do we envision ways of acting outside of our usual, current social practices. "The task of the applied ethicist thus becomes one of ameliorating particular types of problem situation, while leaving in place the underlying cause." To use an analogy, in MacIntyre's view applied ethics treats the symptoms, not the disease. The business ethicist becomes another technical expert, called in for a quick fix, who leaves fundamental causes undiagnosed. CSR analysis often relates to individual case studies dealing with particular business contexts. MacIntyre's observations reinforce the need for an ethical framework for CSR that extends to all three levels of morality, a need identified in the literature. Such a framework would permit ethical analysis on the level of economic and social systems, and attend to the prevention of individual and systemic moral failures.

The second aspect of applied ethics that, in MacIntyre's view, lends support to his analysis is the compartmentalization of applied ethics into subspecialties (e.g. bioethics, business ethics) operating within a given context and requiring unique, context-specific rules. This specialization, he believes, means that we now have no common understanding of what is right; "no shared, public, incontestable standard" for discriminating between rules which represent a sound measure of judgment, and those that merely represent an apologia for

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278 MacIntyre, "Moral Philosophy and Contemporary Social Practice," 118.
Contemporary types of activity. With the specialization of applied ethics, a person's character comes to be understood as a set of skills relating to a particular institutional or professional context. This view differs from moral philosophers' understanding of the virtues, and of character, as belonging to a unified self (not its roles) and as interested in the relationship between the good of individuals and the social good of the community, rather than goods sought in different, unrelated spheres.

Business ethics is a sub-specialty of applied ethics, and CSR has splintered into a number of alternative approaches featuring various principles, codes, guidelines, etc. MacIntyre's virtue-based ethics offers clear motivation for right action, links between persons and communities and between the individual and the social good, and consistent normative criteria providing a common understanding of what is right across business roles and activities. His virtue ethics paradigm could inform a Corporate Citizenship approach to CSR.

3.4 The Need for Ethical Tools for Business

Society is now facing a considerable number of challenges of significant breadth: globalization, environmental issues, the credit crisis, energy issues, HIV/AIDS, poverty, the widening of income gaps, and the rapid pace of technological change, to name a few. The business sector needs ethical guidance now more than ever, because of the range and complexity of current and emerging ethical issues. Such guidance should allow the practice of business to

\[^{279}\text{Ibid., 119.}\]
\[^{280}\text{Ibid.}\]
transcend the constraints of purely financial thinking, and to concretely apply the principles of moral philosophy. To do so, organizations must understand what is required for the proper functioning of socially established cooperative human activity - what MacIntyre calls social practices - through which internal goods are achieved. They must also recognize the interconnectedness of the public and private spheres. We need a way of thinking about moral life that can inform personal lives, social practices and social systems; one that encourages the collaboration of all social institutions, including business, in the pursuit of individual excellence and the common good. Often the goals of business and those of society are presented as opposing forces; we need to find a way to more effectively integrate social considerations into key business plans and activities.\(^{281}\)

The current emphasis on seeking a business case for CSR continues to foster the mistaken notion that economics and ethics are separate, and we would argue that this is leading CSR research down the wrong path. There is a growing awareness that we can, and in fact we must, do things differently to avoid a worsening of existing problems and the creation of new ones.

An effective response to ethical issues in business necessitates not only an understanding of the various complexities of these issues, but also knowledge of the human good, which requires an understanding of ourselves, our values, and what has meaning for us. The meanings and values which used to define us and direct our actions have, as MacIntyre has argued, lost their potency, and this change affects not only the practical level of our day-to-day life, but also the realms of philosophical and theological enquiry. The discord that prevails at this broader level of inquiry is particularly ominous: "[i]t is

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\(^{281}\)Porter, 81.
there that normative foundations for collaborative intellectual practice and moral living are formulated and explicitly mediated to the culture at large. It is there that the criteria by which we distinguish progress from decline are ascertained and articulated. 

We would argue that MacIntyre’s moral theory and his reflections on the theory-practice gap can contribute to CSR research. We would add that his resources are consistent with, and can contribute to, the CC approach with its focus on the collaboration of social institutions, the integration of economic, social and environmental aspects of business, and the responsibility of business to contribute to the common good.

What seems to be missing in the literature, and what MacIntyre alludes to, are further resources that can help managers and others in organizations understand how organizations actually work, and make good judgments about how they should work. Specifically, organizations require ethical tools to do three things. First, to understand “the good” in business, including the individual good and the internal goods of practice; second, to understand complex social practices and relationships in business organizations; and third, to evaluate ethical issues and judge the value and significance of business and economic practices.

3.5 Conclusion

The way that corporations and other organizations understand and carry out their social responsibilities has the potential to profoundly affect society and contribute to the public good. We seem to have misunderstood the human good, in terms of business. We also seem to have misunderstood the way this good is achieved. The human good is not merely an economic good. Nor is it an individual good. Rather it is a structured good that must be understood and confirmed by all sectors of society, including the business sector. The human good is achieved when the habits of people are such that established social networks of cooperative organization, based on trust, can be maintained to ensure the goods internal to a practice.

The prevailing attitude in business tends to see the social good as something separate from business, as something that government does. We need a broader vision of the social good that appreciates the interconnectedness of economics and ethics, and of the private and public spheres. When profits are pursued without consideration for social and environmental welfare, then social decline, in a variety of forms, will ensue.

Globalization has increased the reach and impact of business, connecting the decisions and actions of business leaders to the lives of individuals in communities far removed from corporate headquarters. A plethora of social and environmental concerns have highlighted the need for changes in the way that business is conducted. Many organizations are responding to pressures from customers, employees, social activists, media and other stakeholders to move beyond the mere balancing of economic and social interests to take on a greater role in addressing key social problems. Some businesses are motivated by a
genuine concern to contribute to the betterment of society, but many make strategic CSR choices grudgingly, or in order to secure competitive advantage. "Perceiving social responsibility as building shared value rather than as damage control or as a PR campaign will require dramatically different thinking in business." It is important for individuals at all levels in social institutions to understand how their attitudes, behaviors and social networks can contribute to, or impede, social progress.

In this thesis we have reviewed the concept and evolution of CSR as a field of scholarship in order to provide a sketch of its history and some sense of the field's key issues and developments. We presented four main approaches to CSR, examined their philosophical foundations, and suggested the Corporate Citizenship model as a preferred approach. The critical assessments of CSR raised in the literature help illustrate some of the challenges inherent in applying ethical theory in the workplace. MacIntyre's ethical theory provides a framework for understanding the practice of business, and the role of virtues in sustaining internal goods of practice and contributing to the social good. His analysis of the gap between ethical theory and social practice further illuminates obstacles to the concrete implementation of key principles of moral philosophy.

There are indications - in the CSR literature and in the media, and from business leaders, business associations, and governments - of growing calls for business to assume greater environmental and social responsibilities. Some business leaders are championing ethics and sustainability, and working

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283Porter, 92.
towards global ethical principles and standards. Citizens, employees and consumers are increasingly aware of issues and options in light of the environmental movement and globalization. Corporate membership in organizations such as Canadian Business for Social Responsibility is on the rise. Contributions from scholars in business and ethics, including the work of Naughton, Alfred and others on Catholic Social Teaching and business, is also providing opportunities for reflection and insights on the morality of market capitalism.

Goodpaster, in a foreword to Cortright and Naughton's 2002 book *Rethinking the Purpose of Business*, suggests that three conclusions have emerged from the last few decades of thinking about the bases of responsible business behaviour: 1) business needs ethical guidance beyond the forces of market competition and government legislation; 2) the key factor of production (and so wealth) now comes not from not manufacturing or property but from knowledge and "organized information"; and 3) globalization calls for an ethical platform based not in law or international covenants, but in "a shared human concern for justice and the common good."²⁸⁵

Even business students are voicing the need for change. This year at Harvard’s Business School, 20% of MBA students signed an oath that requires that they carry out their work in an ethical manner, and that they “strive to create sustainable economic, social and environmental prosperity worldwide.”²⁸⁶ The student-led oath, which is gaining interest around the globe, forcefully rejects a philosophy of shareholder primacy. In the words of

one of the student organizers: "there is a feeling that we want our lives to mean something more and to run organizations for the greater good."\textsuperscript{287}

In our introductory section we indicated that business ethics makes reference most frequently to utilitarianism and deontology. Donaldson and Werhane tell us that these theories of moral reasoning can be applied to decision-making processes in concrete situations. They maintain that proponents of virtue ethics are often criticized by consequentialists and deontologists because, they argue, virtue ethics is difficult to apply in practice due to its lack of explicit rules and decision-making processes. But there has been support for a revival of virtue ethics among business scholars as well as philosophers, such as MacIntyre and Robert Solomon.\textsuperscript{288}

We suggest that MacIntyre’s notion of morality being practice-based is particularly helpful in understanding ethics in the context of the practice of business, including issues related to CSR. MacIntyre points the way to more concrete developments in bridging the theory-practice gap in corporate social responsibility. We also believe that his ethical theory is consistent with the Corporate Citizenship approach, and that it could be useful in the further development of this approach.

We suggest that the Corporate Citizenship theoretical approach, the theory-practice considerations outlined in this paper, and MacIntyre’s moral framework and analysis provide an ethical platform and resources for business leaders, managers, educators and students to move towards a better under-

standing of corporate social responsibility and its concrete implementation in a wide range of businesses and organizations.


