The Need of Personal Responsibility and Integrity in Corporate Social Responsibility Theories

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Abstract

The concept of corporate social responsibility recognizes the intimacy of the relationships between the corporation and its stakeholders. There are different theories regarding corporate social responsibility such as profit motivated theories, power motivated theories, socially motivated theories and ethical theories. Profit motivated theories hold that corporate social responsibility is to increase shareholder value. Power motivated theories perceive that since corporations enjoy social power in society, they have to be responsible to society. Socially motivated theories say that since the existence, continuity and growth of business depend on society; business must consider and fulfill social demands. Ethical motivated corporate social responsibility theories concentrate on ethical principles that determine the link between business and society. The above mentioned theories try to create a corporate structure, normative criteria for managers and a corporate culture for establishing corporate social responsibility. Our experience, however, tells us that it is not enough for corporate social responsibility. Even when a company has a morally based corporate culture and structure, the success of these are dependent upon the managers and employees because corporations are moral agents; however, individuals are the real constitutive elements of corporations because only individuals can act and corporations cannot act. This scenario makes it almost imperative for the corporate social responsibility theories should incorporate a space for personal integrity of managers and employees of the corporations along with ethical corporate culture and structure. The application of divergent ethical theories and models do not lead to absolutely certain conclusions in conflict situations (Verstraeten, 2010: 38). Ethicists like Vincent Barry, who argues for an integration of different models including those of utilitarian, deontological and idealist strands, assert that ultimately it is a matter of ‘values and valuation’; or in other terms, that it depends on the integrity of the acting person to prioritize choices (Barry, 1986: 67; Thomasset, 1996: 169). Therefore, the moral imagination and creativity of the managers of the company are inseparably related with the ethical structure and culture of corporate responsibility theories.

Key words: Corporate Social Responsibility, Corporate Culture, Moral Dilemmas, Personal Integrity.
1. Introduction

The concept of corporate social responsibility has a long evolving history throughout business literature.¹ Before the 1950s the only thought was that business has an obligation only to its owners and shareholders. The modern debate on the topic originated after the publication of Howard R. Bowen’s book Social Responsibilities of the Businessman (1953). According to him corporate social responsibility 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.”²

In 1960s Keith David argues that corporate social responsibility should be seen in a managerial context and for him the term social responsibility refers to “businessmen's decisions and actions taken for reasons, at least partially, beyond the firm's direct economic or technical interest.”³ The real debate got underway after 1970 when many authors proposed different theories for corporate social responsibility. In this section I would like to classify the different corporate social responsibility theories into four classes of theories:⁴ 1) Profited motivated theories in which the corporation is seen as a means for the creation of wealth. 2) Power motivated theories which see corporations as the means for exercising power in society. 3) Socially motivated theories which see corporate social responsibility as fulfilment of social demands. 4) Ethically motivated theories which deal with corporate social responsibility on the basis of ethical principles.

The above mentioned theories try to create a corporate structure and culture for establishing corporate social responsibility. Our experience, however, tells us that it is not enough for corporate social responsibility. In this article firstly I present four different corporate responsibility theories and show its limitations. Secondly, we analyse the need of incorporating individual responsibility of managers along with corporate culture and structure of corporate social responsibility theories.

2. Profit Motivated Theories

This model perceives corporate social responsibility as a tool for the attainment of corporate economic objectives. Self-interest is the basis for the understanding of corporate

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³ Keith Davis, "Can Business Afford to Ignore Social Responsibilities?," California Management Review 2, no. 3 (1960), 70.
social responsibility in profit motivated theories. Profit motivated theories can be classified in accordance with the economic objectives they proposed such as short term profit motivated theories and long term profit motivated theories.

Milton Friedman is the main advocate of profit motivated corporate social responsibility theory. Corporate identity is an artificial person and social responsibility is related with a human person. Therefore, he concluded that corporations have no social responsibility. In a free-enterprise a corporate executive is a worker for the owners of the business. Responsibilities of the business executives are given by the owners of the business so as to do business in accordance with their desires to increase shareholders value as much as possible.

According to this theory, philanthropic activities are part of the strategy of many companies for getting a better competitive advantage. Through philanthropy companies can benefit in terms of “improved public relations, increased employee productivity, greater satisfaction of various stakeholders in the community and an enhanced corporate reputation or image.” For most of the firms, corporate social responsibility is a strategy when it creates substantial benefit for the firm, particularly by supporting the firm’s effectiveness for achieving its mission. Firms can formulate a number of strategic actions towards social issues which are either created by corporate acts or emerge as a local issue. The reaction of corporations towards social issues can be divided into four categories: reaction, defence, accommodation and pro-action. As part of corporate social responsibility if company takes pro-action as a strategy towards social issues, the company gets a better competitive advantage because “profitability and growth go hand in hand with fair treatment of employees, of direct customers, of consumers and of the community.”

3. Power Motivated Theories

As we have already seen, Davis explains corporate responsibility in terms of social power. Since corporations enjoy this social power in society, they have to be responsible to

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7 Friedman (1912-2006) is a noble prize winner. His main contributions to business ethics are his defence of free market capitalism and his theory about social responsibilities of business. Cf. Carson, "Milton Friedman," 291.
8 Carson, "Milton Friedman," 292.
10 Coffey, "Corporate Philanthropy," 151.
society. Later this approach developed into two theories: the integrated social contract theory and the corporate citizenship theory.

3.1 Integrated Social Contract Theory

In 1982 Thomas Donaldson presented the relationship between business and society in terms of a social contract. He asserted that there is an implicit contract between society and business. Donaldson proposed that productive organizations affect the life of the people and influence society. However, it is right that productive organizations exist only because of society’s or individual members of a society’s cooperation and commitment.

In 1994 Donaldson and Dunfee elaborated on this theory as ‘integrative social contract theory’ and they use the term ‘integrative’ to describe this theory as taking into account the socio-cultural context and to integrate empirical and normative aspects of management. The existing normative theories such as stakeholder, deontology and utilitarianism give common guidelines for ethical reasoning but fail to respond to ‘context-specific complexity of

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13 Thomas Donaldson is a professor at the School of Business, Georgetown University. He worked in the Department of Philosophy and the Kennedy Institute for Ethics. He received Ph.D. in philosophy from the University of Kansas. His main research was on the intersection between the social contract theory and stakeholder theory. Cf. Thomas Donaldson and T. W. Dunfee, "Toward a Unified Conception of Business Ethics: Integrative Social Contracts Theory," The Academy of Management Review 19, no. 2 (1994), 284.

14 Social contract theory in politics reached its culmination in the writings of the enlightenment writers such as John Locke, Thomas Hobbes and Jean Jacques Rousseau. Their ideas influenced the American and French revolution and the formation of governments. According to the theory of social contract (Hobbes) citizens have no right to resist ruler because it will lead society into state of nature where citizens experience violation of rights. According to Locke, humans have right to life and property and the best way to safeguard these rights is social contract in which citizens would form civil government. Rousseau’s social contract is based upon the absolute popular sovereignty. He proposed a direct rule by the people but he wrote that real will of the people could not occur until a great leader emerges. Each person submits to the general will. Cf. Dunfee, "Social Contract Theory," 585. See also Donaldson, Corporations and Morality, 42.

15 For Donaldson, business is a vague term and is not apt for his theory because business includes independent business people such as professional entertainers or craftsmen as well as large corporations. For clarity he uses the term productive organizations. Cf. Donaldson, Corporations and Morality, 42.

16 The term society is vague for Donaldson. “It might refer to the aggregate of individuals who make up society, or to something over and above the sum of those individuals.” For clarity he uses individual members of society. Cf. Donaldson, Corporations and Morality, 42.

17 In business ethics, the empirical approach used by social scientist is descriptive. The empirical approach is concerned with what action is rather than what an action ought to be. Empirical approach is found very difficult to reconcile with the free will concept, and they hold that human behavior is predictable and explainable. In business ethics, ethical success and ethical failure are complex phenomena and can be explained by causal factors. Cf. Linda Klebe Trevino and Gary R. Weaver, "Business Ethics/Business Ethics: One Field or Two?,” Business Ethics Quarterly 4, no. 2 (1994), 113-128.

18 Normative approach is rooted in philosophy and liberal arts. This theory includes prescriptive, evaluative and analytical elements. Normative ethical perspectives create standards by which the actions of the business world can be evaluated. It gives the prescriptive moral judgments about the actions of business world. Cf. Trevino and Weaver, "Business Ethics/Business Ethics: One Field or Two?,” 113-128.

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business situations.’ Therefore, “in summary, rationality in economic ethics is bounded in three ways: by a finite human capacity to assess facts, by a limited capacity of ethical theory to capture moral truth, and by the plastic or artificial nature of economic systems and practices.” Furthermore, moral norms of socio-economic interaction vary from system to system. The use of the universal concepts of ethics for solving moral dilemma in business ethics is difficult. The common claim is that, “everybody's doing something, can have some moral force in business contexts.” From this experience emerged a global attempt to form an agreement concerning business ethics and gradually a hypothetical social contract is derived.

So, in this context, these authors propose an integrative social contract theory which contains two kinds of contract. First is a general contract which gives a “set of principles regarding economic morality to which contractors would agree to the macrosocial contract.” These hyper-norms are fundamental and “are discernible in a convergence of religious, political and philosophical thought.” Hyper-norms do not establish the idea that utilitarianism, Kantianism, etc., are the absolute moral theories. There are different criteria for hyper-norms such as core human rights and dignity of each human person. Microsocial contracts are explicit or implicit agreements that are binding to a specific community such as industries, companies or economic system. Microsocial contract norms depend upon the consent, attitudes and behaviours of the norm-generating community members. These contracts and norms are seen as the basis for corporate social responsibility.

3.2 Corporate Citizenship Theory

Dirk Matten et al. propose that the metaphor of corporate citizenship is a suitable expression for speaking corporate social responsibility. The corporate citizenship model highlights the fact that corporations see their rightful place in society, next to other citizens. The citizenship model then focuses on the rights and duties of both the corporate citizen and other citizens “which are mutually interlinked and dependent on each other.”

20 Donaldson and Dunfee, “Toward a Unified Conception of Business Ethics,” 258.
26 Mattem, Crane, and Chapple, “Behind the Mask,” 111-112.
Jeanne M. Logsdon and Donna J. Wood consider community-based activities of corporations are the basis for corporate citizenship. To be a citizen is a privilege and at the same time it demands rights and duties. There are different views of citizenship such as minimalist and communitarian. Minimalist position upholds individual liberty, and those individuals can attain personal goals without reference to others. Communitarian view of citizen considers human identity based on community membership. There is no separation between private and public life. The main characteristic of a minimalist position is self-interest whereas the characteristic of a communitarian view of citizenship is based on the community’s well-being. The minimalist position considers the firm as a group of freely chosen citizens based on a contract. In a communitarian dimension of citizen the corporation is a member of community and therefore, the corporation is a citizen. Furthermore, corporations are viewed not as an autonomous entity, independent of society, rather they are the members of the society with rights and duties. Enforcement of these rights and duties are a matter of social control as in the case of the individual which means that “society directs business activity to useful ends.”

4. Socially Motivated Theories

Since the existence, continuity and growth of business are depended on society, business must consider and fulfill the social demands. There is no specific responsibility for the managers throughout time and “basically, the theories of this group are focused on the detection and scanning of, and response to, the social demands that achieve social legitimacy, greater social acceptance and prestige.”

4.1 Social Responsiveness Theories

Corporate social responsiveness can be defined as the “capacity of a corporation to respond to various social pressures.” Social responsiveness of a company depends upon the ability of a company to manage its relation with various social groups. There are three characteristics for socially responsible firms: (a) “it monitors and assesses environmental conditions, (b) it attends to many stakeholder demands placed on it, and (c) it designs plans

31 Mattem, Crane, and Chapple, "Behind the Mask," 58.
and policies to respond to changing conditions.”

According to Steven L. Wartick and Philip L. Cochran, there are three stages through which companies attain the corporate social responsiveness. First of all companies should have corporate policies giving importance to local social issues. Secondly, companies must have an organizational structure for solving social issues. And finally, companies should make a commitment to meet social demands.

However, there are three obstacles which have to be overcome in order to reach the stage of social responsiveness: decentralised managerial authority in corporate structure which is good for attaining economic goals but insufficient for the attainment of social responsiveness; an accounting system that is perfect for collecting financial data but insufficient for detecting social factors; organizational incentives system which encourages economic performance but insufficient for rewarding social performance.

In discussing social responsiveness of the company, we have to give sufficient importance to the ethical decision making process of organizations. The individual and environmental factors of the organization can influence the ethical decision making process of an organization. Corporate decision making process includes the following steps: “setting managerial objectives; searching for alternatives; evaluating alternatives; choosing an alternative; implementing the decision; and monitoring and controlling the results.”

Corporate decision making process is influenced by both the corporate values and personal values, which may be mutually conflicting. Therefore, Thomas M. Jones says that “corporate behaviour should not in most cases be judged by the decisions actually reached but by the process by which they are reached.” So Jones gives importance to the process rather than

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37 Individual factors include personal goal, motivational mechanisms, position/status, self-concept, life experience, etc., since individual is the real acting agent of corporation, the personal realm of individual can influence the decision making process. Cf. Michael Bommer and others, "A Behavioral Model of Ethical and Unethical Decision Making," *Journal of Business Ethics* 6, no. 4 (1987), 273-274.

38 There are many environmental factors which determine the decision making process of a company. First of all social environment refers to the humanistic, religious, cultural and social values which influence the social decision making process and are shared by the members of the society or subgroups like companies. It is known as the value based view of corporate social responsibility. Legal and professional environment can influence the decision making process of a manager. Professional code of conduct for managers is establishing the ethical standards for the actions of managers. Furthermore, the work environment includes corporate goals, policies and corporate culture. Cf. Bommer and others, "A Behavioral Model of Ethical and Unethical Decision Making," 268-273.


principles in the discussion of corporate social responsibility. I think that the real constitutive element of this process is individuals and so corporate social responsibility is also individual responsibility.

4.2 Corporate Social Performance Theory

Carroll presents corporate social performance theory as a global concept for corporate social responsibility that is sum total of social performance of the corporation is the corporate social responsibility. Corporate social responsibility is to be the result of the entire actions of firms and any action of the firm includes the economic, legal and ethical motivations. Carroll considered that “a definition of social responsibility, which fully addresses the entire range of obligations business has to society, must embody the economic, legal, ethical, and discretionary categories of business performance.”

He presents the pyramid of corporate social responsibility. The most important social responsibility of business is economic in nature. However, at the same time it is the economic duty of the firm to be as profitable as possible. Firms have to keep high level of competitive position and operative efficiency. Secondly, firms have to follow the legal responsibilities that are sanctioned by society. Society has laid down certain rules and regulations under which business has to operate. Firms have to provide goods and services to society in accordance with legal requirements and a firm can be successful only if it fulfils all legal obligations. Thirdly, corporations have ethical obligations. That means corporations have to do certain activities apart from the law but that is expected or prohibited by the social members. Ethical obligations are defined as society’s expectation of business beyond all legal requirements. A business firm has to be ethical and do good, right and avoid wrong. Fourthly, there are certain discretionary responsibilities for corporations that are the activities left to corporation’s choices and judgements. “These responsibilities are purely voluntary, and the decision to assume them is guided only by business’ desire to engage in social roles not mandated, not required by law and not even generally expected of business in an ethical sense.”

5. Ethical Motivated Theories

Ethical motivated corporate social responsibility theories concentrate on ethical principles that determine the link between business and society. Ethical motivated theories can be divided into two such as normative stakeholder theory and sustainable corporate vision.

5.1 Normative Stakeholder Theory

Stakeholder theory is used by some authors for integrating social demands and it is oriented towards the people who are subjected to corporate policies and practices. Stakeholders are interdependent and can affect each other either by harmful activities or by beneficial activities. Corporations have different stakeholders such as owners, employees, suppliers, customers and local communities. Owners have a financial stake for the firm in the form of money, bonds etc. and hope of a return of it. Employees have their job in the firm and the firm is obliged to pay them. Since the raw materials are important for the existence and function of the firm, suppliers are vital for the firm. If the supplier is the member of the stakeholder network, then supplier would respond positively when firm is in need. Customers really pay and receive the product and also receive the benefits of the products. The local community is vital in the stakeholder network because local communities give all facilities for the functioning of corporations.46

Management plays an important role in the practice of the stakeholder theory. Since stakeholders are equally important in the corporation, there is possibility for conflicting interests among stakeholders and the duty to keep the relationship among the stakeholders in balance falls on the managers. However, if this balance is lost, the firm’s survival falls in jeopardy. Therefore, Freeman and Evan suggest certain normative framework for coordinating stakeholder interests.

Firstly, the corporation should be managed for the benefit of its stakeholders: its customers, suppliers, owners, employees and local communities. The rights of these groups must be ensured, and, further, the group must participate, in some sense, in decisions that substantially affect their welfare. Secondly, management bears a fiduciary relationship to stakeholders and to the corporation as an abstract entity. It must act in the interest of the stakeholders as their agent.47

Thomas Donaldson and Lee E. Preston propose two criteria for determining the normative sphere of stakeholder theory. Firstly, stakeholders are people or a group with legitimate48 interests and secondly, the stakeholder interest has an intrinsic value.49 Later Donaldson and Preston expand the theory of stakeholder and present different interpretations

46 Freeman and Evan, "A Stakeholder Theory of the Modern Corporation," 312-313.
48 It is controversial to determine who a legitimate stakeholder is. Contract view of the firm holds that those who have contract with stakeholders are legitimate stakeholders. Donaldson and Preston are of the opinion that this explanation is incomplete because of the vagueness of the position of communities in the contract. These authors state that “stakeholders are identified through actual and potential harms and benefits that they experience or anticipate to experience as a result of firm’s action.” Cf. Thomas Donaldson and Lee E. Preston, “The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications, The Academy of Management Review 20, no. 1 (1995), 85.
of stakeholder theory. According to them, stakeholder theory can be divided into three parts: instrumental stakeholder theory, which holds that if managers want to achieve traditional corporative objectives (profitability, growth) then managers have to take into account stakeholder’s interest; descriptive stakeholder theory, which states how managers and stakeholder properly interact; and normative stakeholder theory, which holds how managers and stakeholders ought to act. They proposed that these three aspects of stakeholder theory are nested with each other.\textsuperscript{50}

However, in 1994 Freeman made a fourth division to stakeholder theory as an addition to Donaldson and Preston’s division of stakeholder theory which is known as metaphorical use of stakeholder theory that holds the broader narrative about corporate life.\textsuperscript{51} Again Freeman divided these four senses of stakeholder theory in two parts: the analytical approach to stakeholder theory and the narrative approach to stakeholder theory. According to the analytical approach to stakeholder theory there are three levels of analysis: rational level,\textsuperscript{52} process level\textsuperscript{53} and transactional level.\textsuperscript{54} According to the narrative approach, stakeholder theory can be unpacked into various stakeholder theories, each of which has a “normative core” consisting of the “way corporations should be governed and the way managers should act.”\textsuperscript{55} Since the ‘normative core’ cannot be reduced into a fundamental rule, there are many possibility for a ‘normative core.’ “Normative core of a stakeholder theory might be a feminist standpoint, rethinking how we would restructure, value-creating activity along principle of caring and connection.”\textsuperscript{56} In an ecological normative core, corporations and managers ought to act in accordance with rule of caring the earth.

Then the objection is how the firm would treat the stakeholder group who are affected by firm but do not affect the firm in any way. Robert A. Phillips with the help of John Rawls proposes the principle of fairness as the normative basis for the prudential stakeholder model. There are six characteristics for the principles of fairness: mutual benefit, justice, cooperation, partnership, recognition, and community.\textsuperscript{73}

\textsuperscript{50} Donaldson and Preston, "The Stakeholder Theory of the Corporation," 70-73.
\textsuperscript{52} In a rational level we determine the groups and persons which are stakeholders and map the relationship between the stakeholders and the firm. Cf. R. Edward Freeman, "Stakeholder Theory," in \textit{Encyclopedic Dictionary of Business Ethics}, ed. Patricia H. Werhane and R. Edward Freeman (Oxford: Blackwell Publishers, 1998), 605.
\textsuperscript{53} Process level explains how corporations manage stakeholder relationship and what organizational procedures are used for making them fit with external environment. Cf. Freeman, "Stakeholder Theory," 605.
\textsuperscript{54} Transactional level tries to find out how managers and organizations interact with stakeholders. Corporations have many transactions with stakeholders such as selling goods to consumers and buying goods from suppliers etc. Cf. Freeman, "Stakeholder Theory," 605-606.
\textsuperscript{55} Freeman, "The Politics of Stakeholder Theory," 413.
\textsuperscript{56} Freeman, "The Politics of Stakeholder Theory," 414.
sacrifice, free rider possibility and voluntary acceptance of benefit of cooperative schemes. So he concluded that “obligations of fairness are created among the participants in the cooperative scheme in proportion to the benefit accepted.”

Furthermore, Max Clarkson in 1999 proposed seven principles for normative stakeholder management. Firstly, managers should accept and seriously keep an eye on the demands of the stakeholders and consider their demands in the decision making process. Secondly, managers should have an open mind to have dialogue with stakeholders about their demands and the risk that they undergo because of their active participation with corporation. Thirdly, since stakeholder groups are different in their demands and concerns, managers should plan for a special way of dealing with each stakeholder group. Fourthly, managers should keep in mind the interdependence of different groups of stakeholders and do a fair distribution of the benefits. Fifthly, managers should keep a cooperative mentality with stakeholders and avoid harm as far as possible and if not possible then they must provide compensation. Sixthly, managers must be careful to avoid violating the rights of the stakeholder. Seventhly, managers are to minimize potential conflicts of interest by communication, third party review, etc.

However, Kenneth E. Goodpaster divided the stakeholder view into stakeholder analysis and stakeholder synthesis. Stakeholder analysis includes primary steps of decision making process of management whereas stakeholder synthesis includes both decision making process and implementation: stakeholder theory gives ethical values for the management decision making process. He qualified this stakeholder synthesis as strategic, meaning that management are to use stakeholders for the benefit of stockholders.

5.2 Sustainable Corporate Vision

There are many definitions for the theory of sustainable development. David Wheeler et al. define sustainable corporate vision “as an ideal toward which society and business can continually strive, the way we strive is by creating value, i.e. creating outcomes that are

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57 Phillips takes the principle of fairness from Johan Rawls. The first characteristic of the principle of fairness is mutual benefit which is received either by corporations or by stakeholders. In economic interaction justice means give each one his/her due. Cooperation in corporative matters is another condition for fairness. Sacrifice means the limitation of freedom in economic interactions, for example that worker should arrive at exact work time. Lastly, the voluntary acceptance of the benefit which is created and received either by corporation or by stakeholders. Phillips, “Stakeholder Theory and a Principle of Fairness,” 53-63.


59 Max Clarkson, Principles of Stakeholder Management (Toronto: The Clarkson Centre for Business Ethics, 1999), 3-8.


consistent with the ideal of sustainability along social, environmental and economic distensions."62 Furthermore, corporate level sustainable development can be viewed as short term sustainability which concentrates only on economic sustainability and long term sustainability which requires three dimensions of sustainability such as economic, environmental and social.63 More precisely corporate sustainability can be defined as “meeting the needs of firm’s direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholder as well.”64

Organizations have different organizational cultures. Firstly, according to a compliance culture the relationship between organizations and stakeholder is determined by certain rules. Secondly, a relationship management culture keeps the relationship between corporation and stakeholder on the basis of instrumental use. Finally, a “sustainable organization culture recognizes the interdependencies and synergies among the firm, its stakeholders, society, seeks to maximize the creation of value simultaneously in economic, social and ecological terms.”65

According to Paul Shrivastava, an ecologically sustainable corporation can be achieved through avoiding the negative ecological impact. There are many obstacles for the realization of the ecologically sustainable corporation such as environmental disasters through pollution, waste, consumer’s unsustainable consumption and selfish interest of corporations. Organizations are trying to achieve their vision through the system of inputs, throughputs and output. All these organizational steps have direct impact on the environment. A corporate vision determines company’s relationship with its surrounding environment. Input is related to the use of natural resources for the corporate production of goods. The production system and output can negatively or positively affect nature.66 "These inputs, throughputs and outputs have systematic interconnections among them and with environmental, economic, social and organizational variables. Corporations can become ecological sustainable only by

64 Dyllick and Hockerts, "Beyond the Business Case for Corporate Sustainability," 131.
65 Wheeler, Colbert, and Freeman, "Focusing on Value," 11.
simultaneously directing these variables and interconnections toward ecological performance.”

Each organization has a certain dominant value system which determines the possibility for corporate sustainability within specific organizations. “A value system is a way of conceptualizing reality and encompasses a consistent set of values, beliefs and corresponding behaviour and can be found in individual persons, as well as in companies and societies.” A value system emerges in corporations as a reaction to particular challenges and changes in society which is experienced by the corporations. The movement of corporations to a new value system makes changes in vision, mission and behaviour of organizations. Since organizations face varying circumstances and different value systems, organizations will develop different manifestations of corporate sustainability. The sustainable corporate vision is the combination of the basic principles of both socially motivated theories and stakeholder theories. However, the positive aspect is that it includes the environment also as the stakeholder.

6. Critical Reading of Corporate Social Responsibility Theories

According to the profit motivated theories’ view, corporate social responsibility is not at all corporate social responsibility but merely “profit maximization under the cloak of social responsibility.” It is true that a corporation is for profit but to a large extent this depends upon the primary motivation of the decision makers. The matter is not whether profit emerged from particular corporate act or not, but whether profit is the main motivation of corporate acts or not. Recent studies show that it is difficult to determine corporate motives, and the direct relationship between corporate social responsibility and profitability has been impossible to prove indubitably. In profit motivated theories reduced corporate social responsibility as part of corporate policies and structure of the corporations and there is no mention about the individuals who constitute the corporations. Moreover, the profit motivated model is a reductionist approach and consequently it absolutises profit as the only intentionality of corporation.

Power motivated theories see corporations as means for exercising power in society. This approach has given rise to two theories: the integrated social contract theory and the corporate citizenship theory. Both theories advocate for a corporate culture and structure for corporate social responsibility. The social contract theory holds that corporations have existence

69 Marrewijk and Werre, “Multiple Levels of Corporate Sustainability,” 112.
70 Crane and Matten, Business Ethics, 47.
71 Crane and Matten, Business Ethics, 47-48.
through implicit contract with community and therefore, corporations have to be socially responsible to the community. The corporate citizenship theory holds that corporation is a citizen in society and therefore, they have socially responsible duties and righties. Critics of integrative social contract theory hold that it depends upon other ethical theories for decision making and fails to give an independent basis for moral obligation. Mal-influence of corporations on norm generating community is possible and it may lead to false consent. Moreover, it neglected the role of managers and employees in corporate social responsibility because real decision making agents of corporations are managers. Corporate citizenship theory has a tendency to equate corporations with human beings. I think that the term ‘corporate citizenship’ itself is misleading or degrading individual citizens because corporations are artificial persons.

Socially motivated theories such as social responsiveness theories and corporate social performance theories, hold that since the existence, continuity and growth of business are depended on society; business must consider and fulfil the social demands, namely, environmental demands, stakeholder demands etc. These theories also suggested certain rules and regulations for the achievement of corporate social responsibility. I think that compliance alone is not enough when corporations face moral dilemmas. Ethically motivated theories such as stakeholder theory and sustainable corporate vision hold ethical corporate structure and culture for corporate morality. It is not clear how managers can make decisions in this situation or prioritise the demands of equally valuable conflicting interests. Therefore, corporate social responsibility is the responsibility of managers also. Max Clarkson suggests different methods to overcome conflicts of interests such as open communication, reporting and incentive systems, third party review and dialogue. These methods are, however, applied by the managers; they are not adequate enough to solve the dilemma. Further, the contribution of the moral personality of managers and directors in this situation as the real substantive element cannot be neglected.

7. Role of Personal Integrity and Corporate Social Responsibility

When we look at the history of business literature we see that traditionally consequentialist and deontologist theories are used by many authors in the development of the ethical decision making theories for organizations regarding corporate social responsibility. In fact, later, many business ethicists added individual level variables to ethical decision

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73 Clarkson, Principles of Stakeholder Management, 4.

making theories such as thinking style, moral intensity and authenticity but no one included virtue ethics in decision making.\textsuperscript{75} Recently, virtue ethics has also become an essential ethical theory in decision making.

Consequentialism, deontology, and virtue ethical theories are three important ethical theories in which we find a mutually complementary nature. As mentioned above, consequentialist ethical theory gives importance to the end of an action, while, deontological ethical theories give importance to the means of an action. Deontological ethical theories, especially that of Kant, use reason based imperatives as grounds to determine morally right action. Implied, in accordance with deontology theory, one can arrive at a conclusion regarding our duty in a given situation through the use of one’s intelligence. However, intelligence is actually manifested in the consequence of people’s action.\textsuperscript{76} As Johnston James Scott (Professor at the Queens University in Canada) argues,

Gospel of duty separated from the empirical purposes and results tends to gag intelligence. It substitutes for the work of reason displayed in a wide and distributed survey of consequences in order to determine where duty lies in an inner consciousness, empty of content, which clothes the form of rationality in the demands of existing social authorities. A consciousness which is not based upon and checked by consideration of actual results upon human welfare is nonetheless socially irresponsible because labelled reason.\textsuperscript{77}

Moreover, the above-mentioned major moral theories, namely, consequential ethics, deontological ethics, and virtue ethics, have their own interpretations of values in moral reasoning but they are silent about the pluralism of values. Therefore, each theory has its own distinctive understanding of value. Consequential ethical theory holds that the common good is the highest value. Deontological ethical thinking holds that rules and principles are of great value in our moral reasoning. According to virtue ethics, virtues are of the highest value. These different theories in ethical reasoning concentrate on different perspectives of ethical reasoning. Moreover, these values are irreducible to each other and are independent.\textsuperscript{78} It may


\textsuperscript{76} Johnston James Scott, "Dewey's Critique of Kant," \textit{A Quarterly Journal in American Philosophy} 42, no. 4 (2006), 543. See also Kaptein and Wempe, \textit{The Balanced Company}, 80.

\textsuperscript{77} Scott, "Dewey's Critique of Kant," 543.

\textsuperscript{78} There are five types of values that give rise to basic conflicts. These values play an important role in the process of decision making. They make conflict within them, among them in our decision making process. This five-fold distinction was introduced by Thomas Nagel. The first value is obligation. We have various obligations such as obligations to parents, family, institutions etc. The basis for this obligation is the relationship. Obligations create some situations in which we cannot avoid certain demands. Secondly, rights - every individual has certain rights either to do certain actions or to enjoy
lead to the possibility of different behaviours in similar situations and ethical conflicting situations or dilemmas.  

Different ethical theories or values, on the one hand, are interrelated, but, on the other, they are distinct from one another and cannot to be reduced to one or the other theory or value. However, application of these theories do not lead ethicists to an absolutely certain conclusions because we have no comprehensive moral theory which determines or outweighs one theory over another in particular conflict situations. Some ethicists such as Vincent Barry have suggested a selection of the most important obligation among the more important obligations. Finally Barry admits that the selection of obligation is a ‘matter of values and valuation.’ The selection would be in accordance with the personal values or interiorised values. If these obligations are equally valuable for a person then this proposal is problematic and the selection of obligation depends on the integrity of the acting person. Moreover, according to ethicists, we need an integration of different models including those of utilitarian, deontological and idealist strands in order to reach an optimal solution. In other words it depends on the integrity of the acting person to integrate different theories. This leads to a valuing of integrity (and hence virtue), the ability to assess conflicting values or obligations or interests in such a way that, taking into account the specificity of the context and different theories, one makes the best possible decision. Therefore, I stated that corporate social responsibility is more a matter of both individual integrity or virtue and ethical corporate context or culture as described in various theories.

the effect of certain actions or the right to be treated in a special way. Rights give certain duties too and they are divided into specific duty and general duty. A doctor has a specific duty to treat his own patient and at the same time general duty to care for all patients. Rights and duties usually come into our moral reasoning. Thirdly, we are concerned with the utility principle. Which action is fitting to the welfare of all people or an individual? It implies that the concern is not only the benefit and harm of an action or decision for the people with whom the agent has special relation but also to the entire human community. Perfectionist ends or values are the forth category. Thomas Nagel asserts intrinsic value of certain achievements or creations apart from their utility to individuals who have achieved it, such as space exploration and artistic creation. Finally, one’s own projects and undertakings have value. One may have spent a lot of time for his/her projects and undertakings. This has to be taken into consideration in our decision making. Cf. Thomas Nagel, Mortal Questions (New York: Cambridge University Press, 1979), 129-130.

80 Johan Verstraeten, "Non E Solo Questione Di Applicare De Principi," in L'etica Negli Ambiti Di Vita, ed. Simone Morandini (Padova: Proget Edizioni, 2010), 38. I have made use of the English translation of this article which I got from the author.
8. Conclusion

There are different theories regarding corporate social responsibility. I divided these theories into four groups such as profit motivated theories, power motivated theories, socially motivated theories and ethical theories. Profit motivated theories hold that corporate social responsibility is to increase shareholder value. Power motivated theories perceive that since corporations enjoy social power in society, they have to be responsible to society. Socially motivated theories say that since the existence, continuity and growth of business depend on society; business must consider and fulfil social demands. Ethical motivated corporate social responsibility theories concentrate on ethical principles that determine the link between business and society. Even when a company has a morally based corporate culture and structure, the success of these are depended upon the managers and employees because corporations are moral agents; however, individuals are the real constitutive elements of corporations because only individuals can act and corporations cannot act. Therefore I conclude with a suggestion that we need more powerful individual centered corporate social responsible theories rather than corporate centered social responsible theories. And corporate social responsibility is more the matter of both corporate ethical culture and structure and individual responsibility of managers and employees because individuals are the real decision makers of corporations in conflicting situations. Therefore personal integrity managers and employees have relevant space in corporate social responsibility theories along with moral corporate culture and structure.

References


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