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A Critical Review of Relations between Corporate Responsibility Research and Practice

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Abstract
This essay identifies epistemological, theoretical and methodological problems in a potentially influential subset of the interdisciplinary corporate responsibility literature, that which appears in the management literature. The received conceptualization of stakeholder analysis is criticised by identifying six sets of factors conventionally considered as promoting social responsibilities in the firm: inter-organizational factors, economic competitors, institutional investors, end-consumers, government regulators and non-governmental organizations. Each is addressed on conceptual grounds, its empirical salience in terms of the latest relevant research and prospects to be a significant factor in promoting outcomes consistent with social welfare. Despite obvious antagonistic relations between organization-centred economic objectives and extra-organizational-directed social considerations, the huge body of research we address drifts in a disengaged Sargasso Sea. The essay argues for appropriate directions for continuing business ethics/responsibility/corporate citizenship research, suggesting certain sociological works on moral leadership, moral courage, and academic leadership.

Keywords
Stakeholder management, corporate responsibility, ethical investment, ethical consumerism, non-governmental organizations.

1. Introduction
The original corporate charter’s ideal relations of propriety between corporate and non-corporate forms of organization were always regarded as quaint. A century later, Berle and Means (1932) had wedded corporate social responsiveness to the economic interests of stockholders. By the end of the twentieth century, hegemonic market interests had sidelined social responsibilities to the distant argot of business ethics. Most of the corporate responsibility research appearing in the management literature has only reified the Cartesian wedge between economic interests of the firm and wider concerns of social welfare.

This essay claims to make a contribution by noting significant epistemological, theoretical and methodological problems stemming from this unhelpful hierarchy between business and society. Our purpose is to suggest a need for CSR researchers to rediscover fresh meanings in their work. As researchers working in accounting and organizational strategy, we are drawn together by our doubts that joining a search for mechanisms and changes to authentic practice is a worthwhile project. What we offer is a critical narrative of the theoretical arguments in support of corporate social responsibilities.

Common publishing avenues for the management studies we address are large-circulation journals such as California Management Review, Harvard Business Review (boasting 240,000 subscribers in late 2005), European Management Journal, Corporate Governance, Academy of Management Journal, Academy of Management Review, Business and Society, Business and Society Review, Business Ethics Quarterly and Journal of Business Ethics. Despite obvious antagonisms between economic and social concerns at the level of the firm, this research addresses, in the main, superficial expressions of CSR.

The article divides into three main Sections. The next Section outlines the received exposition of corporate social responsibilities (CSR), the arguments for and against the business assumption of social responsibilities, and common deployments of stakeholder management.

A following Section addresses the call from O’Dwyer, Unerman and Bradley (2005) for work identifying the influence of stakeholder groups on social responsibility practice.

A final Section addresses whether the combined force of these influences is sufficient to invest capitalism with genuine responsibility credentials or whether attention directed at the level of the firm ultimately amounts to an ideological distraction from capitalist pathologies, a palliative for the ‘chardonnay socialist’ set, a rearranging of deck chairs on a liner lost in the Sargasso Sea. We conclude by suggesting directions for business ethics/responsibility/corporate citizenship research in such as the work of Foucault on moral leadership, of Freire on moral courage, and of Bourdieu on academic leadership.

2. Corporate responsibility and stakeholder management
Gray, Kouhy and Lavers (1995) contend that most of the corporate responsibility research coalesces around an under-specified form of stakeholder theory that concerns itself only with self-reporting. Such tendencies persist a decade later in both the accounting and management literatures. The discourse of corporate social responsibility (CSR) is taken up by discussions of voluntary, impliedly obligatory, corporate responses to observed serious damage, or likely serious damage, to ecological and social systems. According to Wood (1991, p. 692), the basic idea of CSR is that “business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes.” Such expectations are motivated primarily by economic externalities.

We define CSR in terms of organizational actions that promote a greater internalization of negative economic externalities or a greater generation of positive economic externalities. We add to Abelson’s definition of externalities (2002, p. 159): “any positive (beneficial) or negative (harmful) effect that market exchanges have on firms or individuals.
[or ecological systems or human communities] who do not participate directly in [or benefit from] those exchanges.

Business ethicists borrow from the works of such as Thomas Hobbes, John Locke and Jean-Jacques Rousseau to assert that normative obligations on the firm imposed by the social contract require constructive responses to the needs of owner and non-owner groups (Palmer, 2001; Dunfee and Donaldson, 1995). Ethics and responsibility are most often unreflexively presented as atomised problems for individual decision-makers in the firm, solvable through straightforward application of logical rules and codes of conduct (see, Adams, Tashchian and Shore, 2001; Marks and Mayo, 1991; Marnburg, 2000; Pater and van Gils, 2003).

Relevant definitions of responsibility have been narrow: “issues of corporate responsibility are of smaller scope than the ethical foundations of capitalism” (Goodpaster, 1983, p. 3). Ethical questions are restricted to external corporate effects such as the means of production, in which relevant questions are held to arise in places such as stockholder and consumer protection and occupational health and safety. Exemplary behaviour is encoded in governance guidelines emanating from such as stock exchanges. The CSR-related research that we address flags moral justification with one hand as it defers to the mechanics of capital on the other.

Four aspects describe conventional approaches.

1. One, corporate entities are assumed responsible only for their own (acquisitive) behaviour and not for capitalism itself. This assumption would explain why most CSR researchers leave undefined categories of obligation and forms that the social contract should take and rarely consider alternatives to neo-liberalism (Lehman, 1999).

2. Two, a related assumption is that self-regulation is a proper normative ideal for corporate entities (Gray, Owen and Maunders, 1988). Voluntary CSR reporting is assumed, without examination, to sufficiently acquit the firm of extra-legal responsibilities.

3. Three, economics is not identified as a matter of choice. Institutional and legal status qua, market forces and the legality of corporations to accumulate private property are reified as part of the “fundamental legitimacy of capitalism” (Goodpaster, 1983, p. 3), in accordance with its neo-liberal underpinnings (Lehman, 1999). Moral agency is received with as little critical reflection.

4. Finally, inherent contradictions between the pursuit of economic growth and goals of ecological maintenance and social justice are considered, if at all, as trivial. In their own reviews of the business ethics literature, Bowie and Dunfee (2002) and Shaw (1996) and Solomon (1993) note that the CSR-related management-focused research (subject of this essay) tends to avoid reflecting on conflicts between ethical and profit motives.

We note that standard expositions overlook three differences between privately held and corporate social responsibilities.

One, contracting relationships do not automatically exhibit the characteristics of moral agency possible in non-contracting relations. In business, one party represents a cost to the other, which is not the case in intersubjectively shifting relations such as those between friends and family (Artfield, 2000; Noreen, 1988).

Two, legal limited liability protects managers and corporations from the moral implications of a corporation’s actions/non-actions (Graham, 2001). Individuals seeking protection from consequences arising out of their capacities as individuals can only seek partial insurance and with no guarantee of success.

Three, corporate managers and directors need only be concerned with circumstances impacting on the execution of business plans. In contrast, economic incentives and moral concerns are co-extensive in the professional business manager, even if the former often outweighs the latter (O’Dwyer, 2003).

The remainder of this Section divides into two. Section 2.1 outlines the received normative arguments for and against CSR initiatives at the level of the firm. Section 2.2 appraises the epistemological limitations of stakeholder management as a continuing paradigm for CSR research.

2.1 Pro and con CSR practice

Arguments for CSR

Normative arguments acknowledging a need for CSR are based on ethical or instrumental rationales, while those against are based on institutional function or property rights perspectives (Jones, 1996). Ethical rationales are derived from religious principles, philosophical frameworks or prevailing social norms. Ethicists argue that firms are compelled to behave in a socially responsible manner because it is the morally correct thing to do. In its extreme, ethics-based advocates of CSR would support such behaviour even in instances in which it involves an unproductive resource expenditure for the firm.

The more commonly invoked instrumental arguments in favour of social responsibility are based on a rational calculation that CSR actions will benefit the individual firm over time. Such arguments rely on organizational legitimation. By appearing responsible, a firm can proactively anticipate and avoid government regulations, exploit opportunities arising from increasing levels of cultural, environmental and sexual awareness, differentiate its products from those of less proactive competitors, and continue to privilege economic pursuits.

In effect, the market orientation of CSR guarantees that widespread changes to corporate practices will not appear. Although the instrumental argument might allow the CSR concept to be promoted, it is underpinned by the legal obligation of a firm to maximise economic benefits accruing to its owners. Business managers are likely to entertain the involvement of a promotional NGO in corporate policy only if they can expect some type of economic benefit. Opportunity for super-normal profit fades to the extent that other firms practise CSR. Accordingly, the instrumental argument dictates that firms “protect” their CSR initiatives.

Contra arguments to CSR

The case against social responsibility is based on concepts of institutional function and property rights.

The institutional function argument asserts that non-corporate institutions such as governments, labour unions, civic and religious organizations are the proper vehicles to perform the types of functions required by social responsibility; that business managers have neither the skills nor the time to implement public policy; and that an empowered business sector would not be accountable for its actions, unlike governmental bodies held accountable through electoral mechanisms. Allowing or encouraging business to expand its institutional role according to
the tenets of social responsibility is dangerous in that it allocates tremendous authority without accountability (Levitt, 1958).

The property rights argument against social responsibility has its roots in neoclassical capitalism and continues to be influential due to its simplicity and resonance with the views of many in the business community, particularly those in financial services. By financial services we refer to public banking institutions, pension funds, insurance corporations, stock exchanges, brokerage corporations, managed investment corporations, investment trusts, personal investment planners, advisers and brokers. The property rights perspective maintains that management has no right to do anything other than act in ways which increase stockholder value (Benston, 1982; Friedman, 1970). To do otherwise constitutes a violation of management’s legal, moral and fiduciary responsibilities.

Although the property rights perspective has gained a deal of notoriety, its continuing salience was readily observable in the wave of leveraged buyouts in the corporate sector during the 1960s and 1980s (and on current indications, the 2000s). The rationale for these transactions was (is) the primacy of stockholder rights over those of auxiliary stakeholders and management’s corresponding duty to maximise economic performance.

2.2 Stakeholder management

Freeman functionally defines an organizational stakeholder (1984, p. 46) as “any group or individual who can affect or is affected by the achievement of the [relevant] organization’s objectives”. The managerial CSR-related literature, which places the organization’s interests squarely in the centre, defines stakeholder groups not by consensus on what might constitute an organizational stakeholder, but by frequency of mention. An organizational stakeholder can be classified on proximity or on influence.

Groups external to the operations of organizations include retail and institutional stockholders, asset analysts, business media, public regulatory agencies, non-governmental organizations, business schools and urban/non-urban environments. Groups closer to organizations include suppliers, customers, employees and communities (or societies) local to the operations of organizations.

Dominant stakeholders describe groups with direct and well-established legal claims on organizational resources. Auxiliary stakeholders (‘diffuse’: Antonacopoulou and Méric, 2005) refer to those parties whose claims on organizational resources are less well-established in law or custom (Clarkson, 1991). Stockholders are conventionally considered functionally separate from other stakeholders as stockholders’ legal claims on the firm (and relative control on allocative capacity) are prioritised over those of others. Most analyses draw a simplistic mutual exclusion between stockholders and other claimants on the firm. The complexities that would be introduced by, for example, stock options granted to executive management are rarely considered.

The technique of stakeholder analysis involves identifying relevant stakeholders in a specific situation. Their relevance depends on the relative force of their claims and the familiarity of the organization with stakeholders’ expectations and information requirements (Dawkins, 2005). The ‘hub and spoke’ conceptualization of organizational stakeholders justifies prioritising stakeholders’ concerns according to their influence on the status of the organization. The organization is not portrayed, for example, as a stakeholder itself with ‘social interests’ at the centre of the relevant situation.

Stakeholder management might be distinguished from stakeholder analysis by a normative (reifying) interest to introduce the interests and anticipated reactions of relevant stakeholders into decision-making processes of the organization at the centre of the situation (Freeman, 1991). Stakeholder management, not necessarily associated with a particular normative position, can be useful for firms following ethically or instrumentally based notions of CSR as much as for firms simply acting within legal and ethical constraints germane to their business system (Jones and Fleming, 2003).

This aspect of stakeholder management would justify its location within the domain of strategic management. Its most integrative doctrine directs management to pursue outcomes that optimise (‘balance’: Lépineux, 2005) the results for all stakeholders rather than maximise the results for the stockholder group. Thus, management’s role assumes aspects of public policy-making in addition to economic analysis. Policy and operational decisions are made through a process of political negotiation among dominant stakeholders.

Our criticism of stakeholder management rests on its imprecise relegation of civil society as a distant stakeholder, implicitly promoting the infiltration of business into the political state. As the purportedly ideal mechanism for identifying the spectrum of corporate responsibilities, stakeholder management is remarkably limited. The technique, having regard to its superficial regard for social or ecological welfare, would appear somewhat brutal in a ‘caring organization’, the mantra of responsibility reporting (Calton and Kurland, 1996, p. 164).

Rather than ensure that a society’s members are fairly represented and that social resources are fairly distributed, stakeholder management guarantees that smaller voices (such as minor stockholders, marginalised communities in cities in which firms might operate, and oppressed communities in non-urban areas where they do not) are reduced to irrelevancies. Turning to environmental considerations, the import of ecological systems is assessed from the perspective of threats to the firm (Gray and Milne, 2004) rather than from what we would see as the more obvious perspective of the firm’s threat to ecological systems.

3. Determinants of corporate responsibility practice

Influences on CSR practice tend to overlap or intersect in quite complex ways; e.g., when investment firms spend media dollars to educate potential financial consumers as to the advantages of social investment funds. Yet, they are analytically distinct in terms of their internal logics and immediate empirical referents. We proceed by identifying six sets of influences that might promote social responsibility actions within the firm: internal pressures on business managers, pressures from business competitors, investors and consumers, and regulatory pressures coming from governments and non-governmental organizations.

We address each sequentially with respect to:

(i) its internal logic (the conceptual arguments for and against it);

(ii) its empirical salience in terms of the latest relevant research;

(iii) our considered opinion regarding its prospects to be a significant factor in promoting outcomes consistent with social welfare.

The justification for depicting these forces and not others is threefold: their close relation to the capital accumulation process generates the externalization dynamic; the nature of consumer identity in capitalist social formations impacts whether ‘enlightened consumption’ can be a substantial force promoting
CSR; and the direct access to firms demanded and sought by the state and popular mobilizations.

Other voices would include the media, ‘ecosystem’ consultants, business schools and the general public. For the sake of cogency, we note their potential influence and point to the work of others (Freeman and Gilbert, 1992; Neimark, 1995).

3.1 Internal pressures for CSR

Instrumental arguments for CSR centre on market efficiency and risk management. By adopting a set of practices whose expected initial benefits are directed away from stockholders (while, at the same time, following those that are) the firm is arguably positioned to take advantages of previously unforeseen business opportunities, counter the risk of losing presence in existing markets and establish a presence in emerging ones.

Such arguments ignore that managers are not provided compelling incentive to do so (Jones, 1996). Assuming (bounded) economic rationality, a firm can only be expected to undertake and sustain so-called social responsibility activities and initiatives under certain conditions. If the governance structure of a European-American firm (or that of another firm seeking exposure to developed markets) is functioning properly with respect to prioritising the interests of stockholders/owners, then management should pursue only those strategies/projects designed to enhance or protect the firm’s position across its relevant markets (Jensen and Meckling, 1976; McWilliams and Siegel, 2001).

A problematic aspect of firm- or competitive-driven CSR concerns the wide variety of definitions and orientations. Definitions are declarative and based on experience, convenience and observed practice. Priorities of firms vary with respect to determining which stakeholders benefit and to what extent. For example, the Body Shop’s CSR activities famously focus on promoting human rights and environmental sustainability of its wholesalers, while those of Starbucks more narrowly target employee welfare. A firm can be responsive towards one stakeholder group and simultaneously exploitative of another, making somewhat of a mockery of the ethical lineage of the CSR concept.

Unhelpfully, the bulk of the corporate responsibility research has left unquestioned the definitions of responsibility and sustainability adopted by an organization based on the appropriation of surplus value, cost minimization (and thus the maximum generation of negative economic externalities) and the production of unnecessary products and services. By overlooking the basic dynamic of business, such research encourages its reader base to engage in responsibility actions that do not alter the relation of Business first, Society second.

In sum, CSR momentum operationalised within the firm, sector, or even the nation-state is unlikely to promote more than superficiality of expression. Structural and legal environments admit only instrumental forms of CSR. Unless and until managers’ remuneration packages to force them to recognise negative economic externalities generated by their firms, accounting models will not be modified to take into account such environmental and social costs.

Fundamentally, while some CSR initiatives might generate positive or mitigating effects on externalities, they cannot fundamentally alter the externalising engine that powers every business firm and is the primary source of capitalist pathologies.

We consider two main pre-requisites to the effective deployment of any CSR strategy.

1. Senior management must have an awareness of the content and potential instrumental value of CSR. Operating in accordance with instrumental principles would sanction any motivations leading to CSR actions. Porter and van der Linde (2000, p. 131) consider CSR as a competitive driver that requires appropriate resources. However, for business managers, business is first. Social considerations come second and providing only that such considerations would not open an exploitable weakness (Bansal and Roth, 2000).

The paradigm simply prevents widespread improvements consistent with social welfare. Problematiques here include the intersection of CSR with managers’ personal values attached to remuneration packages based solely on economic performance; the need to estimate the net economic impact of a proposed CSR strategy even in the absence of clear and transparent metrics, and the resources, capabilities and leadership to fund and administer CSR strategies (Adams, 2002; Jones, 1996).

Moreover, CSR practice is shaped by legal frameworks mandating that corporations focus on economic performance and managers’ remuneration being tied to that performance. The separation of CSR from core business operations has been commented in wide contexts (see, Adams, 2002; Dick-Forde, 2005; O’Dwyer, 2003). Despite the widespread promotion of the ‘business case’ for CSR, the line of research linking CSR disclosures to practice has produced inconsistent results, and it cannot be said that the choice and amount of disclosure reflects the extent of performance (Herremans, Akathaporn and McInnes, 1993; King and Lenox, 2003). Business managers are faced with the performative equation of maximising the gap between revenues and relevant costs. Managers might give CSR more attention if they could expect CSR actions to help maximise that gap.

2. Firms may be compelled to react to the first-mover CSR strategies of their competitors where they believe that failing to do so would disadvantage them vis à vis market positioning. Strong isomorphic effects are observable across industry and strategic group levels where a particular first-mover’s CSR efforts gain wide positive publicity among dominant stakeholders (Bansal and Roth, 2000). In these cases, even where the CSR strategy has not been proven a ‘winner’ (in terms of net payback), other firms will imitate it because they perceive the costs of not doing so are prohibitive. An entire industry sector can thusBehaviourally migrate to the position where it adopts non-rational responsibilities that transfer wealth to non-vested stakeholders. For example, in Australia during the 1970s, most employers in the waste collection industry held generous family leave provisions significantly in excess of statutory mandates and irrespective of labour market conditions (Brooks, 2005).

3.2 External pressures from investors and consumers

Practitioners use various terms to describe managed investment products offering portfolios screened against social considerations. We use the term social mutual fund to denote a unit trust that markets its use of self-selected social and environmental policies in portfolio construction. At first blush, the concept of social investment widens the customary conception of stockholder value by expressing retail investors’ ethical values in terms of arguments advanced by the deep ecology movement (Gray, 1992).

In practice, social mutual funds use the instrumental argument as a marketing tool. The line is that by incorporating all externalities and pricing goods and services accordingly, invested corporations will benefit by positioning themselves to take advantage of market opportunities and avoid imposts from the
state. Such benefits are expected to flow through to the investor in the form of increased capital gains and strong dividend policies (Statman, 2000): a win-win-win result for investors, invested corporations and stakeholder groups.

While belief in the potency of this argument appears in such as Bruyn (1987) and Cowton (2004), the evidence at hand suggests that most institutional investors do not exert direct or indirect pressure on invested corporations to practise CSR. Some large pension funds and their agents - the California Public Employees’ Retirement System, TIAA-CREF, Innovest and Hermes are examples - have on occasion exercised or threatened to exercise proxy voting rights to force management to discontinue or adopt certain actions (see, Aguilera et. al, 2006; Becht and Roell, 1999; Carleton et. al, 1998; Claessens et. al, 2002). Such practices, while not trite, are isolated.

To judge from investment mandates, most institutional investors are yet to be convinced that social responsibility is an instrumental argument for wealth generation. (In this context, it is unsurprising that social mutual funds accept unaudited corporate self-reports as evidence of practised CSR (Haigh, 2006; Mays Report, 2003). Moreover, mutual and pension funds claiming social mandates have accounted for a very small proportion of funds under management (no more than four-tenths of one percent [0.4%]) (Haigh and Hazelton, 2004). Small market shares limit the abilities of social funds to directly exert pressure on share prices or to gain access to executive managers (and so influence corporate behaviour).


Any other expectation, as it did Gray, Owen and Maunder (1988), strikes us as ludicrous. Most social fund portfolios are modeled on mainstream stock market indexes or tailored variants. The longest-established socially tailored market indexes are Domini (North America), FTSE4Good (UK) and the Dow Jones Sustainability Group Indexes (based in Zurich). Obviously, social mutual funds are constrained by pressures to maintain economically competitive portfolios. To survive, institutional investors must sustain a focus on continuously maximizing economic performance earned on investments in large corporations.

Studies of retail investors find mixed levels of commitment. Milne and Chan (1999) used an experiment to measure the positive impact of corporate social disclosures on subjects’ purchasing decisions, finding limited support. The survey studies of Haigh (2007) and Mackenzie and Lewis (1999) note that social investors had invested most of their discretionary investible wealth in mainstream investment products. Studies of institutional investor demand for CSR reports present mixed and inconclusive results (Freedman and Stagliano, 1991; Patten, 1990; Freedman and Jaggi, 1988; Shane and Spicer, 1983).

Ultimately, the contention that social funds might produce CSR-type outcomes across industrial sectors is questionable. The outperformance argument relies on a social fund distinguishing itself in the pack. Most mainstream financial institutions have offered social investment products for a number of years; as such, managers of social funds compete for market share and view investment criteria as providing a competitive advantage, much as might any fund manager. Manufacturing differences between portfolio screens negate the potential that social funds might exert collective pressure on invested corporations and produce observable outcomes in industrial sectors.

From a perspective of market share, the influence that publicly mandated social funds might exert over the operations of industrial sectors would be negligible (Haigh and Hazelton, 2004). Such a conundrum is closed to solution: CSR only becomes operationalisable within financial services if presenting itself as an instrumental argument. In sum, research and practice suggests that corporations with stock held by social funds are more likely to ignore than to heed calls for social responsibility actions.

A stream of consumer studies from the 1970s has focused on demand characteristics of consumers of products and services to which are attached green characteristics: ’natural’ cosmetics, recycled paper, eco-vacations and such like (Crane, 2001; Davis, 1994; Drumwright, 1994; Fisk, 1973; Kinney, Taylor and Ahmed, 1974; Marks and Mayo, 1991; Shrum, McCarty and Lowrey, 1995). Prothero (1990) considers eco-consumerism as a strategy to capture new markets. Smith (1990, p. 88) argues for the place of ethical purchase behaviour alongside legislation, market forces and individual moral obligation.

Conceptually, consumers are held to promote CSR practice through their purchase decisions in product-markets. If consumers are consistently willing to pay some form of premium for CSR-affiliated products (or brands or reputations), producing firms will gain competitive advantage, thus forcing non-CSR firms to migrate to similar positions. This is an extension of the basic concept of consumer sovereignty, which has been applied elsewhere in modeling citizenry behaviour in political markets (cf., Jones, 1993).

The conceptual argument that eco-consumerism can promote social welfare is flawed in three respects.

1. One, the practice of purchasing consumer goods and services to pursue social and environmental goals necessarily accepts the assumptions of neoclassical economics (Smith, 1990, p. 185). The inability of that model to address allocative equity within and without economic markets is evident.

2. Treating social and environmental questions as ancillary to the purchasing act valorises consumption and reifies the legitimating myth of consumer sovereignty, when an informed assessment of retail industries would show that consumers have very little say over what they buy and even less over means of production. Dugger describes processes by which monetarist economic policies in the late 20th century, and corporate mergers that took advantage of such policies, created rather than responded to markets. Such behaviour suggests that corporations do not adjust operations to meet the demands of consumers (Dugger, 1989, p. xi).

3. The proposition of capitalist pathologies being addressed by the pathogen, as it were, is problematic. As Heilbroner (1985) notes, capitalism is not only about producing goods and services, but also about producing people, in the sense of certain and particular forms of dominant consciousness. The contemporary individual may be inconsistent, alienated, and so forth, but he or she still contributes to the reproduction of capitalist institutional structures and social relations through obligatory acts of consumption and labor.

We observe problematic empirical relationships between firms’ CSR behaviour, consumers’ perceptions of that behaviour, and consumers’ purchasing behaviour. A recent study by
Bhattacharya and Sankar (2004) found that despite indications that eight in ten Fortune 500 corporations address CSR issues and that eight in ten survey respondents stated they considered CSR when making purchasing decisions, robust linkages between corporate CSR initiatives and actual consumer purchasing patterns did not appear. Most subjects in the study were unaware of claimed corporate CSR activity and those that were aware were unwilling to pay premium prices for CSR-embedded goods.

To sum up this discussion on investors and consumers, the notion that a moneyed echelon treating itself to ethical luxury will somehow serve to alter basic capitalist dynamics seems absurd. The literature on consumer boycotts does little to contest our perception (John and Klein, 2003; Tyran and Engelmann, 2005). From the perspective of encouraging corporations to practise CSR, both eco-products and social investment products offer little promise of radical change except to act as a palliative to individuals’ consciences (see, Haigh, 2007). We do not believe consumers can be counted on to promote CSR outcomes. Indeterminate associations between consumers’ perceptions, attitudes, values and behaviours would bar CSR from the cost/benefit deliberations of most manufacturing firms. As firms’ overall competitive approaches and differentiation strategies increasingly integrate CSR initiatives, the quality of information transmitted to consumers becomes captured by the marketing function, leading to confusion, cynicism and exit choices (Biddle, 2000) – the adverse selection of neoclassical agency theory (Kulkarni, 2000). Such perceptions, if held, might account for relatively muted consumer demand for such products and services (Mason and Bequette, 1998; Schwartz, 2003).

3.3 Regulatory pressure

Jurisdictions are yet to require substantive legislation requiring sustainability reporting of all large organizations (Gray and Milne, 2002) and a benchmark of government responsiveness to CSR has not emerged. Governments have tended to tax externalities since the 1970s by using shifting mixes of tradeable permits, direct regulations and corrective market mechanisms such as emission standards (Abelson, 2002, p. 155).

In the United States, the Toxics Release Inventory and other environmental legislation is administered through the Environmental Protection Agency and supplemented through a much decentralised state-by-state process. Several European Union governments have introduced legislation to make environmental reporting mandatory for corporations. Since 1995, the Netherlands has offered personal income taxation exemptions to retail purchasers of debentures in a reportedly successful attempt (in terms of fund-inflows) to stimulate environmentally sensitive energy, agriculture and technology projects. The proviso of the concession is that proceeds of debentures are used to fund projects certified by the government environmental agency (Richardson, 2002).

Other governmental environmental initiatives emanate at the EU level.

- The Restriction of Hazardous Substances (ROHS) legislation has applied throughout the EU from July 2006, banning products containing any more than trace amounts of dangerous substances such as lead or mercury.
- The Waste Electrical and Electronic Equipment Act commenced in the EU zone in 2004, mandating that electronics manufacturers accept and recycle used electrical products.
- The Registration, Evaluation, Authorization and Restriction of Chemicals directive requires that EU-registered firms register chemicals used in manufacturing processes. The EU rules are generating global repercussions as component suppliers must ensure compliance if their parts end up in products sold in Europe. China’s Ministry of Information Industry, for example, has announced that it is basing its rules on ROHS.
- Lehman argues that critical evaluation of the state is necessary if reformist research agendas are to ‘tackle the entrenched interests of corporate power and prestige’ (1999, p. 236). Popular books claim weaknesses in government policies and reluctance of governments to be branded as anti-free trade, as prominent CSR researchers consider regulation as a natural adjunct to improving the social performance of business, contingent only on the correct design of market incentives (see a description in Porter and van der Linde, 2000, p. 156).

It is unlikely that governmental regulatory pressures can be counted upon to promote CSR outcomes at the industry and firm levels, for four basic reasons.

1. A fundamental problematic relates to the costs of ensuring compliance, which may prove prohibitive either for large firms employing high levels of outsourcing, such as Dell, or with respect to new layers of governmental inspectors, adding to what many observers already perceive as a bloated EU central bureaucracy. Imposing regulatory compliance costs on the business sector increases firms’ non-productive overheads and negatively impacts competitiveness in international markets wherever such regulations are not in force.

2. Lobbying activities of business groups and the reluctance of business to recognise the costs of generated externalities leads to superficial treatments of environmental reporting legislation, both by regulators and the regulated. To illustrate, the Australian and British governments require investment managers to disclose environmental and social considerations used in consumer investment products. In both jurisdictional areas, reporters have been permitted to define the scope, terms and content of relevant disclosures. Studies have noted minimal information disclosures (Berger, 2004; Coles and Green, 2003; Friends of the Earth, 2001; Just Pensions, 2004, 2002; Mathieu, 2000).

3. The hegemony of economic rationality (Gorz, 1987) and its colonization of non-corporate institutions (Deetz, 1991) means that capital has already won the discursive battle, although not necessarily through the Trojan horse of CSR itself. The extent to which governments have adopted national economic competitiveness as their raison d’être has led to capital and the state becoming almost indistinguishable from each other with respect to public policymaking; e.g., environmental taxation (Chomsky, 1999).

4. Finally, to impose more aggressive environmental and social regulations on business would require that states enjoy a significant degree of autonomy from corporate and finance capital. In recent decades, globalization has empowered capital as the level of institutional pluralism has decreased. Individual states are currently much more dependent on capital than is capital on any individual state. Bourdieu (2001, p. 14) notes that states promote market hegemony by endorsing the very policies that tend to consign them to the sidelines. To expect that the “left hand of the state” (Bourdieu, 2001, p. 34) would price itself out of markets through application of aggressive regulations attacking negative externalities is unrealistic.

3.4 Pressures from popular mobilizations

Organizations formed from popular mobilizations, hereafter referred to as promotional NGOs, coalesce in various formal
Ethics posits promotional NGOs as the natural facilitators of CSR based on their minority membership of corporations (Guay, Doh and Sinclair, 2004). Promotions are known to purchase stock in corporations so as to call special meetings to put voting resolutions on single issues, or to attend general meetings to vote on matters such as those affecting board composition. As examples:

- The Australian Wilderness Society placed shareholder resolutions at the annual general meetings in 2002 of two national Australian banks. The resolutions were drafted as a response to the bank’s holdings in a corporation engaged in old-growth forestry operations and sought to change the bank’s articles of association so as to prohibit those specific investments.

- In the 1990s, Greenpeace New Zealand mounted a minority resolution in a forestry corporation, seeking to change the environmental effects of the said corporation’s wood-chipping processes. More often, shareholder activists threaten a special meeting to gain access to management (Whincop, 2003).

Promotional and anchored NGOs have also sought occasional collaborations with public corporations and institutional investors. As examples, the Interfaith Center on Corporate Responsibility, constituted by churches and investment managers, organizes and documents stockholder resolutions to be put to US corporations, while the US Friends of the Earth targets US corporations so as to call special meetings.

The Global Reporting Initiative illustrates institutional capture of promotional NGOs. The GRI was formed in Boston in 1997 after the Coalition for Environmentally Responsible Economies secured a financial grant from the United Nations Foundation and is designated as a UN Environment Program Collaborating Center. The GRI issued its Sustainability Reporting Guidelines in 2002, followed by a second edition, known as G2, in 2004, and G3 in 2006. G2 lists hundreds of measures that signatories can choose. Purportedly, all are derived from a ‘triple bottom line’ approach: the management doctrine that presents accounting profits by reference to impacts on employees and social progress towards its own ends (see, Daly, 1996; Hajer, 1997, p. 34).

4. Fresh imagings of the responsibility discourse

We have argued that potential influences on the firm for integrative CSR practice have been and are likely to continue to be ignored. To summarize:

- Legally backed economic pressures, perceived threats from competitors and perceived expectations of institutional investors restrict managerial responsibilities to a demonstration that known business opportunities have been exploited at the limit of regulatory compliance.

- Regulated social disclosures have been shown as having little effect on the operating methods of institutional investors and industrial corporations (UvA, 2005), despite changes in the content of social reports and types of reporters (Kolk, 2005).

- The privileging of the owner stakeholder group in Western jurisdictions affords corporations impunity over many economic externalities, a vital requirement for the continued success of capitalism. Considered along with private donations to states and complexities introduced by state-private sector commercial activity, non-onerous corporate legislation can be expected to continue.

- The most visible promotion of corporate social reporting practices involving the third sector to date, the Global Reporting Initiative, presents as a litany of co-optation and legitimation.

The bulk of the CSR-related management literature suggests a limited future for current conceptualizations of CSR. Initiatives leave historical organizational structures intact, are designed without stakeholder consultation, and are unlikely to lead to observable industry-wide outcomes. Organizational diffusion of sustainability is blocked by practitioner reluctance to move away from stockholder primacy and the same of researchers to challenge the social performance of their subjects.
Millennium Ecosystem Assessment, 2005; Moermann and van der Laan, forthcoming,b), CSR research is paralysed, unable to offer solutions. The conflict between sustainability (aiming to minimise ecological footprints) and the growth of capitalist organizations is obvious to any informed researcher (Banerjee, 2003; Gray and Milne, 2002).

Paradoxically, the timidity of the studies we address is co-extensive with an avowed aim of CSR researchers to engage with practice. Caught in a rudderless Sargossian drift, this ostensible critical line of research is taken up with atomistic analyses of corporate governance guidelines, immediate stakeholder relationships, descriptions of social problems in the language of finance and compendiums of social disclosures.

Acquiring “the quiet force of the taken-for-granted” (Bourdieu, 2001, p. 80), the perspective uncritically defaults to an organization-centred perspective. The perspective provides neither a theoretical rudder nor a catalyst for the normative foundations of social change, and precludes inquiry into the dynamics of stakeholder relations (Berman, Wicks, Kotha, and Jones, 1999; Ullman, 1985).

It is not as if ethicists are unaware of the deficiencies; the inadequacies of the literature reflect “the conceptual apparatus [stakeholder management] … pushed beyond its limits” (Freeman and Gilbert, 1992, p. 12). Liberal democracies and free capitalist enterprise rely for their continuing legitimation on the advocacy of Adam Smith in The Theory of Moral Sentiments (1769, p. 264); namely, that unceasing capital accumulation, consumption and market expansion will provide for the welfare of market participants. Business ethicists ignoring the social effects of capitalism and the moral injunctions that contextualized Smith’s work (Jones, 1993) are prevented from “rethinking the social agents capable of bringing about transformation [in the] dynamics of social reproduction” (Dowobor, 1997, p. x).

The resuscitation of CSR’s epistemic origins in a radical agenda (Tinker, Lehman and Neimark, 1991) will require fresh imaginings commensurate with a program for social change. If ostensibly socially progressive researchers are to progress the corpus of their research, fundamental antagonisms such as the primacy of economic interests, that social responsibility actions have come to mean only that which can be expressed in market discourse, and the going concern assumption of business, all need to be questioned.

Apprehending constructions that allow social responsibility as an option would be to the point and reflecting on the social inequities produced by market-based economies would be a first step. Researchers and practitioners rarely admit that trade-offs might be necessary if business is to comprehensively address social needs (Livesey, 2002; Milne, Tredgida and Walton, 2003). The arrogance of the assumption that the corporate structure is appropriate for producing conditions of social welfare receives as ostensible socially progressive researchers are to progress the corpus of their research, fundamental antagonisms such as the primacy of economic interests, that social responsibility actions have come to mean only that which can be expressed in market discourse, and the going concern assumption of business, all need to be questioned.

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if theory and practice are to condition and inform each other. The observation that “analysis that begins from unreflective beginnings is likely to lead to voluntaristic proposals for reform while failing to detail the exact political steps needed to enact change” (Tinker, 2005, p. 110) resonates in the CSR-related literature we address.

The effectiveness of much of the CSR-related work, at least in terms of contribution to practice, is weakened from inadequate and diffuse theoretical underpinnings. Consequently, underlying values appear incoherent and irrelevant, and even if well-intentioned, default to the economically instrumental argument, which by privileging the economic interests of the corporation, avoids mounting a challenge to socio-economic status qua.

Approaches need to be synthesised from organization studies, accounting and philosophy if the “present crises of capitalism” (namely, mass unemployment stemming from the generation of surplus value: Tinker and Carter, 2003, p. 578) are to be progressively addressed on political grounds. Certain perspectives developed by Foucault, Freire and Bourdieu justify the need to search for appropriately critical epistemologies for CSR research and provide suitable directions. These are considered in turn below and close the essay.

Foucauldian, Freirian and activist perspectives
A certain Foucauldian perspective on ethical development is relevant to analysing the prioritising processes of corporate managers. Forming part of his development of an ethics of care, Foucault draws from and develops two sources: one, Nietzsche’s work on morality, which looked towards the origin of the ‘free spirit’ in ethics as practised by the rulers of ancient Greece; and two, Schopenhauer’s work on moral empowerment of the individual agent.

The outcome for Foucault (2001) is to offer Socratic parrhesia (moral courage) as a critical device for studies of modernity. Socratic parrhesia refers to a type of relationship between the speaker and what he or she says, free of rhetorical form and carrying personal risk to the speaker (Foucault, 2001, p. 12). Socrates uses parrhesia when daring to speak freely to his superiors “because what he says accords exactly with what he thinks, and what he thinks accords exactly with what he does” (Foucault, 2001, p. 101).

These behavioural aspects would contribute to a game of truth-telling in which business is encouraged to disclose the truth of claims that they recognise extra-legal responsibilities. The positioning of the researcher in a parrhesiastic stance, we contend, is apposite to the purposes of responsibility-related research: namely, to disseminate the adoption of CSR initiatives and act as agent for social and organizational change.

Many researchers/universities would risk losing consultancies/funding if challenging the commitments of their clients/benefactors to advancing social welfare, or if they were to measure and publish the (limited) influence their own studies had on promoting CSR practice. Yet, challenges and self-criticisms are needed if CSR research is to promote praxis (changes to the orthodoxies of business), even if carrying a risk of economic loss or professional isolation. Only if academe and business are willing to take on such risks will stakeholder management advance beyond the neo-liberal promise as reflected in the instrumental line of argument, as described above. To this end, progress is possible only if researchers are prepared to adopt a courageous position from which to contest corporate activity; in other words, if researchers justify, in terms of social and environmental welfare, the epistemological and ideological bases underlying their research.

(Note is made of the criticism of ahistoricism leveled at many Foucauldian studies. Also see Tinker (2005) for an objection to Foucault’s implicit endorsement of the ethics of personhood and, by extension, of neo-liberalism.)

Calling for researchers to make a simultaneous “reflection and action upon the world in order to transform it” (1972, p. 28), Freire has challenged educationalists to question such as disintegrating human relations, unbridled consumerism, deference accorded to the pursuit of economic markets, ideological purposes of neo-liberalism and the appropriateness of accepted forms of social governance (Dowbor, 1997, p. vi). At some risk to their business models, business schools might consider the usefulness of introducing such questions into corporate responsibility curricula. Of course, Freire’s ideas would challenge guarded management consultancies as much as narrowly focussed university business ethics courses. This intimacy of danger provides a compelling reason for academic researchers moonlighting as part-time consultants to argue for political change, rather than, as is now the case, making superficial examinations of isolated CSR actions.

Before any of this, however, CSR researchers need to complete three preliminary steps.

First, interconnections between corporate and non-corporate forms of organization need examination. The extent to which lobby groups curtail the force of the state as a potential agent for corporate change cannot be ignored (Tinker and Carter, 2003).

Second, researchers need to radicalise the dividing practice (“symbolic domination”: Bourdieu, 2001, p. 20) of ranking Business first, Society second. The agendas of many CSR researchers, to judge from their published work, indicate a championing rather than a questioning of the corporate form of organization, and of its economic interests.

Third, CSR researchers must reconsider their own commitment to progressive research. Progress depends on mobilizing the “organizational means to encourage all competent researchers to unite their efforts with those of [...] responsible activists” (Bourdieu, 2001, p. 15). A personal risk to business scholars is that by being associated with the activism of groups such as Corpwatch or Christian Aid (as examples) scholars put themselves at risk of being professionally marginalised in their business schools.

Activism, however, takes many forms, some of which are more direct than others. The choice of research approach is demanded by its context. For the committed responsibility researcher, the co-opting forces of capitalism demand an unflinchingly critical epistemology. The courageously of such a position is that by challenging structures that reward only those that participate in the market, scholars risk their own positions of privilege.

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