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# A communicative approach to responsibility discourse in business : from societal to corporate and individual levels

Muhammad Atif

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UNIVERSITE PARIS-DAUPHINE  
Centre de recherches DRM  
Ecole Doctorale de Dauphine

A communicative approach to responsibility discourse in  
business: from societal to corporate and individual levels

**THESE**

*Pour l'obtention du titre de  
DOCTEUR EN SCIENCES DE GESTION*

*Présentée et soutenue publiquement par*

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**JURY**

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## **Résumé**

### ***A communicative approach to responsibility discourse in business: from societal to corporate and individual levels***

*I position my doctoral thesis in the broad field of organization science; it stands within the domains of business ethics, sustainability, and corporate responsibility. I appreciate the emergence of a globalized world whereby countries, people, and businesses are connected to each other through economic, political, social, and technological ties. The globalized economies and societies pose complex and multifaceted challenges. To cope with these challenges, businesses will have to assume newer responsibilities and roles. These responsibilities originate from the evolving societal expectations about businesses and their duties. Hence social discourse on business responsibility should highlight the emerging societal expectations. Further, within businesses, the responsibility discourse should give an insight to the reaction of businesses to these emerging responsibilities. And, finally these discourses should affect the consumers' cognitive development, and consequently impact their attitudes and behaviors. The challenges of sustainability and corporate responsibility are complex, conflicting and at times contradictory. It is imperative to bank on our ability to communicate, to discuss and to co-create universally applicable rules. Therefore I adopt a discursive approach in my thesis, and use Habermas' theory of communicative action (1981) as an overarching theoretical framework. The thesis contains three research studies, each focusing on one aspect of responsibility, thus covering the three levels of responsibility discourse: societal, corporate and individual. The first article presents a thematic analysis of the business responsibility discourse in popular CSR and sustainability books. Content analyses is used to elicit the apparent and latent responsibility themes of the sample books. The second article focuses on the patterns of social disclosure among large French corporations. The responsibility discourse is analyzed through content analyses of the annual reports of CAC-40 companies. The last article is aimed to comprehend the adoption of ethically conscious behaviors by the consumers. The article first presents a quantitative model of consumers' ethical decision making and then validates it empirically by structural equation modeling.*

**Key Words :** *Corporate Responsibility, CSR, Sustainability, Business Ethics, Theory of Communicative Action, Theory of Discourse Ethics.*

## **Résumé**

### ***Une approche communicative du discours de la responsabilité des entreprises: du point de vue de la société, de l'entreprise et de l'individu***

*Ce travail doctoral s'intéresse principalement aux concepts d'éthique commerciale, du développement durable et de la responsabilité des entreprises. Cette recherche souligne l'émergence d'un monde globalisé où les pays, les citoyens et les entreprises sont connectés les uns aux autres, par des liens économiques, politiques, sociaux et technologiques. La mondialisation de nos sociétés et de nos économies posent des défis complexes à multiples facettes. Afin de faire face à ces défis, les entreprises doivent assumer les nouveaux rôles, et redéfinir leurs responsabilités. Ces responsabilités proviennent de l'évolution des attentes sociétales concernant les entreprises et leurs devoirs. C'est pourquoi le discours social sur la responsabilité des entreprises met en évidence les attentes sociétales émergentes. En outre, au sein des entreprises, le discours de la responsabilité illustre la réaction des entreprises face à ces nouvelles attentes. Enfin, ces discours influencent le développement cognitif des consommateurs et, par conséquent, impactent leurs attitudes et leurs comportements. Les défis du développement durable et de la responsabilité des entreprises sont complexes, conflictuels, et parfois contradictoires. Il est impératif d'accentuer nos efforts sur notre capacité à écouter, à délibérer et à créer ensemble des principes applicables universellement. Ainsi, je suis une approche discursive et mobilise la théorie de l'agir communicationnel de Habermas (1981) en tant que cadre global théorique. Ma thèse contient trois études de recherche, chacune se concentrant sur un axe de la responsabilité : la société, les entreprises et les consommateurs. Le premier article présente une analyse thématique sur la responsabilité sociale des entreprises et sur le développement durable. Une analyse de contenu a été réalisée, elle nous a permis d'obtenir les thèmes - manifestes et latents - de la responsabilité. Le deuxième article porte sur les déclarations sociales parmi les grandes entreprises françaises. Le discours sur la responsabilité est étudié à travers la méthode d'analyse de contenu des rapports annuels des sociétés de CAC-40. Le dernier article a pour objectif de comprendre l'adoption de comportements éthiques par les consommateurs. L'article présente d'abord un modèle quantitatif de décision éthique des consommateurs et puis le valide empiriquement par les méthodes d'équations structurelles.*

**Mots Clés :** *Responsabilité des Entreprises, RSE, Développement Durable, Ethique Commerciale, Théorie de l'Agir communicationnel, Théorie de l'éthique du discours.*

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## Article 1

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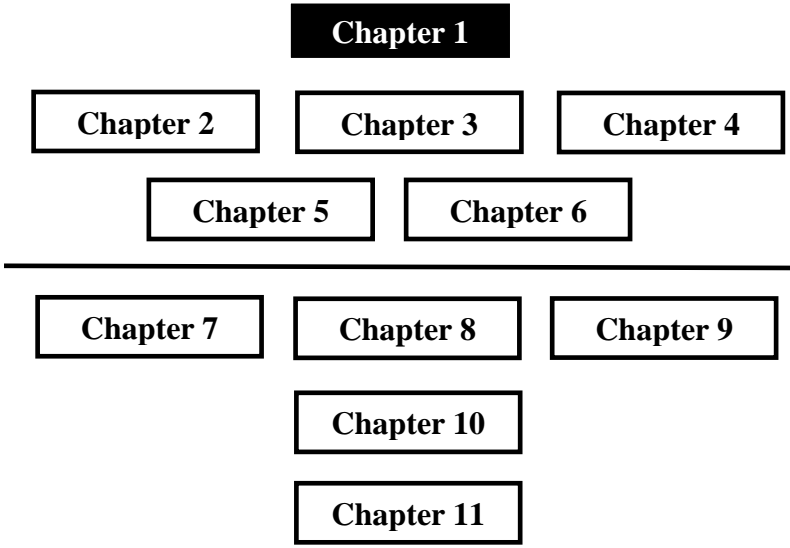


# Declaration

*I hereby declare that this thesis is my own work and that, to my knowledge and belief, it contains no material previously published or written by another person or institution, except where explicitly referenced. The ideas presented in the text represent my personal opinions and interpretations.*

Chapter 1

*Thesis structure*



## **1. Thesis background**

I position my research in the broad field of organization science; it stands within the domains of business, ethics, and responsibility. I recognize the emergence of a globalized world whereby nations and countries have economic, political, social, and technological links among themselves. An event in one part of the globe can have a major impact on others. A world wherein a fall in the value of the US dollar can escalate unemployment rates in Germany, or a recession in Europe can lead to slowing down of Chinese economy. Globalization is about creation of linkages and connections, it is reduction of physical and non-physical barriers. It not only means exchanges of goods, services, money, and resources but also that of people, values, and cultures.

I also recognize that we are living in a world in which economic growth, increased production, and greater consumption set the tone for progress and prosperity. Businesses and corporations – as engines of economic progress – are enjoying an unprecedented position of influence in today's economies. They are powerful actors who create economic wealth, stimulate technological advancement and instill human development. Then again businesses are also held responsible for natural resource depletion, environmental degradation, human exploitation, and financial corruption. They are facing external challenges that go beyond their traditional domains of business and economics. Additionally, in the wake of globalized economies and digitalized markets, they have to confront with fierce competition and incessant threats. To cope with these external and internal challenges, businesses will have to assume newer roles and duties. They will have to engage effectively with diverse stakeholders, envisage societal expectations, and integrate them in their strategies. They will have to take up responsibilities that go beyond to their economic job of wealth creation.

These responsibilities originate from the evolving societal expectations about businesses and their duties. Hence business responsibility discourse in the society should highlight the

evolving societal expectations, and thus mark the emerging responsibilities of business. Further, within businesses, the responsibility discourse should give an insight into the response of businesses to such emerging responsibilities. And, finally these multi-level responsibility discourses within the society, and among the businesses and their stakeholders should affect the consumers' cognitive development and consequently impact their attitudes and behaviors. The objective of my thesis is to analyze these responsibility discourses through a theoretical framework to have a better understanding business responsibility. The thesis contains three research studies, each focusing on one aspect of responsibility, thus covering the three levels of responsibility discourse: societal, corporate and individual. The precise objectives of each study and their respective research designs are mentioned in the coming section named thesis structure.

Responsibility is an emerging concept from this melting pot of integrated economies and interconnected societies. It is sometimes named as sustainability or sustainable development; a vigorous social movement of 21<sup>st</sup> century. In the business milieu it is often labeled as corporate social responsibility. Both of the concepts are closely linked to the ever going debate of ethics and morality. My research draws on and encompasses a wide range of scholarship, including sustainability, ethics, corporate responsibility, and ethical consumption. I review the stakeholder theory – which is widely used in the context of sustainability and CSR –, and adopt a discursive and dialogical approach to address my research interests. The dissertation conveys my interpretations of sustainability and CSR as dynamic, paradoxical, and highly complex processes of communicative relationships among various stakeholders. Thus I frame these processes as living and evolving phenomena tuned by real and rational stakeholders – involving expectations and contradictions, opportunities and threats, and tensions and conflicts.

This thesis does not make sweeping claims or declare revolutionary findings. Nor does it prescribe all-encompassing solutions to the challenges of modern day society and particularly that of sustainability. Instead, it unmask the potentials of a communicative process and discursive progression towards the resolutions of problems and creation of common will. My work emphasizes the importance of multi-stakeholder dialogical relationships. By adopting a communicative approach I have attempted to capture the emergent character of stakeholder relationships and the dynamics of norm formation. Having said this, I think that the concepts of sustainability, CSR, and responsibility contain paradoxical elements and contradicting situations. Hence it may not be possible to attain the ‘ideal’ state. I leave my understanding and my recommendations open to debate.

## **2. Thesis structure**

The thesis is mainly divided into two parts, and is organized as following:

In the first part, I highlight the methodological and conceptual foundations needed to frame my understanding of the key concepts. In Chapter 2, I give an overview of ethics that underpins my dissertation. I start from theoretical aspects of ethics and gradually move towards applied and practical areas. Chapter 3, presents the construct of responsibility from individual to collective and corporate levels. Chapter 4 treats corporate social responsibility in detail, from its inception to present day. First the epistemological and conceptual dimensions of the concept are introduced. Then the popularity of CSR in academia, popular media and business is discussed. The last part of the chapter establishes the relationship between CSR and ethics. In Chapter 5, I present the concept of sustainability. I give an historical account beginning from the 1970’s, of what started as an environmental movement, and gradually transformed into sustainability movement by the end of the 20<sup>th</sup> century. Then I describe various elements that constitute the philosophy of sustainability and draw attention to the

drivers behind the movement. The last part explains the link between sustainability and CSR. In the 6<sup>th</sup> and the last chapter of the first part, I present my conceptual understanding of communicative ethics of Habermas. I present communicative ethics as the theoretical framework of my thesis and put forward my arguments on the potential of discursive approach in the context of CSR and sustainability.

In Part II of the dissertation I present the three research studies. Adopting a pyramidal approach, I start from a broad societal perspective, then moving towards a narrower corporate subject and finally concluding with a micro theme focusing on end consumers.

#### Article 1 (Chapter 7)

The first article is intended to reveal the latent themes of business responsibility discourse in popular CSR and sustainability books. In addition to that the objective is to see if there exists commonalities of ‘issues’ and commonalities of ‘solutions’, discussed in the popular books. The CSR and sustainability constructs are examined from the societal perspective, assuming that the conceptualizations of the notions are engraved in their context. A sample of forty sustainability and CSR books was obtained through a multi-layered rigorous selection process. I chose to use content analysis for this study considering the fact that this approach analyses latent as well as apparent aspects textual data in its context.

#### Article 2 (Chapter 8)

The second article is intended to explore patterns of social disclosure among large French corporations. The objective of this study is to identify key trends in responsibility discourse in the corporate sector to get a clearer understanding of how expansive ideas, such as sustainability and corporate social responsibility, are interpreted and adapted by business entities. The forty biggest listed companies in the French stock exchange, i.e. CAC- 40 are taken as sample of the study. The annual reports of the sampled companies are used as the

unit of examination for the responsibility discourse analysis. The content analysis was performed by using N-Vivo.

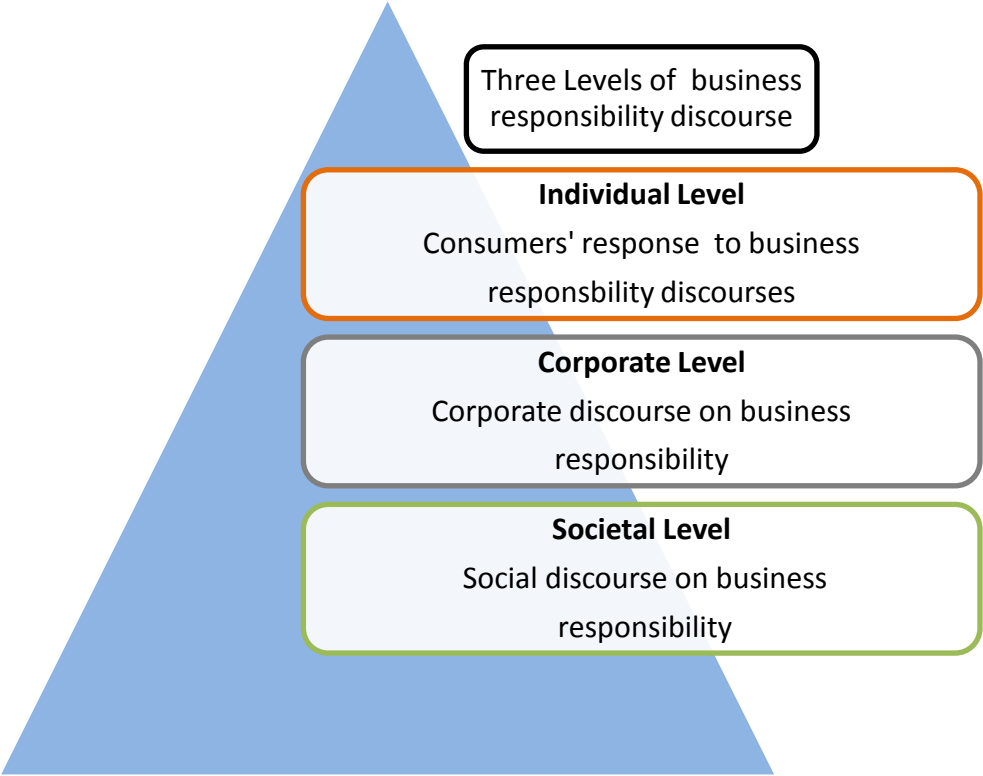
### Article 3 (Chapter 9)

The last article is aimed to comprehend the adoption of ethically conscious behaviors by the consumers. The purpose of this cross-country study is to understand the ethical decision making process of consumers, and to see if it is possible to influence them to adopt ethically conscious behaviors. A quantitative model of consumers' ethical decision process is presented and tested empirically by structural equation modeling. The sample for study consists of 6878 consumers from five countries, whose age varies between 18 and 64 years. The pertinent information for the model variables is obtained through a structured questionnaire.

In chapter 10, I present a communicative approach to corporate responsibility that integrates both moral and instrumental realms. In the last chapter, through a brief literature review on stakeholder theory, I highlight some of the methodological issues and shortcoming connected to it. Then I explain my conceptualization of communicative stakeholder theory, weaving it around Habermasian ethics discussed in previous chapters. Further, I integrate my theoretical underpinnings of communicative stakeholder theory with my conceptual understanding of ethics, sustainability, and CSR. In this introductory chapter, I gave a broad overview of my Ph.D. research. I highlighted the rationale of my thesis from societal, corporate and individual perspectives, and located the topics within the broad field of organization studies, and particularly within the scholarship on CSR and sustainability. I also outline some of the methodological limitations in the final chapter of this thesis.

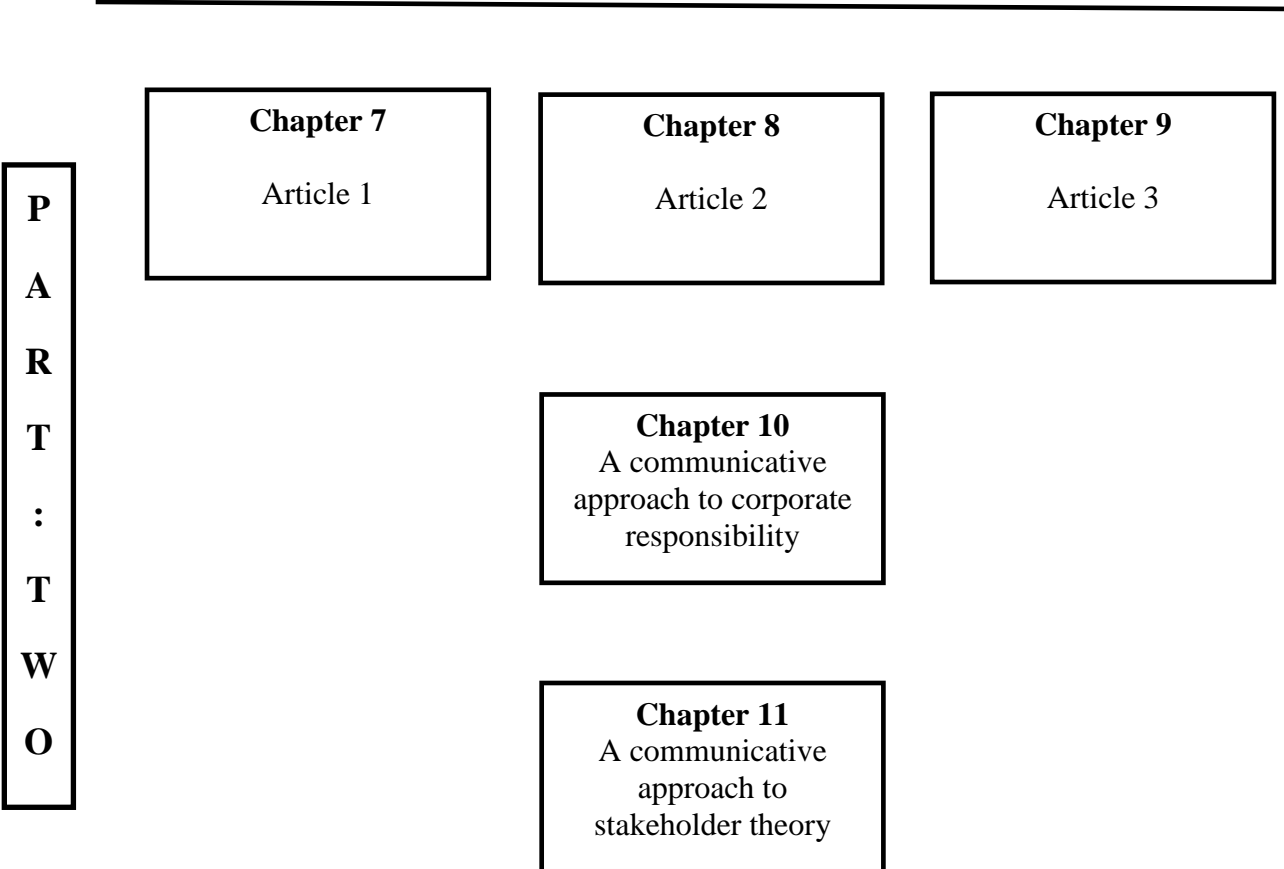
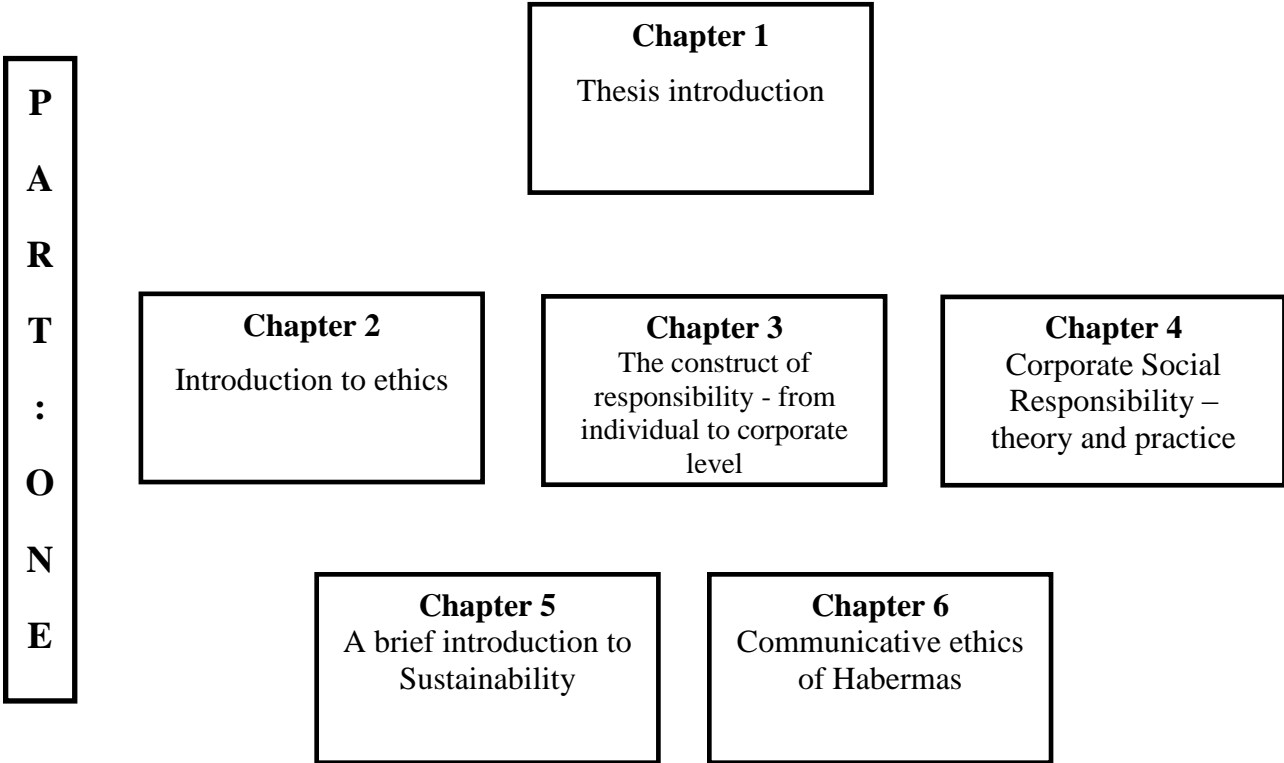
The following figures depict the structure of this thesis pictorially. From next chapter onwards I will cover various dimensions of my research work in detail.

# Thesis Structure



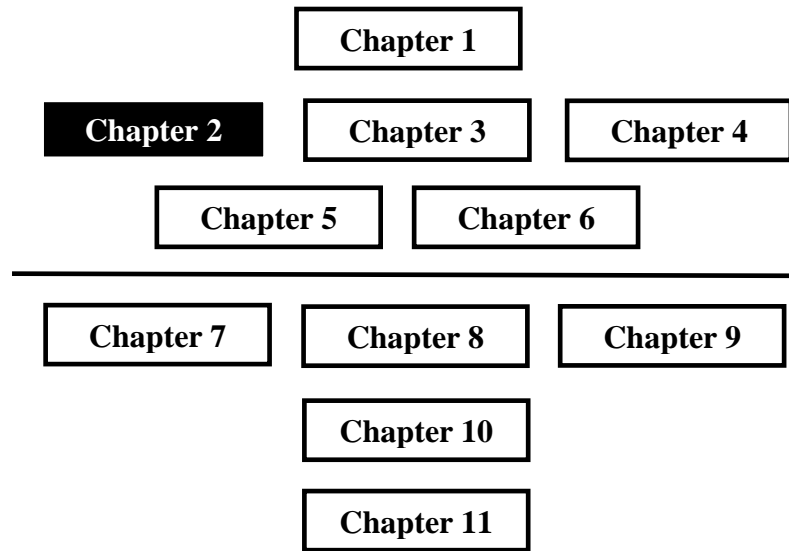


# Thesis Structure



## Chapter 2

# *Introduction to Ethics*



## 1. Introduction

Ethics is a branch of philosophy, generally dealing with what is good and what is bad, and with moral duties and obligations. It involves systematizing and recommending concepts of right and wrong behavior. The fundamental philosophical approaches underlying the ethical theory are diverse, highly complex, and at times divergent. Therefore, it is not only difficult to comprehend these different approaches but also challenging to apply them to real life situations. I start my debate on ethics by defining the construct. Although a plethora of definitions exist in the literature, the one proposed by Pojman, (1990) is quite comprehensive. He defines the discipline of ethics as:

"'Ethics' (or moral philosophy, as it is sometimes called) will be used to designate the systematic endeavor to understand moral concepts and justify moral principles and theories. It undertakes to analyze such concepts as 'right', 'wrong', 'permissible', 'ought', 'good', and 'evil' in their moral contexts. Ethics seeks to establish principles of right behavior that may serve as action guides for individuals and groups. It investigates which values and virtues are paramount to the worthwhile life or to the society. It builds and scrutinizes arguments in ethical theories, and it seeks to discover valid principles (for example, 'never kill innocent human beings') and the relationship between those principles (for example, does saving a life in some situations constitute a valid reason for breaking a promise?)"

Sahakian and Sahakian, (1966 p.31) constate that ethics is the study of 'right conduct' and the 'good life'. They further distinguish between personal and social ethics. The former are related to the moral code applicable to the individuals against which their behavior is judged, and the latter emphasizing on moral theory concerned with groups – the study of what constitutes a good society or state.

The terms ethics and morality are sometimes used interchangeably, with different philosophical schools choosing to focus on one or the other according to their beliefs. Even in

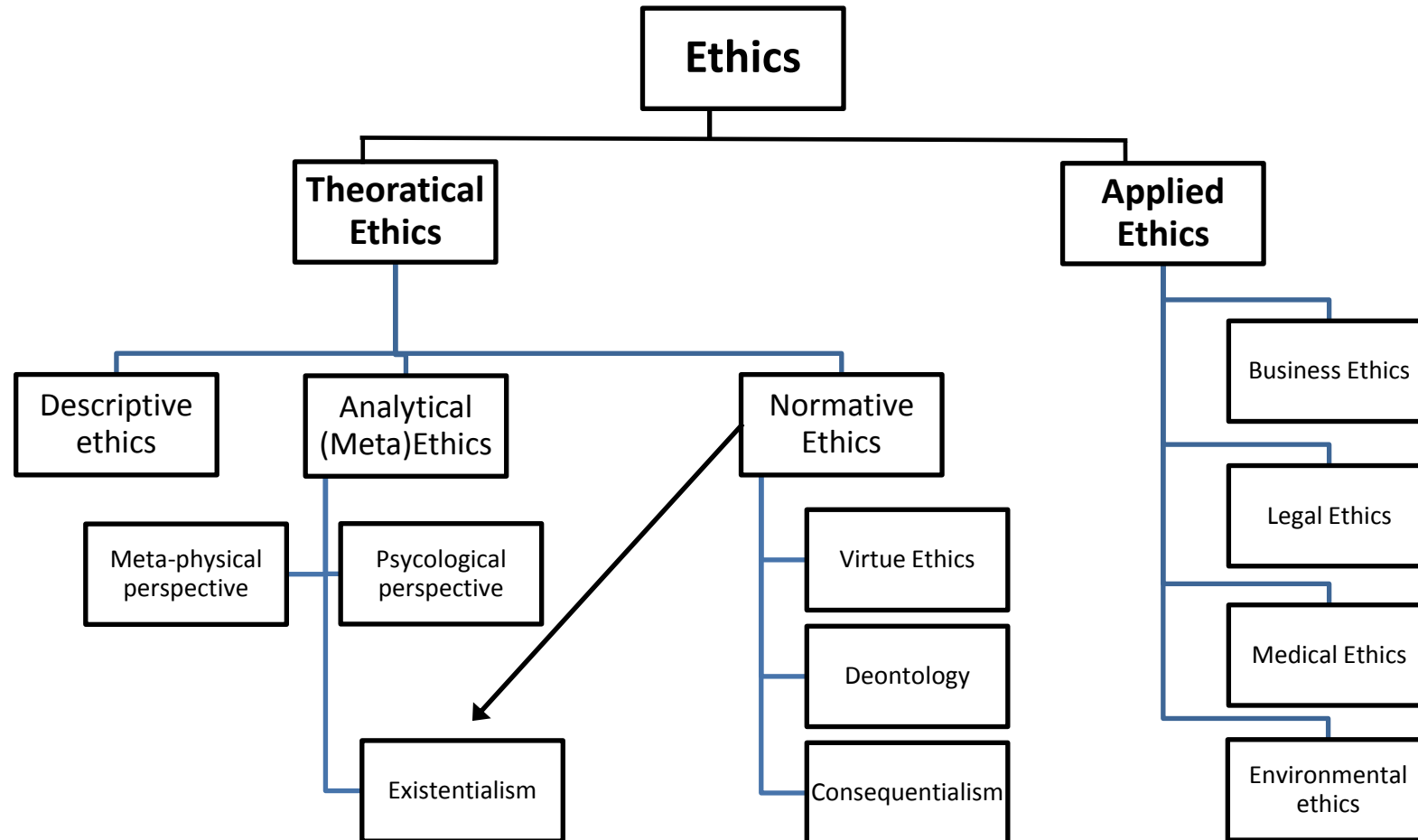
public debates, it is not uncommon to see these terms being used alternately (Josie, 2004). The term ‘ethics’ comes from the Greek word ‘ethikos’, which in its root form (ethos) meaning character or custom, thus refers to the appropriate ways to behave in a society. ‘Morality’ on the other hand, derived from the Latin word ‘moralis’, is more concerned about distinguishing between right and wrong actions rather than the character of the individuals who performs these actions (Vardy and Grosch, 1994). Though clear demarcations are hard to make, it is possible to present morality in terms of an individual code of behavior, for example personal morality, whereas ethics is perhaps more commonly associated with professional actions, for example in questions of medical ethics or as seen in codes of conduct (Smith, 2000). In this chapter I will not make a categorical distinction between the two constructs, and rather use the term ‘ethics’ in the later part of the thesis.

## **2. Classifying ethical approaches**

The field of ethics is usually categorized into three different ways of thinking about it: descriptive, normative and analytical. It is not unusual to find disagreements over ethics and its classifications as people approach the topic from different point of views. Fennell, (1999), for example, categorizes ethics at its core into two distinct groups – theoretical ethics and applied ethics, and then further classifies theoretical ethics into analytical and normative ethics. Conventionally, theoretical ethics is concerned with the abstract theoretical underpinnings of moral judgments. It is concerned with the nature, understanding, and reasoning of ethics. Applied ethics on the other hand, is used to inform judgments in real situations (Almond, 1995). This may involve examining specific controversial issues, such as abortion, infanticide, animal rights, environmental concerns, homosexuality, capital punishment, or nuclear war (Fieser, 2009). Although these two approaches appear to be separate, however it may be useful to see them as two ends of a scale, from general to particular. **Figure 1** summarizes the classification of ethics in a hierarchal form.

**Figure 1**

**Classification of ethics**



Adapted and modified from (fennel, 1999)

## ***2.1 Descriptive ethics (or comparative ethics)***

Philosophers generally divide theoretical ethics into three general subject areas: Descriptive, Analytical (or meta-ethics), and Normative ethics. Descriptive ethics is the study of people's conviction and practice of morality. It contrasts with normative ethics, which prescribes how people ought to act, and with meta-ethics, which is the study of meaning and source of 'good' and 'right'. Hence in descriptive ethics we assume that by identifying the ethical convictions and practices of a group of individuals or society, we can learn the standards of morality. Desjardins and McCall, (2000 p.4) define it as:

"Descriptive ethics refers to the general beliefs, values, attitudes, and standards that, as a matter of fact, guide behavior ... descriptive ethics examines the typical beliefs or values that determine what is customarily done".

## ***2.2 Analytical ethics (or Meta-Ethics)***

The term 'meta' means *after* or *beyond*, and, consequently, the notion of meta-ethics involves a removed or distant *view of ethics*. It investigates sources and meanings of ethical concept and principles. Are ethical principles eternal truths or just social inventions? Do they involve more than expressions of our individual emotions? Such questions are addressed in meta-ethics.

Two issues are prominent in meta-ethical debates:

- (1) *Meta-physical* issues concerning whether morality exists independently of humans, and
- (2) *Psychological* issues concerning the underlying mental basis of our moral judgments and conduct (Fieser, 2009).

### **2.2.1 Metaphysical issues**

The metaphysical component of meta-ethics involves discovering specifically whether moral values are eternal truths that exist in a spiritual realm, or simply are human

conventions. There are two general directions that discussions of this topic take, one *other-worldly* and one *this-worldly*.

Proponents of the '*other-worldly*' view, consider that moral values are objective in the sense that they exist in a spiritual realm beyond subjective human conventions. They also hold that they are absolute, or eternal, in that they never change. Moreover, they are universal in nature so that they are free from the constraints of time and space. An example of this view is Plato, who was inspired by the field of mathematics. Numbers and mathematical relations, such as  $1+1=2$ , seem to be timeless concepts, and apply everywhere in the universe. A different other-worldly approach to the metaphysical status of morality is the *divine command theory*. Proponents of this approach believe that God wills moral principles, and informs human beings of these principles (Fieser, 2009).

The '*this-worldly*' approach to the metaphysics follows the skeptical tradition in philosophy, and denies the objective status of moral values. Moral values are considered as human inventions, a stance that is often referred to as *moral relativism*. There are two distinct forms of moral relativism. The first is *individual relativism*, which holds that individual people create their own moral standards. The second is *cultural relativism* which maintains that morality is grounded in the consent of one's society – and not simply in the preferences of individuals (Fieser, 2009).

### 2.2.2 Psychological Issues

A second area of meta-ethics involves the psychological basis of moral evaluations and conduct. Here we are interested in understanding what motivates individuals to behave morally. We ask the simple question, "Why be moral?" The answers to the question may be "to avoid punishment", "to gain applause or admiration", "to be content", or "to be accepted in a society".

One important area of moral psychology concerns the self-orientation of human beings. This view, labeled as *psychological egoism*, asserts that self-oriented interests ultimately motivate all human actions. This is often compared to the concept of *psychological hedonism* stating that *pleasure* is the driving force behind our actions. British philosopher Joseph Butler agreed that selfishness and pleasure prompt much of our behavior. However, he argued that we also have an inherent psychological capacity to show compassion and benevolence. This view, often called as *psychological altruism*, maintains that some of our behaviors are motivated by instinctive benevolence (Fieser, 2009).

A second area of moral psychology involves the role of ‘reason’ in motivating moral behaviors. On the one hand British philosopher David Hume argues that moral evaluations involve our emotions, and not our reason. An emotional reaction is needed to make a moral pronouncement. Reason may provide the relevant data, but, in Hume’s words, ‘reason is, and ought to be, the slave of the passions’. On the other hand, rationally-oriented philosophers have opposed this approach, and instead argue that moral assessments are acts of reason. German philosopher Immanuel Kant argues that, although emotional factors often influence our conduct, we should resist that kind of such factors. True moral action should be motivated only by reason when it is free from emotions and desires (Fieser, 2009).

### ***2.3 Defining normative ethics***

While meta-ethics addresses sources and meanings of ethics, normative ethics takes on a more practical task, which is to arrive at moral standards that regulate right and wrong behavior. This may involve ‘articulating the good habits that one should acquire, the duties that one should follow, or the consequences of one’s behavior on others’. In a way it is a search for standards for good behavior. The key assumption in normative ethics is that there is only *one* ultimate criterion of moral conduct, whether it be a single rule or a set of principles (Fieser, 2009). The ‘Golden Rule’ or ‘ethics of reciprocity’ is a classic example of a normative



principle: “We should do to others what we would want others to do to us’ or ‘we should not treat others in ways that we would not like to be treated” (Stace, 1990).

Normative ethics evaluates behavior by appealing to the standards or norms that are independent of practice, custom, and tradition (Josie, 2004). It aims at determining what should be done, rather than what is being practiced. Normative ethics is different from ‘descriptive ethics’ as the former focuses on principles and the latter on practices. Beauchamp and Bowie, 2001 p.6 define the descriptive approach as the ‘Factual description and explanation of moral behavior and beliefs’. This exercise is generally done by anthropologists and historians. While normative ethics in contrast to describing the actual beliefs, values, and attitudes, *prescribes* what we *should* believe in or value. The difference between descriptive and normative ethics, therefore, is the difference between what is and what *ought to be* (Desjardins and McCall, 2000).

DeGeorge mentions following as the salient features of normative ethics:

***Normative ethics*** attempts to form into a related whole of various norms, rules, and values of a society’s morality. It tries to render these as consistent and coherent as possible, with perhaps some hierarchical arrangement of norms.

***Normative ethics*** attempts to find the basic principles from which the particular norms can be derived.

***Normative ethics*** attempts, in a variety of ways, to justify the basic principle of morality.

***Normative ethics*** attempts to provide a procedure by which conflicting norms can be adjudicated and particular cases decided.

(DeGeorge, 2010)

Three concepts are very frequently used in normative ethics which are values, norms and virtues. It is important to know the distinction between these three terms. In the following sub section, we will briefly discuss the mentioned terms.

### 2.3.1      *Moral values*

Moral values are matters/convictions that are worth striving for in general. Examples include justice, happiness, charity and such. A distinction can be made between intrinsic values and instrumental values. An intrinsic value is a value in itself: something that is worth striving for. An instrumental value is a value that only contributes to an intrinsic value. For example, if you want to get money to help people, then getting money is the instrumental value, while helping people is the intrinsic value (Van de Poel and Royakkers, 2011).

### 2.3.2      *Moral norms*

Moral norms are rules that prescribe what actions are required, permitted or forbidden. In fact, some norms are so important and so prescriptive, that they turn into laws. Norms can often be deduced from values. But, whereas values are ideals which people want to achieve, norms are the means to realize these ideals (Van de Poel and Royakkers, 2011).

### 2.3.3      *Moral virtues*

Moral virtues are character traits that make someone a good person and allow him to lead a good life. Examples of virtues are honesty, courage, loyalty, creativity, humor, and so on. Virtues seem to be similar to values. Whereas values are things you strive for, virtues are character properties that are good to have (Van de Poel and Royakkers, 2011).

## **2.4**            *Theoretical approaches to normative ethics*

There are several theories that address normative ethics. But, before discussing them, it is appropriate to first look at two opposing extremes of the normative ethics. On the one side is ‘relativism’, asserting that all moral points of views are relative. The morals of one person are not necessarily equal to the morals of another person. On the other side lies ‘absolutism’, an ethical view suggesting that certain actions are absolutely right or wrong, regardless of their context, intentions and consequences. Hence, it possible to have a system of norms and values having universal application to everyone, everywhere at any time (Van de Poel and

Royakkers, 2011 P.75). Both relativism and absolutism represent extremist and inflexible views. Rational approaches to ethics need to be somewhere in between the said extremities.

Van de Poel and Royakkers, (2011) categorize the normative ethics in three theoretical approaches:

- (1) Virtue theories,
- (2) Consequentialist theories (Teleological Approaches).
- (3) Duty theories (Deontological approaches), and

#### 2.4.1 Virtue ethics

Most virtue ethics approaches take their inspiration from Aristotle who declared that a virtuous person is someone who has ideal character traits. Further, a person's behavior in a given moral situation will stem from the character traits developed throughout the course of their life, such as courage, justice and temperance (Morse, 1999). These personal traits derive from natural internal tendencies, but need to be cultivated and nurtured. Once established, they become stable. Therefore the focus is on the individual as a driving force for ethical behavior, rather than principles. For example, a virtuous person is someone who is kind across many situations over a lifetime because that is her character and not because she wants to maximize utility or gain favors or simply do her duty. Virtue ethics theories deal with wider questions—"How should I live?" and "What is the good life?" and "What are proper family and social values?" In other words, the focus of a person's moral life is on developing a 'good character' because from good character comes moral and ethical acts and from these actions the development of a good character is reinforced (Morse, 1999).

#### 2.4.2 Teleological Approaches

The word teleology has its origins in the Greek word '*telos*', meaning 'end'. According to teleological theories, the end result of an action is the sole determining factor of its morality. The teleological approach rests on a single theme, which is 'what is ethically good is what

achieves the best end' (Agarwal and Malloy, 2000). The approach argues on the basis of ends, and the most prominent version of it is known as consequentialism. It states that whether an action is right or wrong depends on the consequences of that action. What makes it right or wrong therefore, depends on the consequences of the action as opposed to either the means by which it is achieved or the nature of action itself (Almond, 1995), and can be viewed from a micro as well as a macro perspective. Hence an action is morally right if the sum of the consequences of that action is more favorable than unfavorable. Stated differently, consequentialism is a form of cost-benefit analysis (Bradburn, 2001), with some members of society gaining while others losing out. Three major subdivisions of consequentialism – *utilitarianism*, *ethical egoism*, and *ethical altruism* – emerged in my literature review. All of these approaches focus on the consequences of actions for different groups of people. But, as is often the case with normative theories, the three theories conflict to each other as well. These subdivisions are briefed below;

- *Utilitarianism*: an action is morally right if the consequences of that action are more favorable than unfavorable *to everyone*.
- *Ethical Egoism*: an action is morally right if the consequences of that action are more favorable than unfavorable *only to the agent* performing the action.
- *Ethical Altruism*: an action is morally right if the consequences of that action are more favorable than unfavorable *to everyone except the agent* (Fieser, 2009).

The most common form of consequentialist ethics is *utilitarianism*, a theory that is examined in the next paragraph.

Utilitarianism – as one of the most commonly used teleological theories – proposes that the ends of an action always justify the means and the ethically right action is whatever maximizes the benefit for all in society. Maxims such as of Jeremy Bentham's 'the greatest

good for the greatest number', represent this school of thought (Burns and hart, 1977 p.393). With regard to what is or what constitutes 'good', the teleological doctrines differ according to how it is specified. For example, if the good is taken as striving for human excellence in various forms of culture, it is called perfectionism (found in Nietzsche and Aristotle), and if the good is taken to signify self-pleasure, it is known as hedonism (Rawls, 1973). Utilitarianism proposes that what is important is the balance of good over evil for the greatest number, whilst relativism (for example, cultural relativism) suggests that the determination of the best end depends entirely upon the situation (Agarwal and Malloy, 2000).

#### 2.4.3 Deontological approaches to ethics

The word deontology comes from the Greek word 'deon' meaning duty (Vardy and Grosch, 1994), hence signifying priorities, rules, and duties in ethical situations. In general, a deontological approach to ethics denies the utilitarian claim that the morality of an action depends on its consequences. Deontologists maintain that actions are morally right or wrong independent of their consequences. Moral rightness is the basic and ultimate moral term. This rightness does not depend on good, and the production of, or the failure to produce good. One's duty is to do what is morally right and to avoid what is morally wrong, regardless of the consequences of doing so. The deontological tradition holds that what makes an action right is not the sum of its consequences but the fact that it conforms to the moral law (DeGeorge, 2010). This approach emanates from the belief that socially, and individually it is important to abide by certain principles, and unethical behavior would be the breaking of rules that have been collectively agreed, such as expected norms of behavior (Agarwal and Malloy, 2000). Further the rules of behavior stem from the 'moral law'. The Kantian test of conformity to the moral law which an action must pass is a formal one. An action is morally right if it has a certain form; it is morally wrong if it does not have that form. The moral law binds unconditionally. Kant called this moral law or rule, the 'Categorical Imperative'. For Kant,

morality should never be governed by self-interest – people should do the right thing, for the sake of doing good.

2.4.4 A comparative analysis of Utilitarian and duty approaches

Smith and Duffy (2003, P. 57) give a number of the key features of utilitarianism (See table 1) that make this an appealing approach to moral decision-making.

**Table 1**  
**Key Features of Utilitarianism**

<b>Universality:</b>	There is a universal foundation for agreement as people agree that pleasure is good and pain is bad.
<b>Rationality:</b>	Utilitarianism is seems rational in the sense that it adds together the pleasure and subtracts the pain of a particular activity, thus the good can be rationally weighed against the bad, also referred to as the balance of the hedonic calculus.
<b>Impartiality:</b>	Owing to its rationality, utilitarianism can be non-judgmental about individuals’ personal activities provided that they do not harm the general level of happiness.
<b>Versatility:</b>	It is sensitive to particular social contexts because it takes into account that what might be beneficial in one place may not be in another, which makes it particularly useful for all types of tourism development debates.

Adapted from (Smith and Duffy, 2003 p.57)

However, utilitarianism is often criticized for a number of reasons. First, it assumes that consequences can be accurately predicted, which may not be possible in certain conditions. Second, if individuals are unaware of the consequences of their actions, it is unclear whether they can be held responsible for their actions (Tam, 1995). For example, if consumers are not aware of the consequences of their consumption behavior then the utilitarian logic will falter.

Third, when looking after the happiness of the majority, it is the individual (or minority group) who may be marginalized or disregarded. Thus the rights of the few might be sacrificed for the greatest number. Additionally, if collective good has to be promoted, how to decide on whose good ought to be promoted? Rational cost-benefit analyses often favor economic and macro perspective, while play down the social implications. Fourth, by definition this is an approach that cannot claim justice or fairness to all, as justice by default has absolute applicability. It may not be easy to defend an ethical system that cannot be just. Last, the utilitarianism places pleasure as a principle, and in doing so subordinates values such as self-sacrifice, generosity, and benevolence.

Coming to the deontological approaches, Bradburn (2001, P.8) lists down following salient features:

**Justice:** There should be rules and morals in society that should be fair to everyone and that should universally apply.

**Universality:** These rules should hold universally even over the passage of time. A decision made today should not have a predictable adverse comment in the future.

**Equality:** All members of society under deontology should be treated with equal respect.

Then again there is no dearth of criticism on deontological approach. Notably, it absolves people from taking personal responsibility for their ethical or unethical actions. Agarwal and Malloy (2000, p.145) cite Kierkegaard (1962) on this issue:

“...on principle a man can do anything, take part in anything and himself remain inhuman and indeterminate...everything becomes permissible if done on principle (Agarwal and Malloy, 2000, p145).

In addition, not all moral problems can be solved by rules. Human life is too complex to be reduced to a set of rights and duties (Anscombe, 1997). Additionally deontology is limited to issues of the will. It excludes vulnerabilities of human life that are outside the reach of the

human will, such as scarcity of means and various contingencies to which social, and economic life is so susceptible. So morality needs to have more than just solid reasoning and a resolute will. A further limitation is that deontological ethics has no criterion for dealing with conflicting rules. There is no higher-level rule that enables a prioritizing of moral rules according to their relative importance; nor does the theory allow for exceptions (Crisp & Slote, 1997). In a situation whereby one needs to choose between two ills, for example killing one person to save one hundred, or firing one person to save the jobs of many, deontological reasoning has limited solutions to offer.

On this stage we can argue that both perspectives, however attractive they may seem, do have shortcomings. Neither deontological nor utilitarian reasoning is completely flawless. There is a school of thought that argues that both perspectives i.e. deontology and utilitarianism are too rational and therefore in a sense de-humanizing (Agarwal and Malloy, 2000). Solomon, (1992) criticizes deontological and teleological perspectives for their slavish attention to rules and rationality, and criticizes them for absolving the individual of any choice responsibility. This brings us to existentialism – an ethical approach that presents a different normative and analytical perspective than the ones mentioned above. It is often considered more as a sociological movement than a pure theory of philosophy.

#### 2.4.5      *Existentialism*

Existentialism is a very recent ethical discourse, and is associated with influential thinkers such as Simone de Beauvoir, Sartre, Nietzsche, Kierkegaard, and Heidegger. The proponents of existentialism, generally referred to as existentialists, suggest that an act is right or wrong based upon a person's free will, responsibility (and authenticity), and that this free will is weaved in a contradictory set of factors. On the one hand humans are finite and physical beings with a limited set of possibilities. While on the other hand, humans are constantly



striving to make sense of and gain meaning from their existence (Guignon, 1986). Alternatively, it is defined as the philosophical theory which holds that neither moral thinking (governed by the norms of the good and the right) nor scientific thinking (governed by the norm of truth) suffices to understand the human condition, and that a further set of categories, governed by the norm of *authenticity*, is necessary to grasp human existence. *Authenticity*, in this context means the extent to which one is true to one's own personality, spirit, or character (Crowell, 2010).

This philosophical and cultural movement holds that the starting point of philosophical thinking must be the individual and his experiences. It promotes a subjective or individual understanding of what it means to be human. The central proposition of existentialism is that *existence* precedes *essence*. This suggests that the actual life of the individual is what constitutes his or her experience and '*essence*', instead of there being a predetermined essence that defines what it is to be a human. Thus, the human beings – through their own consciousness – create their own values and determine a meaning to their life (Mullarkey and Beth, 2009 p.309; Stewart, 2010 p.ix). As suggested by Heidegger; 'I am an entity whose what (essence) is precisely to be and nothing but to be' (Heidegger, 1985 p.110).

The emphasis that Aristotle and Sartre place on personal development is also found in Foucault's framework. He contends that individuals treasure self-improvement and continuously strive towards a virtuous life, what he calls 'le travail éthique'. For Aristotle, the proper human life is an ongoing project that seeks to fulfill our full human potential through our striving to act according to the virtues and to make virtuous choices (Smith and Duffy, 2003 p44). He believed that a virtuous life can be attained by choosing a reasonable and reasoned path between any extremes of behavior. He recognized the need to remain balanced, thus the concept of 'golden mean' – the desirable '*middle*' between two extremes, one of excess and the other of deficiency. Capra (1996) presents a similar concept to Aristotle's

virtues and golden mean, which he calls self-assertions and integration. He suggests that the tendencies of self-assertion and integration – neither of which is intrinsically good or bad – are both essential aspects of all living systems. And the key to a good, or healthy, life is to establish a dynamic balance between both tendencies.

### ***2.5 From applied ethics to business ethics***

Applied ethics is the domain of ethics which consists of the analysis of specific, controversial moral issues such as abortion, animal rights, child labor, or euthanasia. In recent years applied ethical issues have been subdivided into convenient groups such as medical ethics, business ethics, environmental ethics, and legal ethics. Generally speaking, two features are necessary for an issue to be considered an applied ethical issue. First, the issue needs to be controversial in the sense that there are significant groups of people both for and against the issue at hand. The second requirement for an issue to be an applied ethical issue is that it must be distinctly moral (Harbhajan et al., 2006 p.97-98). In the preceding paragraph I move the debate from applied ethics to business ethics.

Business ethics is a branch of ethics dealing in business situations, activities and decisions whereby issues of right and wrong, and good and bad are addressed. These issues can be approached from various disciplinary perspectives including philosophy and the social sciences, and can be treated pragmatically by looking for solutions to specific problems (Ferrel et al., 2000). Again the distinction between descriptive and normative ethics is also found in discussions of business ethics. According to Desjardins and McCall (2000, p. 4), in a business context, descriptive ethics is concerned with "... the actual customs, attitudes, values and mores that operate within business. Business ethics in this descriptive sense is most at home in fields such as sociology and management, which describe for us what goes on in

business". Josie, (2004) - originally quoted in Robbins et al. (2000) - provide a descriptive account of ethics when they ask:

“Are ethical standards universal? Hardly! Social and cultural differences between countries are important environmental factors that determine ethical and unethical behavior. Some actions are considered unethical (and often Illegal) in, say, Australia but are considered standard practice in many other countries”.

As a form of normative ethics, business ethics evaluates the rules, standards and moral principles identified in descriptive approaches (Josie, 2004). Malachowski, (2001, p.1) defines business ethics as "... a critical, normative discipline - one which stands back from the whirlwind of commercial life and tries to establish impartial ethical standards for the behavior of business". For Shaw and Barry, (2001, p. 4), business ethics is the study of what constitutes right and wrong, or good and bad, in human conduct in a business context".

DeGeorge, (2010) suggests that business ethics typically involves five kinds of activities (See table 2):

**Table 2**

**Business ethics activities**

The first is the applying of general ethical principles to particular cases or practices in business. Deciding whether the actions involved are immoral or morally justifiable is important. But the analysis of cases does not end there. Solving cases frequently involves the development, as well as the application, of special rather than general moral principles, which can nonetheless be made universal.

The second kind of activity is meta-ethical. One investigates, for instance, whether moral terms that are generally used to describe individuals and the actions they perform can also be applied to organizations, corporations, businesses, and other collective entities. For instance, are corporation’s artifacts to be controlled, or moral or quasi-moral entities

with rights, or do they have some other status? Do they have consciences in the same way individuals do? Does moral language appropriately apply to them, and if so, does it apply in the same way as it does to individuals? The meaning of *responsibility* must be changed if it is to be appropriately applied to corporations as well as to human persons.

The third activity of business ethics is the analysis of the presuppositions of business — both moral presuppositions and presuppositions from a moral point of view. Because business operates within an economic system, part of the proper task of business ethics is to raise questions about the morality of economic systems in general and about the morality of specific, for example, the American, economic systems in particular.

Fourth, those in business ethics are sometimes led by embedded problems to go beyond the field of ethics into other areas of philosophy and into other domains of knowledge, such as economics or organization theory. But when they go beyond their own areas, they usually do so to resolve some problem in business ethics or to investigate in some other area what appeared, initially, to be a problem in business ethics. Therefore, there is a special need to sort out the issues carefully, to see which are moral and which are not, and to clarify the language and the level of moral discourse. Sometimes the task concerns reducing moral problems to managerial, organizational, or economic problems, or vice versa.

The fifth activity in which business ethics is typically involved is describing morally praiseworthy and exemplary actions, of either individuals in business or particular firms. Business ethics, is involved not only in the negative task of trying to clarify what actions are wrong, but also of presenting moral ideals to which businesspeople and corporations can rise. Just as society provides moral exemplars, heroes, saints, and others on whom we can model our lives and behavior, so there are moral exemplars in the business world who can serve as examples to others and set a goal toward which others might aspire.

Adapted from (DeGeorge, 2010)

### **3. Concluding remarks**

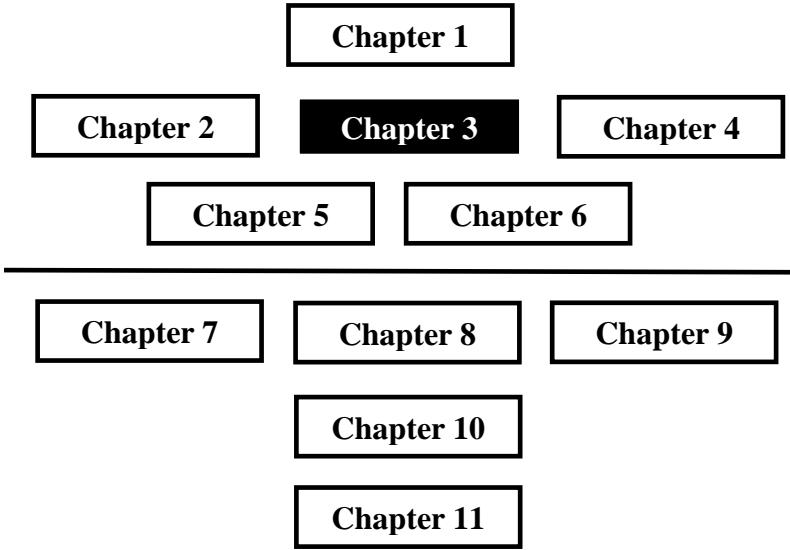
Ethics, as a branch of philosophy, involves defining, and recommending concepts of ‘right and wrong’, and ‘good and bad’ behavior. In this chapter I have presented the ethical discourses in philosophical debate. I tried to cover the major philosophical thought streams notably deontology, teleology, and virtue ethics. Deontology assumes that individuals, groups, and societies should define and maintain rules of behavior, and the fact that ends or results do not justify the means. Teleological approaches give importance to the ends, by focusing on ‘the greatest good for the greatest number’. Virtue ethics is mainly concerned with self-development and personal improvement. I have dedicated the last part of chapter to applied ethics and particularly business ethics. Business ethics studies the moral or ethical scenarios that manifest in a business environment. It applies ethical concepts, principles, and standards to business issues having moral implications.

Businesses are created for a purpose, and often that purpose is to create value for their shareholders. However businesses – whether small or big, private or public – exist within the confines of society. For their creation as well as for their survival, they need to respect the laws, restrictions and regulations of the society. In addition to this, society wishes that they recognize and conform to the ethical values and norms. These ethical requirements go beyond the basic requisite of law abiding, and seem to be persistently expanding. Thus it is critical for business to know how society expects them to behave. This is essentially a normative viewpoint. The reason society can make demands on businesses is very fundamental; businesses function by public consent and their purpose is to serve society. This is the very nature of their relationship with society that gives them the legitimacy to exist. Now as the society expects from businesses to behave ethically, and engage in socially responsible activities, there are serious reasons for businesses to take up their social responsibility

genuinely, and to level up their behaviors to social norms and expectations. In the coming chapter, I will discuss the concept of responsibility in detail, and then will further my debate to corporate social responsibility.

Chapter 3

*The construct of responsibility  
- from individual to corporate  
level*



## **1. Introduction**

Whenever there is a problem or a crisis, the first question asked is ‘who is responsible for this?’ In very broad and general terms, being responsible means to be accountable to one’s actions and/or the consequences of the actions. According to Weber (1969 p. 101):

“Responsibility is the willingness to respond to the foreseeable consequences of one’s action”.

The word responsibility - surprisingly a modern term – is not really well-established within the philosophical tradition (Cane, 2002 p1-2; Ricoeur, 2000: P11). According to Corrigan & Farrell, (2010 p60-64), we use the word responsibility in at least three senses. First, to be responsible, the person must be able to make rational choices and decisions. Since, mentally retarded people, and people in comma cannot represent themselves, they are technically not ‘persons’. People suffering from such conditions are off course human beings; the only problem is that they are not in the condition to present their best long-term interests. Second, provided that someone is able to represent himself, he is responsible to his own actions. People who do something good are praised for their actions, while who do something evil are condemned for their deeds, because in each case they are assumed to be responsible for their own actions. Last, one is responsible for specific social role that one plays. If one is a medical doctor, for example, one does not have the responsibility for the health and treatment of every ill person; however, one does have the responsibility for his patients under his care.

## **2. Categorizing responsibility**

There is no philosophically well established way of categorizing or analyzing the various components of responsibility. The review of the literature on this topic surfaced three distinct classifications of individual responsibility. These include;

- Contextual classification of Responsibility



- Temporal classification of Responsibility
- Causational classification of Responsibility

## ***2.1 Contextual classification of Responsibility***

In this case we differentiate responsibility on the basis of context; hence moral (or ethical) responsibility, and legal responsibility.

### 2.1.1 Moral responsibility

The concept of moral responsibility is quite elusive and is used to mean differently in different situations. Broadly speaking, it concerns the rightness/goodness of actions and their effects. Moral responsibility is sometimes equated with blameworthiness, but whereas blameworthiness was discussed by Aristotle, and in the Homeric epics, the term responsibility is fairly new (Fahlquist, 2008; Irwin 1999, p.225). Morally responsible behavior is usually defined in contemporary philosophy as behavior for which an ‘agent’ may legitimately be praised or blamed (Olson, 2003 p.107). As Eshleman, (2009) explains that to be morally responsible for something, say an action, is to be worthy of a particular kind of reaction—praise, blame, or something akin to these—for having performed it. Hence the concept of moral responsibility is closely related to the concept of subjective right and wrong. Subjective rights are grounded in an individual’s convictions about his prerogatives and privileges, whereas objective rights are granted to an individual by a certain legal or social framework. In case of, for example, an objective wrong act, and the agent being blamed for that particular act, he will have recourse to one of the three possible responses; “I did not know”, “I meant well”, and “I could not do otherwise” (Olson, 2003 P107). These excusing conditions will be discussed in the ensuing discussion.

### 2.1.2 Legal responsibility

Legal responsibility – often equated to liability in law terms – is defined as formal, institutionalized imposts, sanctions, and penalties, which are characteristic of legal systems but

not of morality (Cane, 2002 p.1-2). A person is legally responsible for something when he is liable to be penalized in the legal system. Although it is quite possible that a person is morally responsible for an action, he or she may also be legally responsible for it. However the two states do not always coincide.

Discussing morality and legal responsibility, Hart, (1968) asserts that legal responsibility should be understood in different terms to moral judgment. The law is not there to punish in proportion to blameworthiness or wickedness. Instead, the law provides people who are competent to choose with reasons to act in socially responsible ways. However, legal and moral responsibilities are neither mutually exclusive concept. The noticeable point, that most writers endorse, is that legal and moral responsibility often overlap. Nonetheless, these responsibilities diverge in certain situations. In idealistic condition, there will be a systematic convergence, so that the law will endorse moral principles (Williams, 2009). Hart's version of legal responsibility takes on consequentialist/empiricist approach. However, he emphasizes that his account does not apply to moral judgments, about which his views seem to be closer to that of Kant.

## ***2.2 Temporal classification of responsibility***

In this classification we can distinguish two kinds of responsibility; active (or prospective) responsibility and passive (or retrospective) responsibility. Prospective responsibility is a responsibility before something has happened i.e. blameworthiness for future actions. A person that is actively responsible is expected to act so that undesired consequences are avoided as much as possible. Retrospective responsibility is applicable after something undesirable has happened i.e. blameworthiness for past actions. So, if one is passively responsible, he or she needs to be able to justify his or her actions (Fahlquist, 2008; Vedder, 2001).

### ***2.3 Causational classification of responsibility***

Sometimes responsibility is distinguished on the bases of ‘cause’; hence causal and consequential responsibility. Causal responsibility is an ingredient in both moral and legal responsibility. It reflects who or what is responsible for making something happen or avoiding something from happening. Consequential responsibility on the other side reflects who gets the blame or credit for the occurrence of some state of affairs. Consequential responsibility can only be assigned to a person, a role or an organization – automated components cannot be blamed. The holder of a consequential responsibility may assign the associated causal responsibility or responsibilities to some other actor or component in the system (Sommerville, 2007).

In addition to that, for an action to be a moral action, it must be done knowingly and willingly. For instance, though I am causally responsible for things I do in my sleep, I am not morally responsible for them. Actions I do in my sleep are neither moral nor immoral. When we say that one is morally responsible for an action, then, we mean,

- that he did the action (i.e., he is the cause of the result of the action),
- that he did the action knowingly, and
- that he did the action willingly (DeGeorge, 2010)

In the proceeding section I discuss in detail the excusing conditions of responsibility.

### ***2.4 Excusing conditions from moral responsibility***

According to DeGeorge, (2010) there are three possible reasons for preclusion from moral responsibility. These include restrained possibility of action, diminishing required knowledge, and diminishing required freedom. He explains each of the precluding condition in the following way:

#### **2.4.1 *Restrained Possibility of Action***

We are excused from moral responsibility if:

- (a) the action in question is an impossible one to perform,
- (b) we do not have the ability required in the given case,
- (c) the opportunity for our performing the action is absent,
- (d) the circumstances are beyond our control.

#### 2.4.2 Diminishing Required Knowledge

We are excused from moral responsibility due to:

- a) excusable ignorance : Lack of knowledge is excusable if through no fault of our own, we did not know the circumstances or the consequences,
- b) invincible ignorance: The impossibility to acquire the requisite knowledge.

#### 2.4.3 Diminishing Required Freedom

we are excused from moral responsibility due to:

- (a) the absence of alternatives,
- (b) lack of control,
- (c) external coercion,
- (d) Internal coercion.

This sums up my discussion on individual responsibility, and I move the debate towards corporate responsibility in the following section.

### **3. The moral responsibility of business and corporations**

Corporations are not human beings, but they need them to live and exist. They are constituted of human beings. In 1819, Chief Justice Marshall, in a legal petition, defined it as:

“A corporation is an artificial being, invisible, intangible, and existing only in contemplation of law. Being the mere creature of law, it possesses only those properties which the charter of creation confers upon it, either expressly, or as incidental to its very existence. These are such as are supposed best calculated to effect the object for which it was created” (DeGeorge, 2010). Thus by definition corporations do have legal responsibilities.

But do they have moral responsibilities as well? This is a much more complicated question to answer, the reason being the fact that they are not human beings. And as they are human beings they cannot be not be a 'moral persons', and thus cannot be 'ends' in themselves.

Since the moral status of corporations is different from the moral status of human beings, their moral obligations are different from the moral obligations of human beings. The difference hinges on the fact that corporations are limited and organized for only certain pre-defined purposes. All organizations, even the most powerful ones, exist for a purpose. They are not ends in themselves. Moreover, the fact that a corporation does exist, and has been established for certain purposes is no guarantee that it should exist or that its objectives are morally justifiable. Although we can morally evaluate the ends for which corporations are formed and the means by which those ends are pursued, corporations are not bound by the moral rules that bind natural persons (DeGeorge, 2010; Wilmot, 2001). Consequently in this debate the role of 'ends' or purpose of corporations becomes extremely important.

There is no general agreement about the purpose of business nor who has legitimate claims on it (Josie, 2004). Two competing views of the role of business in society are found in literature: the classical (or free market view), and the socioeconomic view (see Robbins et al., 2000; Schermerhom, 2002). According to the first view, the responsibility of business is to maximize profits while complying to law, and respecting social norms. This view represents a minimalist approach to social responsibility of business. The socioeconomic view asserts that business has obligations that go beyond pursuing profits, and include protecting, serving and improving the society. Moreover, corporations are not independent entities responsible only to their stockholders, and they have a moral responsibility to larger society. The reason society can make demands on business is that business functions by public consent and its purpose is to serve society (Josie, 2004; Robbins et al., 2000). "We can expect organizations to be socially responsible because that is part of the contract out of which they were created, a

condition of the permission that society granted that they exist in the first place" (Kitson and Campbell, 1996 p. 98).

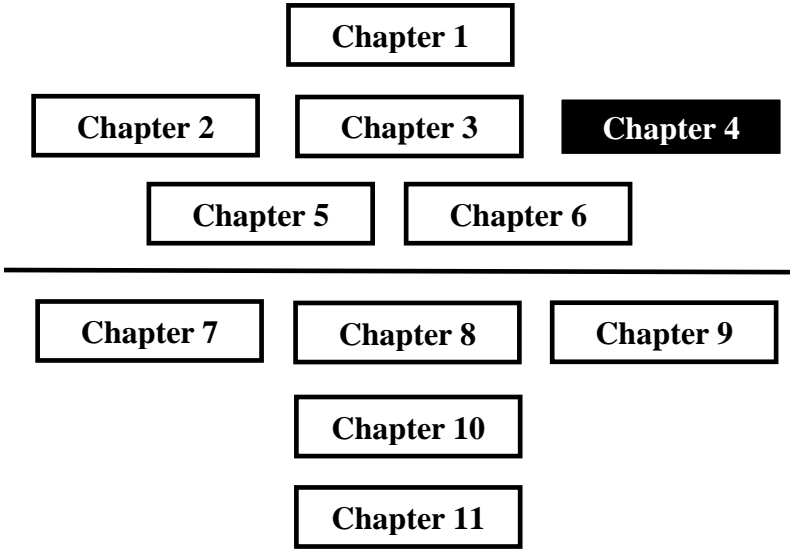
The debate over the moral responsibility of corporations is decades old and ongoing. Summing up the above discussion, it can be said that corporations have moral responsibilities, and are thus moral actors. They are neither a full person nor a complete non-person. Insofar as they act purposely, they can be held morally responsible for their actions. DeGeorge, (2010) narrate four general obligations of corporations and businesses in a system of free enterprise. See table 3. These obligations – stemming from the nature of the corporation, society, and the implicit agreement between the two – can be defended as ethical principles by both a utilitarian and a deontological approach:

**Table 3**  
**General obligations of corporations and businesses**

The obligation to “Do no harm”,
The obligation to respect the freedom and the values of the free-enterprise system, in which the corporation is founded.
The general obligation to be fair in the transactions in which it engages.
The general obligation to live up to the contracts into which one enters freely

Adapted from (DeGeorge, 2010)

# *Corporate responsibility – theory and practice*



## **1. Introduction**

Corporate Social Responsibility (CSR) stays to date a broad, complex and continually evolving concept that encompasses a variety of ideas and practices. It has also been described as ambiguous, subjective, unclear, amorphous and highly intangible concept (Cramer et al., 2004; Sweeney and Coughlan, 2008). For decades, scholars have focused primarily on the definition and ethical foundation of CSR-related concepts (Windsor, 2006). Therefore it is not surprising that the field of CSR comprises a host of theoretical approaches and terminologies. Consequently the construct of CSR, represented historically by a number of terms (Carroll, 2008; de Bakker et al., 2005), is defined in profuse manners. Additionally, it is interpreted in a variety of ways ranging from voluntary practices that depend on corporate discretion to moral obligations and binding activities to social expectations (Maon et al., 2010). Furthermore, the conceptualizations of CSR differ in their identification of the groups towards which the organization should be responsible – shareholders (e.g. Friedman, 1970), internal stakeholders (e.g. Drucker, 1984), specific internal and external stakeholders (e.g. CSR, Europe 2003) or society at large (e.g. Davis, 1960). Then again this is not surprising as CSR is essentially a social construct and hence completely unanimous and unbiased definition may not be practically possible or even desirable.

However, the core of CSR can be found in the three key words of the term: ‘corporate,’ ‘social,’ and ‘responsibility’. Therefore, largely speaking, CSR envelops the responsibilities business has to societies within which it exists and operates. Notably, the responsibility of not doing anything deliberately against the values and expectations of the society. And if it does so, it compensates for its undesirable acts and takes steps to avoid a future clash with the societal expectations. As stated above, a universally agreed upon description of CSR may be unlikely to achieve, but we can study the various definitions and analyze the differences and



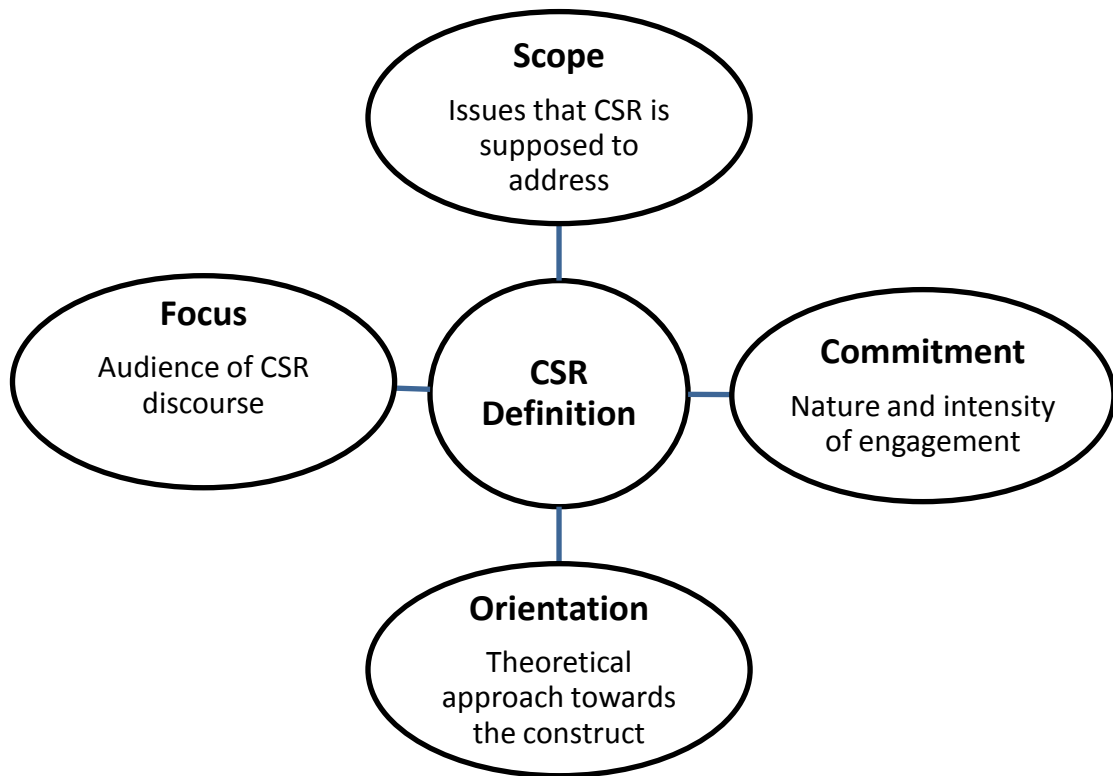
similarities. Based on the classification of CSR theories proposed by Garriga and Melé, (2004), Maon et al., (2010) differentiate CSR definitions on the following three grounds:

- The nature of CSR commitments,
- The theoretical approach and,
- The focus of CSR commitments.

Nature of CSR commitments, range from voluntary practices that depend on corporate discretion to moral obligations and binding activities that respond to societal expectations. Focus of CSR commitments means the groups towards which the organization should be responsible – shareholders, groups of stakeholders, or society at large. Last, the theoretical orientation of the definition i.e. instrumental, political, integrative and ethical. Dahlsrud, (2006) uncovers a number of common themes of CSR through a content analysis of existing CSR definitions from 1980 to 2003. His thematic analysis of CSR definitions yields five major themes, i.e. natural and environmental aspect, social aspect, economic and financial aspect, stakeholder aspect, and voluntary aspect. Building on the works of (Dahlsrud 2006) and (Maon et al., 2010), I propose a four dimensional schema of classifying CSR definitions based on ‘Scope’, ‘Focus’, ‘Commitment’ and ‘Orientation’ of CSR definition. See figure 2. Scope defines the broad issues that CSR is supposed to address, focus identifies the audiences or groups of CSR discourse, commitments describe the nature and intensity of engagement (of the firm) in CSR adoption, and orientation labels the theoretical approach towards the construct. Table 4 offers a temporal illustration of selected key definitions with their main features (i.e. Scope, Focus, Commitment and Orientation).

**Figure 2**

**Four dimensional schema of classifying CSR definitions**



(Author, 2012)

**Table 4**

**Temporal illustration of selected key CSR definitions / p.1**

Proposed by	Timeline	Source	Key term used	Definition	Scope	Focus of attention	Nature of Commitment	Theoretical Orientation
Bowen	1953	(Maon et al., 2010)	Social responsibilities of businessmen	'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'	Social	Society at large	Moral Obligation	Ethical
Davis	1960	(Maon et al., 2010)	Social responsibilities of businessmen	'businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest . . . Social responsibilities of businessmen need to be commensurate with their social power'	Social	Society at large	Discretion	Political
Friedman	1970	(Maon et al., 2010)	Social responsibilities of business	'to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud'	Economic	Shareholders	Moral obligation	Instrumental
Carroll	1979	(Maon et al., 2010)	Social responsibilities of business	'encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time'	Social, Economic, voluntariness,	Society at large	Moral obligation	Integrative
Drucker	1984	(Maon et al., 2010)	Social responsibilities of business	'to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth'	Economic, Social	Internal Stakeholders	Discretion	Instrumental
McWilliams and Siegel	2001	(Dahlsrud, 2006)	Corporate Social Responsibility	'actions taken by a firm that are intended to further social welfare beyond the direct economic, technical, and legal interests of the firm, such as providing child care for employees, giving to charity, or pursuing environmentally friendly practices'	Social	Society at large	Discretion	Integrative

**Table 4**

**Temporal illustration of selected key CSR definitions / p.2**

Proposed by	Timeline	Source	Key term used	Definition	Scope	Focus of attention	Nature of Commitment	Theoretical Orientation
Jensen	2001	(Strating, 2007)	Social responsibility	'in the absence of monopoly or externalities, the only social responsibility of firms is the long-term maximisation of the value of the firm'	Economic	Shareholders	Discretion	Instrumental
CSR Europe	2003	(Maon et al., 2010)	Corporate Social Responsibility	'the way in which a company manages and improves its social and environmental impact to generate value for both its shareholders and its stakeholders by innovating its strategy, organization and operations'	Social, Environmental, Stakeholders	Stakeholders	Discretion	Integrative
Waddock and Bodwell	2004	(Aguilera et al., 2007)	Corporate Social Responsibility	'as the way in which a company's operating practices (policies, processes, and procedures) affect its stakeholders and the natural environment'	Stakeholders, Environment	Stakeholders and natural environment	Discretion	Integrative
Kotler and Lee	2005	(Maon et al., 2010)	Corporate Social Responsibility	'a commitment to improve community well-being through discretionary business practices and contributions of corporate resources'	Economic, Social	Society at large	Discretion	Integrative
(Maon et al., 2010)	2010	(Maon et al., 2010)	Corporate Social Responsibility	'a stakeholder oriented construct which concerns the voluntary commitments of an organization pertaining to issues extending inside and beyond the boundaries of that organization and that are driven by the organization's understanding and acknowledgement of its moral responsibilities regarding the impacts of its activities and processes on society'	Stakeholders, Voluntariness, Social	Stakeholders	Moral Obligation	Integrative

(Author, 2012)

We can see in the table above that CSR definitions are describing the CSR construct from different perspectives. As CSR is essentially a social construct, therefore it may not be possible to have a unanimously agreed definition. In addition to that, we can also observe that CSR definitions – despite the difference of phrases and terms employed – seems to come closer to each other with the passage of time. This, however, is not necessarily an issue. The real issue is that these definitions do not present formal guidelines on how to manage the challenges that lie within this construct. Hence, the defy for business communities and academics is not so much to define CSR, as it is to understand how the notion of responsibility is being socially constructed, and how to integrate it when business objectives and strategies are developed.

## **2. The CSR theories and their classifications**

The field of CSR studies comprises profuse approaches, theories and terminologies that are diverse, ambiguous and often complex (Cramer et al., 2004; Garriga and Melé 2004). Because of the diversity of approaches and heterogeneity of theories, common themes in CSR conceptualization and operationalization are not readily discernible. This is not actually a new problem. In fact some 40 years ago Votaw wrote:

“Corporate social responsibility means something, but not always the same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense; to still others, the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behavior on businessmen than on citizens at large" (Votaw, 1972, p. 25).

Several attempts [see (Klonoski 1991), (Pasquero, 2000), (Garriga and Mele, 2004), (Windsor, 2006), (Secchi, 2007)] have been made to address this deficiency since the initial work of Preston, (1975). In this section, we limit our discussion to three most recent and relatively well-known analyses i.e. Garriga and Mele, (2004), Windsor, (2006), and Secchi, (2007).

### ***2.1 Classification of Garriga and Melé (2004)***

Garriga and Melé, (2004) build their analysis on the hypothesis that the relevant CSR theories and related approaches are focused on one of the following aspects of social reality: economics, politics, social integration and ethics. This is based on the assumption that, according to Parsons (1961), four elements can be observed in any social system: adaptation to the environment, goal attainment, social integration and pattern maintenance or latency.

Further they categorize CSR related theoretical conceptualizations into following four groups:

- Instrumental Approaches,
- Political Approaches,
- Integrative Approaches and,
- Ethical approaches.

The instrumental approach regards CSR as a direct or indirect means to a specific end i.e. profits. It is assumed that the corporation is an instrument for wealth creation and that this is its sole social responsibility. Only the economic aspect of the interactions between business and society is considered. So any supposed social activity is accepted if, and only if, it is consistent with wealth creation. In political theories come the approaches whereby the social power of corporation is emphasized, specifically in its relationship with society, and its responsibility in the political arena associated with this power. This leads the corporation to accept social duties and rights, or participate in certain social cooperation. The third group –

integrative approaches - includes theories which assert that organizations should integrate social demands in their objectives and operations, because they depend on society for their continuity, growth and existence. Finally, ethical theories understand the relationship between business and society as embedded with ethical values; therefore, organizations should adopt social responsibility as an ethical obligation, above other considerations (Maon et al., 2010).

## ***2.2 Classification of Windsor (2006)***

The second article in my analysis, i.e. Windsor, (2006) classifies CSR thought streams primarily in following three groups:

- Ethical approaches,
- Economic approaches and,
- Citizenship approaches.

Ethical responsibility approach advocates strong corporate self-restraint and altruism duties and expansive public policy strengthening stakeholder rights. Economic responsibility approach advocates market wealth creation subject only to minimalist public policy and perhaps customary business ethics. Ethical and economic approaches, Windsor, (2006) asserts, represent mutually exclusive viewpoints. Last, the citizenship metaphor envisions typically multinational enterprises operating across multiple legal jurisdictions and managers focus on strategically building political influence and corporate reputation. The citizenship metaphor is not parallel conceptually with the two theoretical approaches or historically grounded. A satisfactory theoretical synthesis – Windsor (2006) calls it the Ideal Citizenship – must place profitable business in a moral framework acceptable to utilitarianism-based economics and broader ethical notions of duties, rights, and just consequences. It should restate ethical responsibility into voluntarism language intended to influence managerial discretion concerning universal human rights. A brief review of above studies reveals considerable similarities in their conceptualizations of CSR.

On the one hand, the instrumental approach of Garriga and Mele, (2004) – achieving economic objectives through social activities – , and economic approach of Windsor (2006) – market wealth creation subject to minimalist public policy – , convey more or less the same theme and thus can be bracketed together. On the other hand, the ethical theories of Garriga and Mele, (2004) and Windsor, (2006) both focus on corporate self-restraint and ethical obligations of the corporation. The Ideal Citizenship concept of Windsor, (2006) lies somewhere between the political and integrative approaches of Garriga and Mele, (2004). This sums up our analysis of first two studies and leads to the third study in our analysis.

### ***2.3 Classification of Secchi (2007)***

Secchi, (2007) criticized the study of Garriga and Mele, (2004) on two grounds. First, the distinction between theories from the political and the instrumental groups may not be mutually exclusive. The case, for example, where a corporation employs its political power to maximize profits, can fall in both categories. The second problem concerns the limits of their study as they included only those studies in the analyses that refer directly to ‘social responsibility, thus forgoing other multidisciplinary approaches. Secchi, (2007) has come up with a grouping of theories based on how they define relations between corporations and society and, more specifically, where responsibility is allocated. His classification of theories goes beyond the traditional disciplinary boundaries of CSR. Secchi, (2007) classifies the approaches in three groups:

- The utilitarian approaches,
- The managerial approaches, and
- The relational approaches.

The utilitarian approaches consider the enterprise as part of a wider economic system, in which the corporation is intended as a profit maximizing mechanism, and whereby problems of externalities and social costs emerge. This stream of thought is fundamentally neoclassical



in origin. The managerial approaches are composed of theories that have tried to re-evaluate the role of the corporation, putting it at the core of their analysis. It is a kind of counter-proposal if compared with models of the first group, where the core encompasses the whole system. The relational approaches refer to theories that consider relationships between the corporation and society first and foremost. From this perspective, the firm loses its central role and starts being an interactive part of the economic system, thus the term relational referring to the attempt to open managerial and utilitarian studies. Secchi, (2007) suggests that relational theories of CSR have captured the attention of scholars recently, and new concepts and perspectives seem to come under this third perspective. Table 5 summarizes the theoretical approaches found in the three research works.

**Table 5**

**Classification of CSR Approaches**

(Author, 2012)

<b>Classification of CSR Approaches</b>			
<b>Author</b>	<b>Classification</b>	<b>Focal point</b>	<b>Relevant Theories / Concepts</b>
G M a e r l r e i g ( ) a 2 0 a 0 n 4 d )	Instrumental Approaches	Achievement of economic objectives through social activities	Shareholder value maximization Competitive advantage Cause - related marketing
	Political Approaches	Responsible use of business power in the political arena.	Corporate constitutionalism Integrative Social Contract Theory Corporate citizenship
	Integrative Approaches	Integration of social demands in business operations	Issue management Public responsibility Stakeholder management Corporate social performance
	Ethical Approaches	Right thing to achieve a good society	Stakeholder normative theory Universal rights Sustainable development The common good
W i ( ) 2 n 0 d 0 s 0 o 6 r )	Economic Approaches	Wealth creation subject to minimalist public policy and business ethics	Fiduciary responsibility Shareholder rights Minimalist public policy
	Corporate Citizenship Approaches	Limiting moral duties to firms' strategic issues	Corporate governance Stakeholder rights Corporate image
	Ethical Approaches	Corporate self-restraint and altruism duties, and expansive public policy	Morality and social justice Expansive public policy Corporate altruism
S ( ) e 2 c 0 c 0 h 7 i )	Utilitarian Approaches	Profit maximisation, and management of externalities and social costs	Theories of social cost Functionalism
	Managerial Approaches	Evaluating the role of the corporations with firm being the center of analysis	Corporate Social performance Social accountability and reporting Social responsibility of multinationals
	Relational Approaches	Relationships between the corporation / business and the society	Stakeholder approach Business and society Corporate global citizenship Social contract theory

### **3. Popularity of CSR**

Corporate social responsibility is rather a new concept and, it has been progressively developed through several pioneering studies. Most scholars consider Howard Bowen's *Social Responsibilities of the Businessman* (1953) as the first attempt to theorize the relationship between corporations and society (Carroll, 1979). The following section is dedicated to rise and popularity of CSR in academia. The subsequent two sections brief the popularity of CSR in business community and popular media.

#### ***3.1 Popularity of CSR in Academia***

In the following sub-sections I discuss the evolution and the popularity of CSR in academia.

##### **3.1.1 Inception of CSR**

Inspired by the Christian ethics, Bowen conceived CSR as a part of his broader vision of a better society where economic and social goals strengthen each other. He contends that businesses – with their huge influence and the extensive scope – must assume social responsibilities. The questions are:

- a) 'What are their responsibilities?', and
- b) 'How social mechanisms could be used to promote CSR'.

He further argued that institutional changes in the first half of the twentieth century forced, persuaded and made it easier and favorable for corporate managers to be concerned about their social responsibilities (Lee, 2008). The two decades following Bowen's publication were characterized by sour controversies over the theoretical legitimacy and validity of CSR (Wartick and Cochran, 1985). On the one hand, many researchers accepted Bowen's assumption of corporate responsibility to society and moved forward to address the questions regarding the content and process of CSR adoption. On the other hand were the opponents of CSR who criticized it heavily and challenged its theoretical validity. The most well-known

criticism to CSR was that of Milton Friedman. He argued that the social responsibility of a corporation is to make profits for its shareholders, and declared CSR a ‘bunk’ jeopardizing the foundations of free enterprise society (Friedman, 1962). In spite of the dynamic interactions between the two schools of thought, little theoretical advancement was achieved beyond what Bowen had already laid down (Preston, 1975).

The breakthrough in theoretical development came with the publication of ‘A New Rationale for Corporate Social Policy’ by Wallich and McGowan in 1970. They reshaped the debate by providing a wider lens to examine the issue, and by searching a rapprochement between the social and economic interests of corporations. The authors maintained that for CSR to be less controversial, it needed to be in line with shareholder interests without losing its spirit. They suggested that as most shareholders owned portfolio of shares to spread their investments risk, therefore, they were not necessarily interested in maximization of profit in just one company. Instead shareholders preferred to achieve social optimization through joint profit maximization, and would want to spread social expenditures evenly over all firms to the point where marginal cost equals marginal appropriable benefits (Wallich and McGowan, 1970). The ‘*new rationale*’ or ‘*Enlightened self-interest*’ demonstrated that it was in the long-term interest of the shareholders that corporations be socially responsible and care for the environment in which they exist. The ensuing research on CSR pivoted from normative to instrumental and positive with most of the studies focusing on the content and the implementation process of CSR that did not conflict shareholder interest (Ackerman 1973; Fitch 1976).

### 3.1.2 Carol’s 3-dimensional model of CSR

However, the enlightened self-interest was more of a concept than a well developed theory, pointing to a new direction, but offering little theoretical framework. Carroll, (1979) presented his three-dimensional conceptual model of corporate social performance (CSP) that gained

immense popularity. This model was further developed by others (see for example Wartick and Cochran, 1985). The main content in Carroll's three-dimensional model is the integration of three dimensions in Corporate Social Performance (CSP), which are:

- Definition of social responsibility i.e. does responsibility go beyond economic and legal requirements?
- Enumeration of issues for which a social responsibility exists i.e. what are the social areas - environment, consumer rights, discrimination, and
- Social responsiveness i.e. the intensity and type of responses.

He further categorizes the nature of Corporate Social Responsibility initiative or response into four groups:

- a) Economic responsibilities
- b) Legal responsibilities
- c) Ethical responsibilities
- d) Discretionary responsibilities

Carroll sees the 'first and foremost social responsibility of businesses in the production and sale of goods and services, and the generation of profits. According to Carroll all of the subsequent responsibilities are directly related, and subordinate to this. Legal responsibilities mean that businesses are expected to adhere to societies' laws and regulations, since legal systems provide the institutional framework businesses need to operate. Ethical responsibilities represent a wider set of social norms of acceptable behavior over and above the mere legal minimum. While, discretionary or philanthropic responsibilities cover voluntary activities which exceed society's minimum expectations such as charitable donations or social programs run by companies.

The most important contribution of the model is that it does not treat the economic and social goals of corporations as incompatible trade-offs. Rather, both corporate objectives are

integrated into the framework of total social responsibility of business which includes economic, legal, ethical and discretionary categories. The magnitude of each category can differ in that economic responsibility may carry more weight than ethical responsibility, but each category of responsibilities is an integral part of a corporation's total social responsibility. Nonetheless, the CSP model had its shortcomings, most notably its inability to lend itself for measurement and testing thus limiting seriously its practical implementation (Lee, 2008).

### 3.1.3 CSR and Stakeholder theory

The stakeholder model solved this problem of empirical testing by more narrowly identifying the actors and defining their positions and function in relation to one another. Freeman (1984) is credited for presenting the stakeholder theory, and his definition of stakeholders – arguably the most popular definition cited in the literature. He proposes that stakeholders are “any group or individual who can affect or is affected by the achievement of a corporation's purpose” (Sweeney and Coughlan, 2008). Clarkson, (1995), and Jones, (1995) first applied stakeholder theory to the field of CSR in 1995, and since then stakeholder approach of CSR has taken central place in CSR research. The stakeholder approach of CSR values firm's responsibility toward its various stakeholders, and endeavors to operate in an economically, socially and environmentally sustainable manner while balancing the interests of stakeholders. The approach envisages firm's purpose as long-term survival by maintaining a relationship with its diverse stakeholders hence doing away with economic vs. social objectives debate. The strengths of this approach lie not only in fact that it leaves the controversy of organizational objective but also the fact it enlarges the scope of CSR by adding diverse stakeholders in the concept.

Kotler and Lee, (2005) developed an elaborate framework explaining why charitable activities are good for business from a marketing perspective. They furthered the debate on

CSR by contending that there is no longer a conceptual break separating corporations' social and economic performance. The concept of CSR is stretched and applied to 'all the activities a company engages in while doing business' as well as the competitive context of the company (Porter and Kramer, 2006). Consequently, at least in theory, CSR has significant implications for a firm's financial performance. CSR is no longer conceived as a moral 'responsibility' of corporate managers for greater social good or executives' discretionary expenditure that could hamper a corporation's profitability, but as strategic resources to be used to improve the bottom line performance of the corporation (McWilliams et al., 2006). Rationalization of CSR and the convergence between CSR and corporate performance

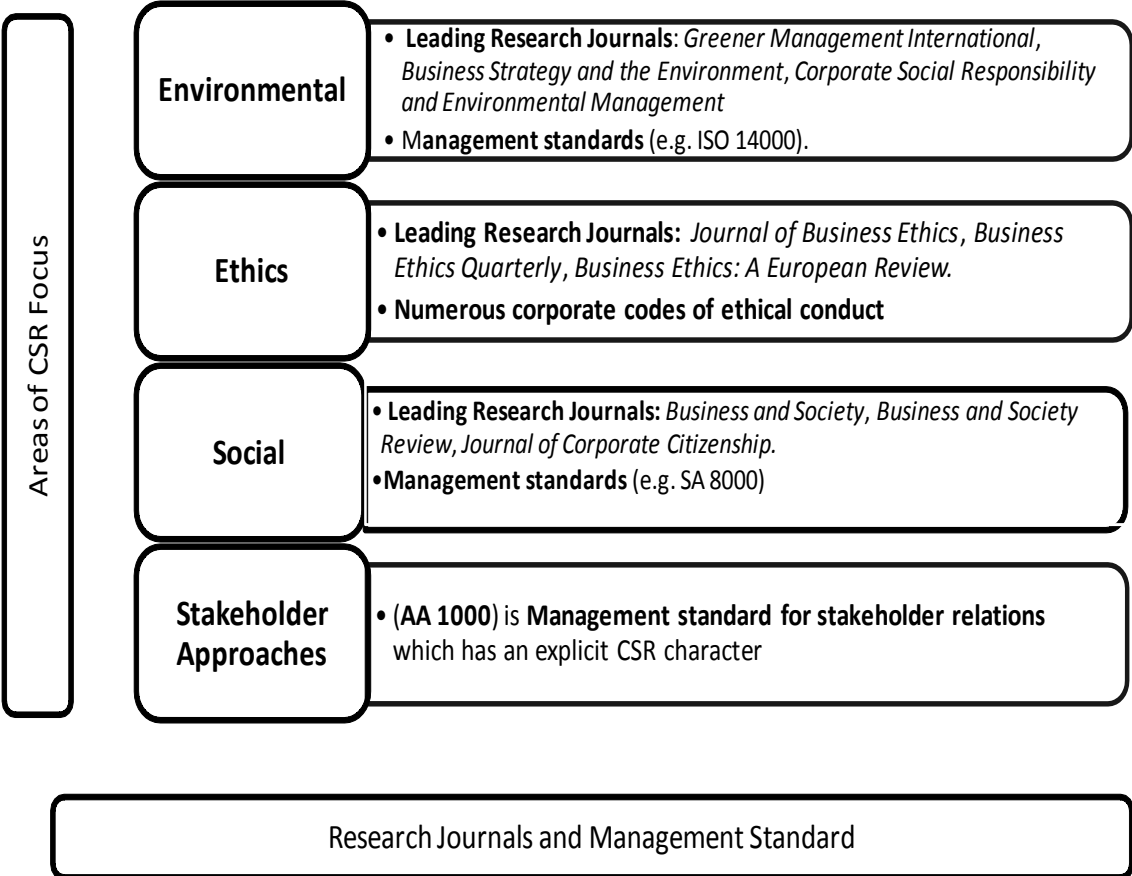
Have made the concept of CSR much more attractive to corporate managers at all levels, and have helped the diffusion of CSR among corporate actors (Vogel, 2006). It was only two decades ago that managers felt CSR did not mesh well with overall corporate goals and values (Ackerman, 1973).

#### 3.1.4 CSR in academic journals

The discipline of management is not short of faddy ideas that came and disappeared like seasonal fashions, however the term CSR or at least the notion that this term entails, appears to keep to the test of time (Isenman, et al., 2007; Marshal and Brown, 2003). The acknowledgment of this field of study is manifested by an increasing overall profile in management journals, specific CSR literature, and distinctive standards (See Table 6) (Lockett et al., 2006). Over the years the construct has been progressively rationalized and became associated with broader organizational goals such as reputation and stakeholder management. The Rationalization of CSR entails two broad shifts in the conceptualization of CSR. First, in terms of the level of analysis, researchers have gradually moved from the discussion of macro-social effects of CSR to organizational-level analysis of CSR's impact on financial performance. Secondly, in terms of theoretical orientation, researchers have moved

from explicitly normative and ethics oriented studies to implicitly normative and performance-oriented studies (Lee, 2008). See figure 3.

**Table 6**  
**CSR profile in management journals**

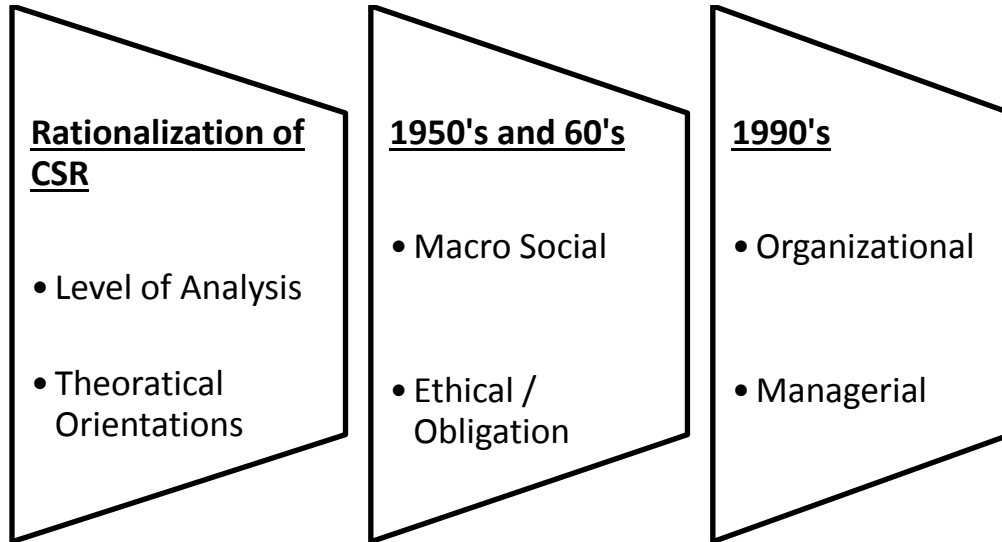


(Adapted from Lockett et al., 2006)



**Figure 3**

**Shifts in the conceptualization of CSR**



(Adapted from Lee, 2008)

Nonetheless, CSR still remains a as a field of study within management rather than as a discipline. Disciplines are conventionally understood as ‘branches’ or ‘departments’ of knowledge. These can be identified with reference to their *theoretically* or *methodologically* distinctive approaches to study. Thus one can distinguish economics (assumption of instrumental rational calculation, deployment of cost-benefit analysis), from philosophy (assumption of such norms as justice and good life and deployment of logic and other forms of reasoning). A wider, or more relaxed, definition of a discipline would admit approaches that are substantively distinctive and systematic. Management can be designated a discipline in ‘*substantive*’ terms and in its ‘*systematic*’ focus on the nature and operation of organizations. CSR does not meet even the relaxed definition of a substantive discipline and therefore is better described as a field of study within broader management discipline (Lockett et al., 2006). Off course the CSR is continuously evolving, and the debate about the nature of CSR knowledge continues.

### 3.1.5 Focus of CSR in academic journals

Several studies (see for example Egri and Ralston, 2008; Lockett et al., 2006) have been carried out to enumerate the focus of CSR research. Lockett et al. (2006) examined the prevalence and content of CSR articles in ten management journals from 1992 to 2002. Based on their analysis, they concluded that CSR knowledge remains in a continuing state of emergence with considerable heterogeneity in research focus. They delineated four areas of focus for CSR research: ‘business ethics’, ‘environmental responsibility’, ‘social responsibility’ and ‘stakeholder approaches’. However, bulk of the research published in management journals has concentrated on environmental concerns (36%) and ethical issues (31%). See table 7 in annexure A for details.

Egri and Ralston, (2008) conducted a similar study to assess the extent to which corporate responsibility topics have been addressed in international management journals. They found that 6.9% of the total number of articles (321 of 4671) published during the 1998–2007 period have focused on corporate responsibility topics. Concerning areas of research focus, Lockett et al., (2006) used separate categories for ‘social’ and ‘stakeholders’ whereas, Egri and Ralston (2008) combined them into one category calling it CSR. In addition to that, they added ‘governance’ as a new category in their research. Hence four areas of focus outlined included; ‘environmental issues’, ‘ethical issues’, ‘CSR’ and ‘governance’. With respect to frequency of themes, there was a higher proportion of ethics’ articles (37%), than governance related articles (25%) followed by environmental (19%) and CSR (18%) articles. see table 8A and 8B in annexure A for details. A comparative analysis of the mentioned studies is presented in table 9 below:

**Table 9**

**Comparative analysis of CSR themes**

CSR Themes in the Research Papers in International Journals

<b>Themes</b>	<b>Lockett et al., 2006</b>
Environmental Issues	36%
Ethical Issues	31%
Social Responsibility	15%
Stakeholder approach	18%

<b>Themes</b>	<b>Egri and Ralston, 2008</b>
Environmental Issues	19%
Ethical Issues	37%
CSR Issues	18%
Governance issues	25%

(Author, 2012)

These results differ in a few ways from those of Lockett et al. (2006) who examined CSR research in primarily U.S.-based management journals during the 1992–2002 period. Specifically, Lockett et al., (2006) observed that environmental, and ethics topics were more prevalent than social and stakeholder topics. Similar to Lockett et al., (2006), they also found a higher prevalence of ethics topics, with CSR topics (CSR and stakeholder put together) being relatively less prevalent. Lastly, the large majority (75%) of corporate responsibility articles in international management journals were empirical studies whereas only 25% were theoretical. Of the 242 empirical articles, survey methodologies (51%) dominate, followed by case studies (30%), with relatively few articles based on database research (11%) and content analyses (7%). These results show that the focus of CR empirical research in international management journals has been predominantly quantitative analyses of primary data. See table 10 in annexure A for details.

### ***3.2 Popularity of CSR in business***

Social changes usually occur gradually over a long period of time. Therefore it is not easy to pin point exactly when a certain social change took place in history. Nonetheless 1950's can be credited for an engaging idea that business owes to society beyond profit making. Howard Bowen's 'the social responsibilities of businessmen' published in 1953 anchored in academia in a debate, which eventually lead to the development of an entirely new field in management i.e. corporate social responsibility. Bowen contended social responsibility as a guiding principle for conducting business. The period of 1950's was more 'talk' than 'action' with respect to CSR as very few corporate actions, beyond philanthropy were initiated. Even until the late 1970s, CSR was addressed quit superficially by the business community (Blowfield and Murray, 2008; Crane et al. 2008). By the late 1990s however, the idea of CSR became almost universally sanctioned and promoted by all constituents in society from governments and corporations to nongovernmental organizations and individual consumers. Most of the major international organizations such as the United Nations, World Bank, Organization of Economic Co-operation Organization not only endorse CSR, but have also established guidelines and permanently staffed divisions to research and promote CSR (Crane et al. 2008; Lee, 2008).

In 1977, less than half the Fortune 500 firms even mentioned CSR in their annual reports. The global survey from KPMG (2008a) reveals that disclosure on corporate economic, environmental and social performance has become the norm among larger companies globally. Now, over 80 per cent of Global Fortune 250 companies (G250) disclose their sustainability performance – either in separate CSR reports or integrated in their financial reports – “sustainability” or “corporate responsibility” reports, a phenomenal increase of 30% since 2005. The stakeholders are increasingly interested in knowing corporations' social and environmental performance in addition to the customary financial performance. They

recognize that environmental and social factors contribute the long-term financial performance. Resultantly, the ability of companies to communicate its activities and performance effectively with its stakeholders is ever more important its' legitimacy, survival and growth.

CSR has grown to a field with increasing relevance for companies and capital markets, even in the eyes of investors (Isenman *et al.*, 2007). The 2007 report on socially responsible investing trends in the US shows a clear surge in socially screened funds (see figure 4 in Annexure A). Financial analysts and rating agencies increasingly consider sustainability practices such as climate change and social responsibility strategies when valuing and rating public companies (Ernst & Young, 2010b). KPMG, (2008b) lists down a numbers of advantages of CSR/sustainability reporting to companies, ranging from short-term gains to long-term value creations. **Table 11** lists down these potential advantages.

**Table 11**

**Potential advantages of CSR/sustainability reporting.**

- Demonstrating of transparency
- Creating Financial value
- Enhancing company reputation
- Achieving continuous improvement
- Improving regulatory compliance
- Strengthening risk management
- Encouraging innovation
- Enhancing management systems
- Motivating employees
- Attracting long-term capital
- Maintaining license to operate
- Establishing competitive advantage

Adapted from (KPMG, 2008b).

***3.3 Popularity of CSR in public media***

The coverage of both sustainability and corporate social responsibility has risen significantly in public media throughout the globe since 1990. This increase seems to be of an incremental nature, rather than distinctly associated with a certain number of events. The heightened media coverage manifests an increased interest and sustained concern of public for sustainability and CSR related issues (Barkemeyer et al. 2009). Banerjee et al., (2003) identify ‘public concern’ as one of three key actors external to the company affecting the extent and nature of ‘corporate environmentalism’, besides ‘regulatory forces’ and ‘competitive advantage’. In addition, both of the latter in turn can be affected by the level of public concern. Thus increased media coverage – represented by sustained public concern – has significant repercussions for corporations and businesses.

Although coverage of sustainability as well as CSR as has dramatically increased over the years, both the terms do not enjoy the same level of public awareness. The more general terms like ‘sustainability’ and ‘sustainable development’ continue to gain popularity in mass media, while business specific terms remain marginal on comparison. This does not come as a surprise as these concepts are narrower in scope and refer only to corporations as one specific actor in the macro field of sustainability. Additionally, among the business specific terms - like CSR, business ethics, corporate sustainability, corporate citizenship, corporate accountability, and triple bottom line - corporate social responsibility has become the most widespread of the concepts referring to the role of business towards society, while business ethics takes the number two position. However, the frequency business ethics is slightly declining in comparison to CSR. While the other concepts, including corporate citizenship, do not seem to have evoked a significant level of usage (and awareness) in the media, and thus remain confined to the academic niche (Barkemeyer et al., 2009). This provides the logic for choosing CSR to represent ethics and morality in business context, in this thesis. see figure 5, 6, and 7 in Annexure A for further details.

#### **4. Business ethics and corporate social responsibility relationship**

The corporate social responsibility and business ethics are often used interchangeably despite the fact that each has a distinct significance (Epstein, 1987; Fenrell et al., 2000). Broadly speaking, there exist four different points of views concerning the relationship between social responsibility and business ethics (Josie, 2004). These are:

- Social responsibility is ethics in an organizational context,
- Social responsibility focuses on the impact that business activity has on society while ethics is concerned with the conduct of those within organizations,
- There is no discernible link between social responsibility and ethics, and
- Social responsibility represents different perspectives, one of which is ethics.

The last approach asserts that there are four distinct dimensions of corporate social responsibility: economic, legal, ethical and philanthropic (Carroll, 1999). The economic responsibilities of business reflect the obligation to be profitable and to meet the consuming needs of society. Legal responsibilities of business require companies to respect rules, regulations and laws of the society. The ethical responsibilities of business represent the norms and values implicitly derived from society that go beyond the mere legal frameworks. The philanthropic responsibilities of business are discretionary in nature. They are not required by law, and not generally expected of business in an ethical sense, but are desired. This view of CSR and business ethics is most popular in the business ethics literature. Society requires business to discharge its economic and legal responsibilities, it expects business to fulfill its ethical responsibilities and it desires that business meet its philanthropic responsibilities (Ferrel et al., 2000).

## **5. Concluding remarks**

From the above discussion it is evident that CSR is about businesses, governments, ethics, and the society. The analysis on the theories allows an understanding of the notion that goes beyond its traditional definitions and meanings. It necessitates a multidisciplinary approach of CSR, in its theory and practice. As the current meanings of CSR are complex and evolving, the knowledge of various theories allows having a better understanding about business-society relations. A relationship wherein theories and practices of CSR are influenced by numerous economic and ethical, as well as internal and external factors.

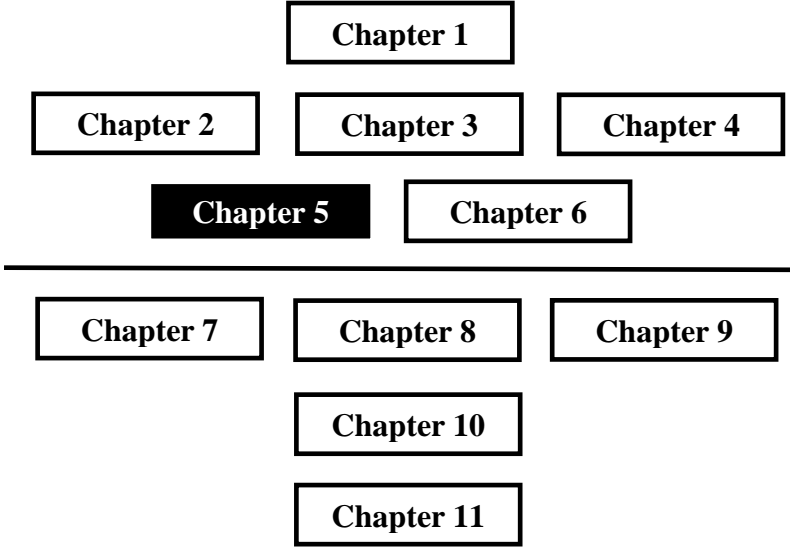
We also learnt that corporate social responsibility has become the most widespread of the concepts – in academia, public media and practical world - referring to the role of business towards society. However, the more general terms like ‘sustainability’ and ‘sustainable development’ dominate the popularity in mass media; while business specific terms remain, including CSR remain marginal on comparison. Last, CSR and business ethics – although



independent subjects in their own right - are intricately related concepts such that we cannot miss out one while discussing the other. In the coming chapter I will discuss the construct of sustainability in detail.

Chapter 5

*A brief introduction to  
Sustainability*



## **1. Background of sustainability**

In the last half of the twentieth century, four key themes have emerged from the collective concerns and aspirations of the world's peoples: peace, freedom, development, and environment. In the 1970s and 1980s, world commissions were created to study such international concerns, producing major documents that were often followed by global conferences. Characteristic of these international commissions was the effort to link together the aspirations of humankind—demonstrating how the pursuit of one great value required the others. Sustainable development (or sustainability), with its dual emphasis on the most recent concerns—development and environment—is typical of such efforts (Kates et al., 2005).

The concept of sustainability\* obtained international recognition at the 'UN Conference on the Human Environment' – familiarly known as Stockholm Conference – organized in Stockholm, Sweden in 1972. It brought the issues of ecosystem, biological diversity, human health, and resource limits to the attention of the international community. It highlighted the environmental problems having socio-economic repercussions of global nature, and stressed the need for multilateral initiatives to solve these problems (Stockholm Declaration, 1972). The post Stockholm Conference era marked a turning point in sustainability history. There was a strong feeling amongst the nations that environmental problems were propagating beyond national boundaries and were having negative effects on a global scale. The conference served also as an inception point for a host of public institutions, from environment ministries and agencies, to non-public initiative in form of NGO's and pressure groups, around the globe.

\*Sustainability and sustainable development are often alternately used in academia and business. I consider the term 'sustainable development' denotes the processes and pathways (e.g. sustainable agriculture) whose goals or endpoints are 'sustainability'. However, in this chapter, as well in the proceeding ones, I will not make distinction between the two terms.

In 1983, the United Nations General Assembly passed a resolution to form a commission to guide the global community on ways in which they could collectively address environmental concerns, and propose long-term environmental strategies for achieving sustainability by the year 2000 and beyond (United Nations General Assembly Resolution, 1983). The objectives of the commission were demarcated in the resolution as:

- (a) To propose long-term environmental strategies for achieving sustainable development to the year 2000 and beyond;
- (b) To recommend ways in which concern for the environment may be translated into greater co-operation among developing countries and between countries at different stages of economic and social development and lead to the achievement of common and mutually supportive objectives which take account of the interrelationships between people, resources, environment and development;
- (c) To consider ways and means by which the international community can deal more effectively with environmental concerns, in the light of the other recommendations in its report;
- (d) To help to define shared perceptions of long-term environmental issues and of the appropriate efforts needed to deal successfully with the problems of protecting and enhancing the environment, a long-term agenda for action during the coming decades, and aspirational goals for the world community, taking into account the relevant resolutions of the session of a special character of the Governing Council in 1982;"

(United Nations General Assembly Resolution, 1983)

### ***1.1 The Brundtland Report***

Thus World Commission on Environment and Development (WCED) was convened in 1984, under the chairmanship of Gro Harlem Brundtland, the then Prime Minister of Norway. The Brundtland Commission was officially disbanded in October 1987, after releasing the Report, 'our common future', generally known as Brundtland report. The report focused on three main pillars of sustainable development that include economic development, environmental protection and social equality. The Commission's vision was revolutionary in many ways. First it linked environmental degradation to poverty suggesting that basic human needs must first be met in order to effectively address environmental issues. Second, the report argued that neither economic development nor environmental protection was possible without the other, thus removing the misconception of trade-off between the two terms. Lastly, it indicated that the three pillars of sustainability are not mutually exclusive but rather mutually reinforcing.

The Commission recommended that pursuit of sustainability objectives require:

- a political system that secures effective citizen participation in decision making,
- an economic system that is able to generate surpluses and technical knowledge on a self-reliant and sustained basis, a social system that provides for solutions for the tensions arising from disharmonious development,
- a production system that respects the obligation to preserve the ecological base for development,
- a technological system that can search continuously for new solutions,
- an international system that fosters sustainable patterns of trade and finance, and
- an administrative system that is flexible and has the capacity for self-correction.

(WCED, 1987 p.65).

In the early days of sustainability movement, environmental and ecological aspects had dominated the discussions on sustainability. However, more recent discourse, as represented in the conclusions of the 2005 World Summit, focuses on the three pillars of sustainability i.e. environmental concerns, economic concerns and social concerns. (See Figure 8):

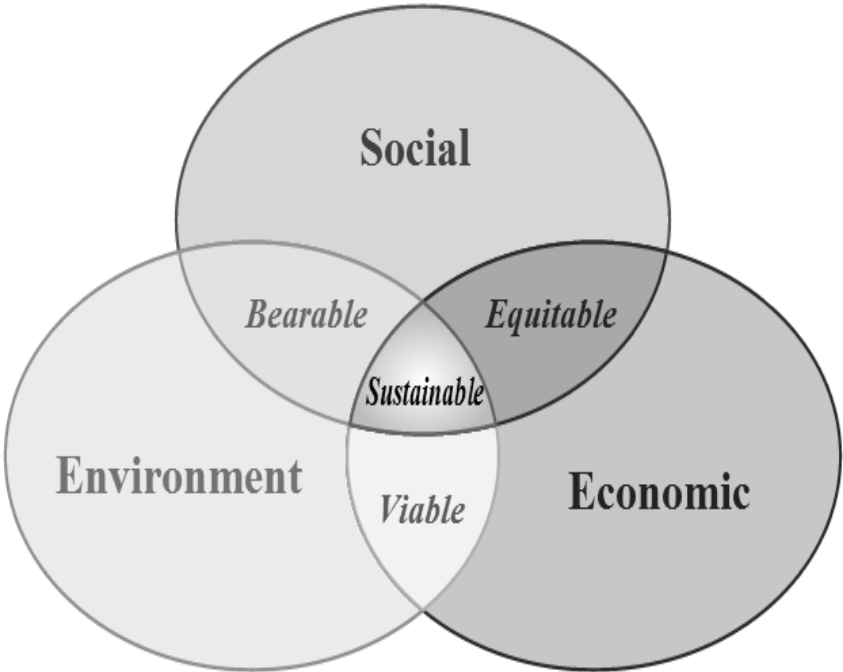
Environmental – To maintain a durable base of resources, to avoid over-exploitation of renewable resources, and to conserve ecosystems and biodiversity,

Economical – to generate wealth in the long run, to develop efficient economic and production systems, to create jobs, and to produce goods and services.

Social – to ensure equity among people, to ascertain equal social participation, to preserve communities, cultures and heritages, to develop equitable and accountable political systems.

(UN general assembly, 2005; Adams 2006)

**Figure 8**  
**Three pillars of sustainability**



(World Summit, 2005)

## 2. Drivers of sustainability movement

There are several studies that identify a number of factors behind the sustainability movement. Hart and Milstein, (2003) for example list down four sets of drivers related to global sustainability:

### First set of drivers

- *Increasing industrialization and growing material consumption, pollution, and waste generation.*

While industrialization has produced tremendous economic benefits, it has also generated significant pollution burdens and continues to consume virgin materials, resources, and fossil fuels at an increasing rate. Resource efficiency and pollution prevention are therefore crucial to sustainable development.

### Second set of drivers

- *Proliferation and interconnection of civil society stakeholders.*

In the wake of diminishing state power global trade regimes, nongovernmental organizations (NGOs), and other civil society pressure groups have stepped up their influence by assuming the role of monitor, and in some cases enforcer of social and environmental standards.

### Third set of drivers

- *Emerging innovative technologies resulting in disruptive solutions.*

Genomics, biomimicry, nanotechnology, information and communication technology, and renewable energy all hold the potential to drastically reduce the human footprint on the planet, and to diminish the problems of rapid industrialization.

### Fourth set of drivers

- *Increases in population, poverty, and inequity associated with globalization.*

The combination of steeply rising population and growing global inequity is increasingly recognized as a prescription to accelerating social decay, political chaos, and terrorism.

Sustainability is a critical social, environmental, and economic issue. As business is a part of the society and the economy; and it impacts the environment, it is definitely and permanently part of the sustainability debate. Unlike other business issues, sustainability is being shaped by factors that are both outside as well as inside the business and economy. It is not a fad – with ever mounting pressures from conscientious consumers, informed governments, competitors' actions, escalating costs, and operational efficiencies –, sustainability is here to stay. GMA and Deloitte Consulting, (2007) mention a number of factors (See table 12) behind the continued growth of sustainability movement and its relevance for businesses and corporations.



**Table 12**

**Factors behind the continued growth of sustainability movement**

<p><b>Climate change</b></p>	<ul style="list-style-type: none"> <li>•Extreme weather conditions</li> <li>•Diminishing natural resources</li> <li>•Energy, water, biodiversity, forestry</li> <li>•Increasing waste and decreased available landfill area</li> </ul>
<p><b>Governments/ NGO's</b></p>	<ul style="list-style-type: none"> <li>•Kyoto agreement and other measures introduced</li> <li>• 2008 Presidential elections as platform for change</li> <li>• NGO activity increasing (Green Peace, Environmental Defense etc)</li> <li>• Evolving regulatory markets (China, EU)</li> </ul>
<p><b>Consumers</b></p>	<ul style="list-style-type: none"> <li>• Rise of the 'green buyer'</li> <li>•Concern over rising oil prices and energy shortage</li> <li>• Public health concerns on food safety, GMO</li> <li>•Organic food movement</li> <li>• Increasing awareness of environmental, social and economic implications</li> </ul>
<p><b>Business Community</b></p>	<ul style="list-style-type: none"> <li>• Natural resource shortage</li> <li>• Rising oil prices and cost of raw materials</li> <li>• Consumer demands</li> <li>• Supplier and retailer pursuit of cost saving sustainability measures (e.g. decreased packaging)</li> </ul>
<p><b>Scientific Community</b></p>	<ul style="list-style-type: none"> <li>• Acceptance that human activities influence global warming</li> <li>• High-profile academic research published</li> <li>• Increasing venture capital investments in environment benefitting opportunities</li> </ul>
<p><b>Media Community</b></p>	<ul style="list-style-type: none"> <li>•Sustainability cover stories</li> <li>• Hype building and trendsetting on'going green'</li> <li>•Gloom and doom stories</li> </ul>

Adapted from (GMA and Deloitte Consulting, 2007)

### **3. Sustainability as a field of study**

The word sustainability originates the Latin *sustinere* which in turn comes from two Latin words ‘*tenere*’, to hold and ‘*sus*’, up. The word ‘sustain’ in general means ‘maintain’, ‘support’, or ‘endure’ (Onions, 1964). Sustainability has been recognized as a highly ambitious as well as ambiguous, ideological philosophy. It is ambitious in the way that it requires human beings to ‘reform human institutions’, and to reduce radically the negative impacts of human actions on others – including humans, animals, and environment (Berke & Conroy, 2000; Dresner, 2002). The ‘triple bottom line’ or 3P foundations - profits, planet and people – around which it has been conceptually weaved, require a sense of balance among economic, environmental and socio-cultural values and principles (Elkington, 1997). Sustainability as a field of study has a multi-disciplinary and long-term focus, and is consequently susceptible to diverse philosophical, ethical and socio-political orientations. Hence it is not surprising to see that it has been conceptually approached – by different stakeholders with various and at times conflicting interests – in confusing and divergent ways (Berke, & Conroy, 2000). This has led to an assortment of definitions and interpretations of the construct. Some call it a powerful ‘rhetoric’ (Hempel, 1999), others label it a popular slogan (Dresner, 2002). As has been remarked by Porritt, (2002, May 24),

“(sustainable development is a) dynamic, politically contested, often muddled set of ideas and processes with which we are painfully learning to engage for the very first time”.

In the following passage, I mention some of the well-known definitions of sustainability.

#### ***3.1 Defining sustainability***

A host of definitions, principles and models of sustainable development exist in the literature. Pronk and ul Haq, (1992) focus on social justice and environmental consciousness, and define sustainable development as:

“Economic growth that provides fairness and opportunity for the entire world's people, not just the privileged few, without further destroying the world's finite natural resources and carrying capacity”

National Commission on the Environment spotlight quality of life in the definition:

“Sustainability is a strategy for improving the quality of life while preserving the environmental potential for the future, of living off interest rather than consuming natural capital. Sustainable development mandates that the present generation must not narrow the choices of future generations but must strive to expand them by passing on an environment and an accumulation of resources that will allow its children to live at least as well as, and preferably better than, people today. Sustainable development is premised on living within Earth’s means.” (National Commission on the Environment 1993, p. 2)

However, the most famous definition of sustainable development is the one proposed by Brundtland Report:

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

the concept of ‘needs’, in particular the essential needs of the world’s poor, to which overriding priority should be given, and

the idea of limitations imposed by the state of technology and social organization on the environment’s ability to meet present and future needs”

(WCED, 1987 p.43).

### ***3.2 Sustainability transformation***

The definition of Brundtland Report sets out the two fundamental principles of equity i.e. appreciation of need, and definition of limits. First, the concept of need demands that priority should be given to the basic needs of the world's poor. Second, definition of limits signifies

that development must adhere to the physical constraints imposed by ecosystems. The distinguishing characteristic of sustainable development is that it shifts the focus of debate from traditional environmentalism and conservation, to the notion of sustainability, which requires a process of harmonizing social, economic and environmental priorities. A process of harmonization and transformation enabling individuals to realize their full potential. Sustainable development is as much concerned with economic and social development as it is with environmental protection.

Sustainability transformation requires institutions, social systems, and legal structures to be changed in a way that integrates environmental and social considerations into economic decision-making (Hoffman, 2001). Waddell, (2005) contends that a sustainability transformation has three levels - *individuals*, *organizations* and *society*. Governments around the world have a vital role to play in guiding the overall social transition towards sustainability (Pearce, & Barbier, 2000; WCED, 1987). By developing legal frameworks, building up regulatory mechanisms, and introducing socio-economic reforms, governments can help organizations and individuals, to act in ways that contribute towards sustainable development (Connor, & Dovers, 2004).

The twentieth century has witnessed a rapid globalization of markets and economies. One consequence of this has been the diminishing command and control abilities of governments. This weakening is occurring:

- Directly – through the ceding of rights to regulate markets to supranational institutions such a WTO, EU, or NAFTA, and
- Indirectly – through competitive pressures. It is commonly recognized that governments offering less regulations are able to attract greater levels of capital investments (Harrison et al., 2005).

While governments' power is on decrease, businesses and corporations are enjoying an unprecedented position of influence in today's neo liberal capitalistic economies. On the one hand, businesses are powerful actors who influence economic growth and can help alleviate poverty; on the other hand, they are largely responsible for natural resource depletions and environmental degradations (Wilson, & Wilson, 2006). Therefore, in order to realize the sustainability objectives, their active participation is indispensable. It is also argued that citizens are taking initiatives to 'regulate' corporate activities and behaviors. Harrison et al., (2005) quote Brass and Kozeil:

“... (people) feel that public institutions and government are too busy trying to compete in the global market economy to actually listen to the needs and ideas of...individuals and communities...many of them have tried conventional channel for change, but have got so fed up with the lack of response that they have decided to take matters in their own hands. And it is not just a question of having to wait too long for the things to get better, increasing number of people are coming to the conclusion that their needs will never be addressed by those in power.” (Harrison et al., 2005 p.7)

Due to the complexity, ambiguity, and vastness of sustainability, at least one thing is sure that this transition will not take place easily and rapidly. It requires a change of mind-frames, shift in values and priorities, development of legal and economic frameworks, and formation of institutions. It demands a close cooperation between the affluent world and developing nations. The changes have to come at individual, organizational and societal levels. And these changes, however, will not be linear and straightforward; they will be rather variable, at times painful, often highly contested, and politically stirred. As expressed by Connor, & Dovers, (2004 p.221-222):

“Required shift in values and institutional arrangements to integrate across social, economic and ecological concerns may itself be an intergenerational issue, and the necessary significant structural change in the economy and resource use will take decades”

#### **4. Sustainability and corporate social responsibility**

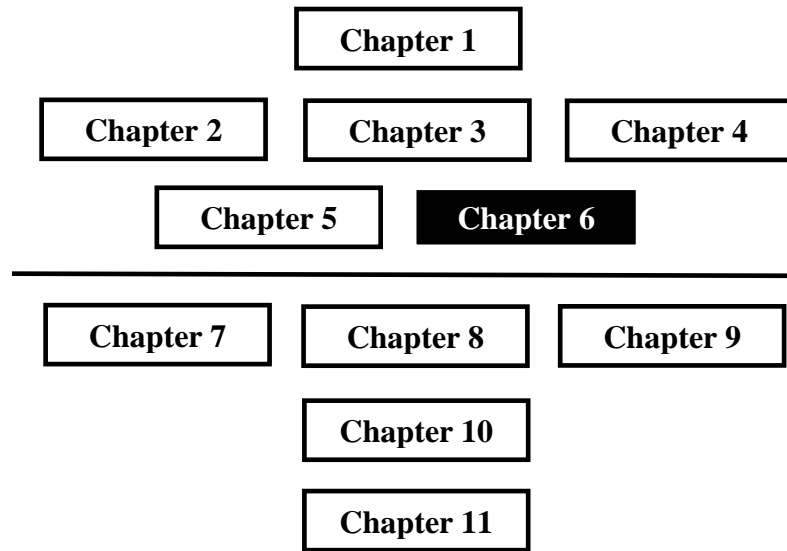
Sustainability is linked to CSR in numerous ways. Theoretically speaking, both concepts are holistic in nature emphasizing relationships and interconnections, and are well treated by stakeholder theory (Garriga and Mele, 2004). Second, a number of authors of CSR who consider the link between these two concepts significantly important (See Garriga and Mele, 2004; Maon, Lindgreen, and Swaen, 2010; Mohan, 2003; Marrewijk and Werre, 2003; Truscott, R. 2007). Third, the environmental dimension of sustainability is well established in research. There are several business journals that focus on the environment and ecology (e.g. *Greener Management International*, *Business Strategy and the Environment*, and *Corporate Social Responsibility and Environmental Management*). This environmental concern is shared commonly in CSR and sustainability research (Lockett et al., 2006). Fourth, CSR is interpreted as a business activity which contributes to sustainable development by taking account of the economic, social, and environmental impacts of business decisions in excess of legal minimum requirements (Aguilera, Rupp, Williams, and Ganapathi, 2007; European Commission, 2002; Stratling, 2007). Utting, (2007) considers CSR as an active contribution of business to sustainable development and poverty reduction through initiatives in areas where companies can make valuable contributions. Finally corporate sustainability - an offshoot of the broader sustainability notion – along with a host of other terms, is considered as an alternative concept of CSR (Maon, et al., 2010). Thus we conclude that the constructs – CSR and sustainability – are inextricably linked to each other, in more than one way.

## **5. Concluding remarks**

In this chapter I have discussed the background of sustainability, the definitions of the construct, the need for sustainability transformation, and the sustainability CSR relationship. I tried to convey the message that sustainability – as field of study – is in a continuous state of evolution and emergence. I contend that there is no best way to define, interpret and operationalize the construct. Each definition presents an important part of an ongoing dialogue. Its complexity, ambiguity, and vastness provide the room for innovation and creativity. Its heterogeneity represents the diversity of human societies, and ecosystems around the world. The key however, lies in appreciating the diverging point of views, paradoxes and trade-offs, and to engage in an open and free discourse. This discourse requires the participation of diverse stakeholders and perspectives, with the objective of reconciling contrasting values and contradicting goals. Achieving agreement on sustainability values and goals will be a painful and daunting task, as different stakeholder perspectives are debated, compared and criticized. However, an open and continually evolving discourse has the potential to lead to convergence of ideas and result in newer norms, legislations and institutions.

## Chapter 6

# *Communicative ethics of Habermas*





## 1. Introduction to communicative action

Jürgen Habermas is one of the most renowned philosophers, and social and political theorists of our time. His position as a critical theorist, and his ideas of ‘communicative action’, ‘discourse ethics’, ‘public sphere’ and ‘deliberative democracy’ are known and appreciated in a variety of disciplines throughout the globe. I will start my discussion with ‘communicative action’ in light of Habermas’ three worlds concept. In the latter part, I will focus on his theory of communicative action and theory of discourse ethics, and its applicability to my research context.

In his ‘three-worlds theory’ Habermas visualizes the society in three layers:

- (a) an ‘objective or material world’, which he considers “as the totality of all entities about which true statements are possible”;
- (b) a ‘social world’, “as the totality of all legitimately regulated interpersonal relations”; and
- (c) a ‘subjective world’, “as the totality of the experiences of the speaker to which he has privileged access” (Habermas, 1984, p. 100).

He further identifies three different types of sociological actions:

### a) *teleological or purposive action*

referring to rational action belonging to an objective world that results in success, or offers maximum utility. In his words "decision among alternative courses of action, with a view to the realization of an end, guided by maxims, and based on an interpretation of the situation" (Habermas, 1984, p. 85). Habermas often uses the expression ‘strategic actions’ to refer to teleological actions.

### b) *normative action*

referring to the action that is steered by the norms accepted by a social group. In his words an action ‘fulfilling a generalized expectation of behavior’. Actors engaged in such action may belong to objective or social world, and

### c) dramaturgical action

is a social action that is meant to be seen by others and to improve one's public self-image. This action is thus not limited to just one actor, or to members of a particular social group, but becomes a public action. With this action, individuals can make the best of their image to the people that viewed them in a certain situation like for example an individual as a doctor in an hospital during his work time and a golfer in his leisure time. Thus "participants in interaction constituting a public for one another, before whom they present themselves." (Habermas, 1984 p.86).

Habermas, in an effort to present an all-encompassing theory representative of the mentioned three worlds, developed a critical theory of society known as the Theory of Communicative Action. Through this theory he proposed a fourth type of action known as 'communicative action' - an action that is not limited to the objective, or subjective, or social world, but in fact assimilates all of them together. Such actions are oriented towards reaching common 'understanding' (Habermas, 1984). "The concept of reaching an understanding suggests a rationally motivated agreement among participants that is measured against criticizable validity claims. The validity claims (propositional truth, normative rightness, and subjective truthfulness) characterize different categories of a knowledge embodied in symbolic expressions." (Habermas, 1984 p.75). Habermas considers that teleological, normatively regulated and dramaturgical actions are 'parasitic upon communicative action' and highlights that communicative action encompasses and goes much beyond each of those actions (Outhwaite, 1998, p210).

## **2. Presenting the theory of communicative action**

In the theory of communicative action Habermas's argues that the most fundamental characteristic of human beings as a species, is our ability to jointly coordinate our actions through language and communication; and further that the ability to communicate is grounded

on the capacity to understand each other (Mingers & Walsham, 2010). He studies the ability of linguistic interactions to coordinate actions in a consensual way as opposed to a coerced or manipulated one. This communicative action is contrasted with strategic action. When an individual uses language strategically, his or her primary objective is to achieve his or her goals by influencing others. This does not imply that individuals engaged in communicative action do not pursue their goals. They are of course motivated to attain their goals, but – unlike strategic actors – they are willing to accept constraints on their conduct in a linguistic interaction (Ceva and Fracasso, 2010). In Habermas’s words, “they pursue their individual goals under the condition that they can harmonize their plans of action on the basis of the common situation definitions” (Habermas, 1984 P.286). Thus the key purposes of social communication include; the construction of **understanding**, development of **agreement** about shared activities or norms, and creation of **collective vision**.

Habermas sees communication oriented toward reaching agreement as the primary, and most common, form of communication, and proposes that the principal means of reaching agreement is through rational discussion and debate—the “force of the better argument”—as opposed to the application of power, or the dogmas of tradition or religion (Mingers & Walsham, 2010). Habermas explains the nature of an argument or discourse in terms of two concepts:

(1) that contentions or utterances rest on particular validity claims that may be challenged and defended, and

(2) that the process of debate should aspire to being an ideal speech situation.

He further lays down the principles of open discourse or ideal speech situation as:

- All potential speakers are allowed equal participation in a discourse
- Everyone is allowed to,
  - Question any claims or assertions made by anyone

— Introduce any assertion or claim into the discourse

— Express their own attitudes, desires, or needs

- No one should be prevented by internal or external, overt or covert coercion from exercising the above rights (Mingers & Walsham, 2010).

### 3. Theory of discourse ethics

Whilst the theory of communicative action had a distinctively explicative intent [how do people use language to coordinate their actions?], discourse ethics aims to outline a normative ethics of communication under idealized conditions [how should people interact to coordinate their actions through language?] (Ceva and Fracasso, 2010). So the focus is on real actions rather than just linguistic interactions and communications. Habermas basis his theory of discourse ethics on two principles, known as principle of discourse or principle (D) and principle of universalization or principle (U).

Habermas calls the discourse principle (D):

“Only those norms can claim to be valid that meet (or could meet) with the approval of all affected in their capacity as participants in a practical discourse” (Habermas, 1992b p.66).

This is a general statement about what would constitute a valid norm containing two essential parts: that the norm should be *agreed upon* by all those affected, and that this must occur through a real *process of discourse*.

The latter point is developed through a further **universalization principle (U)**, which outlines how such norms might be arrived at:

“A norm is valid when the foreseeable consequences and side-effects of its general observance for the interests and value-orientations of each individual could be jointly accepted by all concerned without coercion” (Habermas, 1999a p.42).

We notice that these principles echo ideas previously presented in the Theory of Communicative Action. The principle (U) is more complex in nature and uses principle (D) as

premise to build up the arguments. However the difference, or for that matter the relationship, between the two mentioned principles is not easily visible. Finlayson, (2005) has highlighted following differences between the two principles:

Principle U states the amenability to consensus in discourse is both necessary and sufficient condition of the validity of moral norm. Principle U can function both negatively and positively. Not only does it indicate which moral norms are not valid, it can positively determine which norms are valid, and further show us what moral validity or moral rightness is.

The second difference lies in the fact the U makes the validity depend on the acceptability of the 'foreseeable consequences and side effects' of the implementation of the norm. With this phrase Habermas builds a utilitarian or consequentialist intuition in his deontological theory.

Last, U provides more information about what acceptability in discourse or rationally motivated consensus consists in. It states that all valid moral norms must give 'equal consideration' to the interests of all concerned, and must be freely accepted by everyone.

The discourse guidelines are at the center of Habermas's concept of communicative action and lay down the conditions to reach a mutual understanding. Against this background, discourse ethics does not attempt to generate moral principles but rather provides a process of argumentation to test existing and new norms regarding their claim of universal validity (Gilbert and Rasche, 2007; Phillips, 2003).

### ***3.1 From collective vision to collective will***

Habermas's discourse ethics is Kantian in nature when it is interested in 'universalization'. However, he clearly deviates from Kantian perspective when emphasizes on the process of discussion, debate, and argumentation between real subjects or agents. He puts forth the fundamental tenet of participation in argumentation, suggesting that individual reasoning and

self-reflection are not sufficient enough to justify universally accepted norms as different individuals might reach different conclusions regarding the acceptability of particular norms or realities. He asserts that validity of a norm can only be claimed in a process of actual argumentation between individuals. Thus there is a visible shift from **individual reflection** to **collective vision** resulting from real interactions.

“We should not expect a generally valid answer when we ask what is good for me, or good for us, or good for them; we must rather ask: what is equally good for all? This ‘moral point of view’ constitutes a sharp but narrow spotlight, which selects from the mass of evaluative questions those action-related conflicts which can be resolved with reference to a generalizable interest; these are questions of justice” (Habermas 1992a, p. 248).

So, we can see that the main thrust of discourse ethics is the creation of collective vision through open and rational debate. This collective vision transcends individual, group, or national interests thus creating a common understanding and accommodation of interests. However, creation of collective vision is only half way to the destination as for Habermas the goal is to achieve common understanding, agreement, and thus justice for all. As a result the collective vision should further lead to a collective imperative, as contrasted to Kant’s categorical imperative, and I call it as **collective will**. This collective will provides the impetus for universally valid norms to emerge and establish.

### ***3.2 Typology of discourses***

Habermas is aware that in real conflict situations not every issue at stake asks for a discussion of universal moral principles that need to be resolved in a discourse following the rules of the ideal speech situation. Rather, he acknowledges that contestable validity claims on either the macro or the micro-level of the social contract can significantly differ in regard to the scope of the validity claims raised and the type of discourse necessary to solve a conflict. This is why he distinguishes between three distinct forms of practical discourse i.e. pragmatic,

ethical, and moral discourses, according to the validity claim to be redeemed (Gilbert and Behnam, 2009). In Habermas' words,

“It is necessary to differentiate between various forms of problems such as pragmatic, ethical, and moral problems, to which correspond pragmatic, ethical, and moral discourses” (Habermas 1992c, p.191). It is precisely this concept of different normative realms that most scholars see as a major strength of Habermasian philosophy (Gilbert and Behnam, 2009; Finlayson, 2005).

### 3.2.1 Pragmatic discourse (realm of effectiveness)

Pragmatic problems touch on those circumstances that have to deal with practical action, and the conduct of our lives and interactions with our surroundings. These questions often relate to the problems in the material world and they may be quite complicated. Pragmatic discourses correspond to such problems or questions (Larsen, 2009). In this type of practical discourses an agent seeks advice to choose the means to a given end but does not need to critically evaluate the choice of these ends (Habermas, 1996, p.159). The matter being discussed is an empirical question of rational choice; therefore, the validity claim is one of effectiveness.

In responding to criticism about the right or wrong of such a decision, we engage in **pragmatic** discourses in which the goal is to rationally justify the choice of a strategy and to provide a recommendation concerning a reliable program of action (Habermas, 1996). Therefore, the ‘ought’ of the imperative derived is directly linked to an individual’s own interest and to an application of decision rules familiar to him or her (Reed, 1999A). Hence, the scope of the validity claim is non-universal. However, the non-universality of pragmatic discourses is not a weakness but a practical strength. In situations where only the effectiveness of means is at stake, we do not need to engage in the more laborious and time-consuming ethical or moral discourses but only in pragmatic ones. In other words, pragmatic

discourses do not have to provide universal means; they explicitly do not aim for universality (Gilbert and Behnam, 2009). That is why pragmatic discourses are often labeled as normative realm of **effectiveness**.

### 3.2.2 Ethical discourse (realm of goodness)

Ethical problems relate to issues concerning existential and substantive norms of good. To these correspond ethical discourses anchored in our particular understanding of the lifeworld and its cultural formations (Larsen, 2009). The goal of an ethical discourse is foremost to critically evaluate the ends in a situation of conflict (Reed, 1999a). They address the course of our lives and, hence, involve important value decisions by reviewing what is “good for us” or “good for me” (Habermas, 1996 p.161), hence the validity claim being raised pertains to the realm of **goodness**. The question of what is ‘good’ or ‘bad’ for certain agent(s) or group is always defined in terms of the specific identity and particular life history of that person or group, and hence can only claim to be relative, not universal (Habermas, 1999). Relative thereby means that norms and standards of persons or groups are not simply true in themselves but only have truth relative to broader frameworks [e.g., hyper-norms] (Gilbert and Behnam, 2009).

### 3.2.3 Moral discourse

Ethical problems relate to universal problems that, in principle, concern all human beings. To these correspond moral discourses in which moral problems are subject to a universal trial through rational discussion about the validity of moral statements (Larsen, 2009). Gilbert and Rasche, (2007) consider that the ability of Habermasian philosophy to distinguish between ethical and moral reasoning is a real strength. Whereas ethical discourses investigate questions of the good life and aim at an assessment of validity claims which are only relative (e.g., norms valid for people from a certain cultural background), moral reasoning looks at universalizable norms and procedures necessary for solving conflicts between stakeholders



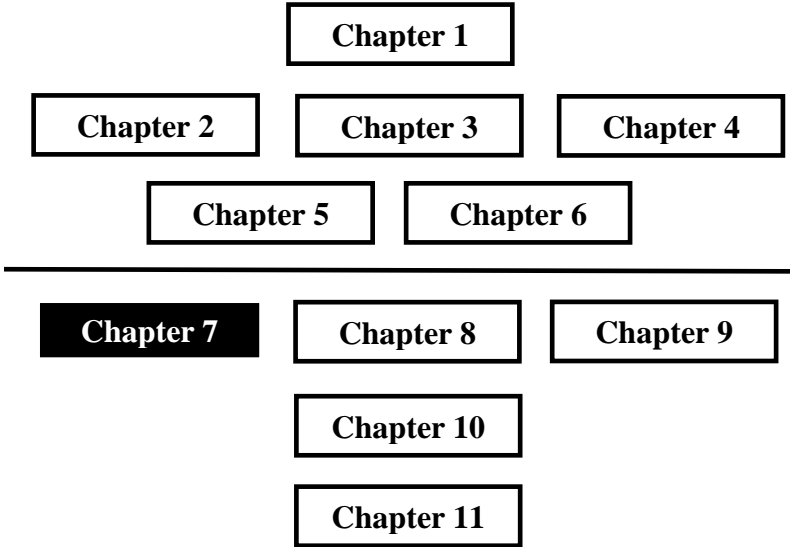
from different cultural backgrounds. Thus, the validity claim being raised in a moral discourse is that of **rightness** and its scope is universal in nature (Habermas, 1998). When ethical values collide, for Habermas the default concept for conflict resolution is the moral discourse which refers to (U) as a fundamental guideline of moral reasoning in order to describe how a just resolution of an issue in the realm of norm-regulated action should look like (Habermas, 1999, p.42).

#### **4. Concluding remarks**

Habermas distinguishes communication in three forms of discourses; they represent complementary components of his theory. Depending on the issue at stake, a different form of discourse comes into play: pragmatic discourses deal with the **effectiveness** of means; ethical discourses deal with the **goodness** of ends; and moral discourses deal with the generalizability and **rightness** of norms (Gilbert and Behnam, 2009). Thus meaning that only when moral validity claims are in question, agents have to engage in a moral discourse and to comply with the criteria of the ideal speech situation (Habermas, 1993, p. 54–60). We can see now how discourse ethics is intimately related to theory of communicative action: the three domains—the pragmatic, the ethical, and the moral— correspond with the three worlds, and the whole approach is embedded within the processes of communicative action (Mingers & Walsham, 2010).

Chapter 7

*Article 1*



## **Public Issues and Public Expectations: A commentary on the Responsibility Regime in Business**

### *Abstract*

*This paper unearths the covert patterns and latent themes of business responsibility discourse in popular 'CSR' and 'sustainability' books. The CSR construct is examined from the societal perspectives, assuming that the conceptualizations of the notion are embedded in its context. Several significant themes are discovered, and it is found that they consistently refer to five discourse dimensions i.e. economic, social, environmental, philosophical, and political dimension. Further, It is noted that there exists an 'expectation gap' between what business is expected to accomplish by the society, and what the businesses believe they must accomplish in the responsibility agenda. It is argued that the term CSR remains, to date academic in nature with limited exposure in public media.*

### **Key Words:**

*Content Analysis, Corporate Social Responsibility, Stakeholder Theory, Sustainability, Sustainable Development*

## **1 . Corporate responsibility: a historical perspective**

In 1917, when Henry Ford was facing rage of his shareholders – on his notion of business as ‘services to society’ – and the eventual reprimand of courts in 1919 in Michigan, nobody could have imagined that some eighty years later Clay Ford Jr. on the very same idea would not only gain support of various stakeholders but also the shareholders, without any fear of lawsuits. From the societal perspective this raises an intriguing question for researchers. Why did this monumental value shift take place? I assume this was partly due to a cultural and social shift in favor of social responsibility during the intervening 80 years whereby the societal expectations of business augmented. And also because the meanings and business implications of corporate responsibility in 1990’s, for the shareholders, became more visible and inline to their interests (Meredith, 1999; lee, 2008). This leads us to the research motivation of study: how does the society view the business practices of today and what is expected of them? What are the issues for which a public sensitivity exists, and what is that businesses are being held responsible for?

Before embarking upon the research interests, it would be appropriate to have a brief historical background of corporate responsibility. The history of corporate responsibility is almost as long as that of companies. Concerns about the excesses of the East India Company were commonly expressed in the seventeenth century (Henriques, 2003). In the eighteenth century Adam Smith presented his classical economic model of business. In essence, this model suggested that the needs and desires of society could best be met by the unfettered interaction of individuals and organizations in the marketplace. By acting in a self-interested manner, individuals would produce and deliver the goods and services that would not only earn them profits, but also meet the needs of others. However, Smith was cognizant of the fact that free markets did not always perform perfectly and he stated that marketplace participants

must act honestly and justly if the benefits of the free market are to be achieved (Crane *et al.*, 2008).

As early as mid 19<sup>th</sup> century, according to management historian Daniel Wren, there were criticisms of factory system emerging in UK particularly regarding the employment of women and children. Same kinds of issues were raised in US as well during the late 19<sup>th</sup> century. The reformers in both countries criticized the newly developed factory system for creating numerous social problems (Crane *et al.*, 2008). Since social and cultural changes usually occur gradually over a long period of time, so it is not easy to pin point exactly when a certain social change took place in history. Nonetheless 1950's can be credited for an engaging idea that business owes to society beyond profit making. Howard Bowen's 'the social responsibilities of businessmen' published in 1953 anchored in a debate in academia, which eventually lead to the development of an entirely new field in management i.e. corporate social responsibility. Bowen contended social responsibility as a guiding principle for conducting business (Frederick, 2006). The last 20 years and especially in 2000s, the corporate responsibility movement has been a global phenomenon with unprecedented voluntary initiatives in business. Considerable management expertise in legal and ethical compliance is being achieved (Crane *et al.*, 2008). The 2008 global survey from KPMG shows that disclosure on corporate economic, environmental and social performance has become the norm among larger companies globally. Now, over 80 per cent of Global Fortune 250 companies (G250) disclose their sustainability performance or social responsibility reports – either in separate / standalone reports or integrated in their financial reports –, representing a phenomenal increase of 30% since 2005 (KPMG, 2008).

A host of terms have been used in academia referring to the role of business towards society. Among these terms, 'corporate social responsibility' (CSR) has become the most widespread of the concepts in terms of level of usage and awareness in the public media

(Barkemeyer *et al.*, 2009). For this study, I will use this term to represent the notion of businesses' responsibility towards the society. Research trends suggests that the CSR as a field of study - within the broader discipline of management - is becoming more established and distinctive, although, it is not characterized by the domination of particular theoretical approaches, assumptions and methods. The discipline of management is not short of faddy ideas that came and disappeared like seasonal fashions (Crainer and Dearlove, 2006), however the term CSR or at least the notion that this term represents, appears to keep to the test of time (Isenman, *et al.*, 2007; Waddock *et al.*, 2002). The acknowledgment of this field of study is manifested by an increasing overall profile in management journals, specific CSR literature and distinctive standards (Lockett, Moon and Visser, 2006).

In the following section, I shortly discuss the responsibility doctrine in popular media, followed by a short account of CSR and sustainability relationship, in the context of my research interests. In the remainder of the paper, I proceed as follows. I present an overview of the responsibility discourse in business from the societal standpoint. Later, I review the objectives of this paper and their relevance to responsibility discourse. Subsequently, I describe the methodology used in the analysis and its appropriateness in the given context. In the discussion part, I present in detail the thematic analysis of the study, along with my research findings. I conclude by reviewing the salient results of the research work. Last I mention limitations of the study with future possibilities of research.

## **2. Responsibility rhetoric in popular media**

In public media, as recent research demonstrates, an overall coverage of both sustainability - and corporate responsibility - related 'terms' has risen significantly throughout the globe since 1990 (Barkemeyer *et al.*, 2009). This increase seems to be of an incremental nature, rather than distinctly associated with particular events. The terms 'sustainability' and 'sustainable development' continue to gain popularity in mass media, while business specific

terms remain marginal on comparison. This does not come as a surprise as these concepts are narrower in scope and refer only to corporations as one specific actor in the macro field of sustainability. Additionally, among the business specific terms corporate social responsibility has become the most widespread of the concepts referring to the role of business towards society, while the frequency of business ethics has slightly declined (Barkemeyer *et al.*, 2009). For the purpose of clarity and comprehension, I will limit my discussion to two terms only i.e. sustainability and CSR, with reference to responsibility discourse in business.

There are indications that corporate responsibility will grow larger in coming years for two reasons: first, there are pressing social and environmental issues such as climate change, poverty, income disparity, human rights and women rights violations and AIDS that represent genuine challenge to humanity; second, there is an increasing expectation from different sectors of society that business should help to meet those challenges (Blowfield and Murray, 2008). Evident from CSR trends and practices is the fact that social responsibility has both an ethical or moral component as well as a business component. In today's world of intense global competition, CSR can be sustainable only so long as it continues to add value to corporate success (Crane *et al.*, 2008). The next section discusses briefly the relation between the two theoretical constructs of my interest, i.e. CSR and sustainability.

### **3. CSR and Sustainability relationship**

Sustainability or sustainable development is a macro normative concept, which has gained immense popularity since its inception in 1987 with the publishing of famous Brundtland Report by United Nations (Aguilera *et al.*, 2007; Garriga and Mele 2004; Stratling, 2007). Although this concept was originally developed at societal or nation level but with the obvious importance and influence of business in the contemporary societies, it requires active corporate involvement. Concern for the social and environmental impacts of business is not new, but the past few years have seen renewed interest due to pressing global problems

(Crane *et al.*, 2008). Moreover, governments in today's neo liberal capitalistic economies have limited command and control tools to check unscrupulous economic growth. Thus in the backdrop of globalization, eroding state power, and increasing prominence of corporations, CSR provides a framework of collaboration between government, business and civil society. Government has a newer role of creating a sustainable environment in which sustainable business can grow (Aaronson and Reeves, 2002; Albareda *et al.*, 2008; Albareda *et al.*, 2006; Bell, 2005; Fox, Ward, and Howard, 2002; Moon, 2004). That's why it is little surprising to know why the idea of corporate responsibility was first seen as the contribution of business to sustainable development through new public social governance policies (Albareda *et al.*, 2007; Moon, 2004).

Yet sustainability is linked to CSR in more than one way. On the theoretical side, both concepts are holistic in nature emphasizing relationships and interconnections, and are well treated by stakeholder theory (Garriga and Mele 2004). Second, a number of authors of CSR have mentioned sustainability or sustainable development while defining CSR construct. Table 13 gives some of the well-known definitions of CSR with sustainability as a complementary, contributing or relational element. Then again, many researchers consider the link between these two concept significantly important (See Garriga and Mele 2004; Maon, Lindgreen, and Swaen, 2010; Mohan, 2003; Marrewijk and Werre, 2003; Truscott, 2007). Third, the environmental dimension<sup>1</sup> of sustainability is well established in research. There are several business journals that focus on the environment and ecology (e.g. *Greener Management International*, *Business Strategy and the Environment*, and *Corporate Social Responsibility and Environmental Management*). This environmental concern is shared commonly in CSR and sustainability research. A mega study of CSR research papers by

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<sup>1</sup> The environmental dimension of sustainability is well established in research. Although many researchers consider it as a significant element when it relates to the human activities while there are others, purest in natures, who regard environment as an entity in its own right.



**Table 13 : Definitions of CSR and their link with sustainability**

Proposed by	Found in	Key Term used	Timeline	Definition	Link with Sustainability
World Business Council for Sustainable	(Dahlsrud, 2006)	CSR	1999	The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life	Explicit
IBLF	(Dahlsrud, 2006)	CSR	2003	Open and transparent business practices based on ethical values and respect for employees, communities and the environment, which will contribute to sustainable business success	Explicit
Van Marrewijk,	(Dahlsrud, 2006)	CSR and Corporate Sustainability	2003	Refer to company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders.	Explicit
Strategis	(Dahlsrud, 2006)	CSR	2003	It is generally seen as the business contribution to sustainable development, which has been defined as development that meets the needs of the present without compromising the ability of	Explicit
Davis	(Aguilera, 2007)	Responsibility of a firm	1973	The firm’s considerations of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social [and environmental] benefits along with the	Implicit
Khoury et al.,	(Dahlsrud, 2006)	CSR	1999	it is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors.	Implicit
Marsden,	(Dahlsrud, 2006)	CSR	2001	it is about the core behaviour of companies and the responsibility for their total impact on the societies in which they operate. CSR is not an optional add-on nor is it an act of philanthropy. A socially	Implicit
Reder,	(Dahlsrud, 2006)	Social Responsibility	1994	An all encompassing notion that refers to the way a company conducts its internal operations, including the way it treats its work force, and its impact on the world around it.	Implicit
European Commission	(Dahlsrud, 2006)	CSR	2001	A concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis.	Implicit

(Author, 2012)

Lockett *et al.*, (2006) indicates that environmental subjects dominate CSR research. Out of all CSR related papers published from 1992 to 2002, 36% focus on environment, closely followed by ethics accounting for 31 % of the articles.

Fourth, CSR is interpreted as a business activity which contributes to sustainable development by taking account of the economic, social, and environmental impacts of business decisions in excess of legal minimum requirements (Aguilera, *et al.*, 2007; European Commission. 2002; Stratling, 2007). Utting, (2007) considers CSR as an active contribution of business to sustainable development and poverty reduction through initiatives in areas where companies can make valuable contributions. The governments (in Europe) are increasingly interested in initiating CSR public policies to encourage business to behave in a sustainable manner (Albareda *et al.*, 2006; Moon, 2004). Conversely, the contribution of business to social as well as environmental sustainability provides it an important source of institutional legitimacy (Hoffman, 2001; Lee, 2008). Finally Corporate sustainability - an offshoot of the broader sustainability notion – along with a host of other terms, is considered as an alternative concept of CSR (Maon, Lindgreen, and Swaen, 2010).

Summing up the debate, I can safely assume that CSR and sustainability concepts are inextricably linked to each other, in more than one way. It is also true also that both of the above mentioned concepts are represented by a number of terms and academic jargons. Hence for the purpose of clarity and comprehension, in this research I will limit my discussion to two terms only i.e. ‘sustainability’ and ‘CSR’, with reference to responsibility discourse in business. In the following discussion I focus on responsibility discourse from societal point of view and conclude by presenting the research questions.

### ***3.1 Responsibility discourse in business from the societal standpoint***

Why should the business be responsible? Why should corporations assume social responsibility? These are quite complex questions. If the *raison d'être* of business is to maximize shareholder value, then corporations could do whatever it takes to attain this objective. Even they could act in socially irresponsible ways if they believe that they can either get away with it or the gains of irresponsible behavior will outweigh the possible costs and risks. The first step in search of the answers to these fundamental questions is to understand the relationship between society and businesses. Business institutions are a part of society and they need to interact continuously with it during their evolution and existence. Moreover, their interaction or link is symbiotic in nature - businesses and society influence and shape each other, and a fundamental change in one brings movements in other (Frederick, 2006). Additionally, the impact of societal cultures on management theories and practices is well established in management literature (Hofstede *et al.*, 2010 ; Hofstede, 1980; House *et al.*, 2004). Even within the stakeholder perspective – which is regarded as one of the touchstones of corporate social responsibility – the importance of societal expectation and general trends is recognized (Schlange, 2009; Spiller, 2000; Waddock *et al.*, 2002).

### ***3.2 Research objectives***

We are living in a world in which prosperity and progress are measured in economic terms. Economic growth, increased productivity and greater production set the criteria for progress and development. Greater economic growth results in greater quest for natural resources and lower production costs. This thirst for resources and cost efficiencies has resulted in newer dynamics of production and operation, investment and employment, and physical environment and society. Businesses are being expected to play roles that were not imagined in the past. Corporate responsibility is about business envisaging the societal demands and expectations, considering their impact on the society and environment, and engaging effectively with diverse stakeholders. Corporate social and environmental performance should

depend on what people really think about business, and what is actually important to them. This leads us to treat the issue from the viewpoint of people and society. Instead of asking why should the businesses be responsible? We could start from what is that businesses are being held responsible for? What is expected of them and where are they falling short of these societal expectations? Hence the objective of this explorative research work is first, to uncover the latent patterns and covert themes of business responsibility discourse in popular ‘CSR’ and ‘sustainability’ books. Second purpose of this article is to see if there exists commonalities of ‘issues’ and commonalities of ‘solutions’, discussed in the popular books. This is based on the notion of business responsibility – propagated by Carroll (1979)<sup>2</sup> in the abstract of his path-breaking article – rooting on social issues, social responsibilities, and the social responsiveness (solutions) of business.

In following section and sub-sections, I explain the study’s research methodology, focusing on (a) data source, (b) sample selection, and (c) the research method and its appropriateness in the context.

#### **4. Research Methodology**

A vast amount of work has been written on sustainability and CSR in popular press, and numerous trendy fads and fashionable jargons been brewed as a consequence. However, the vastness and diversity of popular literature does not necessary affirm the quality of knowledge being produced or wisdom imparted in the said domain. Yet, what this substantial amount of work tells us is how much emphasis is being put in this area. And even more importantly, this should help us in understanding how is the construct of sustainability and CSR being viewed

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<sup>2</sup> Carroll, 1979 offered the most widely referred framework of Corporate social responsibility encompassing four dimensions i.e. Economic responsibility, Legal responsibility, Ethical responsibility, and Discretionary responsibility. The economic responsibility refers to the fundamental responsibility of business to produce goods and services that society wants, and which it sells at profit. The legal responsibilities refer to the obligation of business to fulfil its economic mission within the confines of law. Ethical dimension highlights the sphere of responsibilities going beyond legal compliances. Finally, discretionary responsibilities represent voluntary responsibilities that business can assume even if there are no clear societal expectations.

and evolved in the society? how does the society view the business practices of today and what is expected of them? In search of the answers to these intriguing and perplexing questions, I initiated a qualitative study of popular CSR/sustainability books. This is primarily an explorative study aimed at discovering if there exist commonalities of issues and commonalities of solutions discussed in the popular books. I explore the construct of CSR with the recognition that the conceptualizations of the construct are engraved in culture and context that envelops them. This takes us closer to the constructivist approach of research in social sciences - the school of thought suggesting that reality is not objectively determined but socially constructed (derived from hesserl, 1965). Put differently, in the present work I do not present a formal proposition, hypothesis testing or drawing of inferences about a phenomenon from a representative sample to a stated population. The research does not pre-define independent and dependent variables, but focuses rather on the complexity of human sense making as the situation emerges and develops (Orlikowski and Baroudi, 1991; Klein and Myers, 1999). Thus focus is on unearthing the underlying patterns of information and recognizable themes emerging from the extensive commentary on CSR and sustainability in popular literature. Following the Habermas's notion of discourse ethics – wherein ethical norms are not justified by a priori principles, but because all members of the society can reach a consensus around them (Blowfield and Murray, 2008) – the underlying patterns and themes should give an idea about the discourse dynamics of CSR from a societal perspective.

#### ***4.1 Books as popular media***

Before, turning our attention to research method employed, it would be appropriate to discuss briefly why this study is carried out on popular books. Generally speaking the link between media and public opinion making is a well researched area in literature. Banerjee *et al.*, (2003) identify 'public concern' as one of three key factors external to the company

affecting the extent and nature of CSR engagement, besides ‘regulatory forces’ and ‘competitive advantage’. In addition, both of the latter in turn are affected by the level of public concern. Further, the relationship between media coverage and CSR engagement – albeit moderated and mediated by a number of factors – can be assumed (Barkemeyer *et al.*, 2009). In the context of public agenda setting, two general functions can be attributed to the media: first, to merely transmit or condense ‘public opinion’; and, second, to actively shape the public agenda for example in the context of sustainable development (Jänicke 2002; Lewis 2000; Valenti 2003). Books are part of broader popular media, consumed by specialist as well as general public. To begin with, books provide us a picture of CSR as our society views it – showing visions, perspectives, beliefs and sentiments of the public, in a highly accessible and avidly consumed manner. Secondly, their audience is not limited to scientists, researchers, experts or technocrats, though they represent an important consumer segment. Moreover, they aid in shaping the public views and opinions. In addition to that, books – considering their capacity to hold voluminous information – can treat a subject in a more holistic and elaborating way. Especially with reference to qualitative research, which tends to generate significant mass of data, books offer more space to the authors. Last but not the least; published books are known to be an important factor in shaping public opinion and policy formation. Path-breaking books like Rachel Carlson’s *silent spring* impacted the American public, brought about a social change and influenced legislation.

#### ***4.2 Sample selection***

There are several difficulties in carrying out a content analysis on books. First of all, is to identify a suitable representative sample of popular CSR books. Unlike like research articles, the databases that categorize books into different subjects and fields are not exhaustive, i.e. they do not provide categorization of all the books. Besides, different sources can categorize the same manuscript under different headings. For example a book may be classified under

‘CSR’ in one source while ‘Capitalism’ in the other. Additionally we cannot find abstracts of books online, which is usually the case with research articles. So the task of developing criteria for book selection and categorization rested with the researcher. To complicate the things further, the books needed to be ‘popular’ books so that I could sample in the works that have had relatively large audiences. This meant that I should come up with a measure of popularity of the books. The simplest yard stick of popularity could be the sale figures. However, getting the sales figures of books - a strongly guarded ‘trade secret’ - from publishers is next to impossible.

Confronted with all these obstacles I came about with multi layered sample selection approach to ensure diversity and variety of sample. Firstly libraries of three business schools in France and 1 in UK were consulted. This led me a sample of books classified as CSR / sustainability books in respective libraries. A list of common items in all of the four samples was prepared. Further, I turned to Amazon, the biggest bookseller on internet. I observed that their website contains rich information on a given book. Third step in my way to determine the sample was to rate the books with reference to their popularity. For this purpose, I adopted to two prong approach. I rated the books according to their relative sales ranking and customer ratings. This multi-layer process finally yielded a sample of 40 books (see appendix 1 in annexure B for sample books) for this study. In the next section I discuss the choice and appropriateness of the research method.

### ***4.3 Content Analysis***

Content analysis is one of the most important research methods used in social science research. It is defined as a research technique for making replicable and valid inferences from texts to the contexts of their use (Krippendorff, 2004). It as an analysis of the apparent and latent aspects of a communicated material through a classification, tabulation, and evaluation

of key themes. Content analysis is concerned with the contents, meanings, intentions and references in texts, images and expressions. I have chosen content analysis for this study because it is a method that analyses textual data in its context, in order to understand what it means to people. Also because of the fact that it helps in identifying covert patterns of information and underlying themes.

Before starting the laborious coding work of 40 books that represented an approximate 14000 pages of reading and note-taking, first I needed to formulate a classification or coding scheme to ensure that all relevant info from the source is extracted. Second I looked for descriptive elements about the books that captured the basic characteristics of a given book. The Coding Scheme was developed by an iterative process of book reading and jotting down the important elements that were pertinent to my research questions. I continued this process till I came up with a Coding Scheme that was sufficient enough to start the coding process. However, this coding scheme was not a static list of variables; newer elements were added as the coding work progressed.

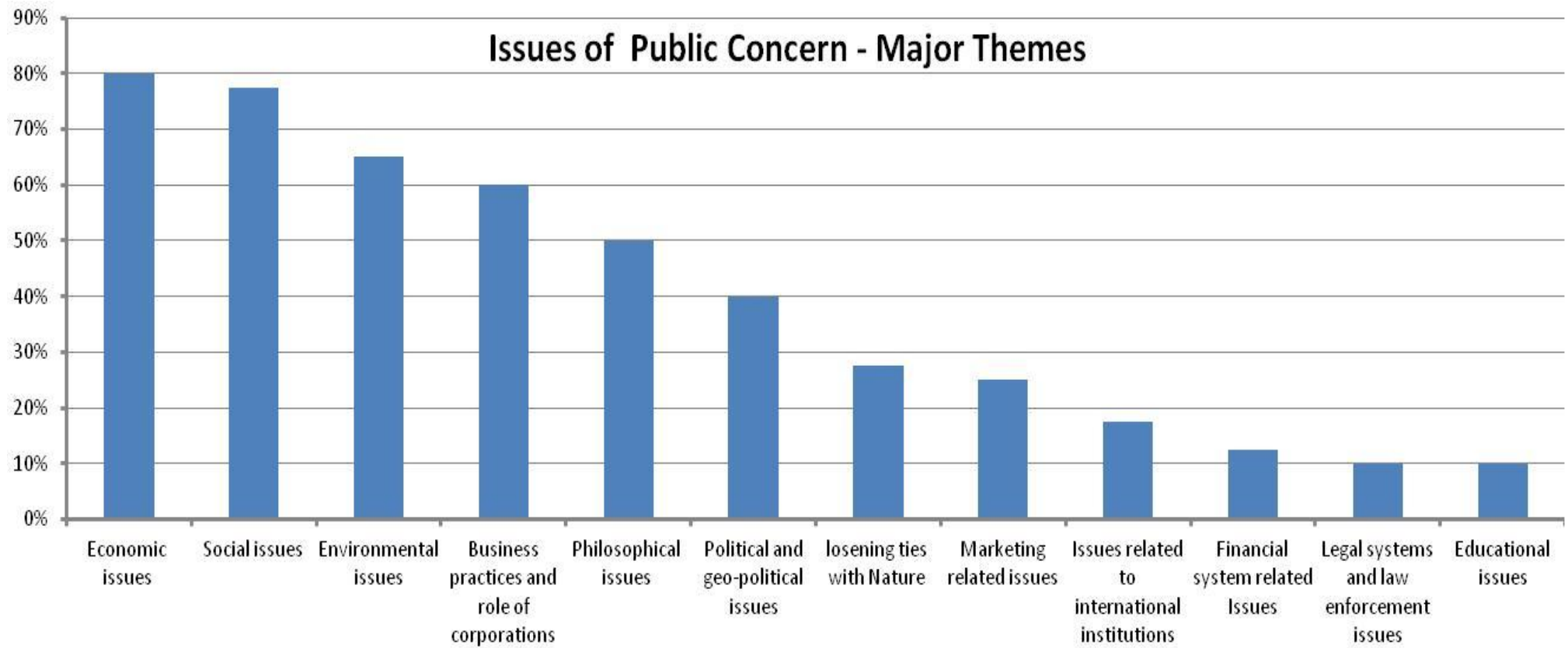
The descriptive elements were identified in same manner, with the objective of representing the basic characteristics of book. The complete list of descriptors is given in Appendix 2 in annexure B. The tabulation of frequencies for each element in the Coding Scheme and in the Descriptors List were based on binary notation, following the approach of Bligh and Meindl in Messick & Kramer, (2005). The occurrence of an attribute was noted by 1, and 0 otherwise. Moreover, multiple notations within one category were allowed for Descriptors List. For example for author background, an author could have been historian and scientist at the same time, which was the case for Jarred Diamond, the author of 'Collapse'. Whereas in the Coding scheme, an attribute that was mentioned several times, was noted once only. For example in case of 'Economic Disparity', even if it was mentioned multiple times in the book 'Globalization and its discontents', I gave it a '1'.



## **5. Emerging themes of responsibility discourse**

This thematic research work unearths the issues that are of public concern, with respect to the responsibility backdrop in business. CSR and Sustainability are multi-faceted fields of study influenced by a variety of factors, consequently, the list of issues for which there exist a public sensitivity, is quite extensive. After analyzing each theme separately, I looked for common patterns of meaning. Thus eliminating recurring themes and grouping similar ones together. Further I verified the occurring frequencies of each theme to examine their relative importance. Based on the prevailing patterns I elaborated twelve distinct discourse themes. These themes are detailed in the following sub-sections. Graph 1 and Table 14 details all major thematic areas of public concern found in the content analysis with respective frequencies of occurrence. In Table 15A and 15B are given sub-themes contained in a thematic area, reflecting important issues within a category.

**Graph 1: Issues of Public Concern – Major Themes**



**Table 14 : Issues of Public Concern – Major Themes**

<b>Issues of Public concern – Major Themes</b>		<b>Frequency Count</b>	<b>Percentage</b>
1	Economic issues	32	80%
2	Social issues	31	78%
3	Environmental issues	26	65%
4	Business practices and role of corporations	24	60%
5	Philosophical issues	20	50%
6	Political and geo-political issues	16	40%
7	loosening ties with Nature	11	28%
8	Marketing related issues	10	25%
9	Issues related to international institutions	7	18%
10	Financial system related Issues	5	13%
11	Legal systems and law enforcement issues	4	10%
12	Educational issues	4	10%

(Author, 2012)

**Table 15A : Issues of Public Concern**

<b>Issues of Public concern</b>	<b>Accumulated Frequency Count</b>	<b>Accumulated Percentage</b>
<b>Economic Dimension</b>	<b>35</b>	<b>88%</b>
Economic issues	32	80%
Business practices and role of corporations	24	60%
Marketing related issues	10	25%
Financial system related Issues	5	13%
<b>Social Dimension</b>	<b>31</b>	<b>78%</b>
Social issues	31	78%
Educational issues	4	10%
<b>Environmntal Dimension</b>	<b>26</b>	<b>65%</b>
Environmental issues	26	65%
losing ties with Nature	11	28%
<b>Philosophical Dimension</b>	<b>20</b>	<b>50%</b>
Philosophical issues	20	50%
<b>Politcal Dimension</b>	<b>20</b>	<b>50%</b>
Political and geo-political issues	16	40%
Issues related to international institutions	7	18%
Legal systems and law enforcement issues	4	10%

(Author, 2012)

**Table 15B – Issues of Public Concern – Page 1 of 2**

<b>Issues of Public concern</b>	<b>Frequency Count</b>	<b>Percentage</b>
<b>Economic Issues</b>	<b>32</b>	<b>80%</b>
<i>Economy based on profit maximization</i>	16	
<i>Problem of Economic progress evaluation</i>	15	
<i>Globalization and its fallouts</i>	13	
<i>inherent problems of capitalistic economy</i>	12	
<i>Emphasis on growth not development/unchecked growth</i>	10	
<i>Free market / perfect competition assumptions</i>	9	
<i>Materialism and consumerism</i>	9	
<i>Economy oblivious of social / ethical responsibilities</i>	8	
<i>Economy oblivious of environmental responsibilities</i>	8	
<i>Problem of economic freedom and justice</i>	6	
<i>Problem of valuation of precious resources</i>	6	
<i>losing focus on Community development</i>	5	
<i>Miscellaneous</i>	4	
<b>Social Issues</b>	<b>31</b>	<b>78%</b>
<i>Social disparity</i>	14	
<i>Poverty and/or unemployment</i>	14	
<i>Population Growth</i>	10	
<i>decaying social values</i>	9	
<i>Increased Social complexity</i>	9	
<i>Population miss management / poor town planning</i>	6	
<i>Affluent consumption</i>	5	
<i>Woman rights and/or Children rights</i>	4	
<i>Drugs, violence, crimes</i>	4	
<i>Miscellaneous</i>	2	
<b>Environmental Issues</b>	<b>26</b>	<b>65%</b>
<i>Environmental Pollution</i>	10	
<i>Depletion of natural resources</i>	9	
<i>Climat change</i>	8	
<i>Agriculture/farming related issues and problems</i>	7	
<i>Land deterioration or Land erosion</i>	7	
<i>Wastes generation and management</i>	6	
<b>Businesses and large corporations related Issues</b>	<b>24</b>	<b>60%</b>
<i>Exploitation of resources</i>	15	
<i>Concentration of resources in corporations</i>	14	
<i>Self-interest / individualistic and greed based in nature</i>	14	
<i>Gap between produces and consumers / users</i>	7	
<i>Environmental hazards</i>	7	
<i>Undemocratic in nature</i>	7	
<i>Employee exploitation</i>	6	
<i>Obliviousness of social, ethical and environmental duties</i>	6	
<i>Control / Manipulation of public media</i>	5	
<i>Serving as avant-garde of political and economic invasion</i>	5	
<i>Miscellaneous</i>	11	
<b>Philosophical issues</b>	<b>20</b>	<b>50%</b>
<i>Over dependence / over-expectation of technology</i>	13	
<i>fragmentation of thought and decreasing sence of connectedness</i>	6	
<i>Self focused and greed based social and economic systems</i>	6	
<i>Notion of human dominance over nature</i>	5	
<i>Quantification of thought and over reliance on measurement</i>	4	
<i>Miscellaneous</i>	11	108

**Table 15B – Issues of Public Concern – Page 2 of 2**

Political and geo-political Issues	16	40%
<i>Socio economic disparities amongst the nations</i>	8	
<i>Terrorism, violence and global unrest</i>	6	
<i>Miscellaneous</i>	11	
Issues related with Nature	11	28%
<i>Presevation of natural resources</i>	11	
<i>Nature conservation/ Bio diversity</i>	9	
<i>Miscellaneous</i>	5	
Marketing related Issues	10	25%
<i>Materialism and Consumerism</i>	7	
<i>Excessive Marketing / invasion on society / intrusion on personal life</i>	4	
<i>Global branding / reduction of choice</i>	4	
<i>Miscellaneous</i>	3	
Issues related to international institutions	7	18%
<i>Distant decision making</i>	5	
<i>Lack of participation of concerned interest groups</i>	5	
<i>Lack of vision in international institutions</i>	3	
<i>Miscellaneous</i>	7	
Financial system related Issues	5	13%
<i>Unchecked capital movements</i>	4	
<i>Miscellaneous</i>	7	
Legal systems and law enforcement Issues	4	10%
<i>Miscellaneous</i>	8	
Educational issues	4	10%
<i>Miscellaneous</i>	9	

(Author, 2012)

### **5.1 Theme 1: Economic issues and critique of capitalistic economic systems**

The first emerging theme in the books turned out to be the *critique of the capitalist economic systems*. I label this theme as “Economic issues and critique of the capitalistic economic systems”. There are authors such as Benyus, (2002) and Porritt, (2007) that consider our economic system as having built in defects. I Quote from Porritt, 2007:

“Our economies are eco-systems in themselves, take in energy and materials and transform them in products. The problem is that we do it in a linear way, while nature is cyclic”

Within this category, the most prominent sub-theme noted is “Profit maximization motive” of business and economic institutions. Profit maximization per se is not necessarily condemnable, as it ensures the optimal use of resources in an economic system. However, the egoistic and selfish pursuit of profits, regardless of its upshots on the public life is problematic. This single bottom line approach in economics marginalizes the ethical, social and moral values of the society. As noted by Dr. Younis,

“Without the human side, economics is just as hard and dry as stone” (Yunus, 2008).

Other significant sub-themes linked to profit maximization, include “Inherent problems of capitalistic economy”, and “Economic assumptions of free market and perfect competition”. Various authors have criticized the built-in problems of capitalism. Elkington john disapproves the narrowly focused profit motive of capitalistic economies in following words,

“Stripped to its essence, capitalism – whatever brand – is an economic (and necessarily political) system in which individual owners of capital are (relatively) free to dispose of it as they please and, in particular, for their own profit” (Elkington, 1999).

Then again, Hawken *et al.*, (2000) criticize capitalism for not giving enough importance to human and natural capital. Citing from their book:

“Capitalism is a financially profitable, non-sustainable aberration in human development. It negates to assign any value to the largest stock of capital it employs, the natural resources and living systems, as well as social and cultural systems that are basis of human capital” (Hawken *et al.*, 2000).

The second most prominent sub-theme found was “Problem of Economic progress evaluation”. Authors expressed their dissatisfaction over the economic progress evaluation parameters and ratios. GNP and GDP were under heavy criticism for being too economic oriented thus leaving little room for non-economic elements to be accounted for in the financial reporting. The focus is on the measurement of wealth generation, not on improvement of quality of life and equity among people and nations. Simon Zafek, cites JF Kennedy’s words in his book ‘The civil corporation’,

“GNP measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to country. It measures everything, in short, except that which makes life worthwhile” (Zadek, 2007).

Another closely linked sub-theme to this was “Problem of valuation of precious resources”, i.e. the under-valuation of non-renewable and exhaustible natural resources in our financial and accounting systems. Fair valuation of natural resources, calculation of exact cost of economic externalities, translation of real cost of production in the price of goods, and definition of optimum levels of consumption and production is a very complicated task. However, what is lacking is the approach, and the will to represent the relevant information within an accounting and financial framework.



The next significant sub-theme discovered is about globalization and its fallouts. Globalization has reshaped our societies and cultures on a scale that has never happened in human history. However the content analysis of 40 books yielded mixed results regarding the advantages or for that matter, disadvantages of globalization. Broadly speaking two types of views were found regarding the globalization of economies. On the one hand, are the authors that consider globalization having inherent problems. I discovered following issues raised by such school of thought:

- Unsustainable rise in the demand of raw materials and natural resources for the needs that go beyond the indigenous requirements of a community,
- loss of jobs,
- loss of community values,
- loss of cultural diversity,
- Detachment of consumers from produces whereby consumer become less aware and less concerned about the impacts of production on environment and society,
- Unhindered corporate takeovers and acquisitions,
- Exposure of fragile and unprepared economies to incessant international competition,
- Increase in transportation costs,
- Increase in energy consumption.

On the other hand, there is another school of thought who argues that globalization is inevitable and has undeniable advantages, the real problem lies in ineffective and unfair management of global economic system whereby it is unable to promote harmony and partnership between the big and small economies, corporations and communities. As suggested by Stiglitz:

“Globalization is here to stay. It is neither feasible nor desirable to abandon it. Globalization has brought huge benefits... . The problem is not with globalization, but the way it is managed” (Stiglitz, 2003).

The next important sub-theme found was “Emphasis on growth not development/unchecked growth”. Economic growth is the objective of most of the political regimes around the world. However, the content analysis has unearthed certain ‘delusions’ about the economic growth. First, sustained exponential economic growth is physically impossible. In the words of Meadows *et al.*, (2004):

“The physical limits to growth are limits of the ability of planetary sources to provide materials and energy and the ability of planetary *sinks* to absorb the pollution and waste” (Meadows *et al.*, 2004).

They further elaborate:

“There is no question that whether growth in ecological footprint will stop, the only question is when and how. Population growth will eventually cease, either because the birth rate fall faster, or because deaths begin to rise, or both. Industrial growth will essentially cease, either because of investment rates fall, or depreciation begins to rise, or both” (Meadows *et al.*, 2004).

Second, the idea of economic growth needs qualification and differentiation. A raise in material standards of living does not necessarily mean a high quality of life. Economic development should be something more profound and encompassing than economics. As mentioned by Schumacher:

“Its routes (economic development) lie outside the economic sphere, in education, organisation, discipline and, beyond that, in political independence and national consciousness of self reliance” (Schumacher, 1989).

Economic growth is an admirable means only so long as it is not an end in itself. It is desirable if it is fair, safe and contributing to the human wellbeing. It should be a process which improves their quality of life and which simultaneously protects and enhances the earth’s ecosystems. Other similar sub-themes include, “Materialism and consumerism”, “Economy oblivious of social / ethical responsibilities”, and “Economy oblivious of environmental responsibilities”. As been summarized by Hawken *et al.*, (2000):

“Wasting resources to achieve profits is far from fair, wasting people to achieve higher GDP does not raise standards of living, and wasting environment to achieve economic growth is neither economic nor growth” (Hawken *et al.*, 2000).

Remaining sub-themes - that were relatively less noted in the analysis - , included, “Economic freedom and justice”, and “Losing focus on community development”. Items with relatively insignificant frequencies were accumulated under the “Miscellaneous” heading. Keeping all of these sub-themes in mind, I sum up the first theme as following:

### **Theme 1**

*Capitalism, with all its regional variations, looks set to persist for the foreseeable future as the dominant world economic system. It has basic flaws notably about notions of economic growth, economic equity and wealth distribution, free markets and globalization. It suffers from serious limitations in valuing natural resources and accounting social services. To come out of the narrow objective of economic wealth creation and to serve the broader objectives of humanity, it must be in line with the societal value systems and environmental boundary conditions.*

## ***5.2 Theme 2: Social problems and concerns***

“Social problems and concerns” come second as the most important issue of public concern in the content analysis. The authors emphasize on diminishing social values, increasing social disparities, and mounting social complexities in the present day societies. As cautioned by Korten, (2001):

“We have the evidence that we are experiencing accelerating social and environmental disintegration in the nearly every country of the world – as revealed by a rise in poverty, unemployment, inequality, violent crime, failing families, and environmental deterioration” (Korten, 2001).

“Social disparity” and “Poverty and/or unemployment” turned up as the key sub-themes in the content analysis. Authors stress upon the alarmingly widening gap between haves and have-nots, and the escalating class differences. This phenomena is occurring within societies and nations, whether developed or developing, and among different countries. The social disparity is closely linked with the economic disparity as highlighted by Handy, (1999) in following passage:

“We should admit that capitalism thrives on inequality. Markets separate out the successful from less successful in a very thorough way. The competitive process creates wealth for the country as a whole, but it does not spread it around. We cannot leave the job of spreading money to those who have it, as many of them won’t do it”. (Handy, 1999)

Coming to the second sub-theme, i.e. “Poverty and unemployment”, this is again a social issue which is directly related to economics. Underemployment is also a rampant problem along with unemployment as one third of the world population is suffering from one or the other (Hart, 2007). I found almost a total agreement on the fact that contemporary socio-economic models are perpetuating poverty and increasing gap between rich and the poor. The

next significant problem observed was “Population growth”. Scholars have mentioned an array of evils of uncontrolled population growth in my sample of books. Notably, unchecked population growth cancels out economic and technological progress and growth. It provokes disparity between poor and rich countries, and the penalties of being in the former become more and more severe. In addition to that, the intensifying competition within an over populous society for depleting resources and food reaches to levels that social and political stability is compromised. The fight for dwindling resources induces severe clashes amongst the nations, particularly those struggling to provide basic needs to their people. Resultantly, consumption takes priority over conservation, thus putting natural resources under enormous pressures. Additionally, the populations migrate from unprivileged to privileged areas, countries and regions hence creating a host of problems. Summing up the debate in the words of Meadows *et al.*, (2004):

“By drawing output away from investment and into consumption, population growth slows capital growth. Poverty, in turn, perpetuates population growth by keeping people in conditions where they have no education, no health care, no family planning, no choices, no power, no way to get ahead except to hope that their children can bring in income or help with family labour” (Meadows *et al.*, 2004).

One more important sub-theme is related to “losing social values”. The content analysis yields several significant corollaries. First, the economy is a part or subsystem of human society and human society is a subsystem of totality of life on earth. Economies, markets and technologies are the tools that serve the objectives and the ethics of society as a whole. Second, values play an essential role in all human societies and social sciences; there is no ‘value free’ social science. Third, social values give recognition and credence, to norms, attitudes and behaviours that set societal preferences and ethical priorities. The overemphasis on economic values is shifting the focus from social values and ethics. Subsequently the

social values are mutating and degenerating into values and norms that give importance to quantifiable and tangible acquisitions. As maintained by Hawken *et al.*,(2000):

“Economic efficiency is an admirable means only so long as one remembers it is not an end in itself. Markets were never meant to achieve community or integrity, sustainability or sacredness – and by themselves they don’t. To fulfill the wider purpose of being human, civilizations have invented politics, ethics, and religion” (Hawken *et al.*,2000).

In his commentary of decaying social values Capra, (1983) argues eloquently:

“With its (economics’) basic focus on material wealth, is today the quintessential expression of sensate values. Attitudes and activities that are highly valued in this system include material acquisition, expansion, competition and an obsession with ‘hard technologies’ and ‘hard science’. In over emphasizing these values our society has encouraged the pursuit of goals that are both dangerous and unethical, and has institutionalized several of sins known in Christianity as deadly – gluttony, pride, selfishness and greed” (Capra, 1983).

Closely associated with this sub-theme is another stream of thought that reproach increased social complexity for various present-day social ills including mental and physical health issues, increasing stress levels, loosening family bonds, and drug addiction. The monetary and non-monetary impact of these ‘social costs’ is either not well comprehended or well appreciated. Quoting Gray, (2000):

“In the pursuit of economic efficiency without regard to social costs is itself unreasonable and in effect ranks the demands of the economy over the needs of society. That is precisely what drives competition in a global free market. The neglect of social

costs, which is a professional deformation of economists, has become an imperative of the whole system” (Gray, 2000).

Affluent consumption and extravagant spending is also highlighted by few authors as an important social problem of contemporary societies. Last, “Women/children rights” and “Drugs, violence, and crimes” were mentioned by some authors as issues of social concern. I recapitulate the second theme as:

## **Theme 2**

*Technological advancement, industrial progress, and economic wealth creation have jointly produced profound transformations in our social fabric. Traditional structures, established priorities and time honored values have given way to newer, more complex social systems. Rampant socio-economic disparities, escalating unemployment, burgeoning population, rising crime rates and terrorism are the present day crucial social issues.*

### **5.3 Theme 3: Public concern for environment related issues**

Third in the list of public concerns come the environment and environment related issues. Environmental issues have always been an integral part of the sustainability movement. The famous Brundtland Report – which is considered to be the inception point in the movement’s history - focused on environmental factors only. However, the concept of sustainability has since considerably extended to include the social dimension as well. The key sub-themes discerned from the content analysis include, “Environmental pollution”, “Depletion of natural resources”, “Climate change”, “Agriculture and farming related issues”, “Land deterioration and erosion”, and “Waste generation and management”. However a closer look reveals that all these issues are interconnected in such a way that it is hard to separate one from the other. Authors stress that we are experiencing sweeping physical changes – due to the unsustainable production and consumptions patterns – that have adverse and in some cases irreversible

effects on the planet's life supporting abilities. Unless drastic measures are taken to re-adjust this technological, industrial, and economic course the unsustainable practices will severely compromise the ability of future generations to meet their needs. As been articulated by Al Gore, (2007) in following passage:

“If we experience a significant change in our circumstances gradually and slowly, we are capable of sitting still and failing to recognize the seriousness of what is happening to us until it's too late. Sometimes, like the frog, we only react to sudden jolt, a dramatic and speedy change in our circumstances that sets of alarm bells. Global warming may seem gradual in the context of single lifetime, but in the context of earth history, it is actually happening with lightning speed”. (Gore, 2007)

Additionally, our reliance on technological advancement and our belief in economic growth is entrancing us with boundless expansion, assuming that it would leads us to something better or bigger. As been remarked by Capra, (1983):

“In today's economies, whether capitalists or Marxists, economic and technological growth are seen as essential, although it should be abundantly clear that unlimited expansion in a finite environment can only lead to disaster” (Capra, 1983).

On the physical limitation of economic growth, Meadows *et al.*, (2004) plead:

“The physical limits to growth are limits of the ability of planetary sources to provide materials and energy and the ability of planetary sinks to absorb the pollution and waste. The bad news for us is that many crucial sources are emptying or degrading, and many sinks are filling up or overflowing”. (Meadows *et al.*, 2004)



I summarize the third theme of my content analysis as:

### **Theme 3**

*The progressive economic globalization coupled with unceasing industrial advancement has resulted in an ever growing demand for natural resources and biological wealth thus putting enormous strain on the ecological balance of the planet. Moreover, not only the consumption of these natural assets is not sustainable in long run but also the way these are consumed is creating a host of complex environmental problems. Such unsustainable patterns of human ecological footprint if continued will seriously limit the range of environmental and economic options open to future generations.*

#### **5.4 Theme 4: Public concerns on the role of business**

Fourth major theme detected in the analysis relates to the contribution of businesses and large corporations in creating social, economic and environmental unbalances. Corporations represent the primary instrument of economic progress, and the flag bearers of neoliberal capitalism. A number of authors argue that multinationals have systematically increased their reach, scope and influence so that they are now the dominant social institution anywhere in the world.

The primary contention on the role of corporations and the first sub-theme is about their “Greed and hunger of natural resources”; the way these resources are acquired, and the way they are consumed. Owing to globalization, information and communication technologies, and logistical improvements, capital can move from one country to the other swiftly with least frictions, thus enabling corporations to capitalize on cheap labor, cheap resources, and lower environmental and social standards, wherever they can find them. They extract valuable resources, often with little concern for local communities, natural habitat and environmental fallouts. In his critique of corporate dominance, Korten, (2001) asserts:

“Economic globalization is the foundation on which the empire of the new corporate colonialism is being built. Global corporations take advantage of the differences between localities with regards to wages, market potential, employment standards, taxes, environmental regulations, local facilities and human resources. Ability to shift production facilities weakens the bargaining power of local communities and governments. The more readily a firm is able to transfer its capital, technology and personnel freely among localities in search of advantage, the greater the competitive pressure on localities to subsidize investors by absorbing their social, environmental and other production costs” (Korten, 2001).

The second important sub-theme is “Concentration of resources in corporations”. Hart, (2007) summed up this concentration of resources and power in the hands of corporations, in the following paragraph:

“MNC’s account for a quarter of the world’s economic activity, they employ less than 1% of the world’s labour force, while one-third of the world’s willing to work population is either unemployed or underemployed. Moreover less than 1% of the world’s population participates in the financial markets as shareholders. So the Wealth created by corporation is concentrated among the few-corporate employees and shareholders, mostly living in rich countries. Moreover, on the corporate investment side, majority of investment occurs in rich countries or in emerging markets that constitute the upper echelon of the poorest countries. Most of the products aim at the wealthy customers or rising middle class, with very little attention given to the needs of those at the base of the economic pyramid” (Hart, 2007).

One more sub-theme closely related with this sub-theme is the ability of the corporations to “Control and manipulate public media”. Through advertising corporations have gained

control over media indirectly, through which they shape the public opinions as well as influence the media policies. The third stream of criticism is about the self-interest / individualistic and greed based nature of corporations. Quoting Bakan, (2005):

“Corporations have no capacity to value political systems, fascist or democratic, for reasons of principle or ideology. The only legitimate question for the corporation is whether a political system serves or impedes its self interests” (Bakan, 2005).

He is amongst the writers who consider CSR as window-dressing strategy of corporations, used to serve as a distraction from the core issues. Coming down to CSR in his book, he expresses:

“Corporate social responsibility is their (business leaders’) new creed, and a self conscious corrective to earlier greed – inspired visions of the corporation. Despite this shift, the corporation itself has not changed. It remains as it was at the time of its origin as a modern business institution in the middle of the 19<sup>th</sup> century, a legally designated ‘person’ designed to valorize self interest and invalidate moral concerns” (Bakan, 2005).

Another important sub-theme was related to the nature of big corporations and particularly the multi-nationals that have geographically dispersed supply chains. Such spread out supply chains disengage the consumers from manufacturers, thus consumers are less aware and less concerned about the social and environmental fall outs of the production. Additionally, corporations are one of the major source of environmental hazards, throughout the world. Regarding the internal dynamics of corporations, most of the authors agree that they are ‘undemocratic in nature’ and are often involved in ‘exploitation of employees’. Modern societies cherish democracy and have structures and systems based on democratic values. But, on the whole, our business institutions are very much autocratic in nature.

Finally, other less stressed sub-themes include “Obliviousness of social, ethical and environmental duties” and “Corporations’ role as avant-garde of political and economic agendas” of their respective governments. There are however, certain authors that consider corporations as the face of neo-liberal capitalism and global economic system. They believe that real problem lies not in the corporations or the way they are managed, but rather in the system wherein they thrive. As voiced by Korten, (2001):

“The problem is not business or market per se but a badly corrupt global economic system that is gyrating far beyond human control. The dynamics of this system have become so powerful and perverse that it is becoming increasingly difficult for corporate managers to manage in the public interest, no matter how strong their moral values and commitment” (Korten, 2001).

The authors skeptical of free market, and free competition regime argue that greed, impatience and short-term approaches will penalize companies seeking long term business success through significant enhancement in social and environmental performance. Such noble attempts need to be supported by proper legislation, and promoted by market mechanisms. John Grey goes a step further to suggest:

“Thus, in late modern contexts, power has leaked away from both states and corporations. Both institutions are mutating and evanescing, as global markets and new technologies transform the cultures from which each borrows its legitimacy and identity. Sovereign states today act in an environment so transformed by market forces that no institution – not even the largest transnational corporation or sovereign state – can muster it” Gray, (2000).

I conclude this theme as:

#### **Theme 4**

*Corporations – with their massive physical resources and vast intellectual expertise – are the flag bearers of economic progress and prowess. Their sheer size and global reach gives them the status of one of the most powerful institutions of the today’s world. However, their self focused nature, undemocratic structure, narrow economic orientation, and obliviousness to social and environmental responsibilities have brought them under severe criticism from different corners of society. There is profound divergence between societal expectations of corporations with their current business practices.*

#### **5.5 Theme 5: Philosophical issues in the present day society**

Fifth theme in my analysis includes the issues ingrained in philosophical deficiencies of present-day societies. The most prominent by far is the “Over dependence and over-expectation of technology”, which tops the list of sub-themes. In his book *Small is Beautiful*, Schumacher, (1989) said:

“Today, the main content of politics is economics, and the main content of economics is technology. If politics cannot be left to experts, neither can economics and technology” (Schumacher, 1989).

The same argument was put differently by Grey, (2000):

“In this environment the most unmanageable forces spring from a torrent of technological innovations. It is the combination of this unceasing stream of new technologies, unfettered market competition, and weak or fractured social institutions that produces the global economy of our times” Grey, (2000).

The presence of technology is so awesome that we fear that we cannot live without it. Individuals and societies are so fascinated by the marvels of modern technology that they have come to believe that every problem has a technological solution, irrespective of the

nature of problem. In today's economies, regardless of their ideological orientation, economic and technological growth are seen as indispensable, despite the fact that unlimited expansion in a finite environment is potentially disastrous. Not only the over dependence on technologies has created unbalances in the physical planet, and created technological divide between have and have-nots, but also and perhaps more importantly, has changed our way of thinking and our mindsets. Over reliance on technological innovations and advancements has brought in an era of 'measurement' and 'specialization', whereby modern societies perceive a world of things rather than relationships. This brings us to subsequent sub-themes of the analysis, i.e. "Fragmentation of thought and decreasing sense of connectedness", closely tied with another theme; "Quantification of thought and over reliance on measurement".

As been articulated by Capra, (1983):

"A science concerned only with quantity and based exclusively on measurement is inherently unable to deal with experience, quality, or values" (Capra, 1983).

The technological focus on specialization and mass production has changed the way we see and think, even about human systems, whether be sociology, economy, philosophy, or natural systems, life sciences, and ecology. Citing again from Capra, (1983):

"All natural systems are wholes whose specific structure arises from the interactions and interdependence of their parts. The activity of systems involves the simultaneous and mutually interdependent interaction between multiple components. Systematic properties are destroyed when a system is dissected, either physically or theoretically, into isolated elements" (Capra, 1983).

Generally speaking, economists and technologists do not appreciate the fact that economy is merely one aspect of a whole ecological and social fabric; a living system composed of human beings, living organisms and natural resources.

Next important sub-theme that I came across in my analysis is “Self focused and greed based social and economic systems”. The authors seem to agree on the point that in the business world greed has become culturally acceptable, and greed without legal and moral restraints can severely fracture our value system. The fractured social value system in turn gives room for pursuit of objectives that are hazardous physically and unethical morally. As the modern economy is fundamentally self centered with its focus on material wealth accumulation, therefore socially desired changes may not be attractive from the this sensate perspective. An economic system based on self interest is asymmetrical, and tends to undervalue the elements that either lack commercial value or cannot be quantified. Schumacher, (1989) disparages this self interest motive in the following manner:

“The modern economy is propelled by a frenzy of greed and indulges in an orgy of envy, and these are not accidental features but the very causes of its expansionist success. The cultivation and expansion of needs is the antithesis of wisdom. It is also the antithesis of freedom and peace” (Schumacher, 1989).

Other less frequented sub-themes included the notion of human dominance over nature and patriarchal thinking. From the discussion above, I recap the theme and the sub-themes as;

### **Theme 5**

*Our society has undergone significant changes in the long established value systems whereby the emphasis is tilting towards quantification of thought, specialization of processes, and reductionism in approach, thus marginalising the the elements that cannot be valued or measured. Over reliance on technological innovations, symptomatic solutions, and egoistic economic systems, have led to profound imbalances in our thought and feelings, our values and attitudes, our social and political structure, and our relationship with humans and nature.*

### ***5.6 Theme 6: Political and geo-political issues in the present day society***

Next in the list of themes come the political and geo-political issues. A number of points of agreement were remarked in my sample books. First, The *raison d'être* of governments everywhere is to protect citizens from insecurity, including economic insecurity. Second, it is the governments who have the right mandate and the potential to govern the societies, business corporations, NGO's and other international institutions cannot fulfill this function. However, an unchecked *laissez-faire* global economic system restrains governments' abilities from discharging its protective responsibilities. Citing from Gray, (2000):

“A global free market works to set sovereign states against one another in geo-political struggle for dwindling resources. The effect of *laissez-faire* philosophy which condemns state intervention in economy is to impel states to become rivals for control of resources that no institution has any responsibility for conserving” (Gray, 2000).

Third, political structures and economic systems cannot be separated in the present-day societies. Economics is too important to be left to the economists only. In line with this assumption, the sustainability objective is as much a political transition as it is an economic or social transition. Therefore the governments and politicians - the scope and orientation may be different from one case to the other - have an essential role to play if sustainability agenda has to be implemented. Fourth, politicians and governments do not focus enough on distant or long term events as long-run plans and projects generally exceed the electoral periods of democratic governments. Thus investments in projects that yield results after a number of years is electorally less interesting. As Monbiot, (2007) quoted ex British prime minister Tony Blair:



“There is a mismatch in timing between the environmental and electoral impact. By the time the decisions regarding environment start showing their results, the politician is out of office for years” Monbiot, (2007).

Last, corporate spending on the political process is a business expense, thus concocting a collusion of politicians and businessmen, on the expense of public interest.

The most important sub-theme in the broader context of politics was found to be “Socio-economic disparities amongst the nations”. Quoting from Ehrlich, (1995):

“It seems inevitable that world political tensions will increase as the disparity between haves and have-nots increases and the penalties of being in the have-nots nations become more and more severe. The chances of war increase with each addition to the population, intensifying competition for dwindling resources and food” (Ehrlich, 1995).

The wealth generated by corporations is shared among the few top corporate executives and the shareholders, mostly living in rich countries. Additionally, most of their investments are done in rich countries or in emerging markets thus screening out the poorest people and nations of the economic loop. And finally, most of their products are targeted towards rich or middle class populations. Quoting from Elkington, (1999):

“Capitalism is unlikely to be sustainable unless we address the widening gap between rich and poor, whether it be within industrial societies, or between developed and developing countries. Those who feel ignored and uncared for are hardly likely to fulfill their side of the sustainability bargain” (Elkington, 1999).

This sub-theme is closely related to the next sub-theme, i.e., “Terrorism, violence and global unrest”. The widening socio-economic gap between individuals and between states leads to violence, terrorism, and political unrest. As been cautioned by Klein, (2002):

“In understanding the mechanics of terrorism – north and south – one theme is recurring: we pay a high price when we put the short term demands of business ahead of the needs of people” (Klein, 2002).

I abridge the discussion as:

### **Theme 6**

Governments around the world are facing pervasive challenges of broadening socio-economic disparities, increasing crimes and escalating global terrorism. In today’s free market economies with increasing prominence of business institutions, they have diminishing control over economic agendas. However their role is instrumental in creating an equitable and sustainable economic environment through reforms, regulations, and legislation.

### ***5.7 Theme 7: Loosening ties with nature***

The next theme identified is “loosening ties with Nature”, I treat it little differently than environmental problems as this theme addresses issues like nature conservation, protection of flora and fauna, preservation of aesthetic beauty of the planet, love for nature and wilderness, and passion for arts, rather than addressing problems like environmental degradation and greenhouse effect. A number of important thoughts are worth mentioning. Nature and bio-diversity have a value that is hard to account and represent in economic terms. Short term economic objectives are not only destroying the apparent beauty of the natural scenery and wilderness, but also absolving people off the opportunity to spend time in nature, whether for leisure or for recreational activities. Consequently, people are losing ties with nature, and becoming less sensitive to any harm being done to the natural habitat. Moreover, the collusion

of technological prowess with economic progress is leaving little room for virtues of nature and values of relationships. The only values emerging in the prevalent economic models are those that can be measured by being assigned financial weightings. I sum up this theme as following:

### **Theme 7**

Human nature ties are weakening under the mounting pressures of rapid economic growth. This detachment is not only resulting in the reduction of biological diversity, destruction of wilderness, and natural beauty of the planet but also nurturing sensate and egoistic values.

### ***5.8 Theme 8: Public concern over marketing practices of today***

Than in my analysis I come across to issues related to marketing and advertising. Although marketing is an integral part of the businesses, but as a number of the authors have categorically criticized the marketing practices of today, therefore I find it important to mention it in a separate theme. A number of objections on the marketing strategies and practices of large corporations were highlighted. The most prominent of these is promotion of “Materialism and consumerism” amongst the consumers. Intensive marketing and advertisements tend to confound the social costs incurred by the heightened consumption they stimulate. Citing from ‘The Dream of the Earth’:

“We have been (American society) entranced with the progress myth, unlimited progress, progress that would lead beyond the existing human condition to something infinitely better, to wonderland. Such is the seductive theme of almost all our advertising. As a result, our entire society is in a closed cycle of production and consumption that can go on until the natural resources are exhausted or until the poisons inserted into the environment are fed back into the system” (Berry, 1990).

Besides the promotion of consumerism, marketing has been attributed to invade the society, and intrude the private lives of the people. Again Berry, (1990) contends:

“Through advertising the corporation has gained control over media, through which it controls the deepest psychic as well as the most powerful physical forces of the planet” (Berry, 1990).

Phrased differently by Korten, (2001):

“... more than half of the wall street journal’s news stories are based solely on press releases. The distinction between advertising space and news space grows less distinct with each passing day” (Korten, 2001).

In free markets, global brands with their sheer force imperil local diversity by menacing local brands and typical regional tastes. Powerful corporations, with their vast expertise and huge resources, either drive out the fragile local competitors, or subjugate them through mergers and acquisitions.

In addition to that marketing is used to sell products that do not fulfill the promises that they make, products that create fake fantasies, or even the products that are potentially harmful to human health. Referring to Anita Roddick’s ‘Business As Usual’:

“The Diet industry, America’s 5<sup>th</sup> largest, is probably one of the most successful marketing achievements in history. What it sells is self-doubt, and it has relentlessly and successfully extended its grip on the minds and bodies of millions of women all over the world” (Roddick, 2005).

The same concern put in another way:

“The fast food chains, understandably, would like the public to believe that the flavors of their food somehow originate in their restaurant kitchens, not in the distant factories run by other firms. In these flavor companies the basic science behind the scent of a shaving cream is the same as that governing the flavor of an advertised meal” (Schlosser, 2005).

Authors insist that very few places are free from marketing onslaught on society; sports, music, journalism, media, and even educational institutions are grounds of corporations’ promotional campaigns. These marketing campaigns are targeted to all age groups. ‘Cradle to grave’ advertising strategies increase not only the current buying but also ensure future consumption. Considering all of these sub-themes, I recap the general theme as following;

### **Theme 8**

In addition to selling products and services, pervasive and incessant marketing campaigns of businesses exaggerate on products benefits, promote consumerism, endorse materialistic values, and stifle the opposing voices.

Lastly there are other less frequented themes, notably the “Management of international institutions”, flaws in “International financial systems”, “Legal systems and law enforcement issues”, and “Shortcomings of education system”. This sums up my analysis of the emerging themes of public concern in the popular books.

### ***5.9 Remedial solutions suggested in popular books***

Let's now turn our attention from issues, and see what the popular books suggest as the solutions of prevalent problems, and if business is part of the proposed solutions. The content analysis has identified fifteen significant streams of thought. The table 16 tabulates these notions with their respective percentage of occurrence. As we can see "Economic system reforms" tops the chart as the most important way to our recovery. The second element in the list is the "Role of business" in the society. Again, as businesses and corporations are generally considered to be the primary instrument of economic progress, the first two themes are directly linked with the role of business in sustainability progress. A glance on the table 16, shows that responsibility of bringing essential changes is shared by different elements of the society, however businesses are expected to play unprecedented roles in the march towards sustainability. Corporations possess substantial material resources and vast technical expertise, and without their active participation governments, NGO's, communities, international development intuitions will struggle in their attempts to attain sustainability objectives.

The third place is shared by, "Role of governments" and "People and civil society". A majority of the authors seemed convinced that despite the limited governmental controls over economic activities – in the backdrop of today's neo liberal capitalistic economies and globalized business operations – they still have an instrumental role to play in sustainability transition. As articulated by Elkington, (1999):

"Now, after a period in which politicians of every stripe have argued that 'free is good' – as free markets, free trade, free competition, and the free movements of technology and ideas – we see a growing evidence of counter trend. Increasingly, critics

**Table 16**

Suggested solutions of prevalent problems

	<b>Suggested solutions</b>	<b>Frequency Count</b>	<b>Percentage</b>
1	Economic reforms	27	68%
2	Changing Business Practices	26	65%
3	General public and civil society	23	58%
4	Role of governments	22	55%
5	Technical / Industrial improvements	21	53%
6	Philosophical reflexion and re-thinking	21	53%
7	Social change	18	45%
8	Internal Management of corporations	12	30%
9	Creatvity and innovativeness	12	30%
10	Geopolitical factors	12	30%
11	Consumer Power	11	28%
12	Education system improvements	8	20%
13	Religious leadership	6	15%
14	Leadership (General)	5	13%
15	Managmeent of international institutions	5	13%

(Author, 2012)

of free market capitalism argue that the invisible hand cannot do it all, and that many people need a helping hand” (Elkington, 1999).

When it comes to making laws, chalking out regulations, reforming economic system, ensuring economic equity and justice, there is no institution other than government who has the mandate, the apparatus and the power to do it. Equally relevant in this debate is the role of “People and civil society”. First, People can bring about change by altering their life styles, by shifting their priorities, and by transforming their mindsets. Second, in the democratic regimes, the governments are responsible for their deeds to the their people. So people can initiate legislations and regulations, through their elected representatives. Third, the civil society, pressure groups, social networks, and NGO’s can put pressure on governments, as well as on business groups to mind the social and environmental concerns of general public. In nutshell, it is ultimately the public, either directly or through its government and politicians, that have the power to make unsustainable practices unfeasible and illegal, and to make sustainable policies practicable. Korten, (2001) sums this up in the following passage:

“As stakeholders, people from all countries and all nationalities, need to get united on one agenda, which is to consciously and intentionally reinvent human society. We have the knowledge, the technology, and the necessity to recreate humanity's economic, political and cultural institutions to achieve peace, justice and prosperity for all. That is, transforming us from culture of money to culture of life”.

A sizeable number of authors believe that the right change will come from technological and industrial improvements. In this regard, the most discussed element is the sustainable use of natural resources. Other important success factors mentioned, included the increasing efficiency in the resource utilization, changing consumption and manufacturing ways by adopting re-use, refurbishment and re-cycling practices, and by reducing wastes and harmful



side effects. It was also stressed that the sustainability transition will pivot on creativity and innovativeness. Cawsey & Deszca, 2007 quote Mr. Senge of MIT in their book:

“New environmentalism will be driven by innovation and will result in radical new technologies, products, processes, and business models”. (Cawsey & Deszca, 2007)

In contrast to technological solution, another school of thought argues that key to sustainability transition lies in changing the philosophical approach. They emphasize that we are suffering from diminishing long esteemed values and faltering thought processes, and hence the cure must be, metaphysical rather than physical. Taking the society towards a more adaptable mode will depend upon our ability to change our mindsets and thoughts, and modify our life styles and habits. It will depend on the capacity to balance power with wisdom, science with intuition, and sensate values with spiritual and moral standards. It will also depend on our ability to create a sense of connectedness with people, and with nature. In his critique of capitalism, Charles Handy argues:

“Capitalism, efficiency and markets have their flaws, but also their uses. They are neither the complete answer nor only cause of them. They provide some of the context of our lives not the purpose. For that we need a philosophy not an economic system” (Handy, 1999).

Socially oriented solutions come seventh in our table. In this category fall the authors that believe that social factors can considerably aid in bringing about the sustainability transition. Notably, through changing the mindsets of people, and sensitizing them of social rights, social ethics, and social justice. And also by giving importance to social values, by protecting women and children rights, by limiting the population growth, and by creating better employment opportunities. They assert that social systems have multiple roles. They provide not only the tangible services in shape of educated and skilled human resources, but also more

subtle social services like traditions, cultures, wisdom, and a host of values, attributes and behaviors.

Next position is shared by three elements, i.e. “Geopolitical factors”, “Management of corporations”, and “Innovativeness and creativity in business and manufacturing”. Regarding geopolitical elements, authors warn against the escalating inter-nation socio economic disparity. They demand a serious effort on the part of developed nations to contribute to the development of developing nations. Moreover, rich nations should share larger burden of sustainability agenda not only because they have much greater ecological footprint than poorer ones, but also the fact that they have the right expertise and resources to carry out the sustainability requisites. Concerning the internal management of corporations, some of the authors assert that efficient, participative and innovative styles of corporate management can stir change towards responsibility agenda. In addition to that, innovation and creativity in designing new processes, new products and new usages in business and manufacturing can help us to attain sustainability objectives. To the lesser degree came factors like “Consumer choice power”, “Educational reforms”, “Role of social and religious leadership”, and “Management of international institutions”.

Creativity, innovation and adaptation have been hailed by a substantial number of authors as key success factor for businesses and corporations to cope with the sustainability challenge. These are also defined as the differentiating features of capitalism when compared to other alternatives including socialism and communism. Quoting Elkington, (1999):

“It is not yet remotely clear that capitalism can ever become sustainable, as that term is currently understood. But there is enough evidence to suggest that the free enterprise model offers the best hope of moving in that direction – provided that it is suitably shaped by social and regulatory pressures. Its real strength is that, more than any other

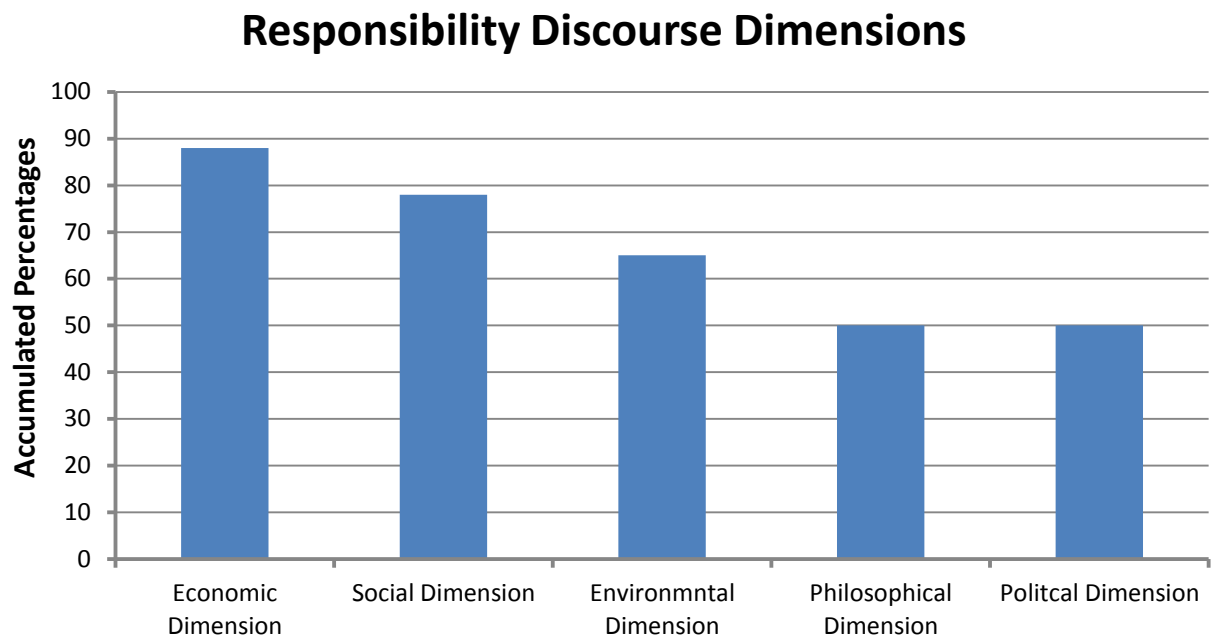
model subjected to large scale testing, it promises to help harness human creativity and innovation to the sustainability cause” (Elkington, 1999).

In this context the challenge for corporations lies less in technological advancement and more in contriving novel business models that are in line with the ever expanding responsibility paradigm. This means thinking out of the box, changing the ingrained mindsets, and trying proactively to meet the rising public expectations. The corporate behavior has already changed, and accordingly responsibility discourse is now an integral part of business media. However, what this represents is an initial version of CSR, there are signs that future of CSR will be much closer to the genuine sustainable behavior.

## **6. Discussion and findings**

As we can see from table 15A, 15B and Graph 2, and the ensuing discussion that there are several significant themes in responsibility discourse in business, and they are consistently referring to five discourse dimensions. These include economic dimension, social dimension, environmental dimension, philosophical dimension, and political dimension. This leads us to the conclusion that the dynamics of sustainability and responsibility agenda depend on simultaneous and mutually interdependent interaction of economic, social, philosophical, political and environmental concerns. Additionally, these five discourse dimensions interact in an environment that constitutes of natural resources and ecosystems on one hand, and technological capacities and scientific knowledge on the other hand. All of the five dimension mentioned are integral part of responsibility debate as:

**Graph 2**



(Author, 2012)

## Discourse dimensions

**Economic Dimension:** For creating material wealth,

**Social Dimension:** For Improving of quality of life and creating of equity between people and nations,

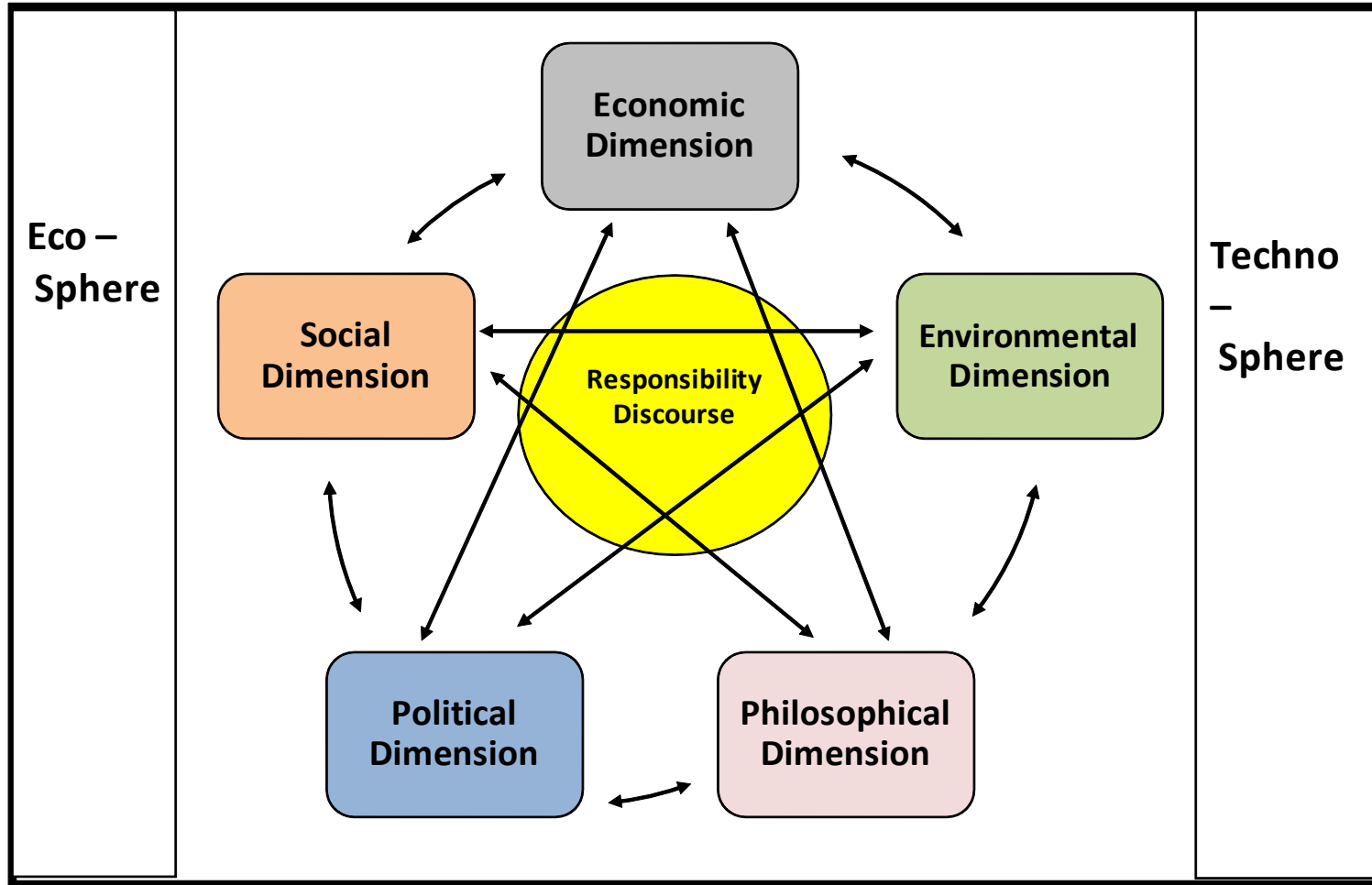
**Environmental Dimension:** For protecting ecological systems and conserving natural environment.

**Philosophical Dimension:** For developing a sense of purpose, and balancing the sensate and spiritual needs.

**Political Dimension:** For putting in action the will of the people, by governments through social, legal and economic instruments.

All these dimensions achieve accumulated frequency count above 50% (table 15B), which suggests that they are more likely than not to be included in a random selection of a book. For the development of a meaningful responsibility discourse in business, we need the moral high grounds, and the political and social value systems to go along with economic rationality. Any missing dimension in the discourse dynamics can lead to imbalance and conflict in the society. A continually evolving discourse should lead to convergence of ideas and consequently result in newer norms and behaviors, rules and regulations, and legislations and institutions. The key, however, lies in the process itself, i.e. a continuing, free and balanced dialogue among diverse schools of thought. The idea is not to take the universally acceptable standards from isolated individuals, or groups, but rather to co-create them in an ongoing process of interaction and collaboration. The businesses, corporations and institutions, by this chain of reasoning, are not only responsible for managing their internal affairs but also for engaging in a debate whereby they can partake in issues of public concern. A further central tenet of this approach is that organizations and institutions are self-organizing but in order to survive they must continually interact with their physical environment - ecological systems,

**Figure 9 : Proposed Model of Responsibility Discourse**



(Author, 2012)

natural resources, scientific knowledge, technological artifacts - and adapt accordingly. The model in the diagram depicts the notion pictorially (see figure 9).

This paper has sought to uncover the latent patterns and covert themes of business responsibility discourse in popular ‘CSR’ and ‘sustainability’ books. The prominent themes in public media not only suggest the converging points in the discourse, but also reveal social and intellectual value trends. I set out to find how the society views the business practices of today and what is expected of them. Thus the study examines CSR construct from the societal perspectives, assuming that the conceptualizations of the notion are imprinted in the context that engulfs it. The content analysis about the role of business towards society proved to be an information rich area of research. I discovered eight major themes (each theme representing at least 25% of total sample) regarding the issues faced by our society. Further I found out that these themes were consistently referring to five major dimensions of responsibility discourse.

A number of important points can be derived from the above discussion:

- There exists an ‘expectation gap’ between what business is expected to accomplish by the general public, and what the businesses believe they must accomplish in the responsibility transition.
- Economic problems top the frequency counts in the content analysis. Interestingly, majority of the authors consider that the remedy of economic problems will come, primarily from serious economic reforms.
- A significant number of authors consider that the prevalent version of capitalism is not compatible in long run with sustainability, however it is amenable to improvements. Moreover, substitutes of capitalism have died out for good and we will see only different varieties of capitalism in the foreseeable future.

- Corporations are among the most powerful institutions in the modern world, and are considered as the flag bearers of capitalistic economies. They are not only a major cause of various societal problems but also are potentially a key source of improvements as well.
- Considering the fact that role of corporations and businesses in responsibility agenda remains on the top, yet the term CSR is comparatively much less used. ‘CSR’ has not gained the public attention unlike other relevant terms of responsibility discourse such as ‘sustainability’, ‘environmentalism’, ‘ecology’, and ‘globalization’.
- The term ‘CSR’ does not enjoy as much positive connotation in public discourse as the term ‘sustainability’. Authors are skeptical of its use by business community considering that it may be used to serve as a distracting strategy to divert the focus from the core issues.
- ‘CSR’ will have to come out of academic grooves, to become a part of public debate and concern. Partly, due to this confinement, it remains to date an academic and superficial idea in general public media.
- In sustainability transition, public awareness and participation will play a crucial role. Peoples’ mindsets, attitudes, and behaviors will determine the course of sustainability in future.
- The pace and success of responsibility revolution will depend on the people, the civil society, and public pressure groups. They have to make the unsustainable practices unfeasible and illegal, and to make sustainable policies practicable and profitable.
- The responsibility objective is as much a political transition as it is an economic or social transition.
- The responsibility transition requires a change of mindsets, which necessitates philosophical reflection and re-orientation of our beliefs, values and attitudes.



Coming to the theoretical side, as I understand that the stakeholder theory<sup>3</sup> is most widely used approach in business settings for explaining the dynamics of CSR. However, since my idea is to view the business as a part of the greater system, i.e. the human society and physical environment, I assume that a pure stakeholder approach may not fully grasp the notion in its integrality. First, like the solar system, corporation is in the centre of stakeholder approach while other elements revolving around it, thus giving it a self centered, egoistic impression. Second in this approach, the decision making may be a result of the dynamics of various relationships between the firm and stakeholders, but not necessarily based on the grand principles of ethics, morality, or justice. Hence profits may get precedence over principles, and short term gains of a relatively small group may get priority over broader societal objectives. Third, when it is said that CSR has to be managed, for example by initiating corporate codes of conducts, it implies by definition that CSR will be an instrumental approach or a 'business case' strategy. Therefore, stakeholder approaches of the firm – though integrative in appearance by valuing relationships and connections – remain essentially engulfed in broader economic frame of self interest, instrumentality and rationality. In order to make visible the larger social, philosophical, ecological and political dimensions we need to change the unit and focus of analysis, i.e. from firm to society and from profit maximization to human enrichment. What we need is an open process of interaction and argumentation between individuals and organizations representing diverse interest groups and schools of thought. Every legitimacy claim to normative standards should depend upon the ability to argue and to reach agreements.

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<sup>3</sup> *The stakeholder view of the firm recognizes the fact that most firms have a large and integrated set of stakeholders to which they have obligations and responsibilities (Spence et al., 2001). In order to survive, a firm must be able to build and maintain sustainable and durable relationships with all the members of its stakeholder network. (Perrini and Tencati, 2006).*

## **7. Research limitations**

I used content analysis, a methodology for analyzing and interpreting textual data, as the basis for the data collection. There are, however, certain limitations to this technique that consequently restrict this study. In content analysis, the information is obtained by noting down words, sentences, themes, figures, graphics, and so on, but, for example, choosing words as the basis of investigation would yield different results than choosing sentences. My analysis is based on popular CSR and sustainability books, which are only a partial representation of the whole, as other means of public discourse, such as newspapers, magazines, internet, and special reports were not studied. A more encompassing approach could also be adopted to cover diverse data sources and communication modes other than popular books, such as magazines, newspapers, advertisements, online materials, and TV programs.

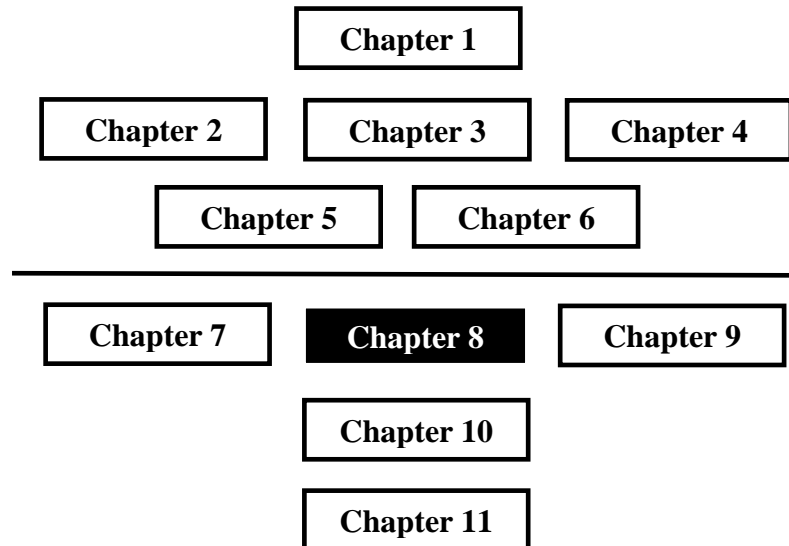
This study – though explorative and embryonic in nature – opens up the debate of business and society, so that the future research could look for ways to align the public expectations with economic theories and business practices. What could be the mechanisms through which such alignment can take place? How can the social concerns be incorporated in the business strategies and activities? What are the conditions under which this alignment and transformation can take place? What could be the discussion platforms and collective learning forums to further the debate on business responsibility?

We can see that the role of business in responsibility agenda remains on the top in the analysis. However, the term CSR has not gained the public attention or favor unlike other ‘sustainability’, ‘ecology’, or ‘environmentalism’. Therefore I think that a more holistic theoretical approach should be adopted to supplement the stakeholder version of CSR with a broader societal perspective. This is in line with both CSR and sustainability in the sense that these concepts are holistic in nature, and focus on relationships and interdependences. This

need is further underscored, as we have noticed that there is an ‘expectation gap’ between what business is expected to accomplish by the general public and what the businesses believe they must accomplish in the responsibility transition. Since the objective of the research work was to discover common themes in the responsibility discourse in popular ‘CSR’ and ‘sustainability’ books, theoretical aspects of discourse were sparingly covered. This issue is detailed in ensuing chapters of this thesis.

# Chapter 8

## *Article 2*



# **An Exploratory Analysis of the Social Responsibility Reporting in Corporate Sector of France**

## *Abstract*

*Corporate disclosure is a method organizations use to interact with their stakeholders and influence their perceptions. I explore patterns of social disclosure within the boundaries of a political entity, i.e., France. I find that French companies focus on employees and the environment as the most important stakeholders in corporate social responsibility (CSR) discourse. I observe a number of differences between my findings and the literature. I argue that societal values and characteristics, in part, account for these differences. I suggest that communicative theory of Habermas – considering its ability to integrate instrumental and ethical concerns under one framework – can help in creating a better understanding of the dynamics of CSR discourse.*

## **Key Words:**

*Content Analysis, Corporate Disclosure, Corporate Social Responsibility, Corporate Reporting, Communicative Theory, Social Reporting, Stakeholder Theory, Sustainability.*

## 1. Introduction

This paper identifies key trends in responsibility discourse in France's corporate sector for a clearer understanding of how expansive ideas, such as sustainability and corporate social responsibility (CSR), are interpreted and adapted by business entities. Consequently, I expect to identify patterns of similarities or dissimilarities within an industry and between industries. On the theoretical front, I would like to see if the political and societal context, i.e., the country in which a company operates, affects patterns of responsibility discourse. Previous research has either been industry specific, focusing on a certain industry or sector, such as financial services (Hamid, 2004; Holland and Foo, 2003, Sachs *et al.*, 2006, Simpson and Kohers, 2002;), best CSR companies or comparative studies (Sweeney and Coughlan, 2008). I, however, do not differentiate between different industries, sectors or best CSRs companies in the sample selection, the CAC 40<sup>1</sup>. Moreover, my work is specific to France, which has not been studied with regard to my research interest despite its obvious importance in the global context. Additionally, I employ theoretical perspectives other than the stakeholder theory so often employed in the CSR context to further the debate on responsibility discourse in business.

The concept of sustainability is often defined as the intersection of social, economic, and ecological interests and initiatives. In most cases, it serves as a meta or base concept for a number of responsible business concepts, terms or issues, such as corporate social responsibility, corporate responsibility, triple bottom line, business ethics, corporate accountability, corporate citizenship, and total responsibility management. Rugimbana *et al.* (2008) regard the integration of social, economic and ecological considerations to be the essence of sustainability. Recent research demonstrates that the overall coverage of terms related to sustainability and corporate responsibility has risen significantly throughout the world since 1990. However, among the concepts of business responsibility towards society,

CSR seems to have taken off, while other terms are lagging behind (Barkemeyer *et al.* 2009). Although the short history of management is marred by “brainy” ideas that appeared in business discourse, were popularized and then withered away in a brief period of time (Crainer and Dearlove, 2006), the term CSR, or at least the concept that this term represents, has passed the test of time (Marshall and Brown, 2003; Isenman, *et al.*, 2007; Waddock *et al.*, 2002). For clarity and comprehension, I will limit my discussion to two terms, sustainability and CSR, with reference to responsibility discourse in business.

In the following two subsections, I briefly discuss the relevance of sustainability and CSR reporting, which I later refer to as responsibility reporting, in current business practices followed by a short account of the stakeholder view of CSR. I do not go into detail on the relationship that exists between these two concepts, as this does not lie within the scope of this paper. In the remainder of the paper, I proceed as follows. I present a brief overview of corporate disclosure and responsibility reporting in the corporate world. Later, I review the objectives of this paper and their relevance to CSR discourse. Subsequently, I describe the methodology used in the analysis and its appropriateness in the given context. In the next section, I present some of the key research results. I conclude with research implications, findings, and limitations.

### ***1.1 Relevance of Responsibility Reporting***

Because responsibility reporting has become a topic of broader interest in academia, business and government, it has rapidly grown into a field of research with increasing relevance for companies, capital markets and even investors (Isenman *et al.*, 2007). For a growing number of firms, the question is not whether to report on sustainability-related issues but how to report on them (Isenman *et al.*, 2007; Marshall and Brown, 2003). These issues have become an integral and permanent part of business media (Waddock *et al.*, 2002). This is a global trend lead by America and Europe (Kolk, 2004; Visser, 2002). Within

organizations, it is increasingly acknowledged that conducting business in a sustainable manner reduces risks (Gilding *et al.*, 2002; Welford and Gouldson, 1993), increases market opportunities (Funk, 2003; Faber *et al.*, 2005) and prepares organizations to face stakeholder and social pressures (Waddock *et al.*, 2002). Vogel (2006) believes that CSR has already produced many positive and significant changes in corporate behavior, including child labor, health and safety conditions; repricing of agricultural products; and a decrease in greenhouse gases.

### ***1.2 Stakeholder perspective of CSR***

In academia, much research has already been done and is being performed on CSR. This subsection reviews the stakeholder view of the firm with regards to CSR and concludes with a pictorial depiction of key concepts.

Despite the considerable amount of research done on CSR, it remains a *field* of study within management rather than a *discipline* (Lockett *et al.*, 2006). CSR is a broad, complex and continually evolving concept that encompasses a variety of ideas and practices (Sweeney and Coughlan, 2008). It has also been described as an ambiguous, subjective, unclear, amorphous and highly intangible concept (Cramer *et al.*, 2004). Recent definitions of CSR tend to focus on a firm's responsibility toward its various stakeholders (Jones, 2005; Vos, 2003). Reynolds (2008) defines CSR as a company's commitment to operate in an economically, socially and environmentally sustainable manner while balancing the interests of diverse stakeholders. Freeman's definition of stakeholders, arguably the most popular definition cited in the literature (Kolk and Pinkse, 2006), proposes that stakeholders are "any group or individual who can affect or is affected by the achievement of a corporation's purpose" (Sweeney and Coughlan, 2008).

The stakeholder view of the firm recognizes the fact that most, if not all, firms have a large and integrated set of stakeholders (Cochran, 1994) to which they have obligations and

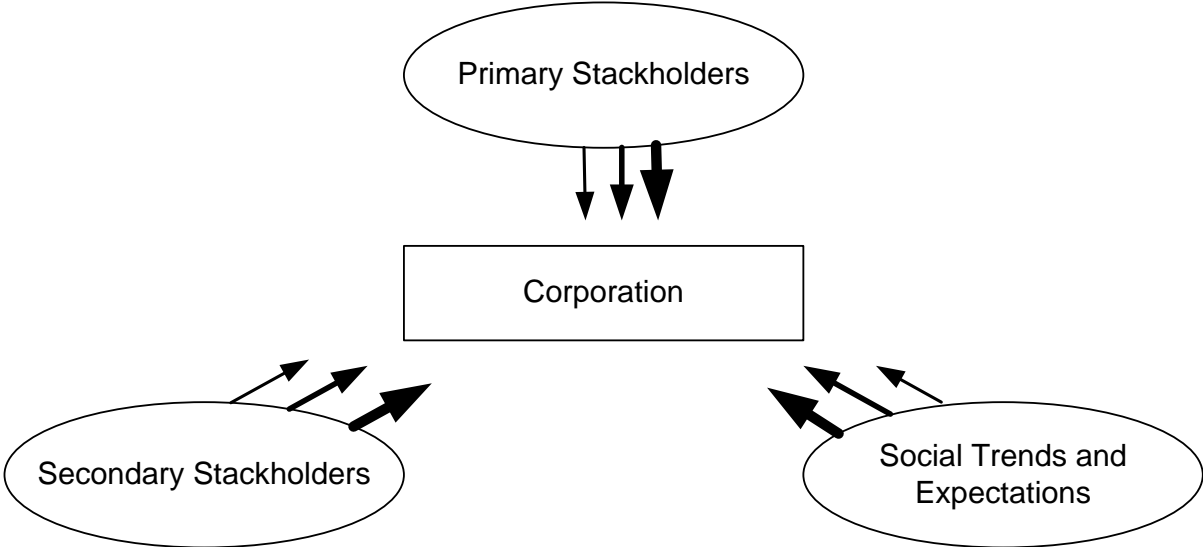


responsibilities (Spence *et al.*, 2001). Thus, identifying and engaging key stakeholders around corporate operations, communications and planning have become increasingly critical to long-term corporate viability (Brown and Flynn, 2008). According to the stakeholder view of the firm, a company can survive if it is able to build and maintain sustainable and durable relationships with all the members of its stakeholder network. These relationships are essential assets that managers must manage, and they are the ultimate source of organizational wealth (Perrini and Tencati, 2006). Frequent and dynamic stakeholder engagement across a broad range of participants provides companies with highly informed decisions, increased investment and commitment from stakeholders and insight into new opportunities (Brown and Flynn, 2008). Metcalfe (1998) classifies the stakeholders into two groups: the primary or participant stakeholders and the secondary or non-participant stakeholders. Primary stakeholders are those without whose continuing participation the corporation could not survive. Secondary or non-participant stakeholders are defined as those who influence or affect or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential to its survival (Metcalfe, 1998; Sweeney and Coughlan, 2008).

Waddock *et al.* (2002) argue that the various stakeholders who exercise pressure and influence on an organization can be classified into three broad categories. Primary stakeholders include the owners, employees, customers and suppliers, who could also be termed insiders. Secondary stakeholders represent an aggregation of nongovernmental organizations (NGOs), independent activists, communities, and governments. Lastly, corporate citizens push companies towards greater CSR through the influence of general social trends and public expectations. Accordingly, the nature of the pressures or imperatives exerted by the various stakeholders is divided into three principal categories: economic pressures, social pressures and environmental pressures. A sustainable organization needs to

maintain a balance among these three pressures or imperatives to remain viable in the long run (Schlange, 2009; Spiller, 2000; Waddock *et al.*, 2002). Figure 10 integrates and summarizes the above concepts.

**FIGURE 10: Pictorial summary of CSR concepts: Three types of arrows represent economic, social and environmental pressures of varying intensity.**



(Author, 2012)

A clear assertion of notions, such as integration, inter-dependence, interconnectedness and relationships, is visible in the above depiction, which shows the essence of sustainability. The next section discusses the application of social reporting and corporate disclosures for social legitimization of business entities.

**1.3 CSR from a societal viewpoint**

Historically speaking, three sources of differences distinguish one society or nation from another. These sources of difference are identity, values and institutions. Identity is an explicit

form of distinction, such as language and religion. Values represent a tacit pattern of ideologies and preferences, whereas institutions are a collection of the rules, laws, and organizations of a political entity (Hofstede *et al.*, 2010). Values and institutions represent the more enduring elements of a society. Institutions follow patterns of collective feeling, thinking, and acting, and in the way they function, they adapt to local culture. In turn, they perpetuate the mental programming on which they were founded. Both values and institutions are an integral part of a society and its culture (Hofstede *et al.*, 2010).

Business institutions are a part of society, and they continuously interact with it during their evolution and existence. The impact of societal values on management theories and practices is well established in the literature (Hofstede *et al.*, 2010; Hofstede, 1980; House *et al.*, 2004). Consequently, expansive theories such as legitimacy theory<sup>2</sup>, institution theory<sup>3</sup>, and the various ethical theories that elaborate value systems and institutions, can provide us with valuable insight into CSR in addition to the stakeholder theory. I think, particularly with reference to social trends and public expectations, the communicative theory of Habermas can be of great value by providing an overarching framework of morality and normativity to the existing stakeholder theory.

Habermas sees communication oriented toward reaching agreement as the primary, and most common, form of communication, and proposes that the principal means of reaching agreement is through rational discussion and debate—the “force of the better argument”—as opposed to the application of power, or the dogmas of tradition or religion (Mingers & Walsham, 2010). He distinguishes communication in three forms of discourses, they represent complementary components of his theory. Depending on the issue at stake, a different form of discourse comes into play: pragmatic discourses deal with the **effectiveness** of means; ethical discourses deal with the **goodness** of ends; and moral discourses deal with the generalizability and **rightness** of norms (Gilbert and Behnam, 2009). He emphasizes on the process of

participation, discussion, and rational argumentation between real subjects and suggests that individual reasoning is not sufficient enough to legitimate universally accepted norms. Thus purporting a shift from individual reflection to collective vision resulting from real interactions. The strong point of the communicative approach of Habermas lies in the fact that it provides a solid normative base to stakeholder theory without comprising its instrumentality and practicality. Additionally it incorporates the concerns of legitimacy theories as well as intuitional theories.

## **2. Corporate Disclosures**

The root of the corporate accountability concept is equity or fairness. This is based on the assumption that corporations are managed in ways that challenge society's ability to protect itself. Thus, disclosure is a sort of "safety valve" against possible government interventions (Holland *et al.*, 2003). Gray *et al.* (1996) define accountability as "the duty to provide an account (not limited to financial accounts) or reckoning of those actions for which one is held responsible." Holland *et al.* (2003) suggest that there are two responsibilities. The first responsibility is to undertake certain actions, and the second responsibility is to provide an account of those actions. Considering the potential economic, social and environmental pressures, risks and benefits, proactive and positive corporate engagement of stakeholders is a smart bottom-line strategy (Brown and Flynn, 2008). Pava (2008) suggests that it benefits the company and society to engage stakeholders in honest, transparent, and forthright debate about social values and the limitations of what a business can accomplish.

Moreover, corporate disclosure is seen as a method that allows an organization to interact with its stakeholders and, thereby, try to influence their perceptions about the organization (Deegan, 2002). Over the years, there has been an increase in voluntary disclosures with changes in the design and content of annual reports to include graphics, photographs, and disclosures about human resources, the environment, and the community (Marino 1995;

Stanton and Stanton 2002; Zéghal and Sadrudin 1990). Organizations have made several additions to their annual reports, and they now contain more than is legally required, which is to present the organization’s accounts over the last financial period accompanied by a report from the directors and auditors. In recent years, the annual reports have begun to contain information on how the organization is discharging its social responsibilities (Rugimbana *et al.*, 2008).

In the words of Hund *et al.* (2004), responsibility reporting is moving away from a “managerial closed shop procedure” towards a “quasi-public effort” of engaging and involving stakeholders. The information supply has evolved from a strict monologue and one-way company-controlled exercise into a more interactive reporting approach, communicating with a larger audience and initiating dialogues to obtain feedback and stakeholder commentary from a number of target groups or even to engage interested parties who formulate a “challenger report.” Table 17 compares the traditional reporting approach with a sophisticated, interactive and proactive approach.

**Table 17. Converging trends pushing the field towards sustainability online reporting (Isenman *et al.*, 2007)**

<b>Traditional reporting approach</b>	<b>Sophisticated reporting approach</b>
Managerial closed shop procedure	Quasi-public effort
One-way company controlled exercise	Stakeholder involvement
Monologue	Dialogue
One-way communication	Two-way communication
One size fits all reports	Customized reports
Ad-hoc distribution of information	Continual exchange of ideas
Few opportunities for response	Many mechanisms for feedback and criticism
Hard copies	Computer-based media
Print media fixation	Cross-media availability

(Isenman *et al.*, 2007)

In spite of the work done on responsibility reporting, the fact remains that unlike financial reporting, which is based on uniform standards such as the International Financial Reporting Systems (IFRS) throughout much of the world, there exists no comparable standard for environmental and social reporting (Reynolds, 2008). However, this does not diminish the need for social and environmental perspectives in the reporting. The essence of this argument is that companies should create value on financial, social and environmental fronts. The concept of the three-prong bottom line (3BL), advanced by John Elkington, analyzes how companies and other organizations produce value in multiple dimensions (Elkington, 2006).

### ***2.1 Annual Reports and CSR disclosures***

In the previous section, I argued that business enterprises use social reporting, corporate disclosure and public communication to legitimize their existence. Although much of the communication by larger public companies is voluntary, organizations are required to report to their owners at least once a year, and the traditional mechanism to do this is the annual report (Sweeney and Coughlan, 2008). While the annual report is the only document produced periodically to comply with regulatory requirements that is central to the organization's own image (Gray *et al.*, 1995), annual reports are not the only way companies can communicate their CSR information. Companies can also use advertising, public relations, such as newsletters, bulletins and media releases, and their websites. An annual report contains not only the mandatory reports destined for the shareholders and third parties but also non-mandatory information (Walter and Lanis, 2009). Companies may also use the annual report as a marketing or communication tool for voluntary disclosure of non-financial information to their various stakeholders, including shareholders, employees, customers, suppliers, media and the government, and to develop a particular brand image for the organization (Berkey 1990; Neu *et al.*, 1998; Stanton and Stanton 2002).

## *2.2 Focus and Level of CSR Disclosures*

A review of business literature and accounting literature in particular indicates that the sociopolitical context an organization operates in influences its level of CSR disclosure. This view is consistent with systems-oriented theories (Campbell *et al.*, 2002; Deegan, 2002; Farook and Lanis 2005; Gray *et al.*, 1987; Walter and Lanis, 2009). These theories propose that firms seek to legitimize and sustain their relationships in their broader social and political environments (Farook and Lanis 2005; Gray *et al.*, 1995; Walter and Lanis, 2009). A recent study by Barkemeyer *et al.* (2009) highlights the fact that the level of public discourse on sustainability-related issues varies from one region to the other.

Moreover, Podnar and Jancic (2006) note that given the competitive environment organizations find themselves in, organizations “... do not and cannot treat all stakeholders equally or communicate with them with the same intensity.” It is obvious that different stakeholder groups can present quite different and conflicting needs and interests (Neville and Menguc 2006; Sen *et al.*, 2006). According to Cooper *et al.* (2001), when stakeholder theory is used as a managerial tool, it is specifically concerned with identifying which stakeholders are more important, and as a result, should receive a greater proportion of management attention. To summarize the above debate, I can safely conclude that the level of CSR disclosure and the focus on various stakeholders depends on a company’s social, political, economic and business environment.

I seek to understand how business organizations orient themselves towards different stakeholders in the CSR debate in the specific context of France. More specifically:

- *How do French companies engage in CSR discourse and can I trace some similarities and dissimilarities with respect to other research results?*
- *Do companies in the same industries tend to report CSR in a similar fashion? Is there an*

*industry conformity effect on CSR disclosure?*

- *Do the firms that have a negative impact on one area of CSR (e.g., environment, community) report relatively less on it? How does intensity of focus on an issue change with reference to the state or position of an organization on that issue?*
- *Does the societal context in which a company operates affect the CSR discourse in annual reports?*

To carry out this research, I focus on one country to keep the regional differences relatively constant and concentrate on CSR discourse within a limited sociopolitical and economic framework. For specific reasons, I selected France as my case. First, France has the fifth largest economy in the world and the second largest economy in Europe (IMF, 2008). It is second because of its importance in the global geopolitical make-up, its permanent membership on the United Nations Security Council, its influence on Francophone countries, and the fact that it is a key military power (BBC Country Profile, [bbc.com](http://bbc.com)). Last but not the least, it is a world leader with respect to public discourse on CSR-related issues (Barkemeyer *et al.*, 2009). Laws regulating non-financial data in private bodies in France were introduced as early as 1977 with the Social Assessment Law (Bilan Social), which requires listed companies to report social data assets. The *Nouvelles Regulations Economiques* (NRE) law passed in 2001 has been an impetus for non-financial reporting in France (Guide to CSR in Europe, 2009).

### **3. Research Methodology**

In this section, I explain the study's methodology, focusing on (a) the research method and its appropriateness, (b) data source, and (c) sample selection.

I opted to use the annual reports of CAC 40 companies as my data source and content analysis. CAC 40 includes largest listed companies in French stock exchange repressing



diverse businesses and industries. I selected annual reports for their mandatory nature. It is the only compulsory report adhering to stipulated legal requirements that organizations are required to produce a report for their owners at least once a year (Gray *et al.*, 1995). However, they also contain much non-mandatory information, such as information on CSR in addition to the compulsory items (Walter and Lanis, 2009). While companies are increasingly using a variety of alternative reporting media to report their CSR activities, including interim reports, newspaper advertisements, press releases and company websites, in most cases, if not all, the annual report is the only document that is automatically sent to shareholders by all companies (Sweeney and Coughlan, 2008). Furthermore, annual reports are consistent with their presented financial statements, and external auditors for accounting authenticity verify the material in the annual reports.

Content analysis has been widely employed in CSR research and is the most common method for analyzing social and environmental disclosure in business. Content analysis is, at its simplest, a research technique to determine the presence of certain words or concepts within a text (Sweeney and Coughlan, 2008). Abbot and Monsen (1979), usefully define it as:

*“A technique for gathering data that consists of codifying qualitative information in anecdotal and literary form into categories in order to derive quantitative scales of varying levels of complexity”*

Krippendorff (1980) defined content analysis as a “research technique for making replicable and valid inferences from data to their context.” In this study, I accept Krippendorff’s assumption that the extent of disclosure can be taken as an indication of the importance of an issue to the reporting entity. So, I seek the indicators reflecting CSR in the content of annual reports rather than an actual measure of CSR.

Second, previous research has based itself on certain industries, best CSR companies or comparative studies. I, however, do not make any distinction with regards to industrial

sectors, affiliations or CSR reputation in my sample selection of the CAC 40. Moreover, with regards to my research interest, my work remains specific to France, which, despite its obvious global importance, has not been studied using this approach.

#### **4. Findings and discussion**

I analyzed the annual reports of CAC40 companies from 2008. The 40 companies were further classified into ten broad categories. Qualitative data analysis software (Nvivo 8) was used for data extraction. Data enumeration can take the form of either the number of documents on a particular category of disclosure and/or the number of characters, words, sentences, pages or proportion of pages devoted to different categories (or themes) of social disclosure or the proportion of the volume of CSR disclosure to total disclosure (Unerman, 2000). Due to the exploratory nature of this study, I decided to have a greater amount of detailed information by using words as the unit of analysis, a recommended procedure for business research (Kassarjian, 1977). Based on the content analysis, a summary of the main finding is presented in Table 18 and Table 19, and a more detailed discussion is found below.

Given the ten different industry categories, the literature suggests that the intensity of stakeholder focus should vary from one industry to the other. Therefore, stakeholders were further classified into groups based upon a review of the existing literature in this particular area (Holland and Boon Foo, 2003; Sweeney and Coughlan, 2008; Walter and Lanis, 2009). I oriented coding of the reports towards stakeholder groups to see how organizations are taking a focused stakeholder group view of CSR. Primary stakeholders are most vital to the organization because without their active participation, a company cannot survive as a going concern. Secondary stakeholders are important for a company, but a company can still survive without their participation.

In terms of providing a separate CSR section in the annual reports, 100% of the CAC 40 companies did so. Seventeen of the companies (42.5% of the total sample of 40) had a

separate report on CSR disclosures, and four had separate websites for CSR. The separate CSR section in annual reports is not surprising considering France's 2001 binding legislation (Tschopp, 2005).

Companies could have different motives for producing separate CSR reports. By engaging in separate CSR reporting, firms may be trying to communicate to stakeholders that it takes CSR much more seriously and that annual reports, which focus on the financial performance of the company, are not the most appropriate forum to discuss their CSR achievements and commitments. Standalone CSR reports and annual reports are addressed to various stakeholders, so these reports provide an opportunity for marketing communication specialists to reach out to various stakeholders. As a result, the firm can convey its responses to stakeholders' environmental and social concerns. In addition to certification and regulation, authorities can oblige companies to produce dedicated CSR reports. Nonetheless, companies producing separate CSR reports tend to disclose CSR information in their annual reports as well. In the sample, 100% of companies producing a separate report also included CSR information in their annual reports.

Annual reports are important documents for CSR because of the high degree of reliability they give to information reported in them (Tilt, 1994). However, an exclusive focus on annual reports "may result in a somewhat incomplete picture of disclosure practices" (Holland *et al.*, 2003; Roberts, 1991). To offset this effect, I have tried to link the annual report disclosures to standalone CSR reporting by noting the companies engaged in separate CSR reporting, which represents almost half the CAC 40 firms.

**Table 18: Separate reports for CSR, separate CSR sections in annual reports and separate website for CSR.**

<b>Industries</b>	<b>Cases</b>	<b>CSR section in annual report</b>		<b>CSR section in corporate website</b>		<b>Separate report for CSR</b>		<b>Separate website for CSR</b>	
		<b>N°</b>	<b>%</b>	<b>N°</b>	<b>%</b>	<b>N°</b>	<b>%</b>	<b>N°</b>	<b>%</b>
Automobile	3	3	100%	3	100%	1	33%	1	33%
Conglomerate and Hotel	3	3	100%	3	100%	1	33%	0	-
Construction and Building Materials	4	4	100%	4	100%	2	50%	0	-
Electric Utilities, Oil and Gas	6	6	100%	6	100%	2	33%	1	17%
Financial Services	5	5	100%	5	100%	1	20%	1	20%
Information and communications technologies	7	7	100%	7	100%	4	57%	0	-
Other manufacturing industries	6	6	100%	6	100%	2	33%	0	-
Pharmaceutical	2	2	100%	2	100%	2	100%	0	-
Retail	2	2	100%	2	100%	0	-	0	-
Water and environment	2	2	100%	2	100%	2	100%	1	50%
<b>Total</b>	<b>40</b>	<b>40</b>	<b>100%</b>	<b>40</b>	<b>100%</b>	<b>17</b>	<b>42,5%</b>	<b>4</b>	<b>10%</b>

(Author, 2012)

Results of the present study are displayed in Table 19. The objective of the table is to make inter-industry comparisons of CSR disclosure with regards to diverse stakeholder groups.

Table 19 indicates that there was some homogeneity among the (1) automobile, (2) construction and building materials, (3) other manufacturing and (4) pharmaceutical industries in terms of the emphasis placed on stakeholder groups. As shown in the results, these industries focus, in decreasing order, on employees, the environment, shareholders, customers, and communities.

For the financial services industry, shareholders and employees are the most important stakeholder information disclosure category. This is followed by customers and the environment, while communities as stakeholders are placed last by financial services companies. This result partially contradicts previous research results (Hamid, 2004; Sweeney and Coughlan, 2008) where customers and communities were viewed as primary stakeholders. However, the focus on employees is in keeping with Sweeney and Coughlan (2008) and opposed to Hamid (2004).

For the information and communications technologies companies, employees as stakeholders were found to be the most important stakeholder group followed by customers, the environment, communities and shareholders. The focus on customers was expected, as this is a growing industry. There are some interesting similarities between financial services and information and communication technologies companies. The two industries, which mostly deal in intangibles, such as financial and technical services, communication facilities, and consulting, seem to emphasize employees and customers respectively. The figures in Table 19 also indicate that for hospitality companies and conglomerate groups, employees and the environment are the most important stakeholder categories.

With regards to the retail companies, employees and shareholders are the most important stakeholder groups followed by customers, the environment and communities. This is partly

in agreement with the findings of Sweeney and Coughlan (2008), who suggest that retailers were giving more attention to their customers, and, to a lesser extent, the environment in CSR discourse in annual reports. With respect to employees, my findings do not affirm the results of Sweeney and Coughlan (2008).

The water and environment industry and the electric utilities, oil and gas industry met my expectations. In line with previous research, those industries emphasize environmental performance (See Cooper *et al.*, 2001; Sweeney and Coughlan, 2008).

**Table 19: Information Disclosures in the Annual Report by Stakeholder groups**

<b>Industries</b>	<b>Cases</b>	<b>Customers</b>		<b>Employees</b>		<b>Communities</b>		<b>Shareholders</b>		<b>Environment</b>		<b>Total Words</b>
		<b>%</b>	<b>Rank</b>	<b>%</b>	<b>Rank</b>	<b>%</b>	<b>Rank</b>	<b>%</b>	<b>Rank</b>	<b>%</b>	<b>Rank</b>	
Automobile	3	10%	4	35%	1	2%	5	21%	3	32%	2	1106
Conglomerate and Hotel	3	24%	3	34%	1	2%	5	9%	4	31%	2	1052
Construction and Building Materials	4	7%	4	49%	1	4%	5	14%	3	26%	2	2419
Electric Utilities, Oil and Gas	6	13%	3	28%	2	9%	4	9%	4	41%	1	2028
Financial Services	5	16%	2	35%	1	0%	4	35%	1	14%	3	5035
Information and communications technologies	7	26%	2	35%	1	3%	5	14%	4	22%	3	2537
Other manufacturing industries	6	14%	4	37%	1	3%	5	21%	3	25%	2	2980
Pharmaceutical	2	2%	4	50%	1	0%	5	4%	3	44%	2	249
Retail	2	19%	3	33%	1	1%	5	30%	2	17%	4	1330
Water and environment	2	12%	3	23%	2	5%	5	8%	4	52%	1	828

(Author, 2012)

As a whole, study results do not unequivocally follow previous research. Kohers (2002), Sweeney and Coughlan (2008), Waddock and Graves, (1997) found visible differences in CSR disclosure across industries, which was also the case with this research. The general trend of my results shows that firms in a given industry conform to the norms set by that industry. In addition, all the reports mentioned all stakeholder groups in one form or another, but the depth of focus on these groups differs significantly (Sweeney and Coughlan, 2008). The focus on shareholders is quite limited from a communications perspective, and shareholders should be the prime audience for the reports. This supports the idea of stakeholder multiplicity proposed by Sen et al. (2006).

There are, however, certain results that deviate from the literature. In particular, Mitnick (2000) argued that companies that have a negative impact on one area of CSR do not report this but instead report on other areas where they have a positive impact. Contrary to the results of Mitnick (2000), we notice that companies having a negative impact on one area of

CSR emphasize that particular area. The electric utilities, oil and gas industry and the water and environment industry are cases in point. The above industries emphasize the environment stakeholder group, and these industrial sectors are, generally, considered direct contributors to environmental degradation. Another example would be that the automobile, construction and building materials industries, which are manufacturing industries generally criticized for their outsourcing, layoffs and job stress, accentuate the employee stakeholder category. This could be considered a marketing and communication strategy to give a lift to the companies stained images in the above mentioned areas. Communities, as suggested by previous research (Hamid, 2004; Sweeney and Coughlan, 2008), are not supported in this study as a primary stakeholder. The focus on employees was not in keeping with the results of Hamid (2004), but it was in agreement with Sweeney and Coughlan (2008).

Cooper *et al.* (2001) argue that companies dealing directly with individual clients are motivated to focus their attention on that particular stakeholder. The data, however, does not show any significant link between the mentioned variables. In contrast, I do find significant similarities in service and IT companies. Both underline customers as important stakeholders in their CSR communications. This is in line with the existing marketing literature on services. Vargo and Lusch (2004) argued that marketing has moved from a goods-dominant view, where tangible outputs and discrete transactions are central, to a service-dominant view, where intangibility, exchange processes, and relationships are central. Duncan and Moriarty (1998) argued that marketing theory and communications theory are in the midst of fundamental changes that are similar in origin, impact, and direction. Parallel paradigm shifts are moving both fields from a functional, mechanistic, production-oriented model to a more humanistic, relationship-based model. They point out that many marketing roles, particularly in the services industries, are fundamentally communications positions that take



communication deeper into the core of marketing activities, which involve the processes of listening, aligning, and matching.

Globally speaking, CSR disclosure among the French companies seems to focus on employees and the environment as primary stakeholders followed by customers and shareholders. This is contrary to the findings of Sweeney and Coughlan (2008), who argue that communities received the attention of reporting experts. Interestingly, pharmaceutical companies were seen to be more focused on their environment and employees than on communities and customers. This result is surprising given the nature of this industry and previous research.

## **5. Conclusions**

Based on the results, I show that the stakeholders most French companies focused on are employees followed by the environment, customers and, finally, shareholders. To a lesser extent, companies disclosed information about communities. Indeed, with little inter-industry variation, French companies placed the highest importance on employees. In line with Sweeney and Coughlan (2008), the industry is considered as a control variable for studies investigating the CSR activities of a group of firms.

There are a number of implications of this study. First, CAC 40 companies are trend setters for smaller enterprises in France. They are role models not only in the sense of public discourse and image creation on CSR but also as exemplars and benchmarks for CSR practice. Due to sociopolitical demands and industry conformity pressures, smaller players will be obliged to emulate them. Furthermore, as the relevant audiences of annual reports are quite diverse, communication specialists and marketing managers should take advantage of the opportunity to address a variety of stakeholders to create a relationship with them and to

boost an industry's image. They should also be cognizant of the needs and wants of the various audiences the annual reports address, so they can modify and customize them to fit the marketing frame.

As discussed earlier, I observed some noticeable differences between this study and previous work. Because societal and economic variables were controlled by selecting one country and by choosing CAC 40 companies rather than best practices businesses, I assume that societal differences, in part, account for the deviations we observe from previous studies. I assume, a more holistic approach that complements stakeholder theory with communicative theory of Habermas would provide us a better understanding of CSR discourse dynamics. This is in line with recent literature on CSR and sustainability whereby a need to for an overarching theoretical framework is emphasized (Campbell, 2007; Detomasi, 2008; Donaldson and Dunfee, 2002; Donaldson and Preston, 1995; Hoffman 2001).

Modern social and institutional developments have made corporate responsibility and sustainability an important basis to legitimize the right of businesses to exist and operate. Alternatively, strategies that business firms choose to adopt for sustainability and CSR initiatives are, to some extent, dependent on the domestic institutional structures and societal expectations of the home country. Communicative theory of Habermas is useful in helping us study how norms are created and rules institutionalized. Second, this broad spectrum approach can help us better treat the normative elements of CSR strategy development without compromising on instrumental aspects. Last, other relevant elements such as that electronic and print media, who have an apparent influence on business strategy making but do not have a "stake", are well treated in the communicative approach.

This directs us to look into possible theoretical frameworks other than stakeholder theory to understand and explain responsibility discourse in business. This study contributes to the

literature by pointing out the limitations of the stakeholder perspective and highlights the need for a more holistic approach.

## **6. Limitations and future research**

I used content analysis, a methodology for structuring and analyzing textual material, as the basis for my data enumeration. There are, however, certain limitations to this technique that consequently restrict this study. In content analysis, the information is obtained by noting down the words, sentences, themes, figures, graphics, pictures and so forth, but, for example, choosing words as the basis would yield different results than choosing sentences. My analysis is based on annual reports, which are only a partial representation of the whole, as other means of public discourse, such as media briefings, websites, special reports, brochures, and ads, were not studied.

Based on a single country, the findings of this research provide a springboard for further and deeper research. Future research could focus on a specific industry or specific industries to discover the motives behind the communication patterns found in CSR discourse or to observe changes in CSR discourse occurring over time. A more eclectic approach could also be adopted to cover diverse data sources and communication modes other than annual reports, such as advertisements, online materials, and media briefings.

On the theoretical front, more holistic approaches could be adopted such as communicative theory of Habermas, to investigate the impact of sociopolitical factors and stakeholders on CSR disclosure. This is in line with both CSR and sustainability in the sense that these concepts are holistic and concerned with entities and the interdependence of their parts rather than dissection or separation into autonomous units.

### ***Foot footnotes***

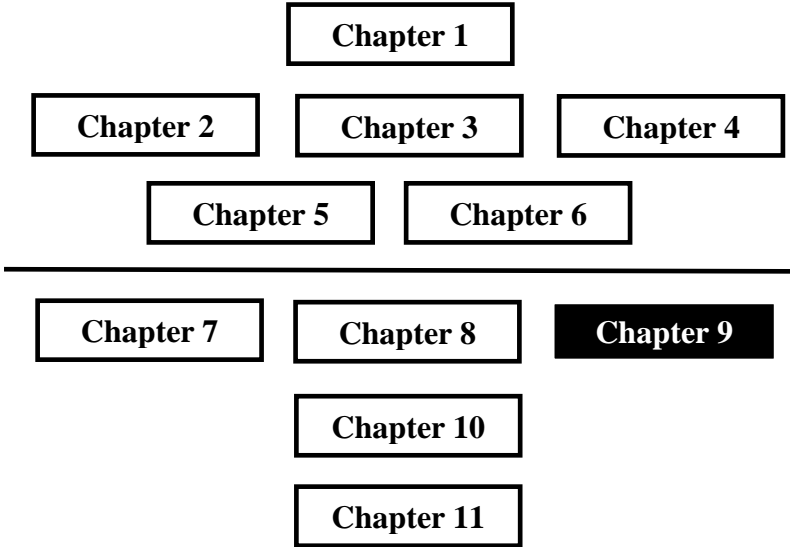
<sup>1</sup> *CAC 40 is almost exclusively composed of French-domiciled companies representing a capitalization-weighted measure of the 40 most significant business groups in Paris Stock Exchange (Euronext-Paris). See appendix 3 in annexure C for the detailed list of companies.*

<sup>2</sup> *Legitimacy theory is based on the notion that a common set of values held by members of a society influences the degree to which the behavior of individuals, groups and institutions within a culture is formed and the degree to which it is viewed as legitimate, acceptable and effective. Thus, values and beliefs set the normative standards of a society (House et al., 2004, Suchman, 1995).*

<sup>3</sup> *institutional theory considers the processes by which structures, including schemas, rules, norms, and routines, become established as authoritative guidelines for social behavior. It inquires into how these elements are created, diffused, adopted, and adapted over space and time and how they fall into decline and disuse (Richard, 2004).*

Chapter 9

*Article 3*



## **Understanding Consumers' Ethically Conscious Behaviors:**

### **A Cross-cultural Analysis**

#### *Abstract*

*Although consumer consciousness concerning sustainability has increased over the years and their attitudes are mainly positive, behavioral patterns are not unequivocally consistent with attitudes. Consumer research to understand and influence the adoption of ethically conscious behaviors and ethically desirable products is therefore important. This paper adopts a cross-cultural approach and analyses the consumers' ethical decision-making process. A model of individual ethical decision-making is presented and tested empirically by structural equation modeling. The study highlights that environmentally conscious consumers are more likely to engage in environmental friendly actions. Hence the demand of environment friendly products may be enhanced by appealing on environmental beliefs of the consumers or by focusing on the product features linking to environmental beliefs or both. To convince the consumers to engage in ethically conscious behaviors, the message should appeal three subdivisions of their belief structure; the information part (educating and informing about an issue), the concern part (demonstrating the evils of the issue), and self belief part (showing that consumers' contribution matter in resolving the issue).*

#### **Key Words:**

*Ethically Conscious Behavior, Ethical consumption, Ethical Decision-Making, Identity Theory, Issue-Contingent Ethical-Decision Making, Theory of Planned Behavior*

## 1. Introduction

In recent years products carrying sustainability attributes (Vermeir & Verbeke, 2008) and ethical claims (d'Astous and Legendre, 2008) have become increasingly appealing to consumers. The number of consumers who consciously buy ethical or sustainable products, like organic, fair trade, environment friendly, animal friendly or locally produced<sup>4</sup>, is on increase (Crane, 2001). Studies have shown that consumers have developed favorable attitudes towards ethical products (Dawkins, 2004) and companies with socially responsible practices, and they believe that they have the powers to change companies' behaviors (De Pelsmacker *et al.*, 2005). It has also been demonstrated that some consumers, in some situations, are willing to pay a price premium in order to buy ethical products (Loureiro *et al.*, 2002; Maietta, 2005; Cotte, 2008). While most of the consumers hold positive attitudes towards ethical products, their overall market share remains fairly low i.e. less than 2% (d'Astous and Legendre, 2008). Same is the case for organic food (Aertsens *et al.*, 2009 ; Willer and Kilcher, 2009), as the proportion of consumers purchasing organic food on regular basis remains low, with market shares of organic products in Europe varying from one percent to five percents (Willer & Kilcher, 2009). Several studies confirm this trend in sustainable food as well (Padel & Foster, 2005; Vermeir & Verbeke, 2006; Aertsens *et al.*, 2009; Eckhard *et al.*, 2010).

Therefore, there is a significant difference between what consumers say about the importance of ethical and sustainable consumption and their actual behavior. Put differently, there exists a gap between the 'attitude towards a behavior' and the 'behavior' itself (Vermeir & Verbeke, 2004). Researchers have come up with various situational factors that impede or inhibit ethical consumption choices (Hughner *et al.*, 2007; Aertsens *et al.*, 2009; Bray *et al.*,

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<sup>4</sup> *Locally produced items: Consumption of locally produced products has an ethical as well as environmental dimension. Ethical in the sense that they are good for local community, local economy, and carry old traditions and values, and environmental because of transportation and energy savings.*

2010). Table 20 lists down these factors. Despite the fact that most of the research on this intention-behavior gap has focused on investigating the barriers that inhibit intentions to transform into actions, still in-depth understanding of consumer decision-making towards ethical consumption (Vermeir & Verbeke, 2004; Michaelidou & Hassan, 2008), particularly from the psychological perspective (d'Astous & Legendre, 2008; Hughner *et al.*, 2007) is lacking.

**Table 20: Barriers to ethical consumption**

<b>Barriers to ethical consumption</b>
<ul style="list-style-type: none"><li>• Higher Prices</li><li>• Limited availability</li><li>• Poor merchandising</li><li>• Insufficient marketing</li><li>• Inertia in consumption choice</li><li>• Consumer skepticism / confusion of ethical symbols and labels</li></ul>



Very few studies have explored the issue contingent consumer behavior empirically and focused on how individual differences influence issue awareness (Reynolds, 2006). Furthermore, a number of decision-making models have been proposed within the broad area of business ethics (Nicholls & Lee, 2006), of which the sizeable majority approach the issue from an organizational perspective, and often without empirical support (Bray *et al.*, 2010). Comparatively little, attention has been given to the role that ethics play in individual consumer behavior. From the practitioners' point of view, the identification of consumer having concern for ethical issues, and thus interested in ethical products/solutions is rather appealing. However research in this area has so far produced conflicting and confusing findings especially in terms of demographic factors (Bray *et al.*, 2010). For that reason a better understanding of ethical consumption<sup>5</sup> demands a deeper analysis of the dynamics of ethically conscious behavior (ECB). Hence, the aim of this paper is first, to understand why would an individual consumer act in ethically responsible way? And particularly study the factors that stimulate the consumers during decision-making process towards ethical consumption despite the opportunities and incentives of doing otherwise. The second purpose of this article is to offer an issue-contingent model of consumers' ethical decision-making that builds on and supplements prior models of ethical decision-making originating from diverse theoretical approaches and backgrounds. Last, the is to formulate suggestions for researchers and practitioner to stimulate and promote ethical consumption among specific consumer segments.

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<sup>5</sup> *Ethical consumption needs not to be confused with ethics of consumption as these two concepts, although linked with each other, represent two different notions. Ethics of consumption is concerned with the morality of the whole system of provisioning, that of capitalistic commodity production. Here it is 'consumption' itself that is the object of moral evaluation. The objective is to reduce the overall levels of consumption. On the other hand, ethical consumption refers to a set of debates and strategies in which consumption is not so much the object of moral evaluation, but more a medium for moral political action. This is the dominant sense in the case of consumer boycotts, ethical audits, CSR initiatives, and fair trade campaigns. However, these two senses are not mutually exclusive and they intermingle in the debate of sustainability and business ethics.*

This study has been carried out across five countries spread over three continents – France, Germany, Spain, USA and China. The choice of multiple countries with varied cultural backgrounds is inspired by the notion that certain types of values or beliefs may be regarded as more important to individuals in one country than to individuals in another country (Kim *et al.*, 2002). A cross – cultural analysis could not only help identify the similarities and the differences between the ethical consumption patterns of the consumers from various countries, but also enhance the generalisability of the model. What has been issue is not if consumers have the potential to consume ethically but rather the factors that may come into play in their decision making process and how they could affect their behaviors. Few studies, if any, have addressed issue-contingent ethical decision-making among individual consumers, in different countries and cultures. This gap in the literature offers an opportunity to make a significant contribution.

## **2. Review of theoretical foundations**

In the following subsections, I briefly discuss the term ‘ethical consumption’, followed by a short account of two bodies of socio-psychological research i.e. theory of planned behavior and identity theory, in the context of ethical consumption. In the remainder of the paper, I proceed as follows. I review some relevant ethical decision-making models, and in light of the discussion I propose an issue contingent model of ethical consumption with hypothesized structural linkages among variables. Later, I review the objectives of this paper and their relevance to ethical consumption discourse. Then, I describe the methodology used in the analysis and its appropriateness in the given context. In the subsequent section, I present some of the key research results. I conclude with research implications, findings, and limitations.

## ***2.1 Ethical consumption***

Two terms are quite frequently used in the context of ethically conscious behavior i.e. sustainable consumption and ethical consumption. Sustainable consumption is defined as the use of services or products which respond to basic needs, and bring a better quality of life while minimizing the use of natural resources and toxic materials as well as emissions of waste and pollutants over the life cycle of the service or product, so as not to jeopardize the needs of future generations (Oslo Roundtable, 1994). At consumer level, it suggests a decision making process whereby an individual takes his environmental and social responsibility into account in addition to personal needs and wants (Vermeir & Verbeke, 2006). Whereas Ethical consumption implies that consumers feel responsible towards the society and take social concerns into consideration in their purchase behavior (Browne *et al.*, 2000; Carrigan *et al.*, 2004; Vermeir & Verbeke, 2006; Daniel *et al.*, 2008). Ethical consumption does no longer refer to classical 'fair trade' aspects only, such as higher and more stable prices for farmers in developing countries. Instead, ethical consumption comprises issues like the reduction of greenhouse gases, protection of the tropical rainforest, animal welfare, prevention of child labor, labor working conditions, local buying, or employment of handicapped people (Zander & Hamm, 2010). Moreover, ethical consumption means not only the purchase of products or services that have comparatively less impact on environment, but also the way the product are consumed is sustainable (Harrison, Newholm & Shaw, 2005). Despite the fact that sustainable consumption is more inclined towards environmental and ecological dimensions, while ethical consumption focusing more on social issues, clearly these terms overlap, and this why often interchangeably used. For clarity and comprehension, I will refer to ethical consumption and sustainable consumption, under the rubric of ethical consumption in the subsequent discussion.

As discussed earlier, consumers generally have very positive attitudes towards ethical consumption, but their actual behavior is much less apparent. Everyday consumption practices are heavily driven by convenience, habit, practice and individual responses to social and institutional norms (SDC, 2003), and are likely to persist over time (Vermeir & Verbeke, 2004). Despite several papers reporting this intention-behavior mismatch, there is a gap in thorough understanding of consumer decision-making towards ethical consumption (Michaelidou & Hassan, 2008). Economic models of consumer behavior suffer from oversimplicity, and are limited in their ability to incorporate the complex and multidisciplinary nature of consumer behavior. Most economic models use relative prices, disposable incomes, and consumer rationality as the explanatory variable of consumer behavior while passing over the social, cultural, and psychological influences (Zanoli & Naspetti, 2002).

In this paper I approach this issue from another viewpoint. Instead of discussing why consumers do not engage in ethically conscious behaviors, I ask why some consumers engage in such behaviors. Considering the barriers for ethical consumptions, and the incentives and the opportunities for following egocentric motives, why would an individual consumer act in an ethically responsible way? I do so by drawing on insights from two bodies of socio-psychological research: The theory of planned behavior (Ajzen, 1985, 1991) and the Identity theory (Stryker, 1968). Generally speaking, what is important about these is that they focus on volitional human behavior in a certain social context. In ethical decision-making, theory of planned behavior (Sparks & Shepherd, 1992; Chan, 1998; Shaw & Shiu, 2002a, 2002b, 2003; Saba & Messina, 2003; Tarkiainen & Sundqvist, 2005; Chen, 2007; Gracia & de Magistris, 2007; Thorbjørnsen *et al.*, 2007) and identity theory (Conner & Armitage, 1998; Reynolds, 2006; Thorbjørnsen *et al.*, 2007) have been frequently employed.

## **2.2            *Theory of Planned behavior***

TPA is an extension of theory of reasoned action (TRA), both explaining the choice making process of an individual based on careful consideration of available information (Conner & Armitage, 1998). The difference lies in the nature of behavior under observation. TRA is somewhat limited in the sense that it restricts itself to volitional behaviors. Whereas, TPB is equally capable of predicting volitional as well as non-volitional behaviors by adding 'control parameters' to TRA framework (Ajzen, 1991, 2001; Conner & Armitage, 1998). According to the theory, human behavior is guided by three kinds of considerations: beliefs about the likely consequences of the behavior (behavioral beliefs), beliefs about the normative expectations of others, and beliefs about the presence of factors that may facilitate or impede performance of the behavior (control beliefs). Control beliefs provide the basis for perception of behavioral control of an individual in a given situation (Ajzen, 2001).

### **2.3 Identity theory**

Identity theory is a socio-psychological theory, which links self attitudes or identities to the role relationships and role-related behaviors of individuals, thus offering an explanation of the individual choice making. Identity theorists argue that 'self' consists of a collection of identities, each of which is based on occupying a particular role (Stryker, 1968; Stryker, 2000; Conner & Armitage, 1998; Armitage & Conner, 2001). Contributions on self-identity-related theories have expanded TPB and TRA by including self-identity as a predictor of intentions, independent of subjective norms (normative beliefs) (Thorbjørnsen *et al.*, 2007). A host of studies establish a link between ethical identity and (un)ethical actions (Thorbjørnsen *et al.*, 2007; Shao *et al.*, 2008; Smith *et al.*, 2008). In particular, research shows that ethical identity: (1) positively affects every day pro-social behaviors like charitable giving, (2) negatively affects antisocial behaviors, (3) exerts a stronger impact on behaviors when its accessibility is temporarily increased, and (4) affects mediators of behavior such as moral evaluations, emotions, and judgments (Shao *et al.*, 2008). Identity theory and TPB behavior resemble in

the sense that both argue a rational decision making approach. The difference however lies in the scope; TPB dealing in psychological and normative aspects whereas identity theory encompassing the broader social context (Conner & Armitage, 1998).

In the following section, and sub-sections I discuss the basics of an issue-contingent ethical decision-making model, in light of afore mentioned theoretical approaches. Then I analyze the various elements of the model separately, and propose a model of ethical consumption for empirical testing.

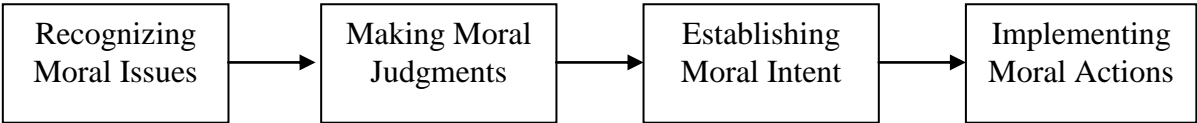
### **3. Ethical decision-making models**

Before embarking upon an ethical consumer behavior model, it is appropriate to define what I really mean by ethically conscious behavior. Cooper-Martin and Holbrook (1993) define ethically conscious behavior of consumers as ‘decision-making, purchases and other consumption experiences that are affected by the consumer’s ethical concerns’ (Bray *et al.*, 2010). I adhere to this definition for this research work. A number of decision-making models have been proposed within the broad area of business ethics (Nicholls & Lee, 2006). However, mostly are intended to model general decision making rather than being specifically concerned with consumption decisions. Moreover, these decision-making models generally approach the issue from an organizational perspective, often without empirical support (Bray *et al.*, 2010). Comparatively little attention has been given to the role that ethics play in individual purchasing behavior.

Amongst the well known models of ethical decision making is that of Rest (1986). He proposes a version of the planned behavior model, in which individuals pass through four consecutive stages towards an ethical decision: recognition of the ethical issue; application of ethical judgment; resolution to place ethical concerns ahead of others; and finally action on the ethical issue (see figure 11). He argued that each component in the process is conceptually

distinct, and that success in one stage does not imply success in any other stage (Jones, 1991). However, Reynolds (2006) asserts that the stages of ethical decision-making may not be discrete elements of a formulaic thought process but may actually be interrelated in a very complex manner.

**Figure 11: Ethical decision making model of Rest (1986)**



Rest’s model is though quite parsimonious, yet contains all the key elements of an issue contingent ethical decision-making model (Reynolds, 2006). Jones (1991) added a new construct in the Rest’s model i.e. Moral Intensity. He maintains that the moral intensity of an issue impacts upon all stages of Rest’s model, such that two separate moral issues – simultaneously acknowledged by the consumer, may exert differing levels of influence over the decision process. Jones (1991) described moral intensity as the extent to which an issue, event, or act has characteristics that make it subject to moral consideration, moral judgment, and moral action. He identified six elements that constitute moral intensity of the moral issue. Table 21 summarizes these elements. Loe *et al.* (2000) conclude that Jones’ approach provides the most comprehensive synthesis model of ethical decision-making.

**Table 21: Elements of moral intensity**

<b>Elements of Moral intensity (Jones, 1991)</b>
Magnitude of Consequences
Concentration of Effect
Probability of Effect
Temporal Immediacy
Social Consensus
Proximity

(Jones, 1991)

Although researchers have demonstrated that the characteristics of the moral issue influence the moral decision-making process, the data have not supported Jones’s six-dimension model (Reynolds, 2006).

**3.1 Issue Recognition**

The initiating point of ethical decision-making models is the identification of an ethical or moral issue (Hunt & Vitell, 1986; Trevino, 1986). Rest (1986) argued that moral awareness is something of an interpretive process wherein the individual recognizes that an ethical problem exists in a situation or that a moral standard or principle is relevant to some set of circumstances. Much of this research though has focused on identifying the characteristics of the ethical issue, and, subsequently, very little work has explored how individual differences influence ethical awareness (Reynolds, 2006). Given that ethical awareness is an individual-level phenomenon and the characteristics of an ethical issue vary in saliency and vividness (Jones, 1991), it is possible that one person recognizes an issue as an ethical issue, whereas another does not, due to personal differences. Individuals make judgments of the moral intensity of the issue, and these personal judgments are often sufficient for individuals to form



critical distinctions. Thus by increasing the likelihood that an individual will pay attention to those characteristics may augment the probabilities of an issue being considered as a moral or ethical issue (Reynolds, 2006). In the case of environmentally sensitive individuals, an ethical consumer is the one who knows that the production, distribution, use, and disposal of products lead to external costs, and who evaluates such external costs negatively, trying to minimize them by her/his own behavior (Grunert & Juhl, 1995). Hence consumers with a stronger concern for the environment are more likely to purchase environment friendly products – as a result of their environmental claims – and engage in environmentally conscious behavior like recycling, than those who are less concerned about the environmental issues (Kim & Choi, 2005). Summing up the debate, for the ethical decision-making to begin, first a person must be able to identify the issue. Second, he should feel that he is concerned by that particular issue (Shaw *et al.*, 2000). Therefore, recognition of a moral issue involves two elements: perceived certainty of occurrence and perceived intensity of concern. Once a person recognizes that a moral issue exists, and that he is concerned by it, he engages in a process of ethical development wherein he evaluates the issue, and makes up his judgments. I propose:

**H1:** Issue recognition by a consumer triggers the process of cognitive ethical development

This directs us to the next section, i.e. cognitive moral development.

### **3.2** *Cognitive ethical development*

Recognition of the issue leads to cognitive ethical development process whereby an individual forms his unique issue contingent ethical identity (Jones, 1991). Moral or ethical identity is defined as a self-conception organized around a set of moral traits (Aquino & Reed, 2002). This identity then forms ethical predispositions that shape the criteria used to make ethical decisions (Beauchamp & Bowie, 2004). Generally speaking ethical identity development research is captured by two major perspectives: the character perspective and the

social-cognitive perspective. The character perspective, based on Blasi (1984) 'Self Model', has three components. First, in a given situation, people not only make an ethical judgment, but they also make *a judgment of responsibility*. Second, the principles for making ethical judgments come from a person's *ethical identity*. The third component is the human tendency to strive for *self-consistency* in moral self and ethical identity, thus providing impetus for ethical action.

The social-cognitive perspective adopts theoretical mechanisms from social cognition, identity, and information processing to explain its role in moral functioning. According to this perspective as the knowledge accessibility of a given issue increases, it exerts a stronger influence on behavior. If this particular knowledge structure is readily available for use in processing social information, a person's ethical identity is presumed to be an important part of his or her self-definition. If so, ethical identity should act as a powerful regulator of ethical action (Shao *et al.*, 2008). Furthermore, situational factors could also influence social information processing by activating or deactivating knowledge structures. In other words, the social-cognitive view recognizes that an individual may possess multiple and sometimes competing identities. Moreover, the accessibility of the moral self can be temporarily increased, thereby increasing its motivational potency. This finding suggests that increasing the accessibility of ethical identities can have a positive effect on individual's willingness to participate in actions that are judged as ethical.

Both perspectives emphasize the importance of the moral self as the driving force behind ethical identity and the desire for self-consistency as providing the motivational impetus for ethical action. A wealth of studies using the character, and social-cognitive perspectives demonstrate a clear link between ethical identity and (un)ethical actions (i.e., Shaw *et al.*, 2000).

As discussed earlier, individual differences play a role in the process of self identification of ethical issues. The concept of locus of control (Rotter, 1966) posits that some people, called *internals*, credit themselves with substantial control over events, whereas others, called *externals*, see events as largely under the control of luck, chance, or other individuals. Locus of control may be related to perceived volition or more specifically perceived self belief of an individual and, hence, to cognitive development process. The perceived self belief of an individual, also referred to as perceived consumer effectiveness (PCE<sup>6</sup>) in TPB, characterizes the control beliefs of an individual. It signifies the extent to which a consumer believes that his personal efforts can contribute to the solution of a problem (Vermeir & Verbeke, 2006). It is essentially a situation or issue-specific personal belief. High self belief is necessary to evoke consumers to translate their positive attitudes towards ethically conscious behaviors in actual consumption process (Lee & Holden, 1999; Ellen *et al.*, 1991). Roberts (1996) suggests that in order to motivate behavioral changes, consumers must be convinced that their behavior has an impact on, for example, the environment or will be effective in fighting environmental degradation. The findings of d'Astous & Legendre, (2008) confirm the relevance of self-belief or PCE concept in the context of ethical consumption research. Thus the consumers who perceive that their individual actions can make a real difference in terms of solving an ethical problem, are more likely to form positive ethical predisposition for that particular issue, and consequently will engage in ethically conscious behavior. Therefore, it is valuable to present the arguments in the following hypothesis:

**H2a:** Cognitive ethical development leads to ethically conscious consumer behavior.

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<sup>6</sup> Ellen, Weiner and Cobb-Walgren (1991) demonstrate that PCE for environmental issues is also distinct from environmental concerns or attitudes and make a unique contribution to the prediction of environmentally conscious behaviors such as green purchase. Consumer concerns about the environmental issues might not easily translate into pro-environmental behaviors; however, individuals with a strong belief that their environmentally conscious behavior will result in a positive outcome are more likely to engage in such behaviors in support of their concerns for the environment. Accordingly, self-efficacy beliefs may influence the likelihood of performing green purchase behavior.

### 3.3 *Ethical Intention*

Once a person has made an ethical pre-disposition – a process that is dependent on his or her cognitive ethical development (Rest, 1986) – he or she must decide what to do. A decision about what is ethically *correct*, an ethical judgment, is not the same as a decision to act on that judgment, that is, to establish ethical intent (Jones, 1991). The term *intent* is functionally equivalent to the word intentions, which is found in some of the social psychology literature e.g. (Fishbein & Ajzen, 1975). At this stage, individuals balance moral factors against other factors, notably the self-interest. Hunt & Vitell (1986) as well as Rest (1986) explicitly included this step in their models whereas Trevino (1986) and Ferrell & Gresham (1985) assume a direct transition from the ethical pre-disposition phase to ethical behavior (Jones, 1991). Generally speaking, the stronger the intentions to carry out a behavior, more is the likelihood of occurrence of that particular behavior and vice versa (Conner & Armitage, 1998). Hence it is valuable to propose:

**H2b:** Cognitive ethical development helps form ethical intentions,

**H2c:** Ethical intentions lead to ethically conscious consumer behavior.

### 3.4 *Socio - demographic profile of consumers*

The identification of consumer segments that are more sympathetic toward ethical issues, and therefore more inclined to choose ethical products is obviously quite interesting for companies. The research in this area – despite the number of studies carried out – has so far produced conflicting and confusing results (Harrison et al., 2005), especially in terms of demographic factors (Bray et al., 2010). On the one hand there are studies that claim ethical sensitivity to increase with consumers' age, to be greater in female consumers, to increase with affluence and to be greater at lower educational levels. On the other hand, a similar

number of authors do not find significant correlations among the mentioned variables, and so it is suggested that demographic factors are poor predictors of ethical views owing to a variety of background reasons (Bray *et al.*, 2010). I assume that the socio-demographic factors may moderate different elements of ethical decision-making model by either modifying the form and/or strength of relationships. Therefore I posit:

**H3:** Socio-demographic profile of a consumer impacts his cognitive ethical development process.

**H4:** Socio-demographic profile of a consumer impacts his ethically conscious behavior.

### 3.5 *Information profile of consumers*

Consumers' access to clear and credible information about the products / services is an important factor in effective purchasing and consumption decisions. The present day society presents a range of sources – electronic media, print media, internet and social media, retail outlets, word of mouth – to inform consumers about social issues (Hughner *et al.*, 2007). The more the information is insufficient, complex, and contradictory, the more uncertain consumers may be about what products to choose. Researchers have highlighted that benefits of ethical solutions are often poorly communicated to consumers, so that they are unable to make informed decisions in accordance with their budget and/or conscience (Vermeir & Verbeke, 2006). Alternately, the well informed individuals are more likely to be aware of issues like environment and sustainability. It follows that consumers who are aware of such issues and who consider these important, may also focus on them on bigger extent during their decision making process. Consequently, I assume that information should play a key role in the model, particularly in issue recognition and cognitive ethical development (Reynolds, 2006; Shao *et al.*, 2008). Research has also shown that individuals' pro-environmental behaviors are closely related to their media use. Thus media content does not merely informs environmental

issues; it also positively influences both pro-environmental behavior and ethical consumerism (Cho et al, 2011).

Hence I assume:

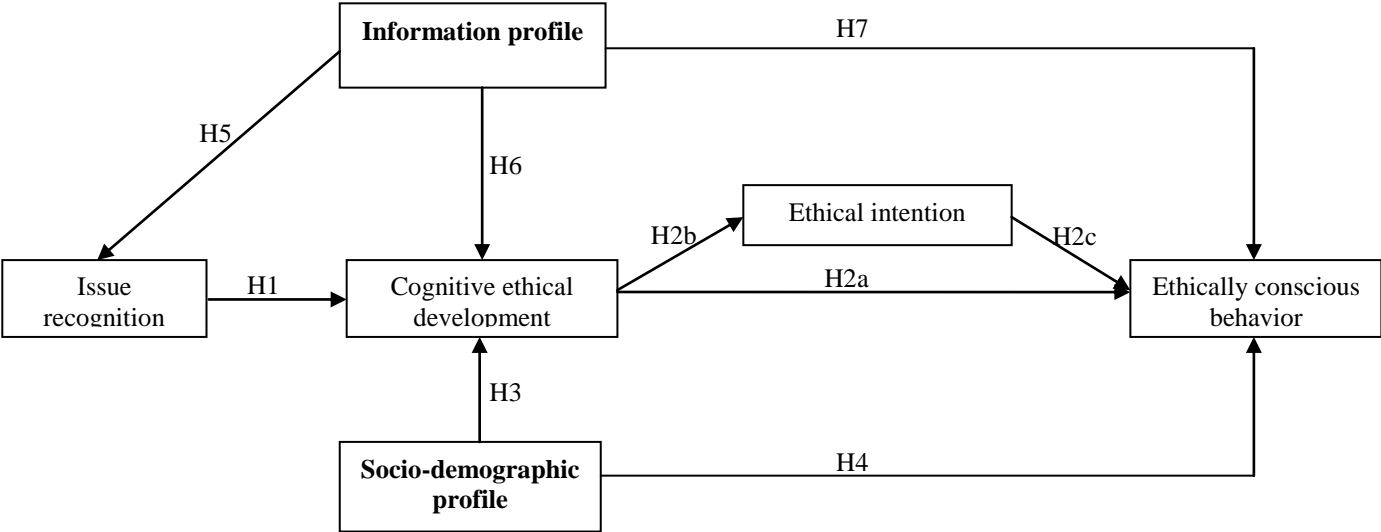
**H5:** Information profile of consumer influences his issue recognition possibilities.

**H6:** Information profile of consumer influences his cognitive ethical development process.

**H7:** Information profile of consumer influences his ethically conscious behavior.

Figure 12 sums up the proposed issue-contingent ethical decision-making model in pictorial form.

**Figure 12: Proposed conceptual model and hypothesis**



(Author, 2012)

**4. The quantitative study**

For this cross-cultural study I selected three biggest and most influential economies of the world namely, the US, the Euro-zone and China. With regards to Euro-zone, I picked one

country each from the Northern Europe and Southern Europe<sup>7</sup> i.e. Germany and Spain. Germany is Europe's most industrialized and populous country. Famed for its technological achievements, it has also produced some of Europe's most celebrated composers, philosophers and poets. Spain, located at the junction of the Atlantic and the Mediterranean, Europe and Africa, has a history and culture made up of a rich mix of diverse elements. The former superpower of 16<sup>th</sup> century still enjoys the 5<sup>th</sup> largest economy of EU ([worldbank](#), 2011). Last selection from Euro-zone is France, which lies on the crossroads of Northern and Southern Europe. A country at the political heart of Europe, it boasts the 2<sup>nd</sup> largest economy in Europe. France, along with Germany, was one of the founding fathers of European integration after the devastation of World War II. Again in the 1990s Franco-German cooperation was central to European economic integration (BBC, 2011)<sup>8</sup>. On the other hand, USA is the world's foremost economic and military power, with global interests and an unmatched global reach. America's gross domestic product accounts for close to a quarter of the world total, and its military budget matches the rest of the world's defense spending put together.

China is the world's most populous country, with a continuous culture stretching back nearly 4,000 years. It is one of the fastest-growing major economy with growth rates averaging 10% over the last 30 years. China overtook Japan to become the world's second largest economy in 2010. The fast-growing economy has fuelled the demand for energy. China is the largest oil consumer after the US, and the world's biggest producer and consumer of coal. This rapid economic expansion has been accompanied with a host of social and environmental problems, including environmental degradation, resource depletion, product quality and safety, social inequality, poverty and labor rights. China is home to many of the

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<sup>7</sup> Polonsky et al. (2001) categorized European countries, for his research work on European consumers, in Northern and Southern Europe.

<sup>8</sup> <http://www.bbc.co.uk/news/world-europe-17298730>, accessed March 2011

world's most-polluted cities. China has overtaken the United States as the world's biggest producer of carbon dioxide, the chief greenhouse gas contributor (Guardian, 2007; IMF, 2011<sup>9</sup>).

The US and China hold the key to global warming problem that spans the entire globe. The U.S. is the world's largest historic carbon emitter, responsible for putting more greenhouse gases into the atmosphere over the past century and a half than any other nation. China recently surpassed the U.S. as the top emitter and will be responsible for more greenhouse gases in the future than any other country (Time<sup>10</sup>, 2012).

#### **4.1 Method**

To test the assumptions outlined above, a quantitative study was conducted during 2010. Respondents provided the required information on a structured questionnaire (see appendix 4 in annexure D) based on the pertinent research objectives, classified into three sections. The final sample consists of 6878 consumers from the five countries, whose age varies between 18 and 64 years. Table 22 below summarizes the sample details.

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<sup>9</sup> <http://www.imf.org/external/pubs/ft/weo/2011/01/>, accessed March 2012

<sup>10</sup> [http://www.time.com/time/specials/packages/article/0,28804,1929071\\_1929070\\_1940013,00.html](http://www.time.com/time/specials/packages/article/0,28804,1929071_1929070_1940013,00.html), accessed January 2012



**Table 22: Sample profile**

<b>Gender</b>	<b>Age categories</b>	<b>Europe</b>	<b>USA</b>	<b>China</b>	<b>Total repartition</b>
<b>Male</b>	16-19	52	143	104	299
	20-24	111	98	91	300
	25-29	105	113	95	313
	30-34	130	158	130	418
	35-44	281	302	303	886
	45-54	262	243	230	735
	55-64	212	150	0	362
	<b>Total</b>	<b>1153</b>	<b>1207</b>	<b>953</b>	<b>3313</b>
<b>Female</b>	16-19	73	126	101	300
	20-24	138	121	103	362
	25-29	138	140	100	378
	30-34	151	148	131	430
	35-44	293	334	275	902
	45-54	269	270	231	770
	55-64	242	181	0	423
	<b>Total</b>	<b>1304</b>	<b>1320</b>	<b>941</b>	<b>3565</b>
<b>Total groups</b>		<b>2457</b>	<b>2527</b>	<b>1894</b>	<b>6878</b>

## 4.2 *Measures used*

A structured questionnaire based on the relevant research objectives was prepared. The survey questionnaire composed of three sections included scales aimed at measuring various constructs discussed in the literature review. The variables; issue recognition, cognitive ethical development and ethical intentions were all measured on Likert scale, anchored by “strongly disagree” (1) to “strongly agree” (7), and chosen for their methodological validity and their psychometric qualities. In the first section, i.e. socio-demographic profile, the participants provided information about their gender, age, work status and education. The second section contained three items to measure the information profile of the respondents. The last two sections contained questions related to the research model.

The third section contains items to measure “Issue recognition”, “cognitive ethical development” and “ethical intention”. Two items were used to measure “Issue recognition”. The first item i.e. “I am really concerned about the effects of climate change” was adapted from the ethical concern scale of (Kim & Choi, 2005). In line with research work of (Reynolds, 2006) another item, i.e. “I think that climate change (e.g. global warming) is definitely happening”, was added to measure the perceived certainty of occurrence of climate change. The construct “cognitive ethical development” contained two measures of self-identity coming from the works of (Shaw & Shiu, 2003). First, “It's really important that I can treat myself when I want”. Second, “It's really important that I do the things which make me a better person rather than just enjoying myself”. A third item was included to tap the action dimension of the consumer's self belief that is “I am concerned about what I personally can do to help protect the environment”. The “ethical intention” part of consumer's cognitive development was measured with two items adopted from (Shaw *et al.*, 2000). The last part contained six items to measure the “ethically conscious behaviors” of the consumers adapted from the scale developed by (Roberts, 1996b). The items measure the extent to which

individual consumers believe to have a more positive impact on the environment through their consumption behaviors. The questions in the survey were adjusted to enumerate consumers' past behavior (e.g. "I have avoided products with lots of packaging").

#### **4.3 Reliability and Validity of Measures**

An exploratory factor analysis was conducted to assess the acceptability constructs. These tests have shown a satisfactory reliability and validity for the various measures used. The *Cronbach's alpha* of all constructs is acceptable ( $> .60$ ) and the *Jöreskog  $\rho$*  is greater than  $.70$  (see Table 23). Regarding the convergent validity, it involves measuring a construct with independent measurement techniques, and demonstrating a high correlation among the measures (Lin *et al.*, 2008). I assessed the internal consistency of the reflective constructs by examining the composite scale reliability index developed by Fornell & Larcker, (1981). All of the reliability measures were decently above the recommended levels of  $.70$ , indicating satisfactory internal consistency. The discriminate validity was also tested. One criterion for adequate discriminant validity is that the construct represented should share more variance with its measures than it shares with other constructs in the model. In table 23, the diagonal elements represent the square root of average variance extracted (AVE), providing a measure of the variance shared between each construct and its measures. These elements should be higher than the correlations between the constructs, i.e. the off-diagonal elements in the corresponding rows and the columns in table 23.

**Table 23: Inter-correlation matrix**

	<b>Cog</b>	<b>ECB</b>	<b>IR</b>	<b>EI</b>	<b><math>\alpha</math></b>	<b><math>\rho</math></b>
<b>Cognitive ethical development (Cog)</b>	<b>.721</b>				.611	.738
<b>Ethically conscious behavior (ECB)</b>	-.352**	<b>.330</b>			.620	.792
<b>Issue recognition (IR)</b>	.562**	-.295**	<b>.716</b>		.818	.834
<b>Ethical intention (EI)</b>	.382**	-.192**	.397**	<b>1</b>	-	-

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### **4.4      *The empirical adjustment of the conceptual model***

A confirmatory factor analysis was conducted to assess the adequacy of the measurement model. The assumed relationships are tested by structural equation models by using the AMOS 7.0 software (Arbuckle 2006). The analysis result shows a  $\chi^2 = 2035.6$ ,  $p < .01$ , otherwise, the fit indexes indicate that the measurement model produces adequate fit to the data, as evidenced by the goodness-of-fit index (GFI) of .97, adjusted GFI of .95, Bentler-Bonett Index or Normed fit index (NFI) of .92, Tucker–Lewis index (TLI) of .91, comparative fit index (CFI) .92 and root mean square error of approximation (RMSEA) of .045 [.043 - .046]. These indicators demonstrate the correct fit of the model; it is therefore within acceptable range (Hair *et al.*, 2006).

### **5.            Data analysis and discussion**

Structural equations were employed to model the relationships among the constructs, and to test the hypotheses. Thus, numbers (N) of respondents were equalized in the three regions studied. Then we randomly removed individuals using the software SPSS 18. Table 24 contains the standardized coefficients and t-values for each hypothesized path, the fit indexes,

and the squared multiple correlations for each endogenous variable. Model estimates were consistent with each of the paths hypothesized in the proposed model (see Table 24).

The confirmatory factor analysis, and the structural equation model fit indicate a proper fit to the data. All hypothesized paths were significant and in the anticipated direction, with the exception of **H7**. The overall structural model has cross-cultural comparability in Europe, USA and China. Yet, the strength of the links between different variables varies among the countries and regions. First, the measure of issue recognitions is found to impact unequivocally the cognitive ethical development process of consumers, thus supporting **H1**. In general, ecological issues like climate change are not easily tangible. This is why previous studies have suggested a need to enhance the ability of issue recognition in capturing the essence of issue recognition or concern by adding a specific level of certainty. Some studies have also been proved successful in doing this (i.e., Reynolds, 2006) with a measure reflecting issue certainty in addition to the awareness factor. I added an item in my questionnaire to gauge the issue certainty perception of consumers. The results suggest that in the context of issue contingent decision making it is useful to consider this factor. As a whole, issue recognition is found to have a considerable role in cognitive ethical development process. This result holds for all the regions selected in the study.

Second, cognitive ethical development influences the ethically conscious behavior indirectly via ethical intentions. A clear directional relationship between cognitive ethical development and ethical intention is observed across the board, hence providing strong support for **H2b**. Ethical intention in turn is found to influence the consumer behaviors. This however, does not hold in Chinese data therefore indicating a partial approval of **H2c**. The mediating role of ethical intention is significant in the model even though it does not complete the loop in case of Chinese data. In addition to that cognitive development - with the

**Table 24: Results of Structural Equation Models: Europe, USA and China**

Proposed Model Paths	Europe (N=1894)		USA (N=1894)		China (N=1894)	
	B	R <sup>2</sup>	β	R <sup>2</sup>	β	R <sup>2</sup>
Information profile → Issue recognition	.109* (2.11)	.02	2.46* (2.12)	.061	.527*** (6.44)	.278
Issue recognition → Cognitive ethical development	.782*** (16,62)	.78	.772*** (16.78)	.625	.681*** (9.68)	.596
Socio-demographic profile → Cognitive ethical development	-.287* (-2.21)		-.124*** (-4.19)		n.s	
Information profile → Cognitive ethical development	n.s		n.s		.152* (2.10)	
Cognitive ethical development → Ethical intention	.461*** (14.80)	.21	.574*** (20.85)	.330	.396*** (11.34)	.157
Cognitive ethical development → Ethically conscious behavior	-.489*** (-7.92)	.50	-.454*** (-6.72)	1.72 2	n.s	.420
Ethical intention → Ethically conscious behavior	.151*** (4.18)		.168*** (4.25)		n.s	
Socio-demographic profile → Ethically conscious behavior	.451* (2,01)		n.s		n.s	
Information profile → Ethically conscious behavior	n.s		n.s		-.563*** (-4.49)	

\*\*\* p < .001; \*\* p<.01; \* p<.05. **Europe:**  $\chi^2 = 513$  (df = 110), p < .01. GFI = .97; AGFI = .96; NFI = .89; TLI = .88; CFI = .91 and RMSEA = .044 [.040 - .048]. **USA:**  $\chi^2 = 565$  (df 110), p < .01. GFI = .96; AGFI = .95; NFI = .91; TLI = .90; CFI = .92 and RMSEA = .047 [.043 - .051]. **China:**  $\chi^2 = 430$  (df = 110), p < .01. GFI = .97; AGFI = .96; NFI = .88; TLI = .88; CFI = .90 and RMSEA = .040 [.036 - .044].

exception of Chinese data - links ethically conscious behaviors of the consumers directly as well thus providing a partial support to hypothesis **H2a**.

The most noteworthy cross-cultural variance was the differing relations between cognitive ethical development, ethical intention, and ethically conscious behavior. In the Chinese data both ethical intentions as well as cognitive ethical development were insignificant predictors of ethically conscious behavior. Whereas in Europe and USA, this was other way round with intentions and ethical development translating strongly into ethically conscious behaviors. In general, among Chinese consumers, the cognitive ethical developments, whether in form of ethical intentions or ethical predispositions are not being translated in ethically conscious behavior.

Another visible difference between the regions was the influence of socio-demographic and information profile of consumers on their ethically conscious behavior. Conforming to previous researches (see Bray *et al.*, 2010) demographics had mixed impact on the consumers' ethical development and behavior. Socio-demographic profile was significantly linked to cognitive ethical development in case of Europe and USA, thus suggesting an indirect impact of demographics on the ethically conscious behavior, and supporting proposed hypothesis **H3**. The model accounted for considerable amounts of variation among countries in socio-demographic profile and ethically conscious behavior relationship. Variations in ethically conscious behavior were explained to some extent by socio-demographics in case of Europe. However US and Chinese data did not reveal a significant relationship between the two variables thus suggesting only a weak partial support for **H4**. Globally speaking, in case of Chinese data socio-demographic profile did not add any considerable prognostic ability to the model.

The information profile of consumers has a valid role in the model as a whole. However, it varies in intensity and impact from region to region. With regards to issue recognition, clearly

it is linked to issue awareness of consumers, and substantiates the hypotheses **H5**. This is also in accordance with the previous research (Reynolds, 2006; Shao *et al.*, 2008). However, the impact of information profile does not have significant direct impact on cognitive development in case of European or American consumers. Only in case of Chinese data, it is found to impact the cognitive ethical development directly, thus providing a weak partial support to **H6**. Whereas information profile has unclear direct impact on the behavior. In case of European and American consumer, it has no significant impact. But in case of Chinese consumers, it is inversely related to behavior. Therefore, there is little evidence to support **H7**, particularly for US and Europe. Table 25 summarizes the above debate.



**Table 25 : Hypotheses testing results**

<b>Hypotheses</b>	<b>Europe</b>	<b>USA</b>	<b>China</b>
H1: Issue recognition influences cognitive ethical development	<b>Y</b>	<b>Y</b>	<b>Y</b>
H2a: Cognitive ethical development influences ethical intention	<b>Y</b>	<b>Y</b>	<b>N</b>
H2b: Cognitive ethical development influences ethical behavior	<b>Y</b>	<b>Y</b>	<b>Y</b>
H2c: Ethical intention influences ethical behavior	<b>Y</b>	<b>Y</b>	<b>N</b>
H3: Socio-demographic profile influences cognitive ethical development	<b>Y</b>	<b>Y</b>	<b>N</b>
H4: Socio-demographic profile influences ethical behavior	<b>Y</b>	<b>N</b>	<b>N</b>
H5: Information profile influences issue recognition	<b>Y</b>	<b>Y</b>	<b>Y</b>
H6: Information profile influences cognitive ethical development	<b>N</b>	<b>N</b>	<b>Y</b>
H7: Information profile influences ethical behavior	<b>N</b>	<b>N</b>	<b>Y</b>

There could be several possible explanations for the deviating Chinese results. First, they may reflect cultural and social differences in the influence of external pressures vs. internalized moral identities. This may also be the result of social values or way of living. For example Chinese people traveling in trains used to throw their food utensils out of windows. As these utensils were made of clay, this habit did not cause any problem. However, with new packaging materials made of plastics, essentially non-biodegradable, are creating serious littering issues. Second, there may be economic factors like purchasing power of consumers that do not let the good intentions convert in good actions. Third, It may also be attributed to the fact that consumer have limited awareness of climate change or the consequences that it may create. Last, it could attributed to the limited, partial or filtered information being communicated to the public in general.

## **6. Conclusions and implications**

This study provides a significant contribution to the existing body of knowledge regarding the determinants of ethically conscious behavior, by adapting existing research frameworks and applying it to individual context that is significantly different from the focus of previous studies. The findings also yield important managerial and public policy recommendations to promote ethical consumption among consumers.

### **6.1 *Theoretical implications***

The aim of this study was to develop and test an issue contingent ethical decision-making model. All together, the basic elements of the proposed model are found to have a significant role in ethically conscious behavior of individuals. The model has cross-cultural comparability in Europe, USA and China. Yet, the strength of the links between the latent variables varies among the regions. First, the measure of issue recognitions is found to impact

positively the cognitive ethical development process of consumers. Second, cognitive development influences the ethically conscious behaviors of the consumers directly as well as indirectly through ethical intentions. However, among Chinese consumers, the cognitive ethical developments, whether in form of ethical intentions or predispositions are not being converted into ethical actions. Third, In line with literature, demographics have mixed impact on the consumers' ethical development and behavior. Finally, information profile of consumers plays important role in cognitive ethical development by influencing issue recognition.

The results are consistent with the idea that information has an impact on the consumers' decision making process. Numerous studies have highlighted the fact that lack of awareness of issue, paucity of product knowledge, dearth of organic food promotion, and ineffective merchandising has negatively influenced consumers in their choice making for socially desirable products and services (Roddy *et al.*, 1996; Chrysochoidis, 2000). Canavari *et al.* (2002) referenced thirty studies – concerning organic food choice – to indicate that organic food has been insufficiently promoted and merchandized. Conforming to the literature this study affirms the importance of information diffusion. It furthers the debate by emphasizing the fact that desired changes in consumer behavior will depend on the contents of the information targeted to form their ethical predispositions. Hence for the information to be effective, it should include the severity of the problem, the certainty of its occurrence, and the fact the consumers are affected by it. The analysis of the data from all three regions illustrates the significance of information diffusion. The companies could benefit from developing strategies to maintain continuous communication for increasing the consumers' level of awareness, and enhancing their preferences for ethically conscious companies. The companies would be advised to strengthen their associations with their consumers – through publicity, marketing campaigns – by means of various media.

The study concludes that ethically conscious behavior, and ethical intentions are positively related to ethical pre-dispositions of the consumers. The findings have once again confirmed the importance of self belief concept in the context of issue contingent decision making. Hence the consumers, who think that their actions can have an effect in solving a problem, are more likely to engage in an ethically conscious behavior. In addition, consumers are motivated to engage in cognitive efforts in their issue contingent decision making when they are well informed, and are highly concerned about the issue. Based on this work, further studies can be carried out to see if and how, information diffusion strategies could be formulated to stimulate the self belief aspect of consumers' ethical personality.

## **6.2            *Managerial implications***

The findings of the study have highlighted that environmentally conscious consumers are more likely to engage in environmental friendly gestures, hence making them a natural target for environment friendly product marketer. The results suggests that marketers of environment friendly products should appeal three subdivisions of consumers' belief structure in their communication; the information part (educating and informing about an issue), the concern part (demonstrating the evils of the issue), and self belief part (showing that consumers' contribution matter in resolving the issue). Moreover, this implies that demand of environment friendly products may be enhanced by appealing on environmental beliefs or by focusing on the product features linking to environmental beliefs or both. An ethically conscious behavior whether in form of an environment friendly purchase or environment friendly consumption, requires additional work of consumers in form of time, money or effort. Furthermore, the benefits offered by such products are often implicit, difficult to comprehend, and generally add-on in nature. Therefore the need for effective communication to consumers is obvious to realize ethically conscious behaviors.

Consumers' buying behavior is influenced by a number of factors such as price, quality, and convenience. The results of this research work do not diminish the importance of such factors. What is emphasized is the fact that environment friendliness can influence the consumer choice for otherwise comparable products. Also consumers having high concern for ecological issues may prefer to buy such products even when they have to pay a slight premium in shape of money, time or effort.

The findings also yield public policy recommendations for stimulating eco-friendly behaviors among the citizens. The environmental information is often complex and difficult comprehend due to time lag. So it is important that such information is translated for laypersons. Most importantly, this study shows that sustainable and ethically conscious consumer behaviors can be stimulated by raising issue certainty levels and enhancing information clarity, by increasing social concern and involvement, and by focusing on the importance of individual efforts. The public sensitizing campaigns should centre on information diffusion and ethical identity development aspects of individual decision making process. The importance of individual contributions to collective sustainability and ecology goals must be highlighted.

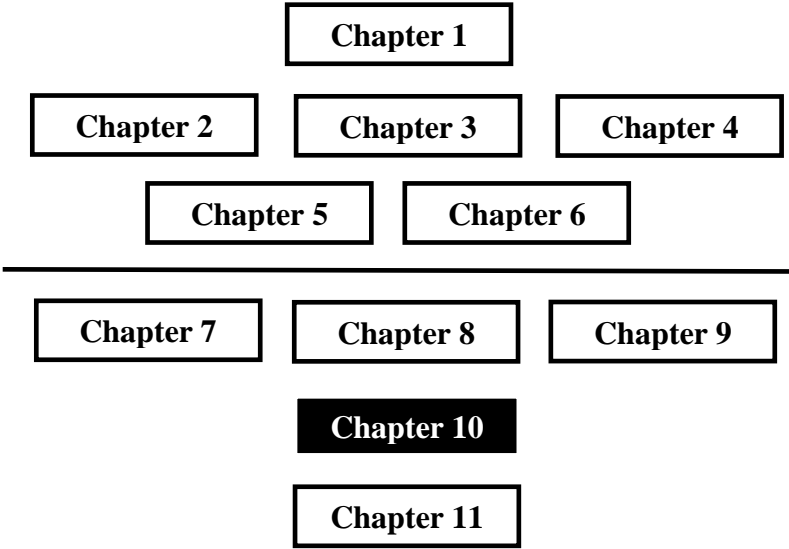
Socio-demographic characteristics have been widely used for segmenting and profiling eco-friendly consumers with confusing and conflicting results. A more psychographic approach focusing on values, identities, and lifestyles could better provide a deeper understanding on the specific causes of consumer behavior and choice. In addition this could also help segment environmentally concisions consumers more effectively. Thus, the customer segmentation issue presents a promising focus for further research

### ***6.3 Future research***

This study implies that issue awareness and recognition is an important prerequisite for environment friendly behavior. Yet, It might be necessary to distinguish between various levels or stages of individual awareness. Additionally stages of collective consumer awareness at societal and national levels may also give clue to the variations found among consumers of different cultural backgrounds and nationalities. The three regions used in the study serve to increase the validity and generalizability of the findings. However, the results cannot be generalized to consumers from all the regions and countries. It would be worthwhile to test this, or similar models, in different cultural settings. Researchers could also examine other moderators of relationships than the ones I tested in the model. Moreover, a better understanding of the influences of various sources of information available to consumers may help us better focus on individual customers. The study establishes the importance of information dissemination in ethical consumption context. Future studies could look into various media – print, electronic and internet – and their impact on ethically conscious consumer behaviors.

Chapter 10

*Communicative approach to stakeholder theory*



This chapter and the proceeding chapter constitute concluding part of my dissertation. In following sections – based on the theory of communicative ethics that I presented in the previous chapter – I discuss the broad implications of a dialogical approach on stakeholder theory. These implications may serve as a theoretical and a practical guide for others who wish to better understand a communicative and procedural approach of norm development in the background of sustainability and CSR.

## **1. Introduction**

Since the publication of Freeman's Book "Strategic Management: A Stakeholder Approach" in 1984, Stakeholder Theory has gained a privileged position in academia as well as in practical milieu, concerning the relation between business with its social and physical context. As per the literature review presented on stakeholder theory in previous sections, the nature, purpose, and character of the theory is well contested and has changed over the years. A host of recent studies point to the growing critique of the theory. On the one hand, there are writers who criticize the approach for insufficient theorization (Stoney and Winstanley, 2001; Sundaram and Inkpen, 2004), while on the other hand others blame it for its broadness, vagueness, and elusive nature (Stoney and Winstanley 2001; Phillips et al. 2003). Despite the fact that stakeholder theory is blamed for being too broad, it does not fully grasp the business society relationships as it views society from the view point of business. Corporations and business is the focal point of stakeholder approach, while other elements revolving around it, thus giving it a business centered and instrumentalist appearance.

At the heart of criticism lie the inherent theoretical challenges to the stakeholder theory: The normative foundation and justifications, the legitimacy, and the role of business in society, as well as the relevance of ethics, philosophy, and the host of other pertinent theories. These issues need to be treated to address the criticism on the stakeholder theory. Stakeholder theories have helped us to re-define the society-business relationship, and presented a



substitute to the purely economic version of corporations. However, considering the normative limitations, pluralism and heterogeneity of perspective, and the scope of application, we need to anchor stakeholder theories on a robust theoretical framework. In this context, Habermas' theory of communicative action and theory of discourse ethics can provide us such theoretical framework. In the following section I will briefly touch upon major approaches in stakeholder theory, followed by a discussion on the application of Habermasian approach on stakeholder theories.

## **2. Typology of stakeholder theories**

One of the most cited typology of stakeholder approaches is that of Donaldson and Preston (1995). They categorize three types of stakeholder theories, namely descriptive approaches, instrumental approaches, and normative approaches.

### Descriptive approach

This approach describes corporation as a constellation of interests, sometimes competitive and other times cooperative. The objective is to understand how managers and stakeholders actually behave and how they view their actions and roles.

### Instrumental approach

This approach tries to link stakeholder management with corporate performance. The latter is generally considered as economic performance and measured in terms of profitability and growth. The objective is to identify cause-and-effect relationship that explains economic performance.

### Normative approach

This approach is characterized by some underlying moral or philosophical principles. Stakeholder orientation is justified not by potential economic performance but by it being ascribed to certain moral standards. Donaldson and Preston, (1995) consider these three perspectives as mutually dependent, and understand them as inherent to stakeholder theory.

They further claim that the normative content is the key element of stakeholder theory that binds it together. This normative strand provides the standards needed to compare actual managerial<sup>11</sup> practices.

The typology has been critiqued for the lack of distinctiveness of the three categories presented (Jones et al. 2002) as well as for presenting a separation of business with morality and ethics (Harris and Freeman, 2008). However, the significance of normative perspective is upheld by most of the researchers including (Harris and Freeman, 2008). Jones et al., (2002) point out that the problem with the two realms (instrumental vs. ethical) is not that some people are happy to keep them separate while others want to bring them closer together, but that this metaphor for thinking about business and ethics is fundamentally misguided. Business ethics should instead be about how we understand the nature of business, as a morally compelling and interesting domain of human activity that could never be devoid of morality. Thus the moral perspective remains an integral part of the stakeholder theory. Coming back to Donaldson and Preston, since the three aspects nested within each other with the normative at the heart of stakeholder theory, they in fact claim supremacy of the normative perspective over the other two. If this is the case one has to address the following questions:

- Considering the supremacy of moral perspective what is the need and the place of instrumental and descriptive perspective in the overall framework?
- How can moral perspective (or realm) justifiably anchor the descriptive and instrumental perspectives?
- How can the role of business and corporations in the modern societies be defined, and their presence be justified?

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<sup>11</sup> Donaldson and Preston (1995) consider stakeholder theory as a managerial approach which aims to shape and direct the behaviors of managers in corporate settings. It does not simply describe existing situations or predict cause-effect relationships; it also recommends attitudes, structures, and practices that, taken together, constitute stakeholder management.

The first two questions concern the co-existence and the relationship of moral, and ethical instrumental perspectives. I will treat them in the following sub-section. The third question pertaining to the legitimacy of business is discussed in the next sub-section.

### ***2.1 Co-existence and integration of multiple normative realms***

Responding to first two questions, I argue that the greatest limitation of instrumental stakeholder theory approaches is their inability to sufficiently address the normative issues intertwined with the engagement of business in society. Additionally instrumental approaches often employ positivist and empirical research methods based on observable phenomena to pursue the technical research objectives. Thus subjective perspective of the actors, their opinions, values and norms, is either suppressed or marginalized. However, if the normative issues are to be treated it is imperative to address the actors as subjects within themselves, and to consider their opinions, interpretations, and world views.

Alternatively, the inability of normative and ethical theories to address instrumental and pragmatic issues is often debated in literature. Freeman argues that the normative foundations of Stakeholder Theory should be derived from an ethical theory that bases the moral evaluation of an action on its outcomes. Hence he proposes a pragmatist framework of consequential ethics (freeman, 1999). Again leaving all together the Kantian or deontological perspective in the framework is, at the least, contestable. Therefore, I would like to suggest a communicative approach to business and society as this may be helpful to address both the limitations of positivist as well as consequentialist approach.

The theory of discourse ethics, theory of communicative action, and the related concept of deliberative democracy of Habermas address the normative foundations of modern society. This perspective on the business society relationship creates its normative base not from established moral principles but rather from the actual practice of norm formation through open discussion, rational argumentation, and norm validation. In fact we no more require

normative realms or universal moral principles but rather co-create them in an ongoing process of rational discourses. These discourses encompass economic as well as moral ends. Stakeholder theory may be better considered as an evolving network of discourses that address various aspects of business and society relationship.

Habermas provides an approach to normative theory that distinguishes three different normative realms i.e. **pragmatic, ethical, and moral**, each corresponding to different normative problems and validity claims. It is the process of argumentation and discussion that leads to consensus, as the discourses are not inextricably linked to a priori assumptions. However, the participant or agents in these discussions are obliged to follow the discursive rules of argumentation in order to engage in these forms of discourses. Interestingly all discourses corresponding to these realms do not require or involve validity claims that are universal in nature. There may exist situations and problems whereby the likelihood that everyone could be rationally persuaded to adopt the same position, is very limited. Hence the question of rational discussion leading to a consensus may not be relevant or important.

In addition to that a range of different validity claims provides for a distinction between different realms of normativity i.e. effectiveness, goodness, and rightness (corresponding to **pragmatic, ethical, and moral** realms of Habermas). It is the nature of problem, the **objective** and **scope** of validity claim, and the **will** that is targeted by the validity claim that distinguishes the choice of a normative realm. In situations whereby the problem or question is of empirical nature, the objective is clearly defined and given, and the validity claim that is evoked is one of effectiveness. For example increasing the fuel efficiency of a vehicle, or raising the productivity of workers in a manufacturing plant. In situations wherein the question is value-oriented, and involves individual or group identities, the validity claim implied is that of goodness. For example the decision of using personal car or public transport, or consuming higher priced fair-trade coffee or cheaper non faire-trade coffee. In

such cases the goodness of an individual or group is relative to his or their specific identities and the applicability of validity claims is limited to the perimeter of their common context. Individuals and groups evolve over time, hence it is quite possible that they may unsubscribe (or for that matter get unsubscribed) to communities or groups to which they belong. Consequently they may not remain under the obligation to follow the norms of that particular community or group. Issues or problems of general interest that require formation of universal norms, demand validity claims of rightness and appropriateness.

The advantage of his approach over other normative approaches can be summarized in its ability to treat different forms of reason under one framework. While other approaches give preference to one of the three aspects of reasoning at the expense of the others. This is in fact the salient feature of Habermas' approach that distinguishes it from the other normative streams of thought. The basis of this discursive approach of normative theory is valued in the principle of morality, which maintains that only those norms are valid that can be the object of rational discussion and consensus. Only those norms can be considered valid to which everyone could agree under the conditions of an ideal speech situation.

Ethics and morality form distinct normative realms having their own objective and scope, however, they are not entirely mutually exclusive. An issue can be taken as an ethical or moral problem depending upon the will that is targeted by validity claim. For example as marketing manager, to save my job should I market products that may be harmful to the environment, considering that I care about environment? Or is it ever right to market products that can endanger environment? In the first case the question is rather ethical while latter concerns moral dimension. An adapted framework of discourse ethics, and typology of normative realms is depicted in **figure 13 and table 26** below.

**Table 26**

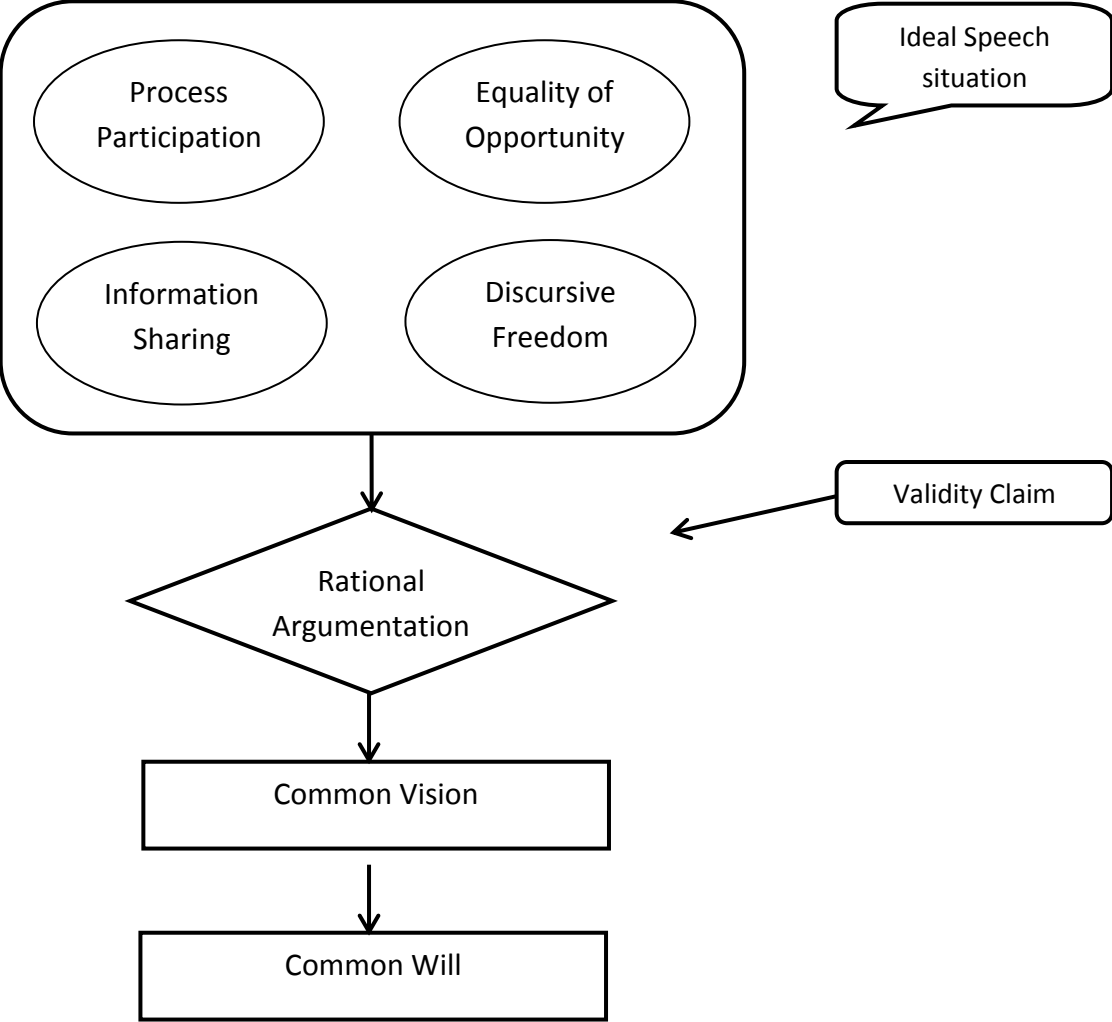
**Typology of normative realms for CSR**

<b>Type of Worlds</b>	<b>Type of Discourses</b>	<b>Type of Validity Claim</b>	<b>Scope of Validity Claim</b>	<b>Type of Will</b>
<b>Objective world</b>	Pragmatic	Efficiency	Non universal	Personal or arbitrary choice making
<b>Social world</b>	Ethical	Goodness	Local	Group Affiliation and normative identity formation
<b>Subjective world</b>	Moral	Correctness	Universal	Free will for generalization and normative standardization

(Author, 2012)

Figure 13

Adapted framework of discourse ethics for corporate responsibility



(Author, 2012)

## ***2.2 Organizational legitimacy and role of business in society***

Coming back to the last question, concerning the role of business in present day societies and the justification of their presence, we need to look into the notion of legitimacy in detail.

### ***2.2.1 Applying Discourse ethics to the notion of legitimacy***

The term ‘legitimacy’ can be understood as the ‘conformation with social norms, values, and expectations’ (Oliver,1996). An organization is considered to be legitimate, if it pursues ‘socially acceptable goals in a socially acceptable manner’ (Ashforth and Gibbs, 1990 p.177). Suchman, 1995, defines organizational legitimacy as ‘a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions’. He proposes two main theoretical approaches to organizational legitimacy – strategic approach and institutional approach. As per the institutional approach, organizational legitimacy originates from the organization’s cultural embeddedness manifested in form of compliance with generally accepted norms, values and beliefs in society. While the institutional approach defines legitimacy as a continuous and often unconscious adaptation process whereby the organization reacts to external expectations (Palazzo & Scherer, 2006).

The strategic approach treats legitimacy as an operational resource that can be managed by the corporation. Therefore, legitimacy is based on the corporation’s ability to ‘instrumentally manipulate and deploy evocative symbols in order to garner societal support’. On the other hand, in the institutional approach, the potential to ‘manage’ organizational legitimacy is quite limited (Suchman, 1995).

Palazzo & Scherer, (2006) suggests that both approaches of organizational legitimacy do not appropriately reflect the conditions of a post-national and pluralistic society. On the one hand, the strategic approach is overly focused on pragmatic legitimacy, assuming that corporations have the power to strategically influence their societal context thus manipulating



the process of legitimacy ascriptions. The institutional approach on the other hand is based upon the idea of a nationally bound society with a national governance system and a dense and homogeneous cultural background. However with the pluralization<sup>12</sup> of modern society, cultural homogeneity within the confines of nation states is diminishing.

Again the theoretical weakness of CSR and stakeholder theory can be pinned down in the fact that the pragmatic approach of corporate legitimacy is not sufficiently linked to moral/universal legitimacy of political processes. The discourse ethics approach provides necessary depth to the institutional legitimacy theory by emphasizing on the process of argumentation and discussion to arrive at universally accepted norms. In addition to that it does not do away completely with the pragmatic or instrumental perspective. In fact in communicative stakeholder approach, the focus is more on the discourses that take place between different stakeholders, and the consensus that is achieved consequently, than on a pre-defined objectives and a priori assumptions.

### 2.2.2 Anchoring organizational legitimacy to discourse ethics

As mentioned above, the strength of Habermasian approach over other normative approaches can be found in its ability to treat pragmatic, ethical and normative realms under one framework. However, conflict situations may arise, when a decision of choice has to be made between ethical claims and moral claims. For example interests of a local community in maintaining paper industry for economic wellbeing, may clash with the national or regional interests of environment protection and nature conservation. In such situations, principally speaking morality claims should take precedence over ethical claims. It is not necessarily a matter of importance of moral claims over ethical ones, but rather of the scope and generalizability of their application. Concerning a conflict between ethical claims, the

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<sup>12</sup> *Pluralization of the society is generally understood as the threefold process of individualization, the devaluation of traditions, and the globalization of society.*

importance of stakeholders groups becomes pertinent. Internal stakeholder groups may take precedence over external groups. However, the critical theory does not specify this as a rule. Principally speaking, all concerned should at least have the opportunity of democratic participation in the discourse. An exception to this may be drawn in case of shareholders and stakeholders. Shareholders may take precedence over the stakeholders with regards to the character, personality and strategy of the firm. This priority originates from the property rights of the firm that are grounded in the legal framework of society, and thus providing it legal legitimacy. In real world situations, it may be impossible to engage in processes that allow stakeholders equal power in corporate decision-making. Nevertheless, firms seeking for communicative stakeholder management may encourage healthy participation of stakeholders in the discursive processes.

Summing up from the debate of legitimacy, we can conclude that the objectives or *raison d'être* of business, should be to create some sort of generalizable interest. This generalizable interest, for example pursuit of economic needs, can be equated to common good in normative sense. Additionally, every individual or group should have an equal opportunity to benefit from that generalizable interest. The business gets its license to operate on the conditions of its ability to maintain a dialogue with various groups or stakeholders. In the wake of rising globalization, diminishing state power, and weak global mechanisms of governance, the role of communicative stakeholder approach becomes even more important. The corporations and business should derive their legitimacy claims from their ability to engage in open and competing discourses in the society. A communicative concept of organizational legitimacy would draw the outline of a new form of governance acknowledging the contributions that could be made by public and private actors.

### **3. Limitations of discourse ethics of Habermas**

Habermas discourse ethics theory seeks participative norm formation through the capacity of those affected by a collective decision to deliberate in the production of that decision. It describes the conditions under which such universal norms are expected to emerge. These conditions include sharing of information, participation in the process, freedom of expression, equality of opportunities. Under such condition, the norms emerge through a process of rational discussion, argumentation, and filtration whereby better arguments prevail over weaker ones. His approach revolves around rational argumentation, formal choice making, and norm formation. Hence his construction of communicative theory rests upon the tenet of rationality; on the assumption that participants of a discourse are rational, reasonable, and flexible human beings willing to set-aside self-interest for collective-interest. Further, they have access to necessary information required to participate in discussion concerning an issue, and they possess essential analytical skills to weigh and test different opinions and options.

However in real world situations, we may come across to situations wherein participants of a discussion may prefer passion over reason, or emotional rhetoric over rational argumentation. Additionally we may encounter circumstances in which it may not be possible to find a genuine reconciling position between opposing groups or individual, or it may even not be interesting to look for unanimity of opinion. As Elster 1997, p. 15 asserts:

“I would in fact tend to have more confidence in the outcome of a democratic decision if there was a minority that voted against it, than if it was unanimous... Social psychology has amply shown the strength of this bandwagon effect”.

Even Habermas 1993, p. 441 is not unaware of this when he says:

“Tocqueville and John Stuart Mill were perhaps not so mistaken in their belief that the early liberal notion of a discursively accomplished formation of opinion and will was nothing but a veiled version of majority power”.

In situations where the discussion is about passions and emotions, sentiments and attachments, hope and despair, the objective is often the expression of the self than creation of agreement. Therefore in conditions in which either creation of unanimity of opinion or purposive choice making may not be the objective, we may relax the stringent conditions of discourse participation and agency; the conditions of formal discussion and rationality. This in fact manifests the inherent limitation of Habermasian discourse ethics approach; its inability to treat spiritual, sensual or non-purposive discourses. Even in scholarships like ecology and conservation, we may find situations in which rational choices based on maximization of interests, or unanimity of opinion may not be able to address the core issue. The limitation lies not only in the fact that an issue of concern may not require a purposive-choice making, or it may contain irresolvable conflict of values, but also the fact that human beings by default are bounded by their limitations of reflexivity and analytical abilities.

As been explained above Habermas’ discourse ethics approach is subject to sharing of information, participation in the process, freedom of expression, equality of opportunities. These constitute the pre-conditions for communication and discourse in Habermasian theory. Since the objective of a discourse is to identify and standardize norms or principles, Habermas elicits a rational process of argumentation. A process in which arguments are discussed, weighed, and validated or rejected rationally. However, if the objective of discourse is not to create norms, resolve conflicts, or communication and expression is in itself the objective, we may not need a rational process of filtration and validation. In such cases the notion of communicative action and social interaction is not just a goal oriented process. The matter of the fact is that social interactions and the communicative processes constitutes as the bonding

element of the social fabric. Communication is a human faculty that connects people and creates relationship. Language is the system used to communicate thoughts and expressions through spoken, visual, symbolic and written means. Hence language, interaction and communication not only serve as the means to carry out actions, but also possess a meaning, purpose and understanding in themselves.

#### **4. Presenting a pragmatic approach to discourse ethics**

From the critical theory perspective, the assessment of social systems and structures require a reasonable foundation based on a critical assessment of the status quo. For Habermas, the guiding principle towards this reasonable foundation is rational argumentation of all stakeholders in ideal speech conditions. However, it would be naive to assume that all issues related to economics and business can be addressed and resolved by the process of rational argumentation in ideal speech conditions. Considering complex economic settings, and volatile business situations, it may not be possible to attain genuine ideal speech conditions and rational argumentation. The reasons for not meeting these two mentioned conditions at the individual level are detailed in the above discussion. Here I would like to add to the previous reasoning in the context of real economic and social situations. I suggest that ideal conditions of discourse may not even be in the direct interest of companies and businesses, and thus impractical. Not only due to the fact that in case of open discussions and mutual agreements businesses may have to sacrifice some of their interests, but also it may expose them dangerously to the competitive business environment thus jeopardizing their long-term viability.

It is therefore important to link discourse ethics to the real world conditions and particularly that of business environment thereby bridging up the gap between the competitive viability and the normative legitimacy of businesses. I suggest that it is not necessary to achieve an ideal speech condition and rational norm validation to attain the benefits of communicative

critical approach in the context of business. First communication as a mode of expression, is in its own right the objective. Second, smaller but continuous transformations of real processes and institutions towards a discursive approach will lead to improvements thus better discourse conditions.

Third, generally speaking ideal speech conditions and rational argumentation should result in unanimously agreed norms and principles. But attainment of such stringent idealistic conditions may not be practically possible. However, under reasonable speech conditions we may arrive to reasonable agreements. In such conditions all concerned or stakeholders may participate in the discourse directly, and if it is not possible, they may participate indirectly through various channels of civil society such as NGO's and media. The objective of a discourse in such case may not be to formulate principles or create norms, but rather to build up public opinion. This opinion than may impact the more formal processes and structures of norm formation. Even in the latter works of Habermas and specially in his concept of deliberative democracy\* we find a less idealistic and more pragmatic approach towards communicative ethics.

The deliberative democracy emphasizes on the interaction between civil society and the formal institutions of law making and public education like local, national, regional governments and educational institutions. This approach at corporate level links businesses to the civil society in general opinion making. I consider that such a communicative concept of CSR shifts the focus from a reactive CSR to a pro-active CSR whereby businesses and corporations are part of open and fair processes of public opinion formation. A CSR where people and society are at the heart of debate, and the businesses become part of the ongoing processes of public expression and public discourses. As a consequence corporations' responsibilities are viewed and weighed in their willingness to participate fairly in public discourses. They are judged on their capacities to align their activities and objectives to

broader social values and expectations. This pro-active communicative approach should also help to avert potential conflicts between a corporations and their environment. However, to adopt such a communicative approach to CSR, businesses and corporations need to be open and communicative internally. It would be hard to imagine a corporation adopting a genuine communicative CSR strategy without being fair and communicative with its employees, labor unions and associations.

In the wake of globalized societies and economies, a rethinking of business and society relationship is necessary. This relationship should be founded on the principles of fairness, openness and participation. The corporations need to become part of the public opinion making, and they must embed the societal expectations in their strategic aspirations. In figure 14, I summarize my discussion by presenting a model of public opinion making and formal rule making with reference to the role of business in society.

*\*Note: Deliberative democracy*

*Habermas more recent works, specially his theory of discourse ethics evolve into what he refers to as deliberative democracy. The theory of deliberative democracy claims democratic legitimacy on its ability to provide citizens with fair and reasonable opportunities to participate in matters of common interests. Hence the laws, rules and regulations are the result of a process of deliberation and participation whereby all concerned can contribute through socially recognized channels. Therefore unlike discourse ethics, Habermas relaxes the conditions of idealistic discourse and norm validation by doing away with unanimity and consensus, and focusing on reasonableness and fairness of processes. As mentioned by Bohman, and Rehg, 2012*

*“The presumption of reasonable outcomes thus rests not so much on the individual capacities of citizens to act like the participants of ideal discourse, but rather on the aggregate reasonableness of a subjectless communication that emerges as the collective result of discursive structures—the formal and informal modes of organizing discussion”.*

*This approach shifts attention from idealistic individual participation to more practical engagement through various structures of civil society such a individual citizens, citizen forums, scientific community, business community, NGOs\*, NPOs\*\*, media, and internet blogs. This civil society than interacts with the formal structures of education, law making, and administration to define common interests and create common will.*

*Bohman, James and Rehg, William, "Jürgen Habermas", The Stanford Encyclopedia of Philosophy (Winter 2011 Edition), Edward N. Zalta (ed.),*

*URL = <<http://plato.stanford.edu/archives/win2011/entries/habermas/>*

*\*NGO: Non-governmental organization*

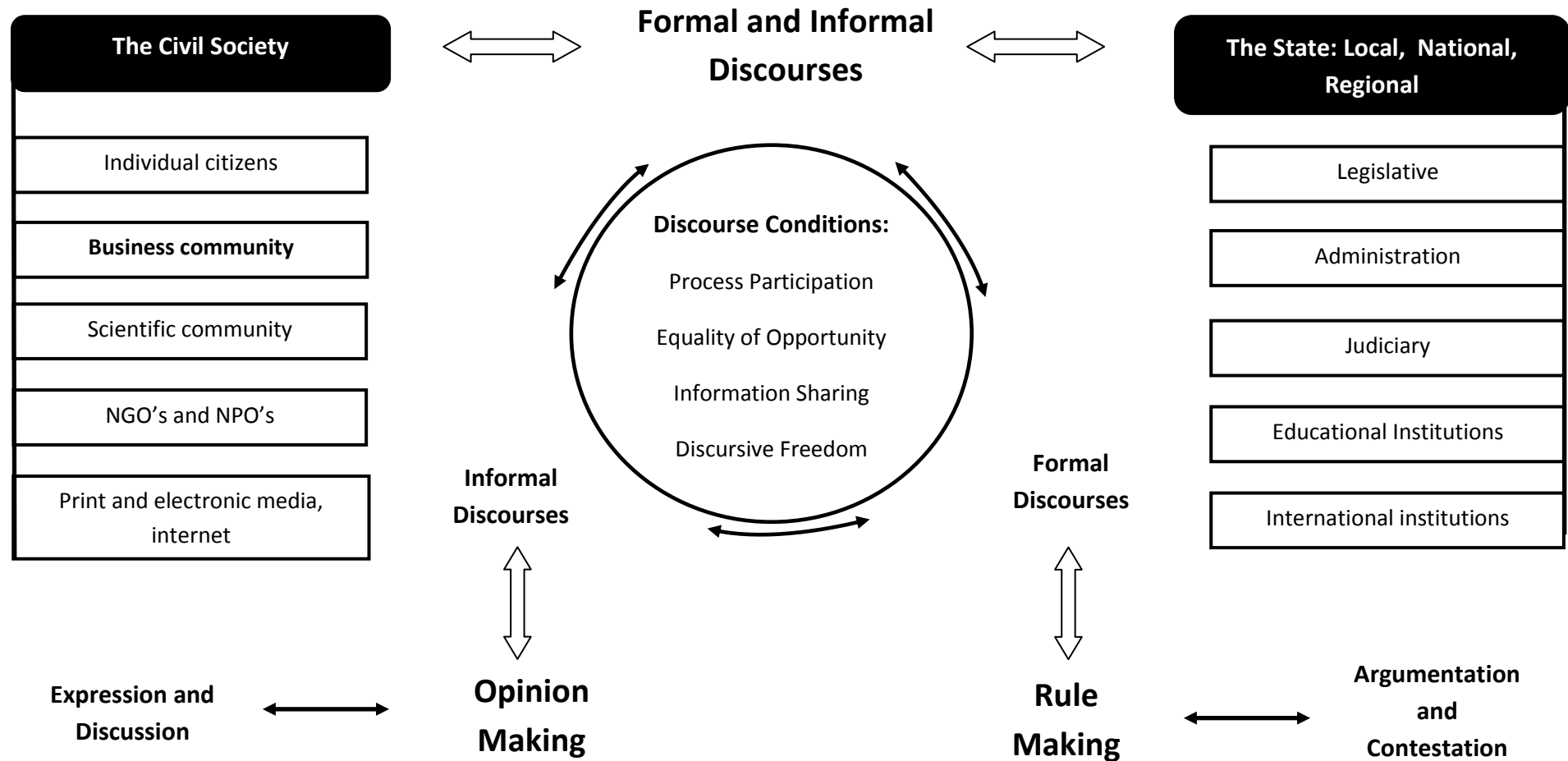
*\*\*NPO: Not for profit organization*



**Figure 14**

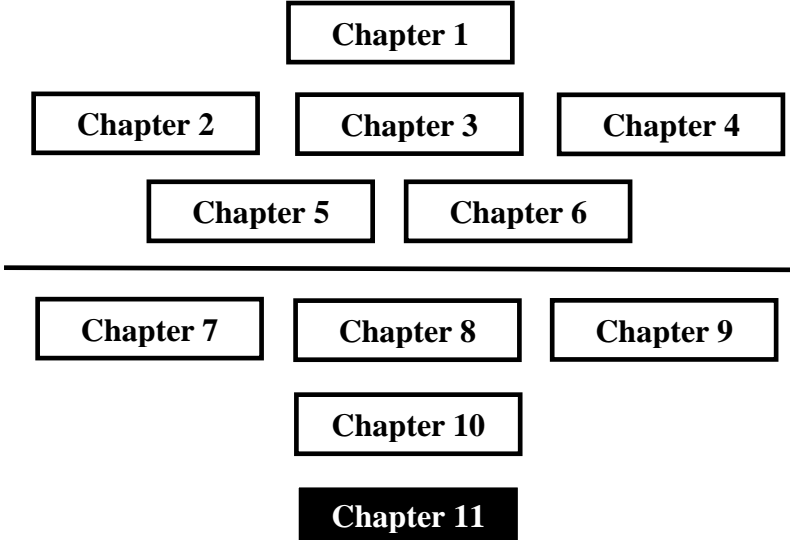
**A framework of public opinion making and formal rule making**

**(Author, 2012)**



Chapter 11

*A communicative approach to corporate responsibility*



## 1. Discourse Ethics – an all encompassing theory

As we saw in previous chapters, there are three basic traditions that inform most of contemporary ethics, viz., the virtue theory of Aristotle, Kantian deontology, and consequentialism or utilitarianism. Deontology emphasizes on the morality of an action based on the action's adherence to a rule or rules. Consequentialism sees actions in terms of their calculated outcomes and tends to focus on economic aspects. While virtue ethics is concerned with people developing ways of behaving that would naturally lead to the well-being of both the individual and the community. The focus is actually on self development and personal improvement. Virtue ethics is valuable but has limited perspective outside of different cultures, traditions and religions.

The advantages of critical theory over each of these traditions can be stated quite simply in terms of the three forms of practical reason outlined above. Each of these three traditions gives preference to one of the three aspects of practical reason at the expense of the other two. Critical theory first appreciates that different types of issues exist and can be resolved in different ways. In principle, the distinctions are clear: **pragmatic** issues assume agreement among those involved about goals and values; **ethical** issues accept that there are genuine differences between individuals and groups but that these can be tolerated; **moral** issues are those that genuinely require the agreement of all affected. Thus critical theory is able to incorporate all three forms of reason into its normative scheme.

## 2. Applying discourse ethics to business situations

Despite criticism on the idealistic orientation of discourse ethics, it is widely accepted that discourse guidelines can be applied successfully to the business environment of firms (Fromkin, 2003; Morsing and Schultz, 2006). The above mentioned principle of universalization, the principle of discourse ethics, and the discourse guidelines provide corporations and their stakeholders with a communicative framework in which moral conflicts

can be solved. The advantage of discourse ethics is that Habermas is not trying to propose predefined norm catalogues (viz., substantive hyper-norms) with “U” and “D”, he rather provides procedural hyper-norms describing ways of moral argumentation for arriving at universally accepted consensus (Gilbert and Behnam, 2009). Discourse ethics’ principle have been applied to organizational science notably in ethical decision making, stakeholder management, and ethical auditing (Beschoner 2006; Garcia-Marza 2005; Reed, 1999a).

(Reed, 1999a; Reed, 1999b) considers that discourse ethics provides normative stakeholder theory of the firm the missing rigor and comprehensiveness, by introducing three distinct normative realms in its framework. Moreover, Habermasian approach helps in identifying and establishing the stakeholders; and also in defining the nature of the responsibilities owed to stakeholders, the circumstances that can influence these responsibilities, and how disputes involving conflicting stakes can be resolved. Smith, (2004) furthering Reed’s work, argues that, in the long run companies will not be able to achieve their strategic objective by acting in a purely instrumental way. They need to engage in the communicative spheres of society in order to uncover modes of social life and principles that express the general interest. Palazzo and Scherer (2007) contend that corporations should be politicized in the sense that they need to become political agents, in addition to economic actors, within an increasing globalized world.

### **3. Anchoring corporate responsibility to discourse ethics**

In the backdrop of CSR, the importance of discourse ethics is self evident. First both of the issues under discussion are macro in nature, thus requiring a mega theory to treat them properly. The strength of discourse ethics lies in the fact that it is able to incorporate the concerns of various forms of reason into its normative analysis. It has the ability and the strength to consider material as well as moral concerns at the same time. Second, discourse ethics does not focus on imposed universal principles or pre-defined imperatives. It rather

defines the conditions under which universal norms are expected to emerge. These conditions include sharing of information, participation in the process, freedom of expression, equality of opportunities. The norms emerge through a process of rational discussion and argumentation, whereby better arguments prevail over weaker ones. Thus there is clear shift from **individual** thinking to **collective vision** resulting from real interactions and rational argumentations.

Habermas emphasizes on the **free will** of all members of a community or participants of discussion. Thus focusing on the consent of humans as freedom. Another related condition is **equality of opportunities**. This suggests that all participants have an equal opportunity to participate in the discussion regarding proposed norms. These leads to another essential condition i.e. access to uncensored and unfiltered information. Habermas stresses on sharing of information with all concerned participants. In case of issues concerning public interests, this implies sharing of information with public, instead of confining it to bureaucrats, politicians and experts. Another critical element in the process of creating common vision is the active participation of all concerned. Practical issues of the social life, including the issue of sustainability and CSR, can be solved by the free, rational, and active participation of people. Off course, this requires the education of people, to communicate to them about the importance of their active participation in the process, and to provide them with ways and means to do so.

In a way the discourse ethics represents an idealistic view of communication if we consider the realities of social life. Real life situations wherein the influential and powerful segments of society, enjoying privileged access to information and opportunities of participation in the rule setting processes, are not that hard to find. Thus the public debate is not always steered by freewill, equality and reason. However, with the advent of information and communication technologies, people have access to a platform liable to open discussion, free debate and exchange of information, thus providing opportunities to the participants to express

themselves. This is a type of communication platform that provides the right communication structure required to fulfill Habermasian communication standards.

Discourse ethics provides general rules for practical discourse leading to an ideal speech situation. These rules provide the conditions conducive for discursive equality, freedom, participation and fair-play. Even though Habermas recognizes that one cannot expect pure dialogue to take place among individuals, he rather envisions - an ideal speech condition. The conditions that serve as a springboard for a communication free of social constraints and distortions. He visualizes the institutions that promote dialogue, and offer the possibility of discursive equality; a situation whereby all dialogue participants would get a chance express their opinions, desires, and feelings. Acceptance or rejection of an idea or opinion depends on its rational validity judged within a social structure fulfilling the requirements of ideal speech conditions. The standards through which communication of an agent or group is to be judged, do not come from other agent(s) or groups but from a community in which communication is open, participative and free from coercion. Discourse ethics is, therefore, procedural in nature specifying methods for agreeing upon moral behaviors and social norms. It has the potential for creating consensus on ongoing issues of moral and ethical concerns including sustainability and CSR.

Discourse ethics is both more comprehensive, and in a way more flexible, than other ethical approaches in recognizing that in the real world there are different types and levels of issues, and the fact that we need different perspectives to approach them. Although discourse ethics is Kantian in nature, however it deviates from Kantian perspective when it emphasizes on the process of discussion, debate, and argumentation between real agents or groups. Moreover, it integrates to some extent, the concerns of consequentialists in accepting pragmatic issues that need to be addressed through strategic and practical actions. It also recognizes the concerns that some ethical questions may well not generate universal, but only

local, agreement and can still be the subject of rational discourse (the good). Thus harmonizing the concerns of local communities in the framework. It proposes that business has to deal with issues pertaining to all of the three realms, and also the fact that in business long-term effectiveness requires an acknowledgment of the good, and morality as well, alongside with practicality, instrumentality and efficiency. In fact, the morality and instrumentality should, however, not be considered as exclusive concepts, but as the ones that are intricately connected and complementary to each other.

In order to comprehend the moral realm, one also needs to appreciate the influence of instrumental realm on it. Same is true for the other way round. To understand the instrumental world, one must understand the actions of individuals who create such systems and structures. Communicative interactions tilted in the favor of instrumental realm may manifest in terms vested interests and deliberate manipulations thus blurring understanding and depreciating relationships.

#### **4. Future avenues of research on corporate responsibility theory**

Sustainability and corporate responsibility are multi-disciplinary by nature, long-term in focus, and global in scope. Consequently, they are susceptible to diverse philosophical, ethical and socio-political orientations. They often invoke situations wherein multiple opinions, paradoxical conditions, and contradictory logics co-exist. Hence reaching reasonable, legitimate, and peaceful agreements such situations requires an ongoing dialogue among all concerned actors. Such dialogue or discourse needs necessary pre-conditions whereby different actors can engage in a free and rational process of deliberations.

These conditions or terms of engagement form what we know as discourse ethics in Habermasian approach. Habermas believes in our ability of linguistic interactions to coordinate actions in a consensual way. Further, he emphasizes on the “force of better argument” as opposed to coercion, manipulation, and prejudice. The key purposes of this

deliberation process is the construction of understanding, development of agreement, and creation of collective vision. This approach of developing agreements in conflicting situations through communicative deliberations has been taken up by other philosophers and sociologists as well. Notably the social justification theory of Boltanski<sup>13</sup> is an interesting case in point.

Understanding how different actors justify their behaviors in contradictory settings and how they reach consensual agreement has been a major issue in Boltanski's social justification theory. He studies conditions in which actors can reach justifiable agreements. He argues that contesting justifications should be amenable to criticism and the fact that the comparisons and judgments of justifications should go beyond vested interests and inherent prejudices of the actors. Further, the justifications should be weighed against certain principles that orient the deliberations towards the creation of common good.

He claims that actions of an actor may follow different paths depending upon the context in which he or she finds himself. So the study of the context or the situation becomes imperative in understanding the reasoning and the justifications of individuals. Additionally, the concept of common good, in his opinion, also depends on the context and may vary from one situation to another. Like Habermas' communicative approach wherein he distinguishes three parallel normative realms – pragmatic, ethical and normative – Boltanski presents six distinct and simultaneous worlds or situations.

Boltanski focuses on the legitimacy of reasoning and rationalization of justifications, which in turn move the discourse to generality, and hence common understanding. He contends that actors/institutions have to provide justifications that are consistent to the

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<sup>13</sup> *Luc Boltanski is an eminent French sociologist and philosopher. The debate about his theoretical approach is drawn chiefly from two of his famous works:*

*Boltanski and Chiapello, The New Spirit of Capitalism, London-New York, Verso, 2005.*

*Boltanski and Thévenot, On Justification. The Economies of Worth, Princeton University Press, 2006.*



socially accepted definitions of common good. As there may exist different definitions of common good, actors may have to engage with competing definitions of common good supported by different actors or groups. This continuous engagement with concerned groups or actors provides a certain legitimacy of existence to a group or institution in question.

As we can see that both approaches have common points in their scope, goal, and theoretical structure. Habermas talks about validity claims and Boltanski refers to pragmatic justifications. Both give importance to common good, they believe in our linguistic and communicative potentials, and purport simultaneous normative realms. Both theories have been used to improve the stakeholder version of corporations. This thesis does not give the space to compare these two approaches and their applicability to business situations. However, this could be an interesting area for future research.

In Habermasian communicative approach we treat discourse participants as rational and pragmatic individuals. Since my research work is structured on Habermasian communicative approach, discourse participants' emotional and sentimental considerations are rather scarcely treated. It is possible to challenge this thesis on the fact that I should have engaged more deeply in the domains of emotions and sentiments. As the core of my thesis consists of three articles with specific research objectives, it was not possible to focus too much on ancillary areas of communicative ethics. I hereby acknowledge the difficulties in writing up a thesis that focus on three levels of analysis – societal, corporate, and individual – and presenting detailed discussion on each of those levels. I did not want to lose sight of the destination; therefore I did not treat in detail the emotional aspects of discourse. However, I highlight this lack of attention on emotions in my thesis, and propose other scholars to look into the issue more deeply.

## **5. Concluding remarks**

This dissertation contains three research studies; starting from a broad societal perspective, then moving towards a narrower corporate subject and finally concluding with a micro theme focusing on end consumers. The first article presented the latent themes of business responsibility discourse in popular CSR and sustainability books with the objective is to locate commonalities of ‘issues’ and commonalities of ‘solutions’, discussed in the books. The CSR and sustainability constructs were examined from the societal perspective, assuming that the conceptualizations of the notions are engraved in their context. The second article explored the patterns of social disclosure among large French corporations. The objective of this study was to identify key trends in responsibility discourse in the corporate sector to get a clearer understanding of how expansive ideas, such as sustainability and corporate social responsibility, were interpreted and adapted by business entities. The last article was a cross country study aimed to understand the adoption of ethically conscious behaviors by the consumers, and to present an ethical decision making model.

I acknowledge that my research suffered from the certain inadequacies; I assume not only the limitations of the communicative ethics – the over-arching framework of my thesis – but also the fact that the findings of my research are limited in terms of their generalisability and applicability to various multi-stakeholder organizing processes for sustainability and CSR. I acknowledge that in this thesis I have not presented all-encompassing solutions to the challenges of modern day society and particularly that of sustainability and corporate responsibility. However I am not disappointed or surprised as I was never in search of a panacea. What I was looking for was a deeper insight into the dynamics and complex realities of CSR and sustainability. Through my Ph.D. research, I have attempted to expand scholarship in organization studies, consumer ethics, CSR, sustainability and stakeholder theory. I have contributed to extending the application of communicative ethics to business situations. The concepts of sustainability and corporate responsibility contain paradoxical

elements and complex situations. So Instead of focusing on the solutions, I have tried to spotlight the potentials of a communicative approach and consequently suggested a discursive progression towards the resolutions of problems and creation of common will. By adopting a communicative approach I think that we can capture the emergent character of stakeholder relationships and the dynamics of norm formation. I emphasizes on the importance of multi-stakeholder dialogical relationships and connections.

Lastly, at this culminating point of my intellectual voyage, with the experiences and observations of last five years in reflection, I feel that my thinking has evolved considerably from the very first day of my thesis to the last one. I have been rewarded with a wealth of intellectual insight and understanding. I am greatly indebted many people who helped me, directly and indirectly, in accomplishing this research work. You have all been extremely generous and helpful, I thank you very much.

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# **Annexure A**

**(For chapter 4)**

Table 7 : Focus of CSR Papers (Lockett et al., 2006)

	<i>Social</i>	<i>Environmental</i>	<i>Ethical</i>	<i>Stakeholder</i>	<i>Total</i>
Totals	27 (15%)	64 (36%)	54 (31%)	31 (18%)	176 (100%)
AMJ	4 (14%)	14 (48%)	6 (21%)	5 (17%)	29 (100%)
AMR	3 (9%)	8 (23%)	11 (31%)	13 (37%)	35 (100%)
ASQ	1 (50%)	0 (0%)	1 (50%)	0 (0%)	2 (100%)
JM	3 (43%)	1 (14%)	3 (43%)	0 (0%)	7 (100%)
JMS	1 (5%)	4 (21%)	8 (42%)	6 (32%)	19 (100%)
OSc	0 (0%)	0 (0%)	7 (64%)	4 (36%)	11 (100%)
SMJ	2 (18%)	7 (64%)	1 (9%)	1 (9%)	11 (100%)
CMR	4 (13%)	17 (55%)	9 (29%)	1 (3%)	31 (100%)
HBR	7 (33%)	9 (43%)	5 (24%)	0 (0%)	21 (100%)
SMR	2 (20%)	4 (40%)	3 (30%)	1 (10%)	10 (100%)
Totals	27 (15%)	64 (36%)	54 (31%)	31 (18%)	176 (100%)
2002	4 (29%)	3 (21%)	3 (21%)	4 (29%)	14 (100%)
2001	2 (10%)	12 (57%)	4 (19%)	3 (14%)	21 (100%)
2000	2 (10%)	12 (60%)	4 (20%)	2 (10%)	20 (100%)
1999	5 (18%)	5 (18%)	6 (21%)	12 (43%)	28 (100%)
1998	3 (17%)	6 (33%)	8 (44%)	1 (6%)	18 (100%)
1997	3 (15%)	7 (35%)	6 (30%)	4 (20%)	20 (100%)
1996	0 (0%)	2 (33%)	3 (50%)	1 (17%)	6 (100%)
1995	2 (9%)	11 (48%)	7 (30%)	3 (13%)	23 (100%)
1994	4 (33%)	4 (33%)	4 (33%)	0 (0%)	12 (100%)
1993	0 (0%)	2 (33%)	4 (67%)	0 (0%)	6 (100%)
1992	1 (14%)	0 (0%)	5 (71%)	1 (14%)	7 (100%)

Table 8A : Focus of CSR Papers (Egri and Ralston, 2008)

	CSR	Environmental	Ethics	Governance	Total # CR articles	Total # journal articles	% CR articles
Totals	59 (18%)	62 (19%)	119 (37%)	81 (25%)	321 (100%)	4671	6.9%
APJM	2 (14%)	0 (0%)	9 (64%)	3 (21%)	14 (100%)	225	6.2%
CCM	0 (0%)	0 (0%)	5 (100%)	0 (0%)	5 (100%)	184	2.7%
EMJ	15 (28%)	20 (34%)	9 (17%)	10 (19%)	54 (100%)	567	9.5%
IBR	1 (7%)	1 (7%)	8 (57%)	4 (28%)	14 (100%)	349	4.0%
IJCM	3 (18%)	5 (31%)	6 (37%)	2 (12%)	16 (100%)	193	8.3%
IJHRM	3 (15%)	2 (10%)	12 (63%)	2 (10%)	19 (100%)	825	2.4%
IJM	8 (16%)	10 (20%)	19 (39%)	11 (23%)	48 (100%)	644	7.4%
ISMO	5 (22%)	10 (45%)	3 (13%)	4 (18%)	22 (100%)	214	10.3%
JIBS	7 (19%)	3 (8%)	15 (40%)	12 (32%)	37 (100%)	392	9.4%
JIM	1 (6%)	1 (6%)	6 (26%)	9 (60%)	17 (100%)	210	8.1%
JWB	10 (27%)	3 (8%)	8 (22%)	16 (43%)	37 (100%)	267	13.5%
MIR	2 (10%)	4 (20%)	7 (35%)	7 (35%)	20 (100%)	282	7.1%
TIBR	2 (11%)	3 (16%)	12 (66%)	1 (5%)	18 (100%)	325	5.5%
Totals	59 (18%)	62 (19%)	119 (37%)	81 (25%)	321 (100%)	4617	6.9%
1998	4 (20%)	6 (30%)	8 (40%)	2 (10%)	20 (100%)	410	4.9%
1999	3 (14%)	2 (9%)	10 (47%)	6 (28%)	21 (100%)	417	5.0%
2000	4 (11%)	16 (44%)	10 (27%)	6 (16%)	36 (100%)	424	8.5%
2001	4 (15%)	4 (15%)	11 (41%)	8 (30%)	27 (100%)	450	6.0%
2002	6 (19%)	5 (16%)	16 (51%)	4 (13%)	31 (100%)	459	6.8%
2003	1 (3%)	4 (11%)	14 (41%)	15 (44%)	34 (100%)	471	7.2%
2004	7 (19%)	6 (17%)	13 (36%)	10 (28%)	36 (100%)	455	7.9%
2005	8 (21%)	5 (13%)	12 (31%)	14 (36%)	39 (100%)	524	7.4%
2006	15 (35%)	9 (21%)	11 (26%)	7 (16%)	42 (100%)	505	8.3%
2007	7 (20%)	5 (14%)	14 (40%)	9 (25%)	35 (100%)	494	7.1%

Table 8B : Focus of CSR Papers (Egri and Ralston, 2008)

	Total	Theoretical	Empirical	Empirical methodologies <sup>a</sup>			
				Case study	Content analysis	Database research	Survey
Number of Articles	321 (100%)	79 (25%)	242 (75%)	73 (30%)	17 (7%)	26 (11%)	124 (51%)
<i>Theme</i>							
CSR	59 (18%)	13 (16%)	46 (19%)	17 (37%)	8 (17%)	0	20 (43%)
Environmental	62 (19%)	17 (22%)	45 (18%)	17 (38%)	4 (9%)	3 (7%)	20 (44%)
Ethics	119 (37%)	30 (38%)	89 (38%)	21 (24%)	2 (2%)	11 (12%)	55 (62%)
Governance	81 (25%) (100%)	19 (24%) (100%)	62 (25%) (100%)	18 (29%)	3 (5%)	12 (19%)	29 (47%)

**Figure 4: Socially responsible investing trends in the US**

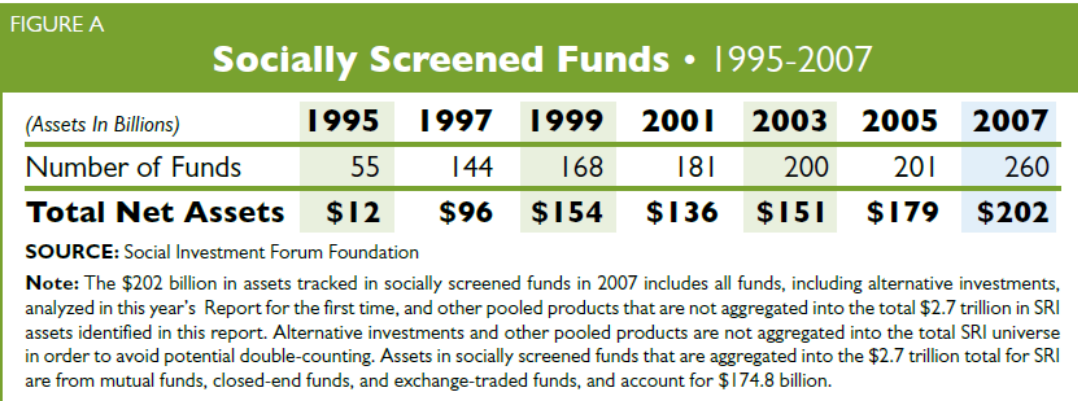


Figure 5 : Coverage of various corporate sustainability related concepts

(Barkemeyer et al., 2009)

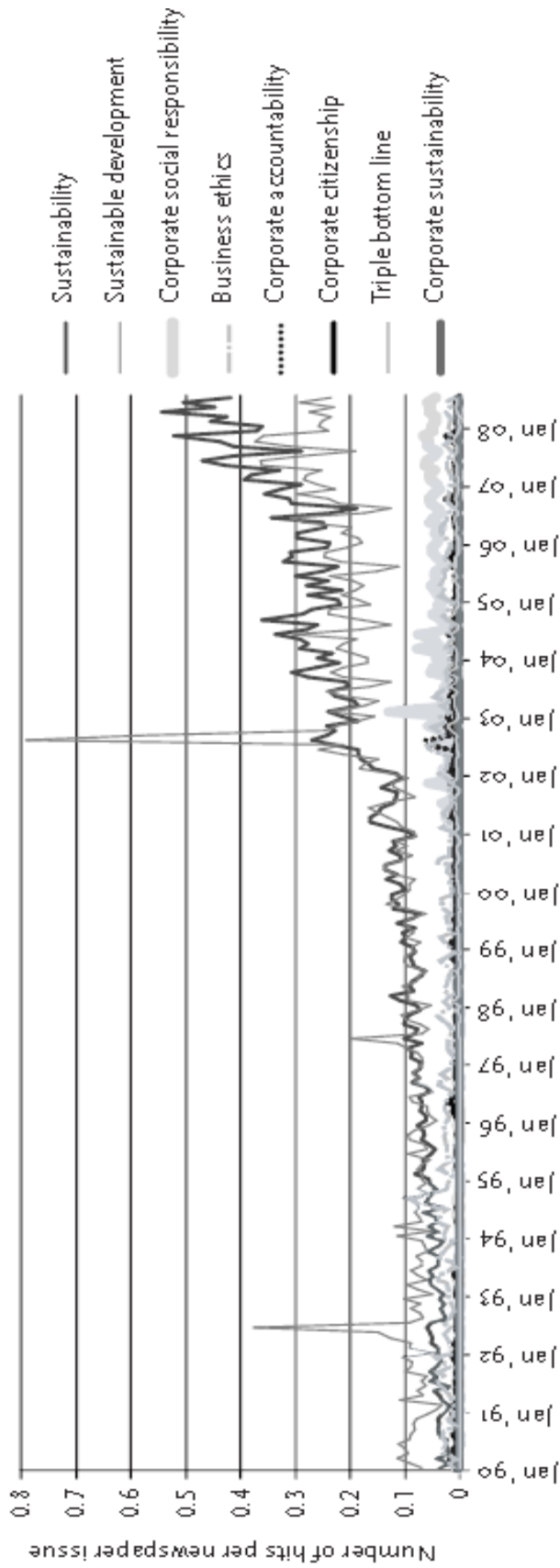


Figure 2 COVERAGE OF VARIOUS (CORPORATE) SUSTAINABILITY-RELATED CONCEPTS

Source: 115 newspapers, January 1990–July 2008



Figure 6 : Coverage of various corporate sustainability related concepts  
(Barkemeyer et al., 2009)

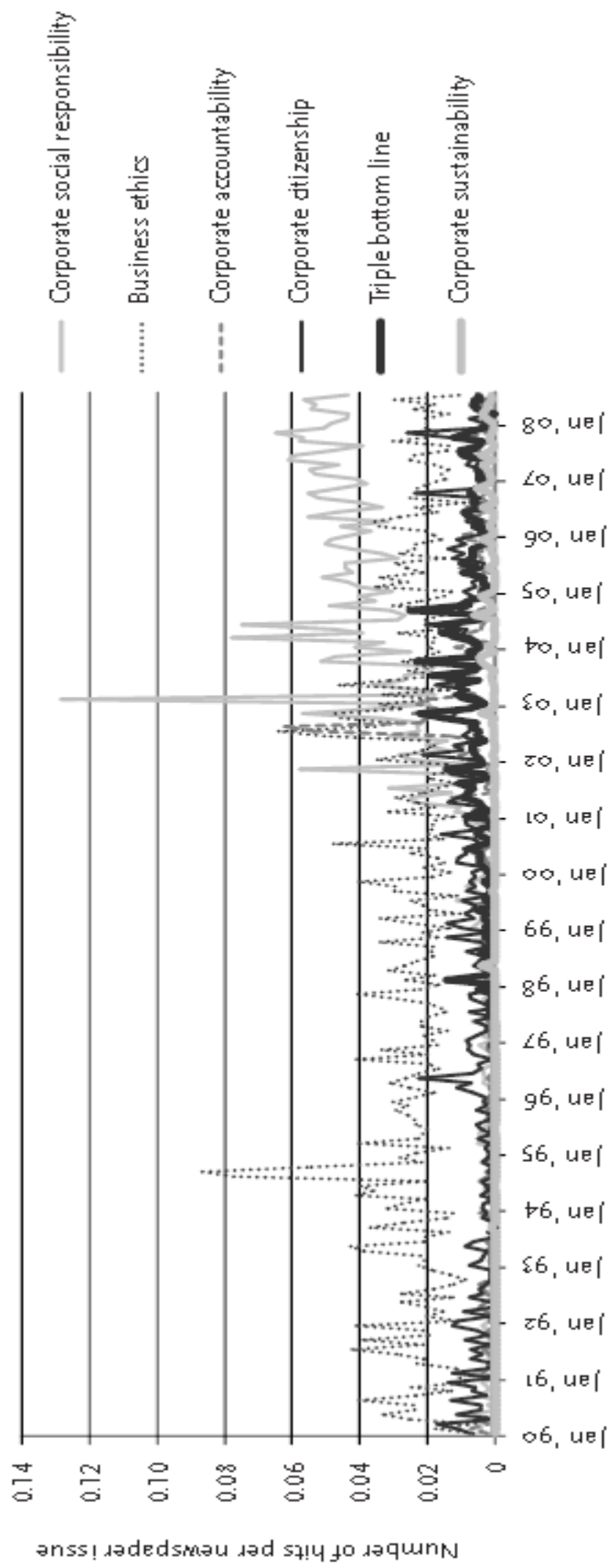


Figure 3 COVERAGE OF VARIOUS CORPORATE RESPONSIBILITY-RELATED CONCEPTS  
Source: 115 newspapers, January 1990–July 2008

Figure 7 : Aggregated concepts of business responsibility  
(Barkemeyer et al., 2009)

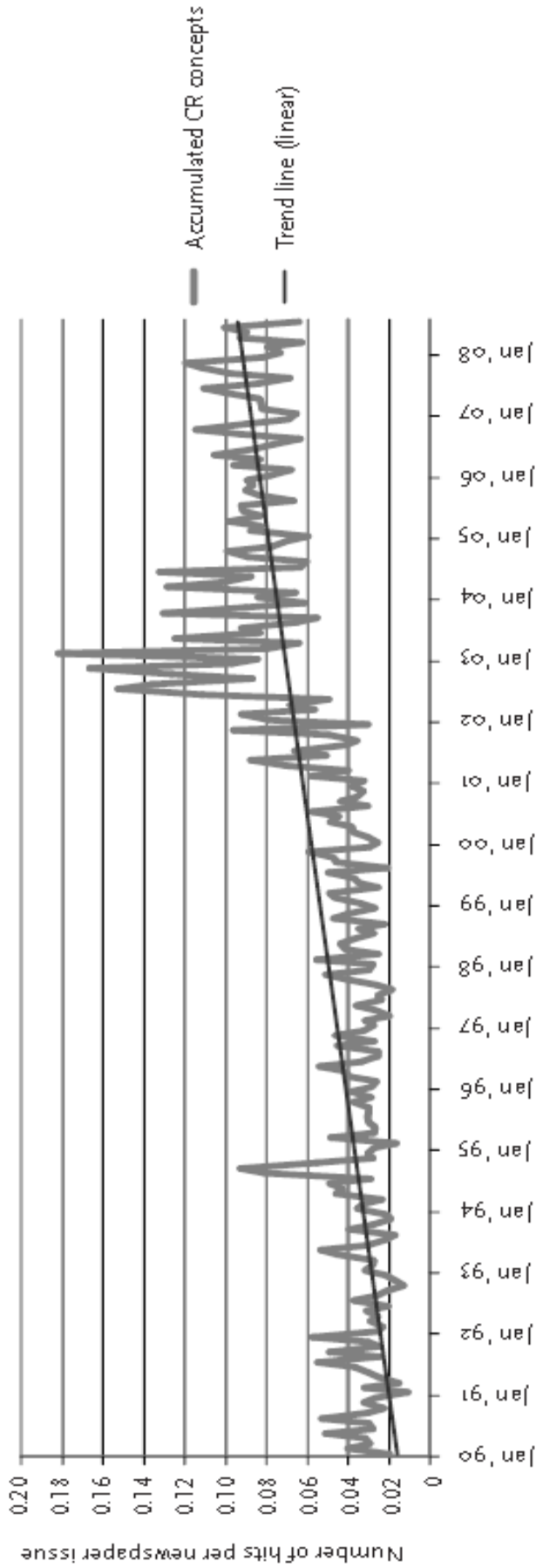


Figure 4 AGGREGATED CONCEPTS OF BUSINESS RESPONSIBILITY (CSR/CORPORATE CITIZENSHIP/CORPORATE ACCOUNTABILITY/CORPORATE SUSTAINABILITY/TBL/BUSINESS ETHICS)  
Source: 115 newspapers, January 1990–July 2008

# **Annexure B**

**(For chapter 7)**

## Appendix 1:

### Bibliography of Sample Books

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## **Appendix 2**

### **List of descriptors**

#### **Author Background**

Historian

Consultant

Entrepreneur

Academic

Scientist/researcher

#### **Book setting**

Business/Economics

Sociology/Culture

Philosophy

History

Political/geo political

Scientific/Research

#### **Book Tone**

Expert

Preacher

Autobiographer

Story teller

Self expression

# **Annexure C**

**(For Chapter 8)**



## Appendix 3:

### List of CAC 40 companies

Industries	Companies
Automobile	Michelin Renault PSA
Conglomerate and Hotel	Accor Bouygues LVMH
Construction and Building Materials	Lafarge Saint-Gobain Unibail-Rodamco
Electric Utilities, Oil and Gas	Vinci Air liquide EDF GDF Suez Technip Total Vallourec
Financial Services	AXA BNP Paribas Crédit agricole Dexia Société générale
Information and communications technologies	Alcatel-Lucent Cap Gemini France Télécom Lagardère SCA Schneider Electric STMicroelectronics Vivendi
Other manufacturing industries	Alstom Arcelor-Mittal EADS Essilor International Pernod-Ricard Danone
Pharmaceutical	L'Oréal Sanofi-Aventis
Retail	Carrefour PPR
Water and environment	Suez Environnement Veolia Environnement

# **Annexure D**

**(For chapter 9)**

## **Appendix 4**

### **The Variables**

1. Socio-Demographic profile
2. Informational profile
3. Issue recognition
4. Cognitive Ethical development
5. Ethical Intention
6. Ethical behavior

### **The Questionnaire**

#### **Socio-Demographic profile**

Q. Your sex?

1. Male
2. Female

Q. Which of the following age groups are you in?

1. 16-19
2. 20-24
3. 25-29
4. 30-34
5. 35-44
6. 45-54
7. 55-64
8. 65+

Q. What is the highest education level you have received?

1. Higher degree and postgraduate qualifications and above
2. University degree, or degree level equivalent
3. Other college qualification e.g. BTEC, City & Guilds
4. Secondary school/sixth form college up to 18 with A levels or equivalent
5. Secondary school up to 16, with GCSE/O level or equivalent
6. Secondary school up to 16, no GCSE/O level or equivalent
7. Junior school
8. No qualifications

Q. Are you?

1. Married
2. Cohabiting
3. Single
4. Widowed
5. Divorced/separated

Q. Which one of the following best describes your household situation?

1. Still dependent on parents
2. Independent but with no children
3. In the family stage
4. Post family stage but still working
5. Final stage – retired/inactive

**Informational profile**

Q. Which of these do you have in your home?

1. A desktop computer
2. A laptop computer
3. Home Wi-Fi (wireless internet connection)
4. A TV set

Q. Which of these describes how often you do each of the following activities?

- a) Use the Internet in general or internet via mobile phone?
- b) Read a magazine / newspaper

1. Every day or nearly every day
2. 2 or 3 times a week
3. 2 or 3 times a month
4. Once a month
5. Once every 2 to 3 months
6. Only used it once
7. Never (Show for mobile internet only)

Q. Which of the following, if any, have you done on the Internet in the last 6 months?

1. Checked your emails
2. Checked latest news/weather/sports results
3. Watched live television programs
4. Checked your favorite social networking site or communicated via a social networking site
5. Got local travel / transport information or looked up maps
6. Got information on leisure activities/amenities

### **Issue recognition**

Q. Please indicate how much you agree or disagree with each of the following statements. Remember we are interested in your attitudes, opinions and views alone, not those of others.

1. I am really concerned about the effects of climate change.
2. I think that climate change (e.g. global warming) is definitely happening.

### **Cognitive Ethical development**

Q. Please indicate how much you agree or disagree with each of the following statements. Remember we are interested in your attitudes, opinions and views alone, not those of others.

1. It's really important that I can treat myself when I want.
2. It's really important that I do the things which make me a better person rather than just enjoying myself.
3. I am concerned about what I personally can do to help protect the environment.

### **Ethical Intentions**

Q. Please indicate how much you agree or disagree with each of the following statements. Remember we are interested in your attitudes, opinions and views alone, not those of others.

1. I am consciously looking for products having lesser impact on the environment.
2. I would be willing to pay as much as 10% more for products if I could be sure that they would not harm the environment.

### **Ethical behavior**

Q. Which, if any, of the following have you done in the last 12 months?

1. I have only bought products that I really need.
2. I have avoided products with lots of packaging.
3. I have made conscious efforts to limit my use of products that are made of scarce resources.
4. I have recycled products that I've used (e.g. paper/newspapers, glass, cardboard, cans, etc).
5. I have used re-usable carrier bags for grocery shopping.
6. I have often switched off unused lights in my home.

*Note: Respondents provided the required information in their native language on this structured questionnaire. The final sample consists of 6878 consumers from the five countries, whose age varies between 18 and 64 years. The survey questionnaire composed of three sections included scales aimed at measuring various constructs discussed in the literature review. The variables; issue recognition, cognitive ethical development and ethical intentions were all measured on Likert scale, anchored by "strongly disagree" (1) to "strongly agree" (7), and chosen for their methodological validity and their psychometric qualities.*