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Towards a More Business-Oriented Definition of Corporate Social Responsibility: Discussing the Core Controversies of a Well-Established Concept

Matthias S. Fifka

School of Business and Economics, Friedrich-Alexander-University Erlangen-Nuernberg, Erlangen, Germany.
Email: fifka@wiso.uni-erlangen.de

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ABSTRACT

The concept of Corporate Social Responsibility (CSR) has been controversially discussed for over 50 years. Consequently, a wide variety of definitions and understandings of CSR have been developed throughout the decades. That has made it increasingly hard, or not to say impossible, to agree on a common perception of CSR. Concerning the various notions of CSR, four core controversies can be identified which revolve around certain elements of CSR: First of all, there is the underlying question if CSR is the business of business or if it is none of its business as Friedman has famously argued. Second, should CSR contain legal obligations or is it a purely voluntary concept and, thus, ethical in nature? Strongly connected to that is the third controversy on whether CSR should be self-serving or if it has to be purely altruistic. Finally, there is widespread disagreement on the scope of CSR. Does it have a local, community-oriented focus or should it address concerns of a wider geographical scope? These controversies are analyzed and discussed here with the aim of developing a definition of CSR that does not remain confined to the academic world.

Keywords: *Corporate Social Responsibility, Corporate Citizenship, Corporate Social Performance, Corporate Community Involvement*

1. Introduction

While the idea that businesses should voluntarily contribute to the well-being of the communities where they operate dates back far into the 19th century, the scientific discussion of that phenomenon began in the 1930s. E.M. Dodd [1] and Chester Barnard [2] asked whether the executives of large corporations had an obligation to society extending beyond daily business. Theodore Kreps [3] even developed a framework for measuring the social involvement of businesses in his widely regarded book *Measurement of the Social Performance of Business*. The key term "social responsibility" was finally introduced in 1953 by Howard Bowen in his path-breaking work *Social Responsibilities of the Businessman* [4]. Aside from being the first to use the term, Bowen extensively elaborated on the subject and thus can be called "the father of corporate social responsibility" [5].

Today, more than 50 years after its introduction by Bowen[1], "corporate social responsibility" (CSR) has become a highly popular term among scholars and practitioners alike. However, with the increasing usage and an ever growing number of publications, the meaning of the term has become increasingly blurred. In this context, it deserves mentioning that already in 1975 the *Handbook of Corporate Social Responsibility* remarked: "It seems that everyone has his/her own definitions for terms like [...] Corporate Social Responsibility, Public Affairs, Community Relations, Urban Affairs and Corporate Responsibility" [6]. The intensifying discussion among academics, especially in the 1990s, has not lead to any more clarity of the meaning of "corporate social responsibility." Consequently, the World Business Council for Sustainable Development – a CEO-led, global association of more than 200 multinational companies – observed that "no universally acceptable definition of CSR exists" and that the "lack of an all-embracing definition" [7] will most likely persist.

This lack of consistency can mainly be attributed to three reasons. First, scholars from very different fields – business, economics, law, sociology, philosophy, and

[1]It must be noted that Bowen only used the term "social responsibility," but exclusively applied it to corporations. Therefore, the introduction of the concept of "corporate social responsibility" can be attributed to him.

even theology – have become increasingly interested in CSR. Inevitably, a coherent scientific discussion has become more difficult since different understandings, aims and research methods frequently collide. Second, many related terms have been created over the decades which sometimes serve as synonyms and at other times they describe different concepts. Among the most widely used are: corporate societal responsibility, corporate citizenship, corporate social responsiveness, business ethics, sustainable development, triple bottom-line, and corporate community involvement. Although many more could be mentioned, it should be remarked that next to CSR, corporate citizenship (CC) without question has become the most popular among scientists and practitioners alike. Third and most important, the understanding of CSR is inevitably based on an underlying view of what role businesses play or should play in society and how they can fulfill that role. With diverging core conceptions of the business-society relationship, the understanding of CSR will automatically vary, too.

In order to understand the different notions and definitions of corporate social responsibility it is necessary to look at their development over the course of time in a first step. Here, related concepts, especially CC, will be taken into account as well, because they reflect different approaches taken by scholars and practitioners. In a second step, the central controversies on the meaning of CSR will be isolated and discussed with regard to what they imply for businesses. This serves as a basis for the development of a definition of CSR that is applicable for businesses. As long as definitions and concepts of CSR remain mostly abstract and thus confined to the academic discussion, they are hardly useful in the long run and do not contribute to what all of them actually demand: the obligation of corporations to take on social responsibilities.

2. The Evolution of CSR Rhetoric Since 1953

When Howard Bowen provided a first vague definition of CSR in 1953, he stated that it "refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" [4]. Although Bowen's definition is abstract in the sense that it is hardly possible to determine the objectives and values of any society, he leaves no doubt that businessmen have an obligation to consider social objectives and values when they make decisions. Ten years later, Joseph McGuire argued in the same vein, although he did not refer to individual "businessmen" any longer, but regarded the corporation as a whole: "The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations" [8]. While McGuire is more precise than Bowen in describing social responsibilities as extending beyond economic and legal obligations, he, too, assumes that a corporation has these obligations *per se*. This assumption can also be seen in a definition by Clarence Walton, which takes managers as individuals into account as well as the corporation as a whole: "The new concept of social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships *must* [my emphasis] be kept in mind by top managers as the corporation and the related groups pursue their respective goals" [9].

It is remarkable that all the early thinkers on CSR took for granted that corporations have certain social responsibilities and none of them spent considerable time to discuss that assumption. The first one to do so was Milton Friedman in 1970 in his now famous essay "The Social Responsibility of Business is to Increase Its Profits," in which he vigorously denied any such responsibilities. Friedman argued that corporations are "artificial persons" [10] and thus cannot assume moral responsibility for what they do. Moreover, he stated that it is the sole obligation of managers to increase the wealth of the shareholders as it is their money they administer. Finally, he saw the social involvement of corporations as a violation of the government's exclusive jurisdiction for social affairs.

Nevertheless, it must be noted that Friedman did not condemn social activities by a corporation as long as they were aimed at improving the corporation's image in order to increase its sales and profits. This, however, would have to be counted as "window dressing" [10] and could not be classified as CSR according to Friedman, because he saw CSR based upon an altruistic and ethical foundation. This perception of CSR was by no means unique and reflects the dominant view on CSR in the late 60s and 70s. It was no coincidence that Friedman wrote his essay at a time when ideas of the "New Left" enjoyed widespread popularity and the American public became increasingly sceptic about large corporations [11]. He was very aware of that notion and observed a "present climate of opinion, with a wide spread aversion to 'capitalism,' 'profits,' 'the soulless corporation' and so on" [10]. This aversion would eventually lead to the public demand that corporations should contribute more to the social well-being because of a moral obligation to do so. In 1975, the *Handbook of Corporate Social Responsibility* also illustrated this view of CSR: "'Corporate Social Responsibility' seems to be the most favored term among reformers who use it as a moralistic rallying post. Anti-reform conservatives feel this generic icon smacks of do-goodism, and thus has no relationship to the hard-nosed profit motive of business" [6].

The notion that CSR includes ethical responsibilities was cemented by Carroll's "Four-Part Model of Corporate Social Responsibility" from 1979, which probably has become "the most established and accepted model of CSR" [12]. He stated that the social responsibility of business "encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" [13]. Carroll later revised this definition slightly and replaced "discretionary expectations" with the term "philanthropic" [14]. Finally, intending to use a more pragmatic language, he once again revised his definition: "The CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen" [14].

That rephrased definition is interesting in the respect that "being a good corporate citizen" becomes equal with "philanthropy," replacing it in the definition. Therefore, Carroll's concept of CC is a very narrow one, basically reducing it to "corporate giving." Thus, it is no surprise that practitioners came to prefer this limited and easy approach to CC over the "ethically and morally loaded" idea of CSR. Until today, CSR has carried the notion of being a concept which assumes an ethical obligation of businesses to "do good" without pursuing a material self-interest. Some scholars have even come to regard socially responsible behavior as the primary objective of business: "Finally, assuming that a business firm has enhanced socially responsible discretion, obeyed society's major ethical principles, and followed the law, then the firm is responsible for producing and distributing goods and services, enhancing shareholder wealth [...]" [15].

Moreover, in comparison to CSR, CC did not emphasize the responsibilities of corporations one-sidedly, but also implied rights that emerge from the status as a citizen. It also did not demand that CC had to be of an altruistic nature. Instead, it assumed that the social activities of a business would be expanded if a business profited from them, because that way a lasting and structured engagement was guaranteed. In this context, Wood and Logsdon correctly observe that CC stresses a " 'give-back' and 'tit-for-tat' grounding" which "does not require any philosophy nor deep thinking," while CSR has a strong "moral grounding" and "a 'Sixties-liberal' orientation" [16].

However, the notion that CC is of a purely pragmatic nature without an ethical foundation has increasingly been challenged since the turn of the century. In 2001, David Birch noted that "corporate citizenship is not simply about philanthropy, corporate generosity, business community partnerships, executive leasing to community organizations, cause-related marketing, good causes and so on (though these may well be some of the concrete realizations of corporate social responsibility) – it is about a changing business ethos" [17]. Definitions such as these [18,19], stressing a moral component of CC, have made it increasingly hard to differentiate between CSR and CC. Although CC was originally invented to express a distinction from CSR, a trend has become observable during the last decade that emphasizes a moral-ethical component of CC. Consequentially, CC and CSR are increasingly used interchangeably. Maignan, Ferrell and Hult, for example, recently defined CC as "the extent to which businesses meet the economic, legal, ethical, and discretionary responsibilities placed on them by their various stakeholders" [20], which is almost identical to how Carroll had defined CSR thirty years ago. For good reason, Matten and Crane [21] thus speak of an "equivalent view" of CSR and CC that today can frequently be found among academics and practitioners.

The more traditional view of seeing CC as corporate giving or philanthropy, which Matten and Crane refer to as "limited view of CC," has become less popular among academics and practitioners alike. Although mere corporate giving is easy to handle and does not require an elaborate strategy or long term involvement, executives have become less favorable towards it, because it does not contain concepts of how corporations can actually benefit from this form of social responsibility. Instead, more and more businesses are trying to implement diverse forms of social activities into their business strategy. This is why the Center for Corporate Citizenship at Boston College has defined CC as "the business strategy that shapes the values underpinning a company's mission and the choices made each day by its executives, managers and employees as they engage with society" [22]. This clearly emphasizes the notion that CC should self-serve businesses and does not have to be altruistic by any means. The idea that businesses and society can both benefit from social activities at the same time has been expressed most clearly by Windsor: "Although corporate citizenship embeds older traditions of corporate social responsibility and responsiveness, fundamentally it crafts an instrumental, self-serving view of the relationship between business and society" [23].

Although one might assume that executives today would thus exclusively prefer the term "corporate citizenship" over the moralistic "corporate social responsibility", this is not the case. While it is true that the term CC was mainly coined by practitioners to express a distinction from CSR, the latter term is still being used prominently by many corporations to describe their social activities. It comes as no surprise that empirical research has shown that executives remain uncertain about what the terms actually mean and that they find it hard to differentiate between them [24]. Although there is a vivid academic discussion about the different potential meanings of CC and CSR [16,21,25] , in the executive world both terms are being used to describe the same ideas and forms of activity.

However, regardless of the term that is being applied, the core controversies that surround CSR or CC are identical and shall be addressed in the next chapter. Paying tribute to the facts that there is no established differentiation between CSR and CC and that both are used synonymously by many scholars and businesses to describe the same phenomena, an equivalent view is taken here. Thus, for reasons of simplicity, only the expression CSR will be applied in the following.

3. Core Controversies on CSR

Beginning with Friedman's essay in 1970, a vivid discussion on the characteristics of CSR has erupted. Four central controversies can be determined in this context:

- Should businesses take over social responsibilities or is that none of their "business"?
- Assuming that they have social responsibilities, should there be legal obligations to enforce CSR or is it a concept that is of voluntary nature and may be built on a moral foundation? Does CSR also contain an economic responsibility towards society?
- Strongly connected to the dispute on its voluntary character is the question, if CSR should be free of self-interest or if it may serve the aims of businesses as well?
- Finally, there is dispute on the scope of CSR? Should CSR activities be targeted only at the local environment of a business or should they be of a broader scope and address more general problems?

The debate on these central controversies among scholars as well as practitioners is addressed in the following chapters and the implications that the different views have for businesses are discussed.

3.1 Is CSR the Business of Business?

As mentioned above, in the 50s and 60s the notion became popular, at least among scholars, that businesses and executives should take over social responsibilities. In the 70s, Friedman was the first to challenge that perception. It is interesting to note that today, almost 40 years after Friedman's famous essay was published, the perception that businesses should act socially responsible remains once again largely unquestioned in the academic world. Not only that; most scholars take a certain social responsibility for granted and do not spend any time or word in their publications to address the important question if businesses can really be assumed to carry that kind of responsibility. The opponents of CSR, who are very few in number today, still mostly refer to Friedman's arguments that businesses should act not socially responsible because of three reasons. First, they are artificial persons who cannot be held morally responsible. Second, the managers as agents have to exclusively serve the shareholders as principals and increase their wealth. CSR is adverse to that mission as it solely causes costs which reduce profits. Third, the maintenance and regulation of the social system is solely the job of the government.

Although Friedman certainly makes important points, there are several arguments that can be held against him. First of all, the assumption that businesses as artificial actors cannot be held morally responsible because all decisions connected to them are made by individuals is an oversimplification. One could argue that although decisions in a business are being made by individuals, it is still the business that is held legally responsible for the outcome of the decisions most of the time. Hence, if businesses can take legal responsibility for actions initiated by individuals, why should they not be able to take moral responsibility as well? Moreover, all businesses have a certain structure and culture as well as superordinate goals that transcend individual decision-making. They provide a framework to which all individuals within the business are bound and establish "an explicit or implicit purpose" [12] for their decisions. Therefore, businesses also carry a moral responsibility for the decisions that are made by individuals within this framework.

The second argument and underlying perception that CSR inevitably increases costs and reduces profits dominated the CSR discussion for a long time. In 1972, Manne and Wallich even argued that business expenditures could only be counted as socially responsible, if they produced lower profits than alternative investments which paid no attention to CSR [26]. One year earlier, Johnson had argued that only businesses which had already met their economic goals would set aside money for CSR [27]. This so called "lexicographic" view of CSR also implied that CSR was a financial burden. This notion slowly began to change with Drucker's argument that profitability could not only be maintained despite CSR activities, but that it could actually be increased, because CSR creates new opportunities for businesses. According to him, social problems should be seen as chances for new fields of activity and thus be turned into profits [28]. Drawing on that idea, scholars set out to develop theories on how to integrate CSR activities into the business strategy [29,30].

Over the decades, numerous studies have also been conducted to examine the relation between corporate financial performance (CFP) and corporate social performance (CSP). The latter concept had already been developed in the 1970s [13,31] and was refined in the 1980s and 1990s. It tried to offer a framework for executives how to first implement and then measure the outcomes of CSR. In 1994, Wood defined CSP accordingly as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships" [15]. The concept of CSP – just as CSR – has also suffered from inconsistencies and very diverging understandings of it. Therefore, it comes as no surprise that studies which examine the relation between CSP and CFP come to highly different conclusions. In 1999, Roman et al. conducted a meta-survey of 52 studies and found that 33 suggested a positive relationship between CSP and CFP, 14 found no effect and five found that CSP negatively affects CFP [32]. This rather positive overall conclusion could not be fully affirmed by a meta-analysis of Mahon and Griffin [33]. Of the 62 studies they evaluated, 33 found a positive correlation, nine no correlation at all, and 20 a negative one. It is interesting to note that all authors observed a highly heterogeneous understanding of CSR and CSP throughout the studies they examined, which makes valid comparisons nearly impossible.

Nevertheless, despite the varying understanding displayed in the individual studies, more than half in both meta-analyses found CSR to increase financial performance. Therefore, Friedman's assumption that CSR measures would inevitably decrease profitability cannot be maintained, which makes his second argument obsolete. Moreover, it cannot only be argued that CSR activities are likely to increase profitability, it can also be brought forward that not to act socially responsible might decrease profitability. Consumers have come to expect that businesses "behave" accordingly and retaliate with protests and boycotts if they do not: Exxon, e.g., had to face extensive consumer boycotts when it refused to sign the Kyoto Protocol; Nike experienced declining sales when its employment of childhood labor in Asia became public; and consumers avoided Shell gas stations when the company intended to sink its swimming oil tank "Brent Spar" into the North Sea instead of having it dismantled on shore. The latter case is especially interesting since Shell had acquired all necessary permission for deep sea disposal and thus would not have acted illegally. However, alarmed by Greenpeace activists, the public did not consider mere compliance with legal norms to be sufficient and eventually forced Shell, which at the same time experienced a sharp drop in sales and share prices [34], to abandon its plans.

The public has come to expect businesses to do more than to simply act accordingly to the laws. While legal compliance is *sine qua non*, it alone is not sufficient any more in times when consumers believe that businesses are more than mere providers of goods and jobs. This leads us to Friedman's third argument against CSR, which was based on the assumption that it is the government's exclusive duty to provide and regulate the social system. Already at the time of publication, Friedman's position did not reflect a dominant understanding that saw social support solely as any longer. The public, especially in the US, had already begun to articulate mistrust of businesses because of perceived "corporate greed" and demanded more social involvement [11]. Today, almost 40 years later, that notion has become even stronger as governments are increasingly unable to solve social or ecological problems. With rising government debt, a smaller and smaller portion of the budget remains available for social spending, the rest flows into predetermined or mandatory spending, especially debt service [35]. Therefore, governments have to rely more on more upon private actors to take over social responsibilities in order to provide certain services and support for those in need. Friedman's argument that the social system should be the responsibility of the government only thus has become obsolete, as governments in most industrialized nations are no longer able to carry that responsibility alone.

Overall, Friedman's core argument that the "social responsibility of business is to increase its profits" cannot be maintained. Businesses can very well be considered to be moral actors that can assume social responsibility. That in turn does not automatically decrease their profits; quite the contrary is the case: the negligence to act socially responsible is often sanctioned by the public through protests and boycotts leading to reduced revenues. The public has come to expect businesses to be socially engaged as governments cannot shoulder social responsibility on their own any longer.

The question which inevitably arises in the governmental context is whether CSR should be enforced upon businesses through legal provisions or if it is a concept that is built upon voluntary participation.

3.2 CSR – Economic and Legal Obligation or Voluntary Involvement?

The term "CSR" by itself does not allow any conclusions if the corresponding action has to be voluntary in nature or if it has to be enforced legally. Social responsibility can either be assumed voluntarily or because of legal provisions.

Until today, many authors have followed Bowen's original idea that CSR was primarily a voluntary concept. That perception was most clearly expressed by McGuire in 1963: "The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations" [8]. McGuire assumes corporations to have certain economic and legal responsibilities, he emphasizes the "responsibilities to society which extend beyond these obligations." That would lead to the conclusion that economic and legal obligations are a part of CSR and can be regarded as its foundation, with a voluntary or discretionary component resulting from a moral or ethical obligation on top. In 1991, Carroll expressed this perception in his "Pyramid of CSR," which was based on his definition of 1979: "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" [14].

At times, the necessity to include economic and legal obligations in a definition of CSR is questioned because these obligations could be taken for granted. The economic responsibility to be profitable can indeed be assumed, otherwise, a business will not be able to exist in a free market economy in the long run – unless it was heavily subsidized. The legal responsibility to obey the law is another story since businesses may very well benefit from not acting in accordance with the laws. One must only think of the corporate scandals in the first half of this decade, when companies profited from fraudulent accounting and false balance sheets. In reaction, tighter legal standards were enforced upon the corporations since the voluntary commitments made by industry groups obviously fell short.

Therefore, law abidance must be considered a vital element of CSR. However, this must not lead to the dangerous notion that merely obeying rules and regulations is sufficient. Without a voluntary component, the concept of CSR becomes obsolete. While certain legal standards are inevitable and necessary, the "added value" of CSR results from the voluntary involvement of businesses. They can decide best how and where to become active in the most efficient manner. Let us look at an example where a group of businesses decides to support the construction of a new playground in their neighborhood. One might argue that this construction could simply be financed by raising taxes or other levies and thus resolve social problems through governmental action. However, higher taxes might drive companies out of business that are not highly profitable or force them to lay off workers. Other might consider relocating their facilities. Moreover, politicians might be less inclined to raise taxes out of fear to lose the next election, and thus the necessary governmental funds are missing. Instead, a voluntary and discretionary approach can provide businesses with a variety of ways to contribute: A real-estate firm could set aside a lot which it owns; a construction company could provide workers or machinery which might be less burdensome for it than making a cash donation, while the contribution to the success of the project might be equal; and a law firm, for example, can give one of its lawyers some time off to take care of the necessary administrative procedures.

Furthermore, we must keep in mind that not all problems, of whatever kind they may be, can be solved through legal provisions. This would lead to an excessive legislative process creating a bloated and non-transparent body of regulation. Automatically, such a regulatory approach would create enormous costs for the development of the norms by governmental institutions and later for the businesses which have to comply with them.

Although it is evidently impossible to tackle all social problems through legal provisions, the effectiveness of voluntary approaches was doubted for a long time. Especially in the 70s and 80s, it was argued that reliance on the voluntary involvement of businesses as a part of CSR was naive because in the hard-nosed world of business, companies would and should not do anything which did not serve their interests unless it was required by the law [10]. This belief was strongly linked to the perception of CSR as – aside from its obligatory component – a concept that was altruistic and not self-serving in nature. But can businesses really be assumed to make meaningful social contributions if they do not receive anything in return?

3.3 Altruism or Self-Interest?

The early concepts of CSR developed by scholars like Bowen, Frederick or McGuire were normative in nature. From corporations they demanded social involvement which was motivated by the realization of an ethical responsibility and not by the pursuit of self-interests. This in turn did not mean the violation of economic principles to them, but the guarantee to reach a higher level of economic welfare for society as a whole. Frederick underlined this approach in 1960:

"Businessmen should oversee the operations of an economic system that fulfils the expectations of the public. And this means in turn that the economy's means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare.

Social responsibility in the final analysis implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms" [36].

Ten years later, as already indicated, Friedman was the first to prominently challenge this position by stating that businesses had no social responsibilities as demanded by Bowen and his companions. To him, their concepts of CSR were pure socialism:

"The businessmen believe they are defending free enterprise when they declaim that business is not concerned 'merely' with profit but also with promoting desirable 'social' ends; that business has a 'social conscience' and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers. In fact they are – or would be if anyone took them seriously – preaching pure and unadulterated socialism. Businessmen who talk this way are unwilling puppets of the intellectual forces that have been undermining the basis of a free society these past decades [10].”

Nevertheless, it is interesting to note that Friedman did not object against the social involvement of businesses as long as they profited from it: “This is one way for a corporation to generate goodwill as a by-product of expenditures that are entirely justified in its own self-interest” [10]. Such measures, however, could not be counted as CSR in Friedman’s eyes, which to him only became a pretence for activities that were undertaken to foster the public perception of a company: “Of course, in practice the doctrine of social responsibility is frequently a cloak for actions that are justified on other grounds rather than a reason for those actions” [10].

With regard to terminology, this leads to the paradox situation that social involvement – in the eyes of Friedman – is desirable if it benefits business, but when it does, it cannot be classified as CSR, because CSR demands an altruistic motivation. Now, one might certainly ask if this terminological skirmish is of any importance to those who profit from social activities by businesses. Does it matter to the hungry whether a company provides food out of selflessness or because it wants to improve its image?

It may very well be pointed out that unselfish involvement is more efficient because it is focused on the needs of the recipients and does not have to be subordinate to a company’s goals. But it can be countered that it is far more likely that companies get engaged on a larger scale if they benefit from their social involvement as well. Only this way it can be guaranteed that social activities are conducted permanently and in a structured, well developed manner, and not only punctually if the current financial situation permits it.

While some business ethicists decline social activities driven by a self-serving intention as utilitarian exploitation [15,37], from an economic point of view it makes no sense to demand that CSR has to be altruistic. Nevertheless, one should not automatically assume the pursuit of mere self-interest behind every social activity of a company, although it is certainly possible to make such an allegation in any case. If a company supports schools and universities, one could allege that it solely tries to ensure the availability of qualified workers in the future. If it builds recreational facilities for its employees, it could be argued that it only tries to maintain a healthy workforce. Finally, the intention to polish up one’s own reputation could always be insinuated.

From an empirical point of view, corporate motives for social involvement are difficult or even impossible to examine [21]. While the true conviction to help people in need may indeed be the grounding for social activities in some cases, this motivation would be mentioned more often than self-interest if one did a survey among companies, because everybody likes to presume to have acted unselfishly.

Overall, the conclusion is that individual corporate and overall social benefits can go hand in hand and are not necessarily diametrical to each other. It is exactly this “give and take” which serves as a viable driving force for social activities by businesses. It makes sense to assume that this “tit-for-tat,” as Wood and Logsdon call it [16], should be one of the bases of CSR, but one must be aware that the understanding of CSR in many publications still is – resulting from the term’s history – a different one. There CSR is often perceived as an altruistic concept. This narrow perception, however, limits the advantages resulting from a broader understanding, which allows self-interest behind CSR: A business is getting involved and tackles certain social grievances, and it is rewarded by improving the environment where it does business and its public image.

The final controversy that is to be addressed here is the scope and constitution of the business environment. Should CSR activities be narrow in scope and be targeted at the immediate environment of a business or should they be broader in nature and address more general problems?

3.4 CSR – Local Community Involvement or Global Activism?

Early definitions of CSR had left open the form and scope of engagement and remained rather vague as we have seen. Even later concepts that were specifically targeted at businesses often were of an abstract nature, like the one provided by the Committee on Economic Development (CED) from 1971 demonstrates. The CED used three concentric circles to explain CSR. The inner circle referred to economic tasks like providing jobs and goods and operating profitable. The second circle suggested that these economic aims must be pursued with sensitivity to changing social values and the social contract that exists between society and businesses. The outer circle emphasized the need to actively become involved in improving the social environment [38]. Carroll, for good reason, referred to that latter part of the concept as “amorphous” [14], because it still remained vague.

The lacking possibility to apply CSR and the abstract character of the respective definitions were major reasons for why the term “corporate citizenship” gained more prominence among practitioners as it emphasized pragmatic involvement in the local community. Wood and Logsdon thus have correctly observed that CSR articulates a “broad concern for many issues and stakeholders, and for society at large,” while CC stresses a “narrow focus on local community and charity” [16]. Although definitions of CC have been increasingly widened [17,21,39] the term to many still has a more operable or “hands on” character and a local focus.

Certainly, the problem resulting from the abstract and all-embracing character of CSR definitions is that it is “too broad in its scope to be relevant for organizations” [40]. Henderson argues in the same vein and finds that there is “no solid and well-developed consensus which provides a basis for action” [41]. Therefore, CSR might mean nothing to businesses because they simply do not know how to make it operable.

Nevertheless, as tempting as a precise definition or concept may seem, there is a high risk of creating a framework that is far too rigid. First of all, as was shown above, the great strength of CSR lies in the fact that it gives businesses the possibility to become socially involved in many different ways. Second, the scope of CSR activities can hardly be predetermined because they are different from business to business. A small manufacturing company that relies on employees, suppliers and buyers from a specific region will take a different approach than a multinational corporation, because it will not be able to afford meaningful CSR on an international scale and also would not benefit from it.

With increasing globalization, however, it becomes harder and harder to precisely determine the business environment of a company. For many businesses, shareholders as well as suppliers, buyers and other stakeholders are distributed all over the globe, which would demand a concept of global CSR with specific national approaches as, e.g., legal obligations which have to be adhered to vary from country to country.

This inevitably leads to a definitional dilemma. On the one hand, definitions regarding the form and scope of CSR should not be too abstract, but at the same time broad enough not to rule out potential forms of activity and also pay tribute to the individual possibilities of businesses and their varying business environments. The solution lies in considering the possibilities of businesses to become socially involved, which vary considerably with regard to form and scope. The business environment – as the area where the stakeholders of a business are located – thus seems appropriate for determining the geographic scope of CSR. Although it will not be possible for a business to identify all of its stakeholders [42], the identification of the most important stakeholders provides businesses with a guideline on where to become active.

4. Conclusion A Business-Oriented Definition of CSR

From the examination of the central controversies on CSR, we can reach the following conclusions. First, CSR clearly is the business of business. Even when one assumes that businesses cannot or should not take on morally grounded obligations, CSR still remains the business of business because of a self-serving, elementary necessity. Not to act socially responsible is negatively rewarded today and no company can afford to incur the risk of being labeled an irresponsible member of society. Nevertheless, it can be questioned if the term CSR still applies to the behavior of a company that only acts socially responsible because of self-interest. The term itself undoubtedly carries a moral or ethical component, which, however, is of only limited importance to the practical outcome of CSR. It does not matter whether a business supports a social cause because of self-interest or because of a felt moral obligation as long as the support is of equal size and scope. There is only one solid argument for assuming an ethical foundation of CSR. Such an ethical basis will most likely lead a business to consider the social interests of its environment to a larger extend in relation to its own interests when planning CSR-activities. Overall, independent from an ethical or a purely pragmatic perspective, CSR in any case is the business of business.

Concerning the question whether CSR encompasses economic and legal obligations, it can be concluded from the deliberations above that both are fundamental for CSR. At first sight, the obligation to make responsible economic decisions could be regarded as redundant in a definition of CSR because it is a prerequisite for the permanent existence of a business in a free-market economy and thus could be taken for granted. However, businesses as members of a society also have the economic obligation to provide goods and employment which constitutes a social responsibility at the same time. While the negligence of economic responsibilities is unlikely due to the negative consequences for a business itself, violations of legal obligations such as tax fraud or violations of environmental standards might consciously be made, especially when they are unlikely to be detected or can be covered up by bribery and corruption. In these cases, a business can profit, but the overall effects on society in sum will be negative. Therefore, legal obligations also must form part of the fundament of CSR.

Despite its legal basis, CSR has to be understood as a mostly voluntary concept in order to provide an “added social value”. Mere compliance with legal obligations is not enough to tackle social problems which cannot be solved through regulatory measures alone. It is the strength of CSR that it gives businesses the possibility to address such problems in their environment. In contrast to legal provisions, CSR can be especially effective due to its voluntary and discretionary component, because businesses can apply their unique resources to those problems where they can contribute most effectively. There- fore, a definition of CSR also has to consider that CSR works most effectively when businesses are given the possibility to take into account what kind of social involvement their own resources allow best.

This also applies to the geographic scope of their social involvement. Businesses should be expected to practice social responsibility in the markets where they operate. This will match the resources that they have available and also guarantees that they become socially involved in environments which they already know to a certain degree through their business activities.

In return, businesses can also expect to benefit the most from CSR-activities in environments where their suppliers, customers, employees and other stakeholders are located. It makes no sense to demand that CSR has to be of altruistic or selfless nature. Only if businesses benefit themselves from CSR in return, their involvement will be permanent and meaningful.

Taking these considerations into account, the following business-oriented definition of CSR can be developed:

"Corporate Social Responsibility encompasses the adherence to fundamental economic and legal obligations which a business encounters in the environments where it operates as well as the responsibility to voluntarily contribute to the social development of these environments in an adequate and structured manner that is in accordance with the resources available to each business and the underlying business strategy."

This less abstract, geographically more focused and resource-oriented approach which gives room to a business's individual possibilities and goals is aimed at improving the understanding, acceptance and applicability of a concept that often has remained too abstract and too "morally loaded" in theoretical disquisitions. As a consequence, businesses have refrained from considering the implementation of comprehensive CSR-programs. However, the willingness to do so is a necessary and decisive factor in maintaining and improving the social welfare of nations in times when governments are less and less able to sustain that welfare on their own.

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