

Why corporate social responsibility should be popularised but not imposed

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Abstract

Purpose – This paper aims to explore the general question: Is corporate social responsibility (CSR) a business duty, as many contend, or really just a benign delusion?

Design/methodology/approach – To provide an answer to the question the CSR literature is examined from both theoretical and practical perspectives. This paper offers a broad general review and practical assessment of contemporary thinking about CSR. It investigates three precise questions. These are: who pays for CSR, who makes decisions about CSR, and what are the long-term, potential implications of CSR?

Findings – The three most relevant theoretical frameworks are each found wanting. In particular, none offers managers clear operational guidance. So, although CSR is recognised as morally attractive, it is judged unhelpful to force it on business through regulatory or legislative means. From the questions posed it is revealed that answers to the first two questions are quite clear. The answer to the third is conjecture. The paper finds that none of these questions has yet received adequate attention. The paper offers three main findings: that CSR has costs which may go unrecognised; that it draws managers into decisions which may lie outside their competence; and, if it were widely adopted on a major scale, CSR would have implications for government and civil society which we have scarcely begun to think about.

Practical implications – At the same time, the proven capacity of business to contribute to society through discretionary expenditure is huge. The paper therefore concludes that it is sensible to encourage business to do more. It follows that CSR should be popularised but not imposed.

Originality/value – The paper provides useful information on CSR as a business duty.

Keywords Corporate social responsibility, Business ethics, Corporate image

Paper type General review

Introduction

What is corporate social responsibility (CSR) – business duty or benign delusion?

Corporate social responsibility (CSR) is a generalised concept of what constitutes “good” or “desirable” business behaviour. It relates to what can be judged “morally” or “ethically” good. CSR is, thereby, a standard of corporate behaviour, which is broad and social in its scope rather than narrowly economic. There is no agreed definition. Yet there is a published history of the term’s evolution (Carroll, 1999), even though it is only one of several terms in use for the same purpose. Other commonly used terms include “corporate citizenship” and “corporate responsibility” (Logsdon and Wood, 2002). Regardless of terminology, the core idea is that business should accept that it must play more than just an economic role in society. This is interpreted to mean a willingness to accept more than responsibility for its business-driven actions and impacts but, in addition, a wider responsibility for impacts on society and the natural environment. That is, business should go beyond the call of its legislated duty of care, to give more to society. Put simply, business should accept a direct responsibility for making the world a better place.

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CSR in this sense has been straightforwardly defined as (Waddock, 2004, emphasis added):

the subset of corporate responsibilities that deals with a company's voluntary/discretionary relationships with its societal and community *stakeholders*.

This is what Carroll termed the discretionary and ethical responsibilities of business and is consistent with the notion (Jones, 1980) that corporations have obligations to groups in society other than shareholders and beyond those prescribed by law. These obligations extend to any and every group that may be deemed a "stakeholder". From a company perspective, these obligations or responsibilities may be viewed as ranging from, say, political demands and pressure group wants, through positive community relations and corporate image-building initiatives, to "good works" or simple philanthropy. It is prudent to note explicitly, however, that CSR "activity" or "expenditure" does not necessarily equate with high ethical standards. Pharmaceutical companies, for example, make sizeable donations to many activities related to healthcare, particularly in developing countries (IFPMA, 2004), but they also engage in practices which some groups find ethically questionable. As the Christian Aid organisation has fully documented, CSR has at times been used as corporate public relations (CA, 2004). Indeed, there is popular business book on the market subtitled: "Seven steps to make corporate social responsibility work for your business" (Grayson and Hodges, 2004). Enron, after all, received six environmental awards in 2000, issued regular triple bottom line reports, and had laudable public policies on climate change, human rights and, even, anti-corruption.

The expansive concept of corporate social responsibility is not universally accepted. Nor is it anywhere required by legislation. Yet a growing number of voices in contemporary society, especially in the more prosperous economies of the world, are calling on business to contribute more than at present to general public and social welfare. Some of them propose the regulatory imposition of new corporate obligations. Citizens, consumers and employees, increasingly seem to "expect" a commitment from businesses to a concept of the corporate role in society which extends well beyond historically inherited norms and contemporary legal obligations. Public debate about "sustainability" and "responsibility" in business reflects this expectation.

The open-ended nature of this rising tide of moral obligation is clear in the definition of CSR proposed by Carroll (1999, emphasis added):

The social responsibility of business encompasses the *economic, legal, ethical, and discretionary* expectations that society has of organisations at a given point in time.

On the other hand, many take issue with the idea that business should play a prominent part across this broad spectrum of human existence. Economists, following in the intellectual footsteps of Adam Smith and Milton Friedman (1970), claim that the collective good is best served when business maximises productivity and profit and leaves it at that. Managers, for the most part, find the demands of CSR enthusiasts vague, diffuse, and difficult to operationalise. The demands lack managerial credibility because they do not adequately represent the complex day-to-day realities managers face (Gioia, 1999). While it is sometimes said that "CSR commands the attention of executives everywhere", this does not necessarily mean that CSR is taken very seriously or accorded priority in business decision-making (Crook, 2005). Nevertheless, given the universal human and business desire to be seen in a positive light, we should not be surprised that 90 percent of *Fortune* 500 companies have explicit CSR initiatives (Kotler and Lee, 2004). This is consistent with an earlier indication from the World Economic Forum in 2002, which found a growing acceptance of CSR at the topmost business level. The common motivation, however, was found to have little to do with social or environmental objectives; unsurprisingly, it was undertaken in order to enhance company and brand reputation.

Of course public claims regarding CSR may, or may not, be reflected in day-to-day corporate action. In the judgement of this author, CSR amounts to much more than whether a company chooses to undertake discretionary, desirable, CSR "projects". Rather, its value also lies in whether it motivates a company, in the generality of its normal business conduct,

to adopt and maintain high ethical standards. The former without the latter may certainly be of value. But the latter, even without the former, is arguably of greater value.

Theory: shareholders, stakeholders and stewards

Since CSR is an activity of the firm, it might be reasonable to suppose that “the theory of the firm” would offer us some analytical understanding of the concept. The extent to which it does, however, is extremely limited. This is because the dominant theory of the firm, drawn from mainstream, neo-classical, economics, rests on the simplifying assumption that the firm plays a purely “economic” role in society. It is owned and controlled by “*homo economicus*” and is driven by a focus on profit, constrained only by the need to act lawfully. The best known proponent of this view was Nobel Prize winning economist Milton Friedman. He put it succinctly in a frequently quoted article published in the *Sunday Magazine* of *The New York Times* (Friedman, 1970):

The business of business is to maximise profits, to earn a good return on capital invested and to be a good corporate citizen obeying the law – no more and no less.

Such pure neo-classical economic thinking leaves no place for deliberate, discretionary, social, CSR expenditures which, anyway, may decrease rather than increase gross profit. Where the managers of the firm are viewed as hired professionals rather than owners of the firm, “principal-agent theory”, or, “agency theory” is relevant. The seminal paper in agency theory, which focused on the potentially divergent interests of owners and managers and highlighted the costs to the business owners of monitoring and motivating hired agents as a result, was written by Jensen and Meckling (1976). Agency theory allows for hired managers to pursue their own rather than shareholder interests, but there is still no room for discretionary expenditures which benefit neither shareholders nor managers. It follows that the dominant theory of the firm, so-called “shareholder theory” or “stockholder theory”, cannot help us understand, or justify, CSR.

“Organisation theory” takes a broader view of the firm than mainstream economics (Wood and Bandura, 1989). Here, an organisation’s success is viewed as dependent on how well it manages its relationships with a range of key groups, which include customers, employees, suppliers, financiers and, importantly, the communities within which the organisation operates. Each of these groups, including those with no legally-based contractual relationship with the firm, is seen as having a “stake” in the activities of the organisation. However the identification of these various “stakeholder” groups remains a matter of continuing and inconclusive debate, with a considerable spread of opinion. Stakeholder theory offers no neat, finite, list of the “stakeholders” of a business. Yet the manager’s job, from this stakeholder perspective, is to keep the support of all these groups, carefully balancing their interests, while making the organisation a place where stakeholder interests can be collectively maximised over time (Freeman and Phillips, 2002). Yet it is silent on which stakeholder takes priority when interests clash. So stakeholder theory is unable to refine out thinking about CSR.

There are two reasons for this failure. One is that stakeholder theory does not help managers identify who and which groups are, and are not, stakeholders. Even though Freeman published his landmark book on the stakeholder approach to management in 1984 Freeman (1984), no agreement has been reached on what Freeman (1994) himself, ten years later, called “the principle of who or what really counts”. In fact, stakeholder theory has over the years offered what has been called “a maddening variety of signals on how questions of stakeholder identification might be answered” (Mitchell *et al.*, 1997), without actually offering any widely accepted solution. Indeed, in what this author finds one of the more useful contributions to the debate about stakeholder theory, Heugens and van Oosterhout (2002) had no choice but to begin their research into buyer-supplier relationships by trying to identify the boundaries of the stakeholder management concept. They found that the concept failed altogether when the boundaries were not specified. This problem of fuzziness is all the more notable given the considerable involvement of consultants in CSR. It is common for stakeholders to be defined simply as (Kerr, 2006):

Individuals and groups who may affect or be affected by the actions, decisions, policies, practices or goals of an enterprise.

Such a definition may then be followed by a non-exhaustive list of “examples” of stakeholders, typically ranging across shareholders, employees and customers, governments, local communities, non-government organisations, and the environment.

The second reason for the failure of stakeholder theory is that it does not specify how managers are supposed to make the necessary trade-offs among the competing interests of different stakeholder groups. As Donaldson, (2002) put it:

Advocates of traditional stakeholder theory . . . hand managers a theory that makes purposeful decisions impossible. And, with no way to keep score, stakeholder theory forces managers to be unaccountable for the very actions through which they were to be evaluated.

Against this background it is hardly surprising that the attention managers give to those “stakeholders” which lack a contractual relationship with the firm, tends to be limited to the attention these stakeholders attract in terms of the firm’s completely self-interested “reputation risk” assessment. More fundamentally, CSR introduces non-profit objectives into the business purpose, alongside the profit motive. This “systemic ambiguity” has been highlighted by Sir Samuel Brittan in the following terms:

There is a systemic ambiguity . . . in nearly all the talk about socially responsible business. Do these proponents claim that these extra activities will indeed help a business’s long-term profitability? Or do they assert that a business should follow other objectives? (Brittan, 1995).

Publications since this statement was made suggest CSR advocates may hold either view.

There is another, somewhat different, theoretical approach to business management at times applied to the exploration of CSR. This is “stewardship theory”; as associated with Donaldson (1990) and Davis *et al.* (1997). The “stewardship theory of management” has been put forward, very largely, to deal with motivational uncertainties highlighted by “agency theory”. It departs from agency theory by hypothesising that managers may be less individualistic, opportunistic and self-serving than usually supposed and, instead, more collectivist, pro-organisation and trustworthy. Stewardship hypothesises that managers may achieve their own goals best by serving the interests of the organisation. Homo economicus is here replaced by a “steward” whose behaviour is pro-organisation and collectivist rather than individualistic and self-serving. Both the differences between agency theory and stewardship theory and their common focus are explored in a recent paper by Vaisanen (2006) who concludes there is value in the explanations provided by both theories and that we may need both perspectives to explain the full range of documented managerial action. Anyway, stewardship theory is arguably relevant to CSR because it suggests:

A steward who successfully improves the performance of the organization generally *satisfies* most groups, because *most stakeholder groups* have interests that are well served by increasing organizational wealth (Vaisanen, 2006, emphasis added).

However, any easily identified alignment of stakeholder interests, with each other, or, with the commercial interests of managers and shareholders, is problematic at best. Realistically, alignment would only be achieved given a narrow, restrictive, definition of stakeholder of a kind unlikely to find broad acceptance among the majority of CSR enthusiasts (Freeman and Reed, 1983). As with stakeholder theory, once the overriding profit objective of business is replaced with plural objectives and a consequent need to trade-off between them, managers need to be offered practical guidance if the theory is to drive a business response.

Who pays for CSR?

Despite the fundamental questions given prominence by Freeman (1994) more than a decade ago and the huge volume of writing on CSR since that time, it is a strange fact that little attention has been given to the costs of CSR and to who pays these costs. However it is obvious that discretionary CSR activity is not free and that its costs have to be borne by somebody. This should be a matter of central interest among those wishing to raise the level

of CSR activity. Yet, surprisingly, it has not been the focus of much CSR research. The latter, for the most part, has preferred to investigate possible correlation between aggregated CSR expenditures and some financial measure of overall business success. This approach goes back many years and the relationship between a firm's stock performance and its social responsibility has long been the subject of contradictory views. As early as 1972, Moskowitz attempted to validate the relationship empirically by selecting 14 firms with good CSR credentials and demonstrating that over half a year they outperformed the Dow Jones Industrials Index (Alexander and Buchholz, 1978). Other research had yielded the opposite conclusion (Vance, 1975). Unless it is convincingly demonstrated to the contrary, CSR activities must be assumed to have a cost and, in consequence, a direct impact on corporate profitability.

Until demonstrated otherwise, we must assume that discretionary CSR expenditures are funded out of gross profit. If it can be accounted for as a legitimate business expense instead, it cannot be truly discretionary and is, therefore, not truly CSR. At the same time it may nonetheless be tax deductible. In this case it follows that CSR is "paid for" jointly by shareholders and the government(s) to which the company pays tax on its earnings. Since gross profit and tax paid are directly related, CSR must be at the expense of both. As a direct consequence of CSR, therefore, both are less well off. A *de facto* payment is made by both the owners of the enterprise and the government(s) which receives its tax payments. In itself, this may be either good or bad. It cannot, however, automatically be assumed universally desirable. As both academics (Lee and McKenzie, 1994) and *The Economist* (2004) magazine have pointed out, one problem with genuine CSR is that it is philanthropy at other people's expense. It is not a case of business managers supporting good causes out of their own ample entitlements. Rather, it is a case of doing so out of income that would otherwise be paid to shareholders, or, to host governments. The onus is upon those who advocate universal application of CSR principles to justify, in the general case, this particular distribution of corporate income.

Irrespective of the fact that CSR comes at a price which has to be paid, some believe it brings compensating reward. In this view, CSR is not a zero-sum game. This is always possible. Indeed, the claim that CSR "pays off" for business, as noted above, has long been made. Yet "the failure to find strong empirical support for the relationship between socially responsible behaviour and financial performance" (Burke and Logsdon, 1996) cannot be overlooked. Against this, the "Changing Our World" organisation, (www.changingourworld.com) which publishes *Inside Corporate Philanthropy*, regularly provides evidence which apparently shows that doing well is a function of doing good (www.onphilanthropy.com). For example, it has reported (Stannard-Friel and Backer, 2006) that at a recent Conference Board Leadership Conference on Global Corporate Citizenship, Hewson Baltzell, President of Innovest Strategic Value Advisors, demonstrated that the performance of a list of the 100 most "sustainable" companies, based on environmental, social, and strategic governance factors, outperformed the Morgan Stanley Capital International World Index over the five year period from 2000 to 2005 (www.global100org/2006/study.asp). However Baltzell himself warned his audience that while other studies also demonstrate a likely correlation between good corporate citizenship and good financial performance, we do not know if CSR in fact directly causes financial success.

Against this background it is sensible to note that any revenue increase resulting from CSR initiatives cannot be a direct consequence of such initiatives. The precise benefit-cost relationship between CSR and any measure of revenue is virtually impossible to estimate. This is necessarily so, given that attempting to relate CSR expenditure to revenue, involves linking CSR to an outcome which is subject to innumerable influences, the most important of which often lie outside the enterprise in the marketplace.

Some argue that "managers must make sure that the costs of the CSR do not exceed the benefits it produces" (Lanzona, 2001); others that "CSR is also an investment as much as a cost *per se*" (Hopkins, 2001). Of course, whether the costs of CSR are balanced by greater corporate revenue and profit is ultimately an empirical question and what is important is not

the answer in any particular case, but the answer in the general, representative case. While research in *The Planetary Bargain* (Hopkins, 2003) has demonstrated weak positive correlation between share price and level of corporate responsibility, correlation is not causality. So it seems intuitively reasonable to this author to assume that CSR activities entail positive cost and that there is no free lunch. The onus is on CSR advocates to put up a convincing argument, in the general case, that CSR pays for itself. If this were indeed the case, it is likely that companies would be falling over themselves to do more and more of it; which they mostly are not.

Who makes decisions about CSR?

He who pays the piper will always call the tune. So decisions about CSR activities will always be taken by the individual firm which pays for them. That is, by the corporate managers. These are likely to be the most senior managers, or their designated subordinate, at the local operational level. One may reasonably ask under what authority, and with what expertise, such a self-appointed group of people make decisions regarding social or environmental issues in the community. This is not a trivial or unimportant question.

Its importance is illustrated by the public statements of governments and international organisations. To take just one example, the British government claims to have: “an ambitious vision for CSR” (www.csr.gov.uk). In the words of then Chancellor Gordon Brown, quoted on the above web site, companies are expected to accept a responsibility:

... for the environment around them, for the best working practices, for their engagement in their local communities and ... need to move towards a challenging measure of corporate responsibility, where we judge results not just by the input but by its outcomes: the difference we make to the world in which we live, and the contribution we make to poverty reduction.

It is explicit in statements such as this that CSR demands that business play a direct and major role in social matters. To the extent that business does so, social and environmental decisions will be taken by a self-selected group of managers. These managers will have no formal responsibility for their actions, in this context, beyond compliance with the law. In matters outside their legal job responsibilities they are private citizens; and not necessarily citizens of the country in which they live and work. They might even lack desirable local knowledge and expertise in matters of social or environmental policy. They will not be in any way representative of the wider society and, most obviously, they will not be elected representatives of the wider community. So it is by no means certain that they are the best people to make such decisions. Even with the best of intentions, they may, or, may not be, well equipped to make wise judgements on social and environmental matters affecting the wider community beyond the firm.

The CSR literature offers managers virtually no guidance about the mechanics of the CSR decision-making process, or, about their degree of public accountability for CSR decisions. Full compliance with the law is taken as given. But it is to be expected that many social and environmental matters, at any level, will be controversial and subject to local disagreement and debate. Should managers necessarily avoid corporate involvement in contentious issues? What should well-intentioned managers do when faced with conflicting pressures from different stakeholders over how to use limited CSR resources? Such uncertainties caution against putting firms under pressure to perform such activities as a matter of routine. We cannot simply assume that business managers will always be well equipped to make non-business decisions. Most, on occasion, fail to conduct their commercial affairs well, let alone other matters in which they are inexperienced. So CSR proponents should recognise that managers need operational guidance if they are to fulfil their proposed CSR role adequately. Even then, they will not be directly accountable to the general public for what they do. They will remain private business managers; not public officials.

Not surprisingly, many consultants now offer assistance in “triple bottom line” (TBL) or “sustainability” reporting, which is regularly undertaken by some 2000 of the world’s larger companies. Yet it is noteworthy that the three bottom lines of the TBL remain separate. Any potential trade-off across them remains a matter of subjective managerial judgement.

It is appropriate here to add a word about the role of non-government organisations (NGOs). Many of them are actively promoting CSR, within the business community as well as in the broader community. They, like businesses, are private groups, which, again like businesses, are representative of nobody but themselves. So relinquishing the role of social conscience to special interest groups, no matter how well meaning they might be, is to pass authority to groups which are themselves unelected and as unrepresentative of society as is business. They are also, like business, unaccountable.

Political consequences of CSR?

In evaluating the consequences of CSR, we might do worse than imagine a world in which CSR activity is commonplace and CSR thinking is mainstream and unchallenged. What, in this situation, would be different in social and political terms? Some of the answers might shock.

This would be a world in which a huge sum of money would become available to the broad community from business corporations. It would be “free” and of a magnitude quite unimaginable today. Yet it is most improbable that this largesse would be without strings attached. The donating businesses, individually and collectively, would be in a position to exert great influence over matters in which their role today is negligible or absent. What follows is a summary attempt to understand such a world.

First, we could find that many traditional roles of government are now shared on equal terms with business. For example, pervasive corporate philanthropy, alone, could easily provide communities, especially poorer ones, with as many public, recreational facilities like swimming pools and tennis courts as are provided by public authorities. Second, CSR expenditures might even exceed the budgets of the poorest countries. It follows, that global pharmaceutical and publishing companies could be assumed, over time, to exert a most powerful influence through their donations, on the character of many a nation's public health and public education systems. We might disagree about the likely nature of this influence, but it would not be negligible and it would not be without controversy. It raises the spectre of school and hospital managers paid for by business; that is, by business with a direct financial interest in the decisions these individuals make. This would be a society in which the commercial activities of business, the traditional “economic sphere” of neo-classical economic theory, is much more deeply embedded and intermeshed with other spheres of life than is the case today. Looking at society as a whole, it may no longer be credible to view “business” as a separately defined activity. A near fusion of the economic agents of society with government would carry its own raft of very substantial implications.

It is unnecessary to crystal gaze further. Enough has been said to indicate to the reader that a strong move by business into true CSR activity would most likely have major impact. It would almost inevitably engender competition between business and government, not in the economic sphere where we are familiar with it and can handle it, but in the political and social spheres. Some would no doubt welcome this; others would oppose it. The huge uncertain consequences of this development may have been recognised by the SustainAbility (2004) consultancy, which stated in one report:

The challenge is not to get companies to take on the responsibilities of governments but to help ensure governments fulfill their own responsibilities.

However, while the risks of both greater government control over business and of greater business control over government are explicitly acknowledged, the practicalities of this proposed new business-government liaison are little explored. This is a pity.

From a business perspective, it would not necessarily prove commercially beneficial to be more closely enmeshed in socio-political decision making. It could well prove less distracting and more beneficial to retain an unequivocal economic orientation. Further, if private business were to become linked in peoples' minds with the provision of social benefits of a kind now associated with governments, there would be obvious risk that business would come to be resented by governments. This possibility is real and has not

been given much attention. Yet it cannot be assumed that business-government rivalry over non-economic influence in society would be a positive development.

Conclusion

At its heart the CSR movement is a moral and ethical one. Its supporters want higher ethical standards in business, across the board. Not surprisingly, views vary greatly on how best to achieve this. Some argue in favour of more business regulation and harsher legal sanction; others seek a partnership role for business with the state, a formal role of some kind for non-government organisations, or, for social leadership by corporate-sector example; very many others just stay silent. While the best way forward may be fiercely contested, the final destination of a decent and humane society in which business conserves resources and sustains the environment, is agreed. This is recognised by the "Corporate Social Responsibility" organisation, which states on a website (www.takingitglobal.org) that:

Corporate Social Responsibility has become the standard euphemism for the kind of social values that corporations often neglect in their daily practices yet must strive to achieve for all those affected by their actions.

Such a statement is valuable because it explicitly presents the challenge as one of values and makes clear that it is for business itself to rise to this challenge. That adds clarity to much contemporary debate about CSR, since it is far from obvious that ethical standards can ever be raised through legislation. The same holds for any individual manager's sense of responsibility. While certain types of commercial irresponsibility might be categorically defined and enshrined in law, ultimately, business adherence to the highest standards can never be imposed from outside. In reality, the ethical standards and sense of responsibility of business will be a direct reflection of the society to which it belongs. In simple terms, where the political arrangements in society are dishonest and corrupt, it is unrealistic to demand different standards from its businesses. The ethical standards of business will tend to be no better and no worse than the wider society of which it is part. It follows that if we are serious about raising ethical standards in business, we are well advised to focus first on standards in our society as a whole. We cannot usefully separate "business" from "society".

A common sense approach to improvement, at the global level, might be to support standard definitions of the more obvious categories of commercial dishonesty and irresponsibility in law and to support the development of improved law enforcement mechanisms everywhere. Whether infringement of such regulation attracts civil or criminal penalty is a secondary issue best decided locally. At the same time we have to accept, given human frailty, that the standards set by society will never be followed by all. The best statutes and regulations will only go part of the way. They can lead to some improvement but cannot entirely remove the problem. Even in theory, our preferred standards of ethics and responsibility cannot be imposed on the unwilling.

With respect to discretionary CSR expenditures specifically, we know, for example, that the top 100 companies listed on the London stock exchange gave 0.97 per cent of their pre-tax profits to charities and community projects in 2003 (Armstrong, 2004). However, only 34 of them donated 1 per cent or more of their profit in this way. Further, a survey conducted by the Economist Intelligence Unit, published by Hill & Knowlton in the USA (*PR Week*, 2004), showed that only 9 per cent of Europe's senior executives mentioned CSR as "important" and only 4 per cent saw CSR as important to their customers. The findings of a well organised and well-funded research project into the impact of "corporate responsibility" undertaken, jointly, by Business for Social Responsibility, AccountAbility and Brody Weiser Burns (BED, 2003) are particularly revealing. This study focused on "leading companies" and the "economic" impact of their business activities. It found that 81 per cent of their corporate reports did not specifically identify the "significant community" of the company and of the 19 per cent which did, most did not "adequately identify or deal with their most significant community stakeholders". Given the pluralism and divergent interests of "stakeholders" these findings are not necessarily surprising.

It is helpful in this context to keep in mind the exceptionally well-informed judgements of people like Sir Adrian Cadbury and Judge Mervyn King, who have authored influential

national reports on corporate governance. Cadbury has noted that the aim of corporate governance is to align as nearly as possible the interests of “individuals, corporations and society”. Judge King, moreover, states that companies today need to think beyond their accountability to shareholders and accept their responsibility to their stakeholders, in order to survive (Temkin, 2004). Such statements strongly suggest that concern with business ethics will always be with us. CSR may simply be a contemporary expression of this. It just represents a somewhat confused and confusing attempt to define these broader, more social, responsibilities of the firm in ethical rather than legal terms.

This author's assessment is non-ideological and wholly pragmatic. It is also open to criticism for failing to offer categorical, generalised, guidance to managers. It rests on factors that are observable in contemporary business. One is that many corporations, especially but not exclusively larger ones, are taking the needs and demands of non-shareholders actively into account in their decisions. It does not matter whether this is cynical and opportunist, or, charitably minded; it is undoubtedly occurring and must be regarded by those companies doing it, as beneficial to their interests. A second factor is that every CSR activity comes at a “real” cost to the company. Even if one ignores the monetary cost, which some CSR enthusiasts prefer to do, there can be no disputing the cost in managerial time and effort of undertaking extra, discretionary activities. There is a cost on account of the extension of managerial tasks and the mental distraction of managers from more obviously profit-oriented activity. Indeed this cost may be hugely underestimated. A pioneering report by Royal Dutch Shell states that CSR “demands a deep shift in corporate culture, values, decision-making processes and behaviour” (Shell, 1998). By implication, CSR is attracting a significant amount of managerial time in that company. In short, CSR is happening, it is costing time and resources, and needs to be rigorously evaluated by business.

Another observable factor is the unquestioned capacity of businesses to contribute to human welfare outside their core commercial role of creating value for customers, income for owners and employees, and contributing to the economic growth of the nation. Indeed, some businesses are better placed than some governments to respond quickly and effectively to community needs, especially in those parts of the world where resources are inadequate, or, where governments themselves are inadequate. But to possess this capability does not itself demonstrate that business automatically has a “responsibility” or “duty” to perform this role. Whether or not business should do so and, if so, to what extent, is for this author a situational matter, to be decided pragmatically. Consistency is not here a useful objective. The question for business can be answered at the level of the individual firm by local managers; maybe subject to approval from headquarters. At a more general level, the question for a contemporary market economy, to paraphrase Etzioni (1998), is to what extent to leave such decisions to market forces alone and to what extent to allow other valid social considerations to affect their course. To this author, it seems sensible to resist any blanket, generalised, answer. Then, decisions are left entirely to individual managers who are free to do as they wish. This makes sense because every, single “discretionary” CSR expenditure that is truly charitable, rather than self-serving in nature, is driven by ethical and not market forces. The outcome in such circumstances is, then, “true” CSR.

The author's view is that it would be silly to inhibit firms from “doing good” through CSR. Such action would not only be counter-intuitive, it would also defy the positive historical experience of corporate philanthropy. Indeed, it would defy “economic sense”, too, since firms do not necessarily perform with maximum productive efficiency anyway. On the contrary, it makes more sense to encourage firms to “do good” and, thereby, add directly to human happiness and social and environmental wellbeing - when they are able and willing to do so. Yet at the same time there is no general case to be made for expenditures, which, other things being equal, do not add to productivity and welfare at the macroeconomic level. So, “doing good”, or “discretionary” CSR expenditure, emerges as one of those things which is better in moderation than in large quantity. In this view, we should encourage those who are genuinely motivated for altruistic reasons to contribute to society through CSR, but neither demand it from all, nor apply “one size fits all” pressure on those who are not self-motivated. We can publicise it, by good example, and applaud its ethical morality, but

should also be wary of “good works” as “fad” or as corporate window dressing. It is probably best to view CSR as an attractive “extra” or “option” among business activities, rather than something to which all businesses should necessarily aspire. It does not make economic sense to represent it as a general business purpose.

The above answer may be judged intellectually sloppy or untidy. It is. It does not pretend to be a generalised answer. There is no resulting managerial template. On the other hand, it offers practical encouragement for businesses to contribute “more” to the communities in which they operate, without deflecting business in general from the prime function of pursuing commercial goals to the collective advantage of all. We do not want to diminish profitability at company level, or, productivity at national economy level. More profit, economy wide, anyway means more resources potentially available for philanthropic CSR purposes as well as for other purposes. In this view, business can be encouraged to undertake “good works”, by the example of others, without being cajoled or put under any moral pressure to do so. This is probably both a sensible and near optimal solution. Moreover, it removes the dangers of imposing CSR on business through legislative or regulatory means. The latter would risk imposing potentially costly burdens on the unqualified and the unwilling. This, in turn, would invite wholly negative social outcomes including reduced productive efficiency and regulatory corruption. Both of which would almost certainly occur if CSR responsibilities were to be legislatively imposed.

To raise business-relevant standards, for all, through legislation or regulation is one thing, and is acceptable. But to impose burdens which are not business-relevant through legislation or regulation is neither acceptable to the business community nor conducive to business efficiency. In any case, it would not work. Legislation can never be broad enough to cover all possible breaches of society’s expectations (Merritt, 2004). It does not, therefore, make sense. So, while popularising CSR is fine, trying to impose it would be disastrous.

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