

# From Ethical Responsibility to Corporate Social Responsibility

Antonio Argandoña

Professor, “la Caixa” Chair of Corporate Social  
Responsibility and Corporate Governance  
IESE Business School, University of Navarra  
[argandona@iese.edu](mailto:argandona@iese.edu)

## Abstract

Corporate social responsibility is a concept on the rise, but also a heavily criticized one. Basically, it suffers from a crucial weakness: it has no generally accepted, common framework. Consequently, it remains an amalgam of descriptive, instrumental and normative proposals, based on mutually incompatible ethical, sociological and economic theories. This article starts from the concept of responsibility as a moral category. It discusses the meaning and content of responsibility in a conceptual framework capable of providing a solid foundation for social responsibility, consistent with a view of the organization and an ethical theory.

## Introduction<sup>1</sup>

Corporate social responsibility (CSR)<sup>2</sup> is an age-old concept which, in the last twenty-five years, has been widely developed in academic debate and management practice. However, it suffers from a *fundamental weakness*: there is no widely accepted definition, and therefore no common model.

That there should be a *variety of approaches to CSR* was only natural when the concept was new.<sup>3</sup> Yet it remains inescapable today, due to the diversity of scientific and philosophical starting points and the consequent lack of consensus over the concepts of responsibility, organization and company: essentially, over the anthropological foundations of ethics and the social sciences. It is still useful to continue the debate, however, because by doing so we can continue to gain a better understanding and a clearer definition of the problems that CSR poses.

For many years, the concept of CSR has in fact been *widely criticized* on various accounts: the confusion surrounding the concept itself, and the absence of a generally accepted definition; the fact of its being limited, in practice, to the traditional dimensions of the triple bottom line<sup>4</sup> (economic, social and environmental) and, above all, these three dimensions not being integrated; the tension between corporate responsibility and the responsibility of other organizational forms (non-profit institutions, government bodies, etc.); the tension between big business (the focus of most efforts in this field) and small and mid-sized companies; the fact that efforts to solve problems often are focused on the organizational level, ignoring the individual level; the confusion between goals and processes; the inadequate ethical grounding of the concept, and so on (Siebens 2006).

The purpose of this study is obviously not to draw a line under this debate, as most likely nobody has the final answer to the key questions mentioned above. First, I develop the ethical, social and legal bases of responsibility, before moving on to outline the nature of corporate social

responsibility and its characteristics. I then propose some thoughts on a solid approach to the foundations of CSR, ending with the conclusions.

There are essentially three approaches to CSR (Donaldson and Preston 1995): *descriptive* (explaining how managers take account of their social responsibilities); *instrumental* (CSR is a means to a different end, namely, shareholder value maximization); and *normative* (explaining how a company that wishes to be socially responsible must behave). In this paper we shall focus on the normative approach. Within the normative approach we can distinguish two levels of analysis: the level of *principles* (Do companies have any responsibility to other social actors? What is the basis of that responsibility? What does the responsibility actually consist of? To whom are companies responsible?); and the level of *implementation* (How can companies meet their social responsibilities? What means do they have at their disposal? How do these means tie in with companies' strategy and operations? Etc.). Here we shall be dealing exclusively with the level of principles.

## **What is responsibility?**

To understand CSR, I propose first to discuss the *concept of responsibility*. What do we mean when we say that a person or an organization is “responsible” for something – an action or omission, and its effects or consequences?<sup>5</sup>

### ***Causal responsibility***

The attribution of responsibility for an action can be understood as the *causal attribution* of an action and/or its effects to someone (or something). The causal relationship may be direct (when there is a direct link between the person's action and the effect), or indirect (when the person acts through others whom she influences, as when we say a person is responsible for the injuries her dog caused to another, perhaps because she failed to take the necessary precautions to prevent such an attack), and sometimes even figurative (as when we hold the rain “responsible” for a traffic accident).

This sense is prior to the others and does not necessarily have any moral, social or legal implications, though it gives access to them. Therefore, whenever we talk about a responsibility, we can take it for granted that there is this “causal” relationship, which, as we pointed out, does not have to be foreseeable, much less intentional.

### ***Moral responsibility***

Responsibility is a *moral category*. As such, it is part of every human action. Only people (and, as we shall see later, human communities) can be subject to moral evaluation.

#### ***Moral responsibility as an attribution***

Responsibility, strictly speaking, appears when an action and its effects are attributed to a person not only as the cause of the action, but as a “*moral agent*”: the person is morally

responsible for that action (as when we say that the driver of a particular vehicle is responsible for a traffic accident, independently of other possible contributing factors).<sup>6</sup>

Thus understood, responsibility is the moral judgment of the action made either by the agent herself or by an outside observer. It is *retrospective* or *a posteriori*: an agent acted (or failed to act) in the past, and the resulting moral responsibility for the action and its consequences is attributed to her. For example, if a person was driving too fast and caused an accident, she is morally responsible for the action (driving too fast) and its consequences (the crash and any damage caused), including the duty to make good the damage.

For this attribution of moral responsibility to occur, two conditions usually have to be met.<sup>7</sup> First, the action (or omission) must be voluntary, that is, it must meet certain conditions of awareness and consent, and also of freedom: that the person knew what she was doing; that she knew (or should have known) the foreseeable consequences; and that she was not “forced” to act as she did; all of which implies that she wanted those consequences, or at least accepted and allowed them, or else rejected them but still went ahead and performed or allowed the action (Melé 1986; Takala and Pallab 2000).<sup>8</sup> And, secondly, there must be a norm (in this case, a moral norm) to which action must adhere and against which it may be judged.

### *Moral responsibility as accountability*

Responsibility, as the attribution of moral responsibility, implies that the agent must be capable of *accounting for her action* or omission, and its consequences, not only to herself and her own conscience, but above all to others,<sup>9</sup> and not only for what she does, but also for the moral reasons for which she does it, i.e., the reasons that justify the action.<sup>10</sup>

Responsibility as accountability presupposes responsibility as an attribution; but it adds something else, because it is *social*, open to others, owed to another person or community, and so subject to the normative standards required of interpersonal behavior. It is subject to external scrutiny (evaluation and sanction), and implies duties of disclosure and transparency (accounting for what has been done and, in particular, for how and why it has been done, and accepting the supervision of those to whom one is accountable).<sup>11</sup> This responsibility therefore implies a certain right, a (legal, moral or social) authority, or at least a moral community to which the agent and those to whom she is accountable belong (Eshleman 2004).

Responsibility as accountability extends to *compensation for damages* caused by the action or omission.<sup>12</sup>

### *Moral responsibility as a duty*

Moral responsibility may also be understood as a *duty* or *obligation*: for example, when we say that a driver must drive carefully so as not to cause any damage to herself, other people, or their property. In fact, this is what we mean when we say that a person “acts responsibly”: that we can be confident that she will judge and act in an ethically desirable way. That makes this a *prospective* or *a priori* responsibility, which creates duties for the present or the future.

Responsibility as an obligation presupposes responsibility as an attribution for an action or omission and its consequences, and gives rise to a duty to use certain means that are necessary or appropriate to meet the obligation. It also presupposes a willingness to account for this responsibility and the means employed, and to shoulder the consequences, including

compensation for any damage that may be caused. And all this is capable of gradation, from the indispensable minimum so as not to cause serious damage to other people to full and generous compliance even beyond what is strictly required.

Moral responsibility understood as a duty tends to be related to the agent's social or legal position or role: a mother has a responsibility-duty to provide for her children's education, and a manager has a responsibility-duty to prevent her employees being injured at work.

Both responsibility as an attribution and responsibility as accountability may elicit a *response or reaction on the part of the agent herself or others* (satisfaction, shame or remorse, praise or blame, reward or punishment),<sup>13</sup> though there does not have to be a response or reaction for there to be moral responsibility.

### *Moral responsibility as an attitude (responsiveness)*

The agent's response to prospective responsibility leads to *responsibility as an attitude*: the agent's sensitivity or willingness to respond to the needs or demands of others (responsibility as responsiveness). "Responsible is he who knows how to manage situations, adequately evaluating their risks and results" (Zamagni 2006, 5). It is founded on a person's ability to make genuine moral decisions for herself, so that she can be relied upon to meet her obligations and accept the consequences of her acts.

### *Social responsibility*

The term "social" applied to responsibility can be understood in three senses: as a response to the claims or expectations of society, insofar as they are a specific source of obligation; as an obligation to society; or as the specific content of responsibility as a duty.

#### *Responsibility as a duty to society*

When we talk about CSR, we often think in terms of a responsibility that is not strictly ethical, but "social", understood as a *response to a demand or expectation of society* (Carroll 1979). Certainly, society expects or demands certain behavior from all those who belong to it, individuals and communities alike, whether as simple citizens (obeying the law, for example) or as bearers of a particular status or role in society (parents, politicians, managers, property owners, etc.).

The key question is *whether there is a responsibility (understood as a duty) that originates in social expectations or demands, but not in ethical (or legal) duties*. Here, we can distinguish two situations: either society's expectations and demands are accepted as true duties, or they are accepted purely out of self-interest.

We can think of many situations in which people or organizations feel obliged to act in accordance with "social norms". Donaldson and Dunfee,<sup>14</sup> for example, suggest that there exists a "macro-social contract" that binds all members of society, to which are attached numerous "micro-social contracts" in various sub-areas. Corporate responsibilities would therefore arise *by consensus* within the framework of these contracts, and would be adapted to the social, cultural, economic and political context. Of course, these contracts would be ethical, because they would

manifest the will to freely assume an obligation, which gives rise to a moral duty to meet the commitment,<sup>15</sup> and because they would be subject to ethical “hyper-norms” (Donaldson and Dunfee 2000), which would morally validate the specific norms of each micro-contract (for example, the norms that would specify companies’ social responsibility in each local community). Essentially, when an agent feels “bound” by a social norm, for her that norm has a moral (or legal) content.

Thus, *the social norm may serve to specify and narrow down the content of a general ethical norm*. For example, the duty not to discriminate against an employee on the grounds of gender, religion or political views will be specified differently in different societies, but the social norm will be generally and morally binding.

Corporate responsibility is sometimes said to be “social” on the grounds that companies are “agents” that operate in society and are a part of society, and so need a “social license” to operate; or that they have an obligation to improve the society in which they operate, by being “good citizens” (*corporate citizenship*) (McIntosh et al. 1998). Or alternatively, that they must “give back” to society at least part of what they receive from it.<sup>16</sup> Or also, in terms of “power”: companies hold a certain (political, economic and social) power, and society expects or demands that they use it responsibly.<sup>17</sup>

Nevertheless, this notion of CSR as based on the demands of society is questionable. First, because it is not clear what a “social license” consists of, at least in countries with highly developed legal, fiscal and institutional systems. It could be argued that in some developing countries companies do not pay the taxes they would have to pay according to some “objective” standard of social justice, or that they are not subject to the rule of law or to the labor regulations, environmental regulations, etc. that would be desirable for the welfare of all. But this would apply not only to companies, but to all citizens. In any case, ethical responsibility should be sufficient to meet this type of social demand (at least in some ethical conceptions).<sup>18</sup>

Secondly, mere demands or expectations of society are not enough to justify corporate responsibility, as society’s demands may be 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 (Gössling and Jansen 2006).

Besides these societal expectations or demands, there are also *contingent and variable societal norms* (the rules of etiquette, for example). However, these norms do not give rise to strict responsibilities, such as the legal and ethical responsibilities, but are accepted for reasons of interest (to avoid blame or social rejection, for example). They are no more “obligatory” than the cost-benefit calculation a person might make in deciding whether or not to wear formal dress to a business meeting.

An interesting case is the *voluntary assumption of obligations beyond what the law or social expectations require*. For example, a company might undertake never to dismiss an employee, not even in a severe economic recession. Any company that takes on such a commitment is likely to do so for ethical reasons, because it thinks it has a duty to maintain employment. And if it thinks that maintaining employment is not its duty, it is unlikely to take it as an obligation – unless it believes that the mere fact of committing to it already imposes an inescapable ethical duty.<sup>19</sup>

*Social responsibility as accountability to society*

When we talk about CSR, sometimes we are referring to the fact that a responsible person is (or should be) able to account for her actions or omissions (responsibility as accountability) precisely *to the society or societies in which she acts*.

This adds nothing of substance to the notion of (moral) responsibility as accountability, but it does define more precisely the scope in which it is exercised: it is owed to some people or communities and not to others, as the case may be, and it arises within a community, in accordance with the community's social (and legal) norms. The exercise of this responsibility is therefore conditional and relative, and is not the same in all communities.<sup>20</sup>

### *The social content of corporate responsibility*

The term "social", in CSR, is often taken to refer to the *content* of the responsibility. It identifies a field which, in the narrow sense, encompasses *companies' duties to their employees and workers* (and often also to the employees of their suppliers, and even those of the entire supply chain) and, in the broad sense, their *duties to society as a whole*, sometimes excluding economic responsibilities (to shareholders, customers, suppliers, competitors, consumers, etc.) and environmental responsibilities.

Taken thus, the term "social" specifies the scope or content, but not the nature of CSR. However, this restriction on the meaning of CSR seems inappropriate, because the scope of corporate responsibility is, in fact, much broader. It obviously includes economic and environmental responsibilities, and probably others, too. That is why some authors prefer to talk about "corporate responsibility", leaving out the "social" (Marsden 2006). On the other hand, it could also be argued that the term "social" is used to emphasize the fact that companies are not just economic entities, but something larger: an institution of society. In that case, however, the adjective "social" would once again fall short.

Together with social responsibility, people occasionally talk of a "*political*" responsibility (Scherer and Palazzo 2006). However, this seems better considered part of social responsibility, as exercised in particular areas and toward particular authorities. There has also been mention of "*historical*" responsibility, when it is assumed that "history will judge"; yet this is more a political metaphor than a genuine responsibility.

### *Legal responsibility*

There is also a *legal or statutory responsibility*, in at least two senses: as a duty to obey the law, and as accountability to the competent authority. Legal responsibility is founded on the law, both civil law (responsibility for breach of contract, for example) and criminal law (responsibility for the commission of a crime).

As a duty, *it is connected to moral responsibility; but it does not necessarily coincide with it*, either in origin or in scope. 1) Legal responsibility is based on criteria of social necessity or efficacy, not necessarily on moral criteria; that is why the law sometimes attributes responsibility for an action to an agent, even though objectively no moral responsibility can be attributed to the agent in question. 2) The law is concerned with the outcomes of actions, and sometimes with the actual actions themselves, but not with intentions, which in some ethical theories occupy an important place in moral responsibility. Furthermore, 3) the law does not encompass all moral obligations, nor should it, as to do so would be detrimental to freedom; 4)

the law sometimes extends to areas beyond the sphere of morality; 5) there are times when the legal norm requires people to act against the ethical norm; and 6) the law tends to be reactive and cannot easily adapt to new circumstances and problems, whereas morality is (could or should be) proactive and flexible.<sup>21</sup> In any case, obeying the law is an ethical duty (which probably allows exceptions), whereas behaving ethically is not always a legal duty. But besides punishing transgressors, the law also provides reasons for acting in a morally and socially responsible way (Hart 1968).

Legal responsibility entails a duty to render account, as does social responsibility, although the area in which the duty is exercised is different, as are the means and processes of rendering account, and also the means of enforcing compliance.

### ***Collective and shared responsibility***

Often, the action that gives rise to a responsibility is not performed by one person alone, but by a group of people, in pursuit of an end in which they all have an interest: a *collective action*, such as that of a company. A collective action can give rise to a *collective responsibility*, or in some cases to a *shared responsibility*. A responsibility is collective when a group is able to act as a group, so that the group's action is more than the sum of the actions of its members – as is usually the case in companies. And a responsibility is shared when there is simply an aggregation of individual responsibilities of group members (May 1996).<sup>22</sup>

Experts have long disputed the nature and attribution of collective responsibility, as individuals and groups are responsible in different ways: individuals are responsible by the nature of their capabilities (to freely know and want things) and by the fact that their personality is the same over time; the same cannot be said of groups (at least not in the same way), as groups do not have the psychological capabilities of a person and their membership changes over time.<sup>23</sup>

I do not propose to enter this discussion here.<sup>24</sup> But if we are talking about the social responsibility of organizations, it seems reasonable to accept that *there are grounds for arguing that at least some collective entities can be moral agents*, at least in certain circumstances (Williams 2006): they can act intentionally based on interests, goals, reasons, desires or expectations;<sup>25</sup> they can pursue policies, obey the law, make decisions, and create costs and benefits for other agents; and they can account for their actions and policies. They can, therefore, be responsible both in the retrospective sense mentioned earlier and in the prospective sense – in fact, they are subjects of legal responsibility in both senses: they can assume moral responsibility to third parties, account for their actions, and answer for the consequences of those actions.<sup>26</sup>

A reasonable conclusion from this brief discussion is that there is a CSR that is a responsibility of the company, i.e., a responsibility that is *collective* but also *shared* by individuals: sometimes as individuals (respect for basic human rights, for example, affects everybody, not only as citizens but also as members of a company's workforce, at least when the company's actions affect those basic rights), and sometimes as occupants of a particular position or role within the organization (the personnel director, for example, with respect to policies targeted at people; and to some extent all managers with respect to the company's actions in general). Obviously, the degree to which different people share in each specific responsibility will vary from one company to another, and from one circumstance to another.

## **The nature of corporate social responsibility**

The preceding discussion of the various meanings of “responsibility” allow us to clarify the nature of CSR. Every organization has numerous responsibilities of a very varied nature: basically, an organization is responsible for all its actions and omissions, its strategies and policies, how it influences the people who act in or around it, and how all the above affects the organization itself, those who participate in it or have dealings with it, and society as a whole.

### *A moral responsibility*

CSR is a *moral responsibility* that is specified in certain prospective duties or obligations, i.e., duties or obligations oriented to the present and the future and relating to actions, behavior or policies that the company must carry out. In other words, it is a *prospective* or *a priori* responsibility that also gives rise to a *retrospective* or *a posteriori* responsibility for past actions or omissions and their consequences (Farnell 2004).<sup>27</sup>

This responsibility is *social*, at least in the sense that it must be *open to the rendering of account to the people and communities* toward whom it is exercised. Such rendering of account includes explicitly stating the company’s commitments and possibly embodying them in an appropriate management system (Argandoña 2004b), providing transparent information, and submitting to the oversight and approval of relevant stakeholders.

CSR is not a social responsibility in the sense of being a response to social demands or expectations, that is, demands or expectations of a sociological, not ethical, nature. The community (essentially, the stakeholders) has a right to expect certain actions from the company; but those expectations can only become part of CSR if they are ethical, that is, if they become a moral obligation for the company. *What society does, therefore, is help to specify the content and characteristics of the responsibility* for a particular place, time and circumstances.

CSR is attributed to *the organization*, but also to those who lead it and, to some extent, to *all those who are part of it*, in accordance with their position and role in the company. They are therefore *collective*, and also *reciprocal*, responsibilities of the company to stakeholders, of stakeholders to the company, and of stakeholders to one another.<sup>28</sup> An important component of corporate social responsibility, therefore, consists of motivating the company’s stakeholders and developing their sense of responsibility (McVea and Freeman 2005, Freeman and Velamuri 2006).

CSR is *not a legal or statutory obligation* (though it may also be that), because its enforceability derives from ethics, not from law, and also because it goes beyond what the law demands. It is therefore *voluntary*,<sup>29</sup> though not discretionary in the sense that companies can take it or leave it as they choose, but *normative or prescriptive*:<sup>30</sup> the company “must” take its responsibilities into account as a moral obligation (an obligation of conscience), whether or not that obligation is backed by the force of law or social norms.<sup>31</sup>

That CSR is voluntary implies, among other things, that it is not a black and white issue, but permits *a whole scale of commitment, effort and outcomes*. The treatment of social responsibility should allow us to distinguish at least three levels: the level of the ethical bottom line (below which we can say that a company is not meeting its responsibilities or is clearly irresponsible, at least in some dimension); the level of social obligations (where the company does what society expects of it); and the level of ethical ideals (where CSR becomes a call to excellence in the company, as an economic, social and ethical duty) (Solomon 1992). Obviously, in practice, excellence in CSR will never be achieved, as it will always be possible to do more;

and there will be hesitations and setbacks along the way. And just as there is no one definition of excellence, every company must find its own path to social responsibility.<sup>32</sup> Different companies (or the same company under different management or in different periods) will define the areas and content of their social responsibility differently.<sup>33</sup> Therefore, to judge a company's progress in corporate social responsibility we need to know what the company is aiming to achieve; and that entails duties of transparency and disclosure on the part of the company (Argandoña 2004b).

Also, social responsibility should not be governed by passing preferences, fashions or social pressures. Inevitably, such pressures will exist, and they will affect corporate social responsibility, if only because they help identify social sensibilities and new fields of interest. But they should not be the ultimate determinants of companies' social action.

### ***Social responsibility and philanthropy***

Another consequence of our approach to CSR is that CSR *is not confined to "good works", charity, welfare or philanthropy*. These may be part of CSR, but they are not to be identified with it (Lozano 2006)<sup>34</sup> – less still if the aim is somehow to compensate for the damage caused by irresponsible corporate action. These are duties for all people, at least insofar as they have information about the needs of others and the necessary resources (money, time, knowledge, etc.) to meet those needs.

Companies *need no special justification to carry out voluntary and discretionary acts of philanthropy* (Walsh 2004). And if they engage in philanthropy, they should do so for the same reasons as any person or organization should in certain circumstances (grave need, special ability to meet that need, absence of others better placed to provide the assistance, etc.).

From this point of view, philanthropy could be seen as *a way to exercise the social responsibility not of companies, but of property ownership*, which would tie in with the so-called "social function of property". Seen in this light, two possibilities emerge. 1) If we consider that the company has its own legal identity, i.e., is an asset independent of its owners (and there are reasons to think that is the case: for example, shareholders' limited liability: cf. Blair 2003), then philanthropy may be exercised directly by the company, through its managers, though giving preference, where necessary, to other equal or more pressing duties to the owners and other stakeholders.

2) But if we consider that the company is an asset that belongs exclusively to its owners, while its specific corporate form is merely a "veil" covering the shareholders' ownership, then it is the shareholders who must exercise that social function, either personally or by authorizing the company's managers to act on their behalf (Friedman 1970). In any case, there are good reasons why the company should do it: it has the means to explore whatever needs are brought to its attention; it has more resources at its disposal; it can exploit economies of scale in its philanthropic actions; it may also have better techniques for managing the funds available; and above all, it may know how to use the money to best advantage, by examining different action alternatives with different social returns, in the sense of satisfying immediate and future needs, creating conditions for a higher standard of living in the future (employment, education, health), etc.

In any case, corporate social responsibility is defined in terms of the responsibility of the company, *not the needs of those involved*. CSR theory is not a comprehensive moral theory of how to make people happy or how to solve society's problems, using companies as instruments. It is merely a theory of how companies may meet their obligations toward the people who are

affected by their actions (Phillips 2003). This may help put in its place any claim that corporate social responsibility is the answer to world problems that national governments are unable to solve in today's globalized economy.

### *The content of corporate social responsibility*

So far we have discussed what CSR is. But what is a company responsible for? Traditionally, we distinguish three areas of responsibility: *economic, social and environmental*. But this is a practical classification, designed to help organize work and information. It does not properly reflect all that CSR entails. Retrospectively, the company must be in a position to answer for *everything it does or fails to do*; and prospectively, it must be in a position to meet *all the obligations derived from its various responsibilities*: stakeholder theory shows what a wide range of parties are affected by the company's responsibilities (Cludts 2000, Preston et al. 1999). The main problem we encounter when we try to flesh out the concept of CSR is the lack of integration among its parts, which basically reflects the lack of a unitary conception of the company.

As an *economic institution*, the company's goal must be to *optimize efficiency*, that is, obtain the best results for society from scarce resources (Argandoña 2006c, *The Economist* 2005); or to put it another way, to *maximize social value* (Freeman 2004b, Wheeler et al. 2003). Note that maximizing social value is not the same as maximizing shareholder value, except under very strict conditions (which are never met in practice). This leaves scope for strategies, policies and actions aimed at internalizing external effects, correcting information asymmetries, mitigating market power, etc.; that is, scope for CSR (Argandoña 2004a, 2006c, Freeman 2004a, Kochan and Osterman 1994, Post et al. 2002, Zamagni 2006).

As a *social actor*, the company relates to other human communities, being itself a human community. This marks the boundaries of two spheres, one external, the other internal. Seen from the first sphere, the company is a community *within other communities*. In this web, the company provides a service to society (by producing goods and services) and generates a broad set of relationships, which are governed according to legal criteria (obedience to the law, observance of contracts, etc.) and economic criteria (adherence to the rules of the market). Out of these relationships come social responsibilities, which define how the company understands its role in society, and also how society understands the role of the company and, therefore, the relations between the two. When CSR theory says that companies must be "good citizens", what is meant is that companies have social responsibilities that are not merely economic.

As a *human community*, the company's purpose is to satisfy the inner needs of its members (managers, employees and owners: its internal stakeholders) by fulfilling its purpose in society, which is to produce goods and services and be a good citizen toward its external stakeholders. According to economic theory, the interests of the organization's members are sufficiently served by the voluntary contracts by which they bind themselves to the organization. That is only true, however, if what motivates them is purely extrinsic (pay, for example) and if the contracts are complete, that is, if they provide for all possible circumstances and include all possible interested parties, present and future. But that is not always the case, as there are bonds of cooperation and trust at work (giving rise to non-economic motivations, such as learning, intrinsic motivation and altruism), demands for fair treatment (transcendent motivation), implicit commitments (relational contracts, for example (Bird 2005), which also invoke trust as an

argument), etc. This set of factors is what we mean to capture when we call the company a community of persons.

To the above, the *environmental dimension* adds the need for *the company to be sustainable in a likewise sustainable society*. It adds no new arguments, but it does add the idea that the organization must be capable of surviving in the long term, which depends on ecological, as well as economic and social considerations (Argandoña 2004c).

## **The foundation of corporate social responsibility**

In the preceding pages we have identified numerous characteristics of CSR. Now we can enter the main discussion: *what should this responsibility be founded on?* For that, we shall take an indirect approach, discussing, first, some of the consequences of the fact that CSR is voluntary, and then, the ethics that will make the best foundation for that responsibility. We end by formulating a comprehensive proposal.

### ***Social responsibility as a voluntary responsibility***

We pointed out earlier that CSR must be *voluntary but normative* or self-enforced. That raises at least two problems. The first is practical: Is a concept of CSR that is not accompanied by coercive measures for its implementation workable in practice? In other words, would it not be preferable or even necessary, to bolster CSR with the coercive force of law? The second is theoretical: What makes a voluntary norm enforceable? In other words, what force can move free agents voluntarily to act in accordance with a responsibility that appears to contradict their economic preferences?

Let's take the practical issue first. Some experts, especially politicians and non-governmental organizations, propose that corporate social responsibility be enshrined in *laws or regulations* that are binding on all companies. Without this coercive component, they argue, companies will not fulfill their duties of social responsibility. This proposal may be debated on two levels.

First, on a practical level, it is a question of what is most *appropriate or advisable*. Some moral duties have already been written into law, while others have not, depending on factors such as how important they are to society (as part of the minimum requirements of social and political ethics), or the extent to which the law is expected to perform an educational role. For the same reasons, some corporate social responsibilities have been legislated; yet it makes no sense to extend the law to encompass all social responsibilities – partly because, as we pointed out earlier, the way these responsibilities are understood, their content, and the way they are implemented varies widely across countries, industries, types of companies, etc., and also over time.

But there is a second, deeper level. Social responsibility, understood as a response to pressure from society, is aimed at *achieving results* which apparently are achieved more easily and, above all, more surely using forms of motivation based on punishments (e.g. taxes, prohibitions and sanctions on companies that pollute) and rewards (such as tax subsidies or deductions for companies that voluntarily cut their emissions). However, studies of organizational control systems have shown that, given the diversity of motivations of free agents, the use of rewards and punishments may be, and in fact very often is, ineffective and even

counterproductive, because it creates perverse incentives (Pérez López 1993, 1998; Rosanas and Velilla 2005).<sup>35</sup> In other words: compulsion and control may not be the best means to achieve the outcomes expected of CSR.

Moreover: if CSR is an ethical responsibility, its goal goes beyond outcomes, as it aims to *improve the quality of people's decisions* in companies, which can only be achieved by means other than coercion.<sup>36</sup> And that leads us to the second question raised above: What kind of enforceability can a voluntary but normative rule have? The answer is: the same kind of enforceability as ethics. But that again leads us to another question: *what ethics are we talking about?*

### ***Ethical responsibility: what ethics?***

We have argued that CSR is an ethical responsibility. But, given the great variety of ethical theories, we must ask ourselves what conditions an ethical theory must meet in order to properly sustain the concept of moral responsibility proposed here.<sup>37</sup>

A condition that to us seems central is that the desired ethical theory must be *capable of autonomously generating self-enforceable norms*, norms that “hinges on our concern with living a good human life, with models and ideals of human possibility”, that is, which do not depend on the existence of a law and the coercive power of the state, or “on social regulation and (...) to retributive and compensatory justice” (Watson 1996, 243)<sup>38</sup> exercised through a game of rewards and punishments. This way, CSR can be voluntary and, at the same time, normative, that is, enforceable for the agent.

How is that achieved? “The enforceability of the [moral] norms depends, in the first place, on the moral constitution of individuals; that is, of their *internal motivational structure*, much before any exogenous system of enforcement” (Zamagni 2006, 9; my emphasis). Therefore, we need a model of the structure of human motivations within action theory that is capable of generating such ethical behavior without having to resort to positive or negative incentives external to the agent.<sup>39</sup>

### ***A comprehensive approach to management***<sup>40</sup>

According to a very simple definition, an *organization* is “a group of people who coordinate their actions to achieve goals in which they all have an interest, albeit conceivably for very different reasons” (Pérez López 1993, 13). When an organization aims to survive in the long term, it needs not only to achieve its goals today, but above all to create the conditions in which it will be able to *continue to achieve those goals in the future*. This will be possible *with the collaboration of its members* (owners, managers, employees: the internal stakeholders; and also, to some extent, the external stakeholders: customers, suppliers, the local community and society at large). And as we pointed out earlier, all these people will be motivated to work with the organization for different reasons.

If the organization in question is a business enterprise, it must pursue its goals *efficiently*, as befits an economic institution. This demands that the value of the resources the company receives in return for the services it provides to society must be greater than that of the resources it uses to secure the collaboration of its members, including external suppliers. That is to say, it must generate a profit, or *create value*. And it will use that value to reward all those who have

contributed to production, as it seems reasonable to assume that that is one of the various reasons (not the only one) that, as we said, moves a company's members to work together.

This also applies to those who contribute capital. And if the providers of capital act in a competitive market, they will demand maximum efficiency: the *maximization of shareholder value*, at least compared with available alternatives. Economics explains all this very well, and any correct version of CSR cannot omit it.

But this process is subject to two conditions. The first is that, at least in the long run, society will demand that the *value creation be positive not only for shareholders, but for society as a whole*, as it would make no sense for an economic activity to consume more resources than it created. Or to put it another way, the value creation must be *social value creation*. All this, too, is explained by economics (Argandoña 2004a, Salas 2004), and is included in some versions of CSR and stakeholder theory; for example, those developed by Ed Freeman and colleagues.<sup>41</sup>

The second condition is that, in creating value, the company *must neither destroy its capability to continue to provide a service for which society is willing to pay a fair price, nor its capability to continue to win its members' collaboration in creating value*.<sup>42</sup> This demands understanding how these capabilities are acquired and, therefore, how they may be jeopardized.

For that, we must go back to the *variety of motives* that lead a person to become a member of an organization. These motives can be reduced to three. First, the organization's material response to the member's collaboration (pay and promotion in the case of an employee): *the extrinsic motives*. Second, what the member obtains directly from her collaboration (satisfaction at work and the acquisition of operational capabilities): *the intrinsic motives*. And third, what the rest of the organization's members derive from this member's collaboration: *the external motives*. Economics amply covers the first type of motives, develops the second only very partially, and pays even less attention to the third (altruism, other-motivation, etc.).

What is important about these three motives is that they prompt actions that have results *not only in terms of efficiency* (costs, revenues, profit, productivity), *but also in the other orders*. For example, when an employee works, she earns a salary, feels more or less satisfied in her job, learns to do things better, and also learns to take other people's interests and needs into account (customers, suppliers, colleagues, managers, owners, etc.). And, as a consequence of all this, *her knowledge, skills, attitudes and motivations change*, so that the effects of her future actions will never be the same as those of her past actions, even if the outward circumstances are the same. And not only the agent changes, but also the others to whom she relates: co-workers, subordinates and superiors, customers and suppliers, the company itself and society as a whole.

Therefore, a manager *must take into account not only the direct effects of the company's actions* (whether the employee has done her job and received her salary; whether the customer has received the product and paid for it), *but also the changes that take place in these other dimensions*, in the company's members, and in those who have dealings with it: *all the effects* of the company's actions. And, as we said earlier, this is necessary in order to create the necessary conditions for the organization's goals to be achieved in the long term through the collaboration of its members. The most important thing, in any case, is not the results (annual profits, for example), but *the processes*: the possibility of continuing to obtain results in the future.

Some of these changes are studied by economics, sociology, psychology and other social sciences; the most important ones, however, belong to *ethics*, as the science that studies the conditions for the improvement of people and organizations. Not an ethics imposed from outside, however, but an ethics built on an analysis of the theory of human action; an ethics, therefore, that is capable of explaining the conditions that must be met in order for people and

organizations to be able to make better decisions in the future, and capable also of offering the means for such conditions to be established.

The mechanism that develops these capabilities is *the moral virtues*. The moral virtues are the means of internalizing the effects that actions have on the agents' moral quality, because they take into account the effects that actions have on the moral quality of other people and organizations, i.e. the total effects of the agents' actions. *Virtue ethics* is thus able to explain the type of voluntary behavior that here is attributed to CSR, and it does so from within the action itself: the agent must be ethical and practice the moral virtues because that is the best way to achieve the goals of her actions, not just in an isolated decision, but over the course of a lifetime.

“The key to the ethic of virtues is in its capacity to resolve the opposition between self-interest and interest for others, between egoism and altruism, by moving beyond it (...) The virtuous life is the best not only for others – like the various economic theories of altruism would have it – but also for us” (Zamagni 2006, 9).<sup>43</sup>

Conversely, the theories in the individualistic tradition – those that limit corporate responsibility to shareholder value maximization (Friedman 1970), for example, or those that emphasize “enlightened self-interest” (Jensen 2001), or those based on social contracts (Donaldson and Dunfee 1994, 1999), or some of the contractualist variants of stakeholder theory – are incapable of offering good reasons to “be ethical”, precisely because they lack a suitable structure of human action. And as the dominant ethical theories have these bases, it is not surprising that most of the CSR programs undertaken by companies (corporate foundations, philanthropy and donations, corporate volunteering and associations, partnerships with other social actors) fit with the conception of CSR as a (passive) response by companies to social demands, or as an (active) commitment by companies to transform the society in which they operate, without any mention of the ethical transformation of people and organizations,<sup>44</sup> or as a dual conception, which sets the economic dimension of business (profit) in opposition to its social dimension (responsibility) (Lozano 2002).

### ***The foundations of corporate social responsibility***

This way of understanding the decision process in companies and the role of ethics in corporate governance helps us define the concept of corporate social responsibility more closely. In the context of our discussion, *a person is responsible if she is capable of making better decisions*, because she has the means (the moral virtues) to take into account all the effects of her actions, on herself and on others. And the criterion for determining whether she is responsible or not will ultimately be the quality of her decisions as a manager, over time.

This, in companies, takes place in *three dimensions*, which are parallel to the three motives mentioned earlier: 1) *the economic dimension*, which is the ability to satisfy the present needs of customers and other stakeholders, creating the maximum added value possible (provided this is compatible with the other conditions); 2) *the sociological dimension*, which is the ability to create conditions in which people are satisfied and develop their knowledge and aptitudes, so that the company's distinctive competencies grow; and 3) *the ethical dimension*, which is the manager's ability to be moved by the needs of all her stakeholders (including herself), and to move them also to act driven by the needs of others.

This way, the company can be efficient, that is, profitable; and at the same time be an attractive place to work, one that is capable of developing people, despite being demanding (or rather, because of it); and have an atmosphere in which people develop their moral virtues,

which will build trust and unity in the organization; and also, naturally, be a good “corporate citizen”, one that fulfills all its legal, social and environmental duties.

This way of seeing responsibility is consistent with what we said earlier about CSR. CSR is *ethical*, but of an ethics developed from within the organization, because it is based on the theory of human action; it is not a set of norms or restrictions imposed from outside, but derives from the very nature of the management function. And as in a company everybody make decisions, whether as leaders or as followers, ethical responsibility for the company’s actions belongs to everybody: responsibility is *both collective and personal*.

This approach is therefore particularly relevant for CSR, as it applies not only to the company, but also to all the company’s stakeholders. Consequently, it is oriented toward *creating the kind of society in which the behavior specific to CSR takes root and develops*. For example, if the company acquires a commitment toward some of its stakeholders, “it is because there are stakeholders that have ethical preferences – that attribute, that is, value to the fact that the firm practices equity and works for the dignity of people *independently* of the material advantage that can be derived – that the ethical code could be respected also in the absence of the mechanism of reputation” (Zamagni 2006, 9; emphasis in the original).

This way of presenting CSR has a *prospective* dimension, which looks at the actions that must be carried out in order to improve decisions and people and is willing to account for those actions; and a *retrospective* dimension, which accepts the actions and their consequences, also in order to learn and improve – which is entirely characteristic of virtue ethics.

CSR is *voluntary*, because it is not imposed by any law, but it is *normative* and self-enforceable: a demand derived from the ethical nature of management action itself. And it must always remain voluntary, because it is not (mainly) a matter of getting results, but of helping people to improve as people, and this cannot be achieved by coercive means.

It is ethical, *not social*: although it listens to stakeholders’ demands, it does not seek to satisfy them directly if this can be expected to lead to negative moral learning.

And *it is not confined to philanthropy* or community action, because “contrary to what some people think, this [corporate social] responsibility does not involve doing anything different from or additional to what companies normally do. On the contrary, it entails above all doing more successfully what companies are called upon to do and are best able to do” (Pérez López 1998, 75).

In any case, CSR *must not be based on economic motivations*; that is, it cannot be conceived as a means of improving the company’s economic profitability (the so-called “business case” for CSR). Because, as we have just seen, the basic issue is not how to make a profit without hurting anybody, or even while doing them some good, but how to manage “differently”, with other goals, which include economic efficiency but go much further than that.<sup>45</sup>

## Conclusions

Our exploration of the concept of CSR has given us a rough idea of a basis for CSR that seems much more solid than that of other theories, be they economic (shareholder value maximization), sociological (a response to societal demands or expectations and the call for companies to be “good citizens” in society), or ethical (individualistic ethics, deontological ethics, utilitarianism, social contracts, etc.). In any case, the approach outlined very briefly here

is not just a proposal about CSR, but also about the ethics on which it is founded. It goes beyond CSR to embrace a more ambitious organization and action theory.

One question remains to be answered, however: if we start from a satisfactory ethical theory, *do we really need a CSR theory*, a theory that identifies some of the ethical responsibilities of companies and deals specifically with those responsibilities? I believe we do:

1) Because there is a particular sensitivity to everything to do with CSR (human rights, environmental protection, corruption, etc.), which justifies differential treatment, even if only occasionally.

2) Because identifying companies' social responsibility allows – or forces – us to face up to deeper issues, such as the nature of the company, its goals, and the task of management.

3) Because it gives us a suitable framework for discussing whether social responsibility can or should be subject to (binding) regulation.

4) Because, as we said earlier, corporate responsibilities, which are ethical responsibilities, are specified in each particular environment with the help of the other sciences and, above all, with regard to the specific social and political preferences and circumstances of each time and place.

5) And because, from the point of view of the management of organizations, CSR poses specific problems, which go beyond mere moral responsibility to people. For example, *the need to solve problems of collective action*: how to get all the companies in an industry or region to act in unison, when some companies' refusal to cooperate (the free rider problem) puts the more responsible ones at a disadvantage and so discourages socially beneficial actions, usually resulting in the problem being transferred to a higher level – an employer's organization, or a regional or industry association, for example – to see to it that companies act in unison, either through coercion (regulation) or persuasion (self-regulation and self-control)

In summary, the company is part of society or, rather, of a set of societies, and this defines various areas of its social responsibility. This is a moral responsibility and is integrated with the other (reciprocal, shared) responsibilities of all the company's stakeholders. It serves to legitimate the organization as a moral agent, and allows it to adopt a point of view and argue its case in social dialogue (an irresponsible organization has neither voice nor vote), given that conflict among social responsibilities is not only a fact of life, but also legitimate.

## References

- Alford, H. and M. Naughton, 2002: "Beyond the shareholder model of the firm: Working toward the common good of a business", in S.A. Cortright and M. Naughton (eds.), *Rethinking the Purpose of Business. Interdisciplinary Essays from the Catholic Social Tradition*. Notre Dame, IN: University of Notre Dame Press, 27-47.
- Alford, H. and Y. Shcherbinina, 2006: "Corporate social responsibility and common good", presented at the 4th European Symposium of University Professors "The Firm and the Fulfillment of a New Humanism", Rome, June 22-25.
- Argandoña, A., 1998: "The stakeholder theory and the common good", *Journal of Business Ethics*, 17, 1093-1102.
- Argandoña, A., 2004a: "Propiedad y control en los procesos de toma de decisiones", in *Segundas jornadas sobre la singularidad de las Cajas de Ahorros españolas*. Zaragoza: Federación de Usuarios de Cajas, 47-53.

- Argandoña, A., 2004b: "On ethical, social and environmental management systems", *Journal of Business Ethics*, 51 (1), 41-52.
- Argandoña, A., 2004c: "Unity and success in business", presented at the Transatlantic Business Ethics Conference, Barcelona, October 1-3.
- Argandoña, A., 2006a: "Ethics in economics and organizations: Can they be fully integrated?", presented at the 14th International Symposium on Ethics, Business and Society, Barcelona, May 18-19, 2006.
- Argandoña, A., 2006b: "The ethical foundations of corporate social responsibility", presented at the EBEN Research Conference "Normative Foundations of Corporate Responsibility", St. Petersburg, June 16-17.
- Argandoña, A., 2006c: "Economía de mercado y responsabilidad social de la empresa", *Papeles de Economía Española*, 108, 2-9 (English version: "Firm, market economy and social responsibility", Working Papers IESE, No 600, July 2005).
- Aristotle, 1985: *Nicomachean Ethics*. Indianapolis, IN: Hackett Publishing Co.
- Arjoon, S., 2000: "Virtue theory as a dynamic theory of business", *Journal of Business Ethics*, 28, 159-178.
- Bell, D.E., H. Raiffa and A. Tversky, 1988: *Decision Making*. Cambridge: Cambridge University Press.
- Bird, R.C., 2005: "Employment as a relational contract", *Journal of Labor and Employment Law*, 8, 149-207.
- Blair, M.M., 2003: "Locking in capital: What corporate law achieved for business organizers in the nineteenth century", *UCLA Law Review*, 51 (2), 387-455.
- Carroll, A.B., 1979: "A three-dimensional conceptual model of corporate performance", *Academy of Management Review*, 4 (4), 497-505.
- Carroll, A.B., 1991: "The pyramid of corporate social responsibility: Towards the moral management of organizational stakeholders", *Business Horizons*, July-August, 39-48.
- Cludts, S., 2000: "A review of the normative cores of stakeholder theory: Towards a community of stakeholders", presented at the Second World Congress of Business, Economics and Ethics, Sao Paulo, July 19-23.
- Coffee, J., 1981: "No soul to damn: no body to kick: an unscandalized inquiry into the problem of corporate punishment", *Michigan Law Review*, 79, 386-460.
- Danley, J.R., 1980: "Corporate moral agency: the case of anthropological bigotry", in M. Bradie and M. Brand, eds., *Action and Responsibility: Bowling Green Studies in Applied Philosophy*, vol. 2. Bowling Green, OH: Bowling Green State University, 172-179.
- Davis, G.F., M.v.N. Whitman and M.N. Zald, 2006: "The responsibility paradox: Multinational firms and global corporate social responsibility", University of Michigan, Ross School of Business Working Papers no 1031, April.
- Davis, K., 1960: "Can business afford to ignore corporate social responsibilities?", *California Management Review*, 2, 70-76.
- De George, R., 1999: *Business Ethics*. Upper Saddle River, NJ: Prentice-Hall.
- Donaldson, T., 1982: *Corporations and Morality*. Upper Saddle River, NJ: Prentice-Hall.
- Donaldson, T. and T.W. Dunfee, 1994: "Towards a unified conception of business ethics: Integrative social contracts theory", *Academy of Management Review*, 19, 252-284.
- Donaldson, T. and T.W. Dunfee, 1999: *Ties That Bind: A Social Contracts Approach to Business Ethics*. Boston, MA: Harvard Business School.
- Donaldson, T. and T.W. Dunfee, 2000: "Précis for ties that bind", *Business and Society*, 105, 436-444.

- Donaldson, T. and L.E. Preston, 1995: "The stakeholder theory of the corporation: Concepts, evidence, and implications", *Academy of Management Review*, 20 (1), 65-91.
- Elkington, J., 1998: *Cannibals with Forks*. Gabriola Island, BC: New Society.
- Eshleman, A., 2004: "Moral responsibility", in E.N. Zalta (ed.), *Stanford Encyclopedia of Philosophy*, [www.plato.stanford.edu/entries/moral-responsibility](http://www.plato.stanford.edu/entries/moral-responsibility) (accessed in July 2006).
- European Commission, 2001: *Green Book. Promoting a European Framework for Corporate Social Responsibility*. Brussels: European Commission.
- Farnell, D. (2004), "Responsibility without answerability. Disentangling the two forms of moral responsibility", <http://www.ephilosopher.com/modules.php?op=modload&name=News&file=article&sid=834> (accessed in July 2006).
- Fischer, J.M., 1999: "Recent work on moral responsibility", *Ethics*, 110, 93-139.
- Frederick, W.C., 2006: *Corporation, Be Good! The Story of Corporate Social Responsibility*. Indianapolis, IN: Dog Ear Publishing.
- Freeman, R.E., 2004a: "Value creation and trade: A stakeholder approach", presented at the Transatlantic Business Ethics Conference, Barcelona, October.
- Freeman, R.E., 2004b: "Ethical leadership and creating value for stakeholders", in R.A. Peterson and O.C. Ferrell (eds.), *Business Ethics: New Challenges for Business Schools and Corporate Leaders*. Armonk, NY: M.E. Sharpe.
- Freeman, R.E. and J.F. McVea, 2001: "A stakeholder approach to strategic management", in M.A. Hitt, R.E. Freeman and J.S. Harrison (eds.), *The Blackwell Handbook of Strategic Management*. New York, NY: Blackwell, 189-207.
- Freeman, R.E. and S.R. Velamuri, 2006: "A new approach to CSR: Company stakeholder responsibility", in A. Kakabadse and M. Morsing, eds., *Corporate Social Responsibility. Reconciling Aspiration with Application*. New York, NY: Palgrave Macmillan, 9-23.
- Freeman, R.E., A. Wicks, B. Parmar and J. McVea, 2004: "Stakeholder theory: The state of the art and future perspectives", *Notizie di Politeia*, 20, 74, 9-22.
- French, P.A., 1979: "The corporation as a moral person", *American Philosophical Quarterly*, 16 (3), 297-215.
- French, P.A., 1984: *Collective and Corporate Responsibility*. New York, NY: Columbia University Press.
- French, P.A., 1992: *Responsibility Matters*. Lawrence, KA: University Press of Kansas.
- Friedman, M., 1970, "The social responsibility of business is to increase its profits", *The New York Times Magazine*, September 13, 32-33, 122, 126.
- Garriga, E. and D. Melé, 2004: "Corporate social responsibility theories: Mapping the territory", *Journal of Business Ethics*, 53 (1-2), 51-71.
- Goodpaster, K.E. and J.B. Matthews, 1982, "Can a corporation have a conscience?", *Harvard Business Review*, 60 (1), 132-141.
- Gössling, T. and R. Jansen, 2006: "Corporate social responsibility versus business ethics", Tilburg University.
- Harris, C.E., 2002: *Applying Moral Theories*. Belmont, CA: Wadsworth, 4th ed.
- Hart, H.L.A., 1968: *Punishment and responsibility*. New York, NY: Oxford University Press.
- Hoffman, W.M. and R.E. Frederick, 1995: *Business Ethics. Readings and Cases in Corporate Morality*, 3rd ed., New York, NY: McGraw-Hill.
- Holme, P. and P. Watts, 2002: *Corporate Social Responsibility: Making Good Business Sense*. Geneva: World Business Council on Sustainable Development, January.
- International Chamber of Commerce, 2002: *Business in Society: Making a Positive and Responsible Contribution*. Paris: ICC, March.

- Jensen, M.C., 2001: "Value maximization, stakeholder theory, and the corporate objective function", *Journal of Applied Corporate Finance*, 14 (3), 8-21.
- Kochan, T.A. and P. Osterman, 1994: *The Mutual Gains Enterprise: Forging a Winning Partnership among Labor, Management and Government*. Boston, MA: Harvard Business School Press.
- Lozano, J.M., 2002: "La responsabilidad social: un reto de innovación para las empresas, una oportunidad para el desarrollo de la riqueza de las naciones, in IPES, *Libro Verde de la Comisión Europea. Fomentar un marco europeo para la responsabilidad social de las empresas. Comunicación de la Comisión relativa a la responsabilidad social de las empresas: una contribución a la empresa sostenible*. Barcelona: ESADE, vii-xvii.
- Lozano, J.M., 2006, "De la responsabilidad social de la empresa (RSE) a la empresa responsable y sostenible (ERS)", *Papeles de Economía Española*, 108, 40-62.
- Margolis, J.D. and J.P. Walsh, 2003: "Misery loves companies: Rethinking social initiatives by business", *Administrative Science Quarterly*, 48 (2), 268-305.
- Marsden, C., 2006: "In defence of corporate responsibility", in A. Kakabadse and M. Morsing, eds., *Corporate Social Responsibility. Reconciling Aspiration with Application*. New York, NY: Palgrave Macmillan, 24-39.
- May, L., 1987: *The Morality of Groups*. Notre Dame, IN: University of Notre Dame Press.
- May, L., 1996: *Sharing Responsibilities*. Chicago, IL: University of Chicago Press.
- McIntosh, M., D. Leipziger, K. Jones and J. Coleman, 1998: *Corporate Citizenship: Successful Strategies for Responsible Companies*. London: Pitman,
- McVea, J.F. and R.E. Freeman, 2005: "A names-and-faces approach to stakeholder management. How focusing on stakeholders as individuals can bring ethics and entrepreneurial strategy together", *Journal of Management Inquiry*, 14 (1), 57-69.
- Melé, D., 1986: "La responsabilidad moral personal", Technical note IESE TDN-19, October.
- Melé, D., 2002: *Not only Stakeholder Interests. The Firm Oriented toward the Common Good*. Notre Dame, IN: University of Notre Dame Press.
- Mutz, G., S. Korfmacher and G. Roberts, 2003: "How do different economic and cultural environments define CSR?", presented at the EBEN Research Conference, Oslo, June.
- Nicoletti, M., 2004: "Sul concetto di responsabilità", in G. Rusconi and M. Dorigatti, eds., *La responsabilità sociale di impresa*. Milan: FrancoAngeli, 25-35.
- Oshana, M., 1997: "Ascriptions of responsibility", *American Philosophical Quarterly*, 34, 71-83.
- Pereboom, D., 1999: "Living without free will", University of Vermont Philosophy Department.
- Pérez López, J.A., 1991: *Teoría de la acción humana en las organizaciones. La acción personal*. Madrid: Rialp.
- Pérez López, J.A., 1993, *Fundamentos de la dirección de empresas*. Madrid: Rialp.
- Pérez López, J.A., 1998: *Liderazgo y ética en la dirección de empresas*. Bilbao: Deusto.
- Phillips, R.A., 2003: *Stakeholder Theory and Organizational Ethics*. San Francisco, CA: Berrett-Koehler.
- Phillips, R., R. E. Freeman and A.C. Wicks, 2003: "What stakeholder theory is not", *Business Ethics Quarterly*, 13 (4), 479-502.
- Post, J.E., L.E. Preston and S. Sachs, 2002: *Redefining the Corporation: Stakeholder Management and Organizational Wealth*. Stanford, CA: Stanford University Press.
- Preston, L.E., L.J. Brooks and T. Donaldson, 1999: "Principles of stakeholder management", Toronto, Clarkson Center for Business Ethics.
- Rosanas, J.M. and M. Velilla, 2005: "The ethics of management control systems: Developing technical and moral values", *Journal of Business Ethics*, 57 (1), 83-96.

- Salas, V., 2004: "El buen 'performance' de la empresa", in *Segundas jornadas sobre la singularidad de las Cajas de Ahorros españolas*. Zaragoza: Federación de Usuarios de Cajas, 27-44.
- Scherer, A.G. and G. Palazzo, 2006: "Towards a political conception of corporate responsibility. Business and society seen from a Habermasian perspective", University of Zurich, April.
- Siebens, H., 2006: "As simple as it seems!? A critical reading of the CSR-concept", presented at the EBEN Research Conference "Normative Foundations of Corporate Responsibility", Saint Petersburg, June.
- Smiley, M., 2005: "Collective Responsibility", E.N. Zalta, ed., *The Stanford Encyclopedia of Philosophy*, Fall 2005 ed., <http://plato.stanford.edu/archives/fall2005/entries/collective-responsibility/> (accessed in July 2006).
- Solomon, R.C., 1992: *Ethics and Excellence. Cooperation and Integrity in Business*. New York, NY: Oxford University Press.
- Strawson, P.F., 1962: "Freedom and resentment", *Proceedings of the British Academy*, 48, 187-211.
- Takala, T. and P. Pallab, 2000: "Individual, collective and social responsibility of the firm", *Business Ethics. A European Review*, 9 (2), 109-118.
- The Economist, 2005, "The good company. A survey of corporate social responsibility", January 22.
- Verheijde, J.L., 2006: *Managing Care: A Shared Responsibility*. Dordrecht: Springer.
- Velasquez, M., 1983: "Why corporations are not morally responsible for anything they do", *Business and Professional Ethics Journal*, 2 (3), 1-6.
- Vogel, D., 2004: "Is there a market for virtue? A critical appraisal of corporate social responsibility", presented at the Transatlantic Business Ethics Conference, Barcelona, October 1-3.
- Vogel, D., 2005: *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*. Washington, DC: Brookings Institution.
- Wallace, R.J., 1994: *Responsibility and the Moral Sentiments*. Cambridge, MA: Harvard University Press.
- Walsh, J.P., 2004: "Taking stock of stakeholder management", University of Michigan, July.
- Watson, G., 1996: "Two faces of responsibility", *Philosophical Topics*, 24, 227-248.
- Weber, M., 1921: "Politik als Beruf", in *Gesammelte Politische Schriften*. Munich: Duncker & Humboldt (English version in H.H. Gerth and C. Wright Mills, eds., *From Max Weber: Essays in Sociology*. New York, NY: Oxford University Press, 1946).
- Wheeler, D., B. Colbert and R.E. Freeman, 2003: "Focusing on value: Reconciling corporate social responsibility, sustainability and a stakeholder approach in a network world", *Journal of General Management*, 28 (3), 1-28.
- William, G., 2006: "Responsibility", in *The Internet Encyclopedia of Philosophy*, [www.iep.utm.edu/r/responsi.htm](http://www.iep.utm.edu/r/responsi.htm) (accessed in July 2006).
- Zamagni, S., 2006: "The ethical anchoring of corporate social responsibility and the critique of CSR", prepared for the 6th International Conference on Catholic Social Thought and Management Education "The Good Society. Catholic Social Thought and Corporate Social Responsibility in Dialogue", Rome, October 5-7.

---

<sup>1</sup> This article is part of the research carried out by the “la Caixa” Chair of Corporate Social Responsibility and Corporate Governance. In it I develop and expand on some ideas presented in Argandoña (2006d).

<sup>2</sup> I am not going to enter the discussion about whether it should be called “social responsibility” or “corporate social responsibility”. Despite the term “corporate”, CSR applies to all kinds of organizations, including unions, consumer bodies, professional or industry associations, government agencies, non-governmental organizations, foundations, etc. Basically, it is about the social responsibility of organizations, though applied to a particular type of organization: companies.

<sup>3</sup> For the history of CSR, see Frederick (2006).

<sup>4</sup> The classic reference for this triple dimension of value creation is Elkington (1998).

<sup>5</sup> For general discussions of the subject, see Eshleman (2004), Hart (1968), Nicoletti (2004) and Williams (2006).

<sup>6</sup> The classic reference is Watson (1996); cf. also Weber (1921), on a person’s availability to answer for the foreseeable consequences of her actions. As Pereboom (1999), 10, says, “for an agent to be morally responsible for an action, the action must truly belong to the agent” (cited in Fischer 1999, 96).

<sup>7</sup> Other alternative conditions have been proposed. For example, that the subject be capable of acting reasonably (or “for a good reason”), and that the subject have moral feelings or emotions; cf. Williams (2006).

<sup>8</sup> These conditions were stated originally by Aristotle (1985). Freedom is very important, but it is not sufficient: “I did it because I wanted to, because I chose to” may explain the decision, but it does not justify it ethically (explanation and justification are two separate dimensions; justification is the one that gives action an ethical content). Awareness may fail due to ignorance or error; and consent may fail due to fear, coercion, or other organic, psychological or sociological factors; cf. Melé (1986). In any case, the conditions of awareness and consent do not have to be met perfectly, which implies that there can be degrees of moral responsibility.

<sup>9</sup> See Oshana (1997) for a classic discussion of responsibility as accountability.

<sup>10</sup> See footnote 8.

<sup>11</sup> In this, it differs from moral responsibility as an attribution, which exists no matter to whom the agent is responsible. Thus, responsibility as an attribution is linked to a person’s intentions (in some ethical theories, at least), whereas social responsibility is not always, because society cannot judge intentions.

<sup>12</sup> Sometimes, such compensation is demanded even if the damage is not morally attributable to the agent, on the principle that “every action creates a risk for others”. In some countries, for example, if a tile falls from a roof and injures somebody, the owner of the house is obliged by law to compensate the victim, even if there was no negligence on the owner’s part. In such cases, the duty to make reparation does not coincide with guilt.

<sup>13</sup> In a now classic article, Strawson (1962) highlighted these “reactive attitudes” as being key to responsibility. Cf. also Wallace (1994), Fischer (1999).

<sup>14</sup> Cf. Donaldson (1982), Donaldson and Dunfee (1994, 1999). On the theory of integrative social contracts, cf. Garriga and Melé (2004).

<sup>15</sup> It would be debatable, however, how voluntary such a contract can be if the parties must accept it without prior discussion or negotiation.

<sup>16</sup> These are the “integrative” theories mentioned in Garriga and Melé (2004).

<sup>17</sup> The classic reference is Davis (1960).

---

<sup>18</sup> For example, all citizens are morally obliged to contribute to the common good, and paying taxes is one way to do that (but not the only one). So all must pay the fair taxes imposed upon them and, if paying taxes is not enough, continue to contribute to the common good by other means. Similarly, it is morally wrong to use production processes or methods that cause serious damage to people or the environment, even if there is no law against it.

<sup>19</sup> How enforceable any such commitment can be is another matter: every employment relationship is subject to circumstances beyond the company's control, and a failure to meet the commitment may be ethically justified, which implies that the commitment, as originally formulated, may have been an act of corporate social irresponsibility.

<sup>20</sup> That is why CSR, as social responsibility, evolves over time and changes from place to place, from one community to another, and even within the same community.

<sup>21</sup> This is true assuming ethics is not identified with a set of pre-established mandatory rules.

<sup>22</sup> CSR is a collective responsibility, but not all group members share in that responsibility to the same extent.

<sup>23</sup> Coffee (1981) puts it very graphically: "No soul to damn, no body to kick". See also Smiley (2005).

<sup>24</sup> In the field of CSR, it is very instructive to compare the contributions of Goodpaster and Matthews (1982), French (1979), and Danley (1980), as presented in Hoffman and Frederick (1995), chp. 4.

<sup>25</sup> This is French's argument (1979, 1992). Other authors who support companies' ability to act as moral agents are Donaldson (1982) and De George (1999); on the opposite side are May (1987, 1996) and Velasquez (1983).

<sup>26</sup> The question of the collective responsibility of groups, and specifically of companies, raises other issues which we shall not discuss here: the type of internal organization companies must have in order to assume their duties and act responsibly; the willingness of groups (and their members) to face up to their errors and omissions; and the design and implementation of appropriate internal policies to achieve those results. French (1984) explicates some of the conditions that a group must meet in order to be endowed with true moral responsibility.

<sup>27</sup> This is apparent, for example, in the World Business Council on Sustainable Development's definition: "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (Holme and Watts 2002, 8).

<sup>28</sup> Corresponding to this is the fact that all stakeholders have something to contribute to the company, owing to the variety of their knowledge, capabilities, values, assets, etc. Cf. Freeman (2004a).

<sup>29</sup> This is explicit in many definitions of CSR, such as that of the European Commission (2001), no. 20: "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". Or that of the International Chamber of Commerce (2002): "the voluntary commitment by business to manage its activities in a responsible way". Or that of Vogel (2004), 3: "policies and programs of private firms that go beyond legal requirements as a response to public pressures and societal expectations".

<sup>30</sup> I shall make no distinction here between "normative" and "prescriptive". Bell, Raiffa and Tversky (1988) identify "normative" with the way rational subjects must ideally act, while

---

“prescriptive” offers normative advice adapted to the realities of human conduct, taking the limitations of its nature into account; cf. Margolis and Walsh (2003).

<sup>31</sup> Later on we shall come back to the enforceability of this voluntary CSR.

<sup>32</sup> Which is not to say that companies must not also meet certain minimum requirements in terms of coverage of the different areas of responsibility (social, environmental, etc.), or in terms of disclosure and transparency, etc.

<sup>33</sup> Depending on such factors as product type (a chemical company, for example, might put the emphasis on environmental protection; a pharmaceutical company, on the treatment of certain illnesses; and a retailer, on fair trade), company history, culture, competitive advantage (corporate social responsibility may itself become a competitive advantage, at least for a while), the background and preferences of its owners and managers, etc.

<sup>34</sup> This view is reflected, for example, in Carroll (1991), who describes it as “voluntary/discretionary”; Donaldson and Dunfee (1999), who talk about a “moral free space”; and Phillips et al. (2003), who put charitable donations “above and outside of (...) what is required of organizations”.

<sup>35</sup> Reputation is one such extrinsic incentive and so is not, on its own, a good foundation for socially responsible corporate behavior, if only because a company will stop fulfilling its responsibilities if doing so does not affect its reputation.

<sup>36</sup> This is how T.J. Rodgers, CEO of Cypress Semiconductors, put it when President Clinton voiced the wish that companies adopt a more active attitude toward community action: “when good works cease to be voluntary and become compulsory, charity becomes confiscation and freedom becomes servitude. Philanthropy is a byproduct of wealth; and wealth is best created in free markets whose workings embody a fundamental and true moral principle long forgotten in Washington”, *The New York Times*, April 29, 1997; quoted in Davis et al. (2006), 9.

<sup>37</sup> As Verheijde (2006) points out, almost all ethical theories (with the possible exception of the so-called “ethics of selfishness”: cf. Harris 2002, chp. 5) include a concept of responsibility. That permits a certain common language, but in the long run may make it more difficult to agree on the foundations.

<sup>38</sup> Quoted by Fischer (1999), 97.

<sup>39</sup> Although RSC is ethical in nature, it is not to be identified with business ethics. Business ethics is an applied branch of ethics or moral philosophy, while CSR takes a concept from ethics, that of responsibility, and applies it in a particular framework, often with little philosophical intent, cf. Gössling and Jansen (2006).

<sup>40</sup> In this section I develop some ideas contained in Argandoña (2006b); my source is the works of Pérez López (1991, 1993, 1998).

<sup>41</sup> Cf., for example, Freeman (2004a,b), Freeman and McVea (2001), Freeman and Velamuri (2006); Freeman et al. (2004), Wheeler et al. (2003).

<sup>42</sup> These two capabilities are not separate, as it is the company’s employees who serve its customers.

<sup>43</sup> That is why the notion of the common good is key in CSR theory. On the common good in relation to the task of management, cf. Alford and Naughton (2002), Alford and Shcherbinina (2006), Argandoña (1998), Melé (2002); on the relationships between the common good and virtue ethics, cf. Arjoon (2000).

<sup>44</sup> This is especially the case in the United States, where philanthropy and social action are an integral part of what is understood by CSR; though this view is becoming increasingly widespread in Europe, too: cf. Mutz et al. (2003).

---

<sup>45</sup> The many articles written to prove that CSR is beneficial in terms of profit or stock value may be right or wrong. Most likely they are wrong, because in a market subject to competition any advantages a company may acquire through CSR “techniques” (e.g., attracting customers by advertising products or processes that respect the environment, or motivating employees through volunteering programs) can be imitated by others (Margolis and Walsh 2003, Vogel 2005). What cannot be imitated is the ethical attitude we have been talking about. In any case, the question these studies ask is irrelevant, as we have just seen. A company that is neither ethical nor responsible may be more profitable or less profitable than one that is both these things; but the quality of its management will be inferior, its possibilities of building a cohesive and competitive team will be fewer in the long term, and its chances of survival will also be fewer, again in the long term, perhaps the very long term.