Reflections upon the responsive approach to corporate social responsibility

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Introduction

A central question for corporate social responsibility (CSR) seems to be 'What should companies be responsible for?' However, this analytical question has been neglected for a question of attitude; the vague answer 'responsible for more' is seen as adequate. Not only do substantial numbers of journalists claim that companies are responsible for a number of different issues, but also many executives claim that they take, or aim to take, on a number of new responsibilities (Henderson 2001). Few say anything of interest about the limit to these responsibilities – the answer 'more' is considered good enough. If you are supposed to move in one direction, it might be better to start moving than asking how far. But such a positive attitude implies a suppression of doubts and scepticism. Also the 'why' is treated with low intellectual ambition. There is a demand from 'society', it is claimed, and companies should be as responsive as possible to those demands for more social responsibility (Waddock 2002).

Why has this attitude become so popular in business? Is it a smart solution to public relation problems? Is this an effective way for business leaders to obtain respect and influence? Can this be a better way to run economic life than the classical split between state, private business and individuals?

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In the first section of this paper a distinction is made between the predominant view of CSR (the responsive) and an alternative, the autonomous view. The next two sections discuss two different motives explaining the popularity among managers of the responsive view. The fourth section describes the major idea in the autonomous view of CSR. The section after that moves the discussion to the rules of the market game. Are the morals of the market sufficient? What kind of change is needed for business ethics to develop from the present responsive paradigm? The sixth section discusses the effects of CSR on employee integrity. The penultimate section compares the influence of the responsive and autonomous approaches in a new trade. Major conclusions of the reasoning in the article are summarised in the final section.

Two different approaches to CSR

The best description of the responsive approach might be 'the publicity test'. Management is encouraged to think about the hypothetical public reaction if a certain practice by the company would show up on the front page (e.g. Blanchard & Peale 1990: 27). This test highlights the danger of not being in line with public opinion and especially the prevailing ideas of journalists. Responsive CSR includes not only what is described as the 'reactive' form, but also a part of the form sometimes called 'proactive'. When proactive only means to be 'some steps ahead' to avoid criticism from failure to meet new demands, it is included in the responsive approach.

The alternative to responsive CSR is a more independent or self-determined policy, here called 'autonomous CSR'. Others might make demands and suggestions, but the company is resisting and refusing some of these alternatives and launching others without the blessing of these external authorities. The objective is not to be perceived as a company with products acceptable according to general standards, but a company differentiated by fulfilling their own standards. Ethics is pluralistic rather than one dimensional.

There are many kinds of categorisation of company responsibility. Some are linked to different ideological perspectives – like the Integrative, the Corrective and the Functional of Ulrich (2002) – while others are basically describing different fields of obligations. One of the more common is the triad: of economic, environmental and social responsibilities, as in the popular slogan 'triple bottom line' (Elkington 1998; for a reflection about the intellectual shortcomings of this concept see Norman & MacDonald 2004). In academic writings, as well as that of companies, the distinction between social and environmental is not generally observed. Some include social issues under the label sustainability and others include environmental issues under CSR.

Carroll & Buchholtz (2003) present a more elaborated taxonomy. In addition to a distinction between four kinds of responsibilities, they also suggest an ordinal listing: economic and legal are required, ethical is expected and philanthropic is desired. A second dimension includes four modes of responsiveness (following Wilson 1975): proactive, accommodation, defence and reaction. A third dimension contains different issues (like safety and discrimination) that can each involve different kinds of responsibility as well as different modes of responsiveness.

The distinction in this article is less detailed and has its emphasis on the executive perspective. What is the leadership purpose when presenting the company with broader responsibilities than before? 'Responsive' implies not only an acceptance of responsibility but also willingness and motivation to act. As mentioned, Carroll & Buchholtz (2003) use responsiveness as a variable for the whole range of alternatives regarding the attitude to demands for responsibility, but even if responsiveness is used as a range, the term responsive implies a position at the positive, not the sceptical, end. The use in this article of responsive is in line with the use and the emphasis on responsiveness in the literature. However, autonomous is not just less responsiveness but another idea about the role of ethics.

The responsive approach implies a one-dimensional ethical scale and a normative preference for the good upper part. It is considered clear what is good, so the problem is primarily the costs implied with more ambitious programmes. To be as good as you can afford – and be at least as good as your competitor – is the formula. Lagging behind on the scale is to expose oneself to moralistic aggression and that is a serious strategic mistake. The autonomous approach has a more pluralistic view of ethics. Different consumers have different ideas. You cannot fulfil all demands from everybody, so when setting responsibilities, like in other issues, the company has to specialise and present a total package that is deemed attractive by consumers, employees and investors.

When trying to understand actual company policy, it is fruitful to see the issues from a management perspective. Since executives are important decision makers their point of view has high relevance for why corporate social responsibilities have obtained the current characteristics. The ambition of this paper is to explain the present situation and also the merits of an alternative. A common strategic idea is that companies should strive against the perceptions of their products as mere commodities. Buyers generally want an easy dichotomy between acceptable and non-acceptable products and then favouring the acceptable with the lowest price. For the seller this dichotomy is not enough, but the company strives to differentiate itself from other acceptable alternatives. The autonomous approach is in line with such a differentiation strategy. However, this general strategic rule is not in harmony with the responsive approach focused on avoiding criticism.

Often, negative labels are better at indicating the heart of the issue than positive labels. For the responsive approach the negative labelling par preference is 'appeasement'. This term implies the criticism that the policy means simple adjustments to avoid short-term problem. Shortcomings in intellectual capacity or in moral integrity are factors that inhibit a more long-term policy. For the autonomous approach, the most frequent negative label is probably 'disembedded' (Büscher 2002). This term implies the view that the company is a part of society both in terms of receiving and giving. Some executives erroneously think that companies should neglect conventional norms and negative externalities when not forced by law to comply.

To some people it is farfetched that there exists an alternative to the responsive approach. Is not company policy in every respect mostly responsive? It might be claimed that for business independent inspiration is only a minor fraction of the responsive deeds, such as imitation of competitors and adjustment to consumer demands and supplier suggestions. Responsiveness alias appeasement dominates over autonomy alias disembeddedness regarding a wide range of issues.

The question arises whether CSR responsiveness is different from other kinds of company behaviour. I think it is constructive to make a distinction between populism and opportunism. Populism implies responsiveness to the consumer, and opportunism implies responsiveness to the establishment in the form of government officials and dominant media opinion. Probably responsiveness is more common in the populist form than as opportunism. Companies generally provide potato chips, luxury cars and entertainment with violence and sex in spite of the establishment condemning such offers.

In the relation between business and other parts of society such as state regulation, companies normally have their own ideas. A motivation behind entering a political discussion is often that other actors do not properly address the point of view favoured by business. The main contribution of business is then to present its own suggestions rather than supplementing ideas mainly pushed by others. Even if business is not rebellious, it is seldom only compliant, but tries to influence the agenda. However, the situation is different when it comes to CSR.

What is a little peculiar about CSR is firstly that it is so responsive: there is so little of an independent agenda, but it instead pledges to obey standards initiated by others. Furthermore, the responsiveness involves submissiveness to many authorities. Companies have always had a subordinate role to the state, but now they are also submissive to points of view from UN agencies, NGOs and media. Now, one frequently hears about interest in a dialogue with NGOs and also confessions of sins in the past together with promises of change. Initiatives such as the Global Compact have not been forced upon business, but rather the UN responded to an enthusiastic reception by many companies (Ruggie 2002). Of course, no company can ignore its environment and the practical policy is not determined by what management wants. External pressure is always a restriction on a company's ambitions. Marketing, price reductions and product development are means to bring these aspects together into an internal conviction of how to treat these threats and possibilities. But there is normally a tense internal discussion of what to do and management prefers giving orders to obeying orders, and yields only when necessary. On the contrary, regarding responsibilities, they listen submissively to demands from many quarters. Q1

Autonomous CSR focuses on local rules for the company to obtain comparative advantages. It has no ambition to set a new general standard. In contrast Responsive CSR projects often aim at setting a new standard, giving support to a potential soft law. Executives are seldom interested in hard law, but generally support self-regulation (for example, the 2004 discussion in Sweden regarding a common code for business). To obtain following from laggards they rather see positive incitements like governmental contracts for the companies showing the right attitude (Henderson 2001). In the NGOs there is often a long-term ambition of getting new hard laws, but a soft law might be a step in this process.

Company critics often argue that compliance with CSR is just verbal; rhetorically companies may convert, but in reality the same pre-CSR policy prevails. I think it is wrong to dismiss the responsive approach as 'just rhetoric'. I agree with the opinion that there is a significant difference between the words and the deeds, but that does not render the words insignificant. A first effect is that hypocrisy undermines trustworthiness, which is an important asset for both companies and the economic system. Secondly, words do not only influence listeners but also talkers. The rationale of such verbal behaviour as prayers in religion and self-criticism in totalitarian re-education builds on the influence of the message on the messenger – you state a belief and you tend to believe it. Thirdly, a distinction between a true believer and an impostor is not always of great importance; the impostor might think it is in his interest to act as if he is a true believer. The result for others is the same and the opportunist is a conformist even if he himself and the true believers see a huge divide. Fourthly, adherence to some conventional beliefs stops one's own reflections on more fruitful ideas. Acclimatisation to expressed beliefs and minor actions to avoid hypocrisy charges support a long-term process that changes behaviour towards expressed beliefs. There will certainly always be a gap – not least because some beliefs are utopian – but it is a mistake to think that rhetoric is just rhetoric. In the futuristic *Brave New World*, by Aldous Huxley, a truth was created by 62,400 repetitions. For the teller there is certainly a much smaller amount needed. A gulf between words and deeds is no vindication that words are without intellectual and behavioural effects.

Why do business leaders react so submissively to demands? One possibility is to take their conversions at face value; the executives evaluate the arguments of the NGOs and find them intellectually and/or morally compelling. This is a possibility and in some cases the main reason, but, with the risk of being considered cynical, it might be worth looking for further factors that might explain their change of mind. I think there are two main reasons for the new attitude. One is the attraction of looking powerful. The second comes from a sense of being powerless – the vulnerability to media power.

The aphrodisiac of power

Common statements of the impotence of governments and the omnipotence of multinationals sound like music to the ears of any power-focused executive. Talk of a demand for new leadership is even more exciting. An important part of perceived global changes is a new emerging relationship in which big business takes a seat with governments, NGOs and international agencies. Executives seem to have some expectations that they will be successful in such give-and-take dealings.

Shell sees the stage as set for business executives to shoulder political and moral leadership: 'A moral vacuum is appearing as governments everywhere cede authority to business' (Shell Report 1998: 26). The vacuum of power is to be filled, and a new role demands another rhetoric. Percy Barnevik, previously CEO of ABB, provides the following gem: 'Will we be able to give hope to all the poor, who for so long have been oppressed by an inhuman system and denied economic development as well as an acceptable environment?' (Schmidheiny 1992). This may sound like a liberal talking about communism or a communist talking about capitalism, but it is an odd message coming from a business executive talking about capitalism. It might be the prose of a confused speechwriter rather than the real personal opinion of the executive, but even as such it indicates an effort to play in the political arena.

When CSR, global citizenship and sustainable development are treated as more than rhetoric, the solutions become more complicated. Sustainable development is not a formula, but a hope of balancing two goals partly in conflict. Development, especially in the undeveloped world, implies more material things – more water pipes, more food, more homes. Sustainable development no doubt sounds like a nice solution, but it might not be feasible without drastic political decisions like a ban on coal or a restrictive population policy.

If humans should live on renewable resources at a decent standard, some calculations come up with a population of at most 3 billion people (Smail 1997).

It is a hard political decision to radically reduce coal consumption. In the democratic procedure, environmentalists have to convince a majority of the people. An alternative way is to exclude the issue from the democratic process and take the decision through backroom politics also involving company executives and NGOs – neither group having a democratic mandate. However, this procedure is close to the corporatist blueprint proposed and practised by, for example, Italian fascists, and that should be a reminder that a critical reflection over such an order might be motivated. Most writers shrug off such a connection instead of addressing the issue. John Ruggie writes, 'it seems implausible to see them [global certification institutions] characterised as expressions of global "corporatism" and to have conjured up the ghost of corporatism's fascist ancestry. At the same time, it also seems at least premature to view them as expression of cosmopolitan democracy' (Ruggie 2002: 28).

One might conclude that it is neither fascism nor cosmopolitan democracy; but if not an expression of global corporatism, what is it? However, instead of rejecting the association, is it not better to ask a more essential question: 'is this a promising solution?' If the party most restrictive to economic growth can reach an agreement with the most expansionistic one, would not that be a sensible compromise?

Presently, companies seldom criticise NGOs. However, this behaviour is not reciprocated since corporations are under permanent critique. Company behaviour is similar to a soft strategy towards trade unions. However, the basis for such agreements is hardly face-to-face communication and personal chemistry, but the fact that the union members want to be employed by the company. A union boss knows like any negotiator that he must be tough, but he also knows that the last concession is given to him only if he is expected to deliver loyalty to the agreement. If workers perform in discontent to the deal, the company might rightly downgrade their contribution. Companies seem to think that NGOs will behave the same way, which is unlikely. Probably they will ask for more and a satisfied NGO leader is likely to be replaced by a more demanding spokesperson. This critical view of prospects for agreements is not shared by CEOs, but some executives like John Browne, CEO of BP Amoco, are ready for a new world order. 'If globalisation marks the end of sovereignty for national governments it should equally end any sense of splendid isolation which exists in the corporate world' (quoted in Moon and Bonny 2001: 119).

There is room for many different opinions about this new world order with 'the end of sovereignty' and companies terminating their 'splendid isolation'. My forecast is that CEOs will sign many nice sounding declarations. They will also comply with some decisions they should not have accepted in the first place, and break other commitments affirming perennial accusations of hypocrisy. Business will get no goodwill gains and the influence of executives will be of little value. Instead of this corporatist solution there seems to be more advantage with the traditional liberal solution that major political decisions should be taken by politicians depending on the agreement of the people. Lobbyists should be listened to, but critically, and not receive decision power delegated to them. Having such normative doubts about a corporatist solution, there is some consolation in the outcome forecast that executives will receive little of the influence they are hoping for.

Vulnerability

The psychology of the second – more defensive – motivation might be illustrated by a joke. Two hikers are spending the night in a tent in an area where grizzlies have been spotted. One of the hikers changes his clothes but puts on his sneakers before getting into his sleeping bag. The other asks him why and points out: 'That is a useless precaution against a hungry grizzly. You should know that a grizzly easily outruns a human with or without shoes'. The other retorts: 'I know that

I cannot outrun a grizzly. But I might be able to run faster than his other potential dinner!'

Let me go from this story to a real example when 'the sneakers in the bag' strategy was practised. In the 1990s, Shell suffered two scandals that both might be classified as unfair punishment. The plan to sink an oil platform, the Brent Spar, was in line with advice from environmental specialists, but to the man on the street this was easily seen as irresponsible as dumping an old car in a park pond, but on a gigantic scale. Shell complied with the pressure and did not dump the platform into the ocean but dragged it into a Norwegian fjord for storage. That way a verified environmental problem occurred. This problem and an apology from Greenpeace to Shell have not attracted much limelight (Glans & Nerbrand 2003).

The second scandal concerns the Nigerian government's policy of allocating all oil income to the central government instead of giving some to the Ogoni people in the Niger delta where oil exploration resulted in some negative environmental effects. This conflict culminated when the authorities brought nine people, including the author/activist Ken Saro-Wiwa, to court and sentenced them to death. Shell was accused of not interfering successfully on behalf of the activists. Despite the activists' being hostile to Shell, the company actually did interfere on their behalf. But if one assumes that Shell has the ultimate power in Nigeria, then the company is responsible for everything that occurs. If not having that extreme view, it is doubtful what Shell could have accomplished. The strong reaction against Shell for these executions seems unbalanced, blaming a bystander. It is also surprising in a historic perspective. In the late 1960s Nigeria killed more than one million Ibos in the Biafra war and that did not result in strong international pressure upon the Nigerian government nor on Shell. The Organisation of African Unity and many others proclaimed that conflict is an internal affair that others ought not to meddle in.

After these two affairs Shell made a major shift in policy. The most spectacular part was when its CEO Mark Moody-Stuart wrote: '. . . because we too are concerned at the requirement to address those in poverty who are excluded from the benefits that many of us share in the global economy, we share the objective of the recent demonstrators in Seattle, Davos and Prague' (Henderson 2001: 125). It might look downright stupid and degrading to declare affection and unity with someone who despises you, but the rationale in this is hardly a striving for mutual affection, but to get off the hot target list. By appeasement Shell is trying to avoid becoming a target for a third time. The green hooligans as well as more mature environmentalists will continue to harbour scepticism or hostility towards Shell, but they might be more inclined to attack Exxon next time. Independent of Shell's deeds concerning the environment, it is effective power politics to reward Shell for its new submissive attitude.

Many of the new converts to CSR are companies that previously have been attacked, for example, Dow Chemicals and ABB. It seems to me that there are both offensive and defensive reasons for an appeasement policy.

A major rationale for CSR is worry about the value of the company brand. Whether good deeds increase this value is less clear than that scandals cause negative effects. For a company focused on the short term, there is a tendency towards presenting good news and suppressing bad news. Such 'quarter capitalism' is often considered interesting only in profit statements, but why should they be indifferent to other things influencing stock market evaluation? A consistent short-term policy seems more likely.

To some people brand is something imaginary, with weak links to real performance. Brand is created at an advertising agency, not something generated by the product itself or the people producing it. Some executives seem to think that they can outsource almost everything and just keep the brand. When the brand is so much a construct in the head of the consumer it becomes very sensitive to other influences. Some bad publicity can weigh more than the most expensive advertising campaign. The illusionary quality of brand combined with the focus on short-term stock market reactions make companies very sensitive to media reactions. It is hard to understand the appeasement policy if one is not considering this vulnerability of brand.

According to economic theory and the shareholder model (Friedman 1970), long-term profitability is considered the most essential factor. The fundamental value of the company is the aggregate of future expected dividends discounted to present value. There are quite a few recent scandals where executives have deviated from the shareholder model of economic theory and the obligation to increase long-term shareholder value. Instead, executives have valued short-term stock market prices, influencing own stock option interests by providing a stream of good news, some of it unfounded, and suppressing bad news.

The moral imperative is hardly to boost the current share price as high as possible with the assistance of 'creative accounting'. Rather, the share price should at any point in time show the share's justified value. A bubble will be to the advantage of the selling shareholder and to the disadvantage of the new shareholder. The CEO has no reason to assist in such a transfer of value; favouring the quitting shareholder at the expense of the new shareholder who has more faith in the future of the company seems both morally wrong and short sighted.

Scandals like Enron and WorldCom are not outcomes of the classical shareholder model. The problem is the short-term share price model – making shareholders a major victim group – which seems to be a model frequently in use. One consequence is the good news distortion of financial results. Another consequence is the protection of brand by appeasement to media demands instead of taking a long-term position.

One might think that the power possibility described in the previous section and the threat to executive power of this section are two contradictory perceptions, but I think they are often combined. Is it not more a rule than an exception for the executive mind to see a coming change implying simultaneously both threat and opportunity?

A separate question is whether this perception is justified. The corporatist opportunities have already been questioned, but also the threat seems exaggerated. Research shows that many consumers make statements of a willingness to take ethical considerations into account (Schroeder 2002). But there is a further step to actually doing so. Whether a media commentary is complimentary to, or critical of, the company is easy to distinguish. But what praise stimulates people to buy and what criticism is taken to heart by the reader? There is a shortage of empirical evidence and a lot of fear and expectation of a strong ethical impact. The norms of good, evil and important used in media verdicts might not mirror those of the consumers. Rather it seems that the executive is strongly influenced by the media world and its perceptions of power.

The autonomy approach

Autonomous CSR needs more of a presentation. The first step for the development of such a strategy is to get away from the conventional one-dimensional scale with ethical up and unethical down. A more pluralistic perception is necessary to notify the options.

There are good reasons to follow the advice of Crane (2001) to unpack the ethical product. Making a split in three parts – core product, actual product and augmented product (following Levitt 1980) – there is no problem in putting ethics in the augmented section. Popular discussion indicates that ethics might constitute a negative augmentation factor (Smith 1990). But Crane is right to point out the positive potential as well as the fact that different persons have different ideas. A company policy deemed a virtue by one consumer might not only cause indifference for another, but even be considered a vice. There seem to be mixed judgements on, for example, 'tested on animals' as well as 'made in Cuba'. Not only the features of the product, but the production process, the way marketing is done and company policy regarding suppliers are different aspects of the augmented product and can be expected to obtain increasing influence in the future.

Instead of repeating a boy-scout list of general virtues, companies need to move from ethics as a commodity to an ethics of segmentation. If this pursuit is done seriously, being more than marketing rhetoric, it seems motivated to link core values to core competence. For a company with a high level of innovation it makes sense to compete in the competence market by a company policy of offering office time for creative and educational projects. For a conglomerate with a rather stable total demand, commitments to job security might be a good policy to become an attractive employer. The declared values will tell what distinguish this company from others.

Such a differentiation might attract some and repel others among potential investors, consumers and employees. Segmented ethics fits well with autonomy and a striving for comparative advantages. It is likely that a segmented ethics will have more of an impact than an ethics of 'one size fits all'. It also harmonises well with a liberal view of society. The companies offer a variety of choices and their products are chosen according to their correspondence to the values of consumer and employees.

In this pluralistic view the superiority of altruism loses plausibility. Is company philanthropy really a virtue? Proponents of responsive CSR often make statements that companies have 'a duty to give something back to society' and claim that an extra tribute is needed to deserve 'a licence to operate'. Such judgements are founded on a narrow view of what constitute the contribution of business. The basic contribution of business is its business mission – the services and products that meet the needs of its customers. Other contributions are the significant amounts paid to its employees and the taxes paid to the state on sales and wages. If executives or owners decide to give a part of the profits to charity or some other social projects, it is of minor importance. The social value of a company is hardly a function of its contribution to the Red Cross and similar organisations. In the UK, companies that are members of the PerCent Club have committed themselves to give away 0.5% of pre-tax profits in charitable contributions. In the US the general generosity ratio is higher, about 1.5% of pre-tax profits (Moore 2003). In absolute numbers these gifts may impress, but not when judged as a component in the economy of the company or in the economy of the society.

Assume we focus on a company that has an ethical profile deemed attractive and winning the company increasing popularity and sales. Would this company suggest its ethical line to be a Categorical Imperative to become general law? Would it like to neutralise this advantage? For a sceptical person the likely answer is that the company would not. It would not mind the flattery of imitation and a reputation for best practice, but it would like to keep the edge. A benefit with the employment guarantee of IBM (up to 1993) was that its competitors could not offer the same job security claim in a credible way. The policy contributed to IBM several times being judged 'the most admired company' (Business Week's annual contests since 1983).

With this view of company rationality there are reasons for some suspicion against companies promoting soft or hard law to improve ethics. If they have found something the consumer wants, why neutralise it by a general standard? The behaviour is more rational if one considers the possibility that the company has committed itself to some policy not wanted by the consumer and therefore implying a liability for the company. By forcing competitors to accept the same cost, it becomes competitively neutral and can be laid on the back of the consumers. Furthermore, it is likely that there is an economy of scale in handling bureaucratic standardisation. Small and foreign companies will have relatively more problems keeping up with complex regulations.

With this emphasis on autonomy the reader might ask if this article suggests that companies should only occupy themselves with playing the game, but not reflect upon the rules of the game? No – companies should think about such issues, but it should be clear that the main responsibility, as well as the main power, for this task is on other shoulders. Companies are minor players in setting these rules. A historic exception with men of commerce being in charge is the *Lex mercatoria* created and enforced by traders in Northern Europe in the Middle Ages. In a situation of weak states the tradesmen upheld rules of contracts and fair weights and other rules that kept transaction costs down to the benefit of all involved (Ridley 1996). Today, there is no shortage of regulations and suggestions of new regulations. In this discussion, business has need of complementary voices questioning the rationale for these suggestions brought forward by enthusiastic supporters.

The rules of the game

Before turning to the new moral rules suggested in the debate, it might be useful to mention a set of rules that might be called 'the morals of the market' rules honoured in a business tradition from *Lex mercatoria* by proponents of autonomous CSR. These rules will generally be considered compatible with a market economy. To many NGOs this indicates a vice rather than a virtue and for proponents of responsive CSR they are no more sufficient for the demands of 'civil society'.

- *Pacta sunt servanda*. The duty to fulfil one's agreements is a central virtue. This primarily implies following the spirit of the agreement with only a secondary function for the small print.
- *Transparency*. This simplifies evaluation and keeps down transaction costs and irritation over misinformation.
- *Trust*. There are two components in trust. The religious/philosophical tradition emphasises trustfulness, while in business, trust is mainly built on being trustworthy in performance. Marketing guru David Ogilvy suggested a thesis that has a wider relevance than just for advertisers: 'Do not advertise your aspirations' (Ogilvy 1983).
- *Reciprocity*. In relations with employees, suppliers and customers there should be a norm of balance. To get something you have to give something, but to give without getting can be seen as waste and a misallocation of funds from more deserving partners.
- *Fairness*. Price and quality should be linked. The heuristic information of higher quality indicated by a higher price should not be misused.
- *Rationality*. Sound justification of investments, policies etc. A readiness of the leadership to argue instead of hiding behind 'it has already been decided'.
- *Long term (Enderle and Tavis 1998)*. The business of business is staying in business. Q2
- *Incentive compatible*. Instead of moralising against self-interest, rules and institutions should solve dilemma structures where conflicting self-interest results in a dismal solution (Waldkirch 2001).

The interest factor modifies expectations to some degree but does not eliminate obligations to follow general norms. The customer does not expect the company to suggest the product of a competitor even if it should be better, nor to misinform him about the company product. The market is not a forum for saintly behaviour, nor is it a moral-free zone.

In the present discourse there seems to be a tendency to avoid the discussion of essential ethical rules and the function of the economic system. Instead, some possible extras for doing good are introduced. Some critics of capitalism see these demands as increasing the pressure upon an immoral economic system (Clark 1997, Klein 2000). Some academics support responsive CSR as a way to defend the capitalist system; the morals of the market are not sufficient but another attitude is needed. Richard De George (1999: 608) writes:

> If corporations adhere to the traditional models, refuse to consider the social dimensions of a corporation's activities, and refuse to take positive action except when forced to, they invite increasingly harsh and restrictive legislation. Such legislation might eventually replace management of the corporation with governmental control and may lead, finally, to government ownership.

Laszlo Zsolnai (2002: 151, italics in original) voices a similar strategic idea: 'If we want to sustain business activities for a long time we certainly need *a less violent, more caring form* of profit making'.

A central issue is whether these judgements are correct. Will self-imposed restrictions by business make it 'embedded' and breed social harmony? Or will it stimulate more demands for further restrictions and breed public discontent over moralistic hypocrisy?

For a new discipline as business ethics it seems a serious mistake to think that the norms of conventional ethics are good enough and that the issue is to implement these ethical doctrines in the economic sector. Since classic times the discipline of ethics has had limited interest in economics, and it made efforts to distance itself from the low character of commerce. In my judgement, business ethics as applied conventional ethics has little to contribute. Therefore, academics in economics and business ethics should choose a different agenda and look for more constructive rules that are compatible with sound economics. This interesting field needs independence from conventional ethics and some practical ambitions.

Does business ethics have a grand theory? This is an important question for an emerging discipline. To the extent the reader answers yes, I think a popular candidate is the stakeholder model (e.g. Freeman 1984). It certainly has many supporters, academics as well as practitioners. A striking feature of the stakeholder model is its particularistic approach. Employees are not just any human beings, but they have a special relation to the company, giving them special rights. The same is the case for the suppliers, the customers and the community, with which the company interacts.

These claims of special rights do not fit the universalistic principles of Kant, Mill and the New Testament. The business ethicist is respectfully presenting the universalistic ethics, and the conflict with the stakeholder model is seldom observed or discussed. But the universalistic dogma kills the special relation claims of the stakeholder model; the ethical justification evaporates to nothing. 'Your employee' should then be read as 'your neighbour' in the New Testament. That metaphor gives a specific impression, but it really just stands for anybody. Why should the company care more for this employed person than for a person who wants to be employed by the company? The stakeholder model claims it should, but the universalistic model implies that this is discrimination. Is there a reflective equilibrium to be found or is one set of ideas to be disposed of? Business ethics writers seem reluctant to take a critical stand against conventional moral philosophy, but it seems necessary to tackle this central issue. The vagueness of the stakeholder theory is one result of this indecisiveness.

Within philosophy there is a criticism of the ethics of altruism. Philosophers like Williams (1985) Gauthier (1986, 1990) and Mackie (1977) oppose this approach of conventional moral philosophy that claims never-ending duties. This approach is also opposed by classical philosophy. The questions 'How should I live?' (Socrates) and 'What should I do?' (Aristotle) were focused on *eudaimonia*, personal harmony, not hypothetical as 'from the point of view of the universe' (Sidgwick 1874/1981). Such answers might be Q3 irrelevant because of arbitrary and unrealistic assumptions. Human life is hardly designed for a moral life in the ascetic sense. If ethics is seen in a wider and more inclusive sense, it gives place to a lot of other components of value, not only those from 'a moral point of view'. Humans have preferences and desires that should be pursued within limits instead of being denied or condemned. It seems to me that economics and other social sciences have much of interest to say about human intrinsic values, preferences and behaviour.

Conventional ethics, with its roots in religious thinking, carries a lot of dead weight, like neutrality for the self and disrespect for instrumental reason. In contrast, conventional morality ('ethics in use'; principles of general following) and the morals of the market are underrated.

When a company fires many ordinary employees, the special privileges of the departing CEO strike one as blatant. Pay according to performance is not just a norm to be used by management, but also a rule according to which they should be treated themselves. The widespread indignation of scandals in the financial sector is fuelled by a lack of performance. The experience of many investors is that the highly priced investment advice has shown negative returns, while a common norm claims that a high price should imply high quality. When focusing on specific issues one should not forget the overriding legitimacy of the economic system, efficiency and fairness.

Other major questions are threatened by neglect because of a dominance of politically correct issues. Whether capitalism can prevail without capitalists, becomes a central issue when private owners become more marginal and institutional owners more dominant. Institutional investors need to change from passivity and exit, to voice and responsibility (Hirschman 1970). Can funds execute a more long-term relation and even contribute to the success of the companies in which they invest? That would be a new kind of responsibility not only towards the companies, but also towards the people who entrusted them their money. Such responsibilities are important for the system, but that does not result in volunteers shouldering the duty. This is a problem in need of attention. The responsive approach shows a lot more interest in the politically correct issues such as a higher proportion of women on the board (Sweden) or a higher proportion of 'natives' in the local top position (Shell).

In fairness it should be acknowledged that companies do not claim to sacrifice profits for ethics. Two company slogans can serve as illustrations: 'People, Planet, Profits' (Shell) and 'People, Products, Profits' (Ford). These can be seen as maintaining a line of justification vis-à-vis the owner, but also as a way to avoid hypocrisy charges. Strive for ethics and obtain profit is the general formula. But the principle of profit is not used to reject any of the claims made on business. The situation is seldom treated as one requiring hard or analytical choices of 'either or' between different moral norms and between some norms and profits. Rather there is a preference for choosing 'both' and suggesting that this solution will be accomplished by caring more and working harder.

Summing up my judgement, much of the debate about business ethics is on the wrong track and business executives as a group in this discussion have performed poorly. There is a need for other voices with other messages. Which are those complementary forces that should take more responsibility for setting the rules of the game? A first suggestion is academics involved, not only in ethics, but also in other fields relevant for business ethics. A second complementary force is the representatives of business organisations. A good economic system is a public good for companies, but it might be hard to promote by uncoordinated company action. Media power and a primary obligation to the company interest rather than the industry interest imply that executives generally are too risk averse for controversy. Spokespersons representing a large number of companies should be less vulnerable and able to take more principled positions. There are also possible synergies between this complementary group and academics. The spokespersons might have more of political savvy and pedagogic skill than the academic contributors. Together they might introduce a countervailing force to the dominant trend of advocating more and more benevolence.

CSR and respect for integrity

With respect for integrity, I mean the duty of a company not to misuse its power over employees and suppliers, over whom they do possess a lot of power. When discussing the effects of the increased emphasis on ethics in business, it is often seen as leverage against hierarchical power. In an organisation with a flaw for 'might is right' a professional ethical standard can be an important countervailing force. Good general rules take out some of the arbitrariness of orders and provide a more consistent measure against which to judge the performance of the subordinate and also that of his supervisor. This is of advantage not only to the subordinate, but also to the supervisor by providing legitimate support to orders in line with these norms.

But ethical standards can also impinge on people down the organisation. A situation in which the employee holds any values he wants as long as he gets the job done might change into a situation where the attitudes and values of the employee are brought under scrutiny. In big organisations conformity easily becomes a virtue and values might also be brought into lockstep. Teamwork is often a code word for conformism

(Jackall 1988) and a demand not only to act in accordance with taken decisions, but also to think and value things according to the codes of the organisation.

Litmus test issues, deviations from what is considered politically correct, might trigger the anger of a moralistic journalist. The potential PR damage from such violations against an emerging code might motivate management to limit pluralism in the company. Authority and control inside the company is mobilised to suppress deviations with potential PR damage. In addition to the substantial conformism already in place, authority might expand with instructions about values for the company and its employees.

The popularity of CSR co-evolves with other trends in company development. The responsibility to take decisions and obtain a profit is pushed down the organisation, but simultaneously instructions and restrictions are imposed from the top. Ethical norms are suitable for such general and long-distance order giving. By imposing norms and standards that are contradictory to other goals, or hard to achieve, lower level managers may become underachievers staying at the mercy of top management. If the norms demand saints, who is not a sinner? A main danger of this process of stronger norms and values is undesired top-down restrictions.

Big companies do not only issue a number of ethical statements and codes of conduct for their employees, but they also force these policies on their suppliers. These demands can take the character of 'take it or leave it'. The supplier has to accept these dictates if he is not to lose this customer. The idea of respect for, and dialogue with, suppliers conflicts with the attraction to homogeneous values in the company's whole value chain.

Lord Acton made a famous statement about the corruption of power (Acton 1907). It should be remembered that even if only 'absolute power corrupts absolutely', also ordinary power corrupts. There is always a balance between anarchy and despotism. The party in power should enforce some standards, but there is a general risk that it will enforce too much. From a classical liberal point of view the primary risk is that the state enforces too much power over companies and that companies enforce too much power over employees. Again it is not a question of total autonomy for the lower level, but a balancing of anarchy versus despotism influenced by an attraction to despotism for the party with the power.

Some executives see themselves as cultural revolutionaries with a mission to attack and change structure, products and values. They want to set new norms and standards. But this may often undermine employee autonomy and also executive legitimacy. A more prudent policy is to stay close to the morals of the market. The point here is that it is unwise to ignore a framework of rational norms. Following such norms that the employee is accustomed to, sees the rationale in, and shares to a substantial degree is less of an intrusion threatening his/her personal integrity. Furthermore, such norms constitute ties not only for the employee, but also for his superiors. The executive gives up some of the range of different options, but he gains legitimacy.

Let us take an example to illustrate a problematic situation. A manager has been given the task of reducing his group by one person. What criteria should the manager follow when making this choice? The morals of the market suggest that he should keep the ones bringing the most value to the company in the future. One further factor is the contribution of the persons in the past. Does the company have special reciprocal obligations for favours rendered but not fully paid for? The manager can decide according to these criteria and others concerned will make their own judgement about the decision. It can be seen as correct also by people who personally favoured the fired person to others in the group. The decision is not steered by sympathy, but by rationality and fairness.

If the manager is to make his decision out of social responsibility, he has a choice from a buffet of values. He could decide to fire a female because she is not the family's main breadwinner or he could fire a man because the company has 'diversity' goals. He could keep the top performer who will do the most good for the company or the low performer who will have the most problem finding a new job. Maybe he should fire the person that seems to be in the best psychological balance and therefore likely to suffer the least? It seems that the choice of criteria is endless and arbitrary. A likely procedure is that the executive fires the person he dislikes or feels threatened by and then picks an appropriate rule that fits this decision.

This latter way of making the decision can never reach above might is right. If there is a company policy stating the social criteria, it is still arbitrary, only more systematically so. If a company is to be a moral community where there are good arguments in the discussion of right and wrong, the criteria will need to have some rational foundation. That a rule is proclaimed a company guideline is not enough. Management has a range of different ethical rules from which to select, but the range involves constraints. The precise practical rules they choose must be compatible with general norms. From this common base the manager can build his case to get support and win the minds of his subordinates. Instead, many executives think they are prophets that can transform the minds of their subordinates; a want of free hands to do good is threatening rationality and legitimacy.

In my view there are fewer problems with the autonomous approach. Pluralism implies that there are other companies which better fit the values of a specific employee. A long-term policy gives time for self-selection, reducing conflict of values within the company. The morals of the market provide a rationality to norms much stronger than top management seeing a new light after a Global Compact meeting.

In society there are subgroups with radical demands on their members' integrity, for example, religious convictions of celibacy, prayers and fasting. In a liberal society the individual has an option to leave. The employee has also the option to leave, but leaving the company implies many costs and inconveniences. 'Love it or leave it' is demanding too much loyalty to management. Something should be said for tolerance. Love and admiration are extras, not in the standard employment contract.

For a manager it is important to be seen as a moral person, but this might be undermined by ambitions of being a respected moral teacher. The basic critical mood in modern democracies is hard on the professionals with such ambitions – politicians and preachers. The manager is not likely to be treated more favourably. His power over the employees is not only an asset, but might breed additional criticism for abuse of power. The worship of leadership in management literature is one source of such vaulting ambitions. Instead, one should consider the risks for the integrity of the employees and for resentment against management.

Responsive or autonomous? A look at an ethical industry

It might be appropriate to raise the question if it is justified to claim, as this article does, that the present situation is dominated by the responsive approach. Also, an example could be illustrative for the reader that so far is unconvinced that the responsive-autonomous split is useful or that the former kind is dominating.

Ethical funds – alias Social Responsible Investments (SRI) – might carry extra weight since ethics is not just a part of the picture, but rather the central product of these companies. Are they built on a base that can be described as responsive or autonomous? First, let us look at the blueprint of the two ideal types.

It seems highly possible to start an SRI fund based on autonomous CSR. Analogous to other niche funds, an SRI fund can focus on shares in companies that produce special equipment for the handicapped. First, there is no necessary conflict between making money and doing good. Rather, it can be expected that there is a correlation between supporting increased efforts to solve problems for the handicapped *and* believing that there is a demand for such products providing excellent business opportunities. This is the opinion of the potential investor and it is an advantage if the employee has a similar interest for this industry. What the latter should provide is picking the companies with this focus, having smart technical ideas, the managerial skill and financial muscles that are necessary for success.

The person entrusting her money to the fund has probably already made the judgement that this is an interesting (and ethically appealing) sector, but needs help with judging individual companies and monitoring changes in the industry. This fund is driven by investor preferences and is ethically pluralistic. There is no message that companies not focused on the handicapped are morally dubious.

From a responsive approach the general perception of good and bad is central. The comparative aspect between different ethical funds is less important; rather a similarity in criteria gives some support to the authority of setting criteria for good and bad. The main strategy is to emphasise the good versus bad demarcation line, and avoid all connections with the bad-labelled companies. The objective is to include a sufficient number of companies in the 'good' group so that the excluded ones feel a disadvantage and want to join. After having reached a critical mass comes the possibility for the next step, to raise the standard by downgrading previously acceptable but questionable behaviour into non-acceptable.

Comparing the SRI business with these two ideal types, it seems much closer to the responsive blueprint. There is a dominating interest in negative screening – excluding the pariah has priority over selecting the stars. There are aggregation projects like good company indexes (e.g. Dow Jones Sustainability Index and the FTSE4Good). When focusing on negative screens and aggregations into a 'good' index there is a brake with pluralism and an effort to set a new general standard. This implies a moralistic expansion of ideas with some conformist support. Companies engaged in tobacco, arms or pornography are hardly likely to change their trade, but 'good' companies that take pride in being approved might feel a temptation to terminate a minor collaboration with a pariah company, if continuation will bring that approval under reconsideration. The ambition of SRI funds can be described as moralistic. The judgement of media is crucial, so a receptive media orientation is most important.

This example is not only an illustration of the descriptive situation, but also indicates an ethical problem. The prevailing attitude in liberal societies is tolerance: to live and let live. This liberal trend is expanding in several spheres, but there are also anti-liberal sentiments; in most of us there is a little policeman that enjoys telling other people that they are misbehaving. Limiting company choice is also limiting consumer choice. When not succeeding in restricting pornography, alcohol and breeding animals for their furs in the democratic process, these efforts are done by other means – pressure on companies. Such soft law expansion seems to be the major motif for SRI. In addition, there are several other issues of SRI behaviour concerning transparency and marketing that raise serious questions whether they deserve the epithet 'ethical' (Schwartz 2003). These weaknesses illustrate the judgement that sometimes being moral is perceived as being less important than being moralistic.

Some objections to the picture of a general responsive approach are a reaction to the negative connotation of conformist; claims of conformist behaviour are generally denied by the accused. A first argument is that members of a group are not identical, but that there are differences that the observers neglect. To an academic or a business student the codes of different companies look very much alike, but for the copywriter and the executives this document is the accomplishment of a long in-house process. A second argument is that this company is an innovator that rightly objects to being perceived as a copy cat. Furthermore, the imitation by others is not showing just a trend, but verifying a development to a better state of the art. When cars are getting more alike in design, this is not necessarily an indication of a loss of creativity or an insecurity to be different, but might be a result of a common technological know-how; aerodynamics is not company specific. To readers sympathetic to the present paradigm of business ethics the interpretation as state of the art is more compelling than as conformity. Only when introducing other reasonable alternatives will the conformistic components of present behaviour be perceived.

A conformity claim is seldom unopposed, but it is hard to avoid this issue since it is a major factor explaining behaviour. The popularity of a responsive approach is of course supported by general conformist mechanisms; a cascade feeds further on its growing popularity. However, the major argument here is not that the dominant responsibility policy is just a mental construction reproducing itself. Instead, there are three specific reasons for the popularity of responsive CSR – the two psychological and the anti-liberal tradition in ethics.

Conclusion

In addition to the discussion of the SRI business this article exemplifies with multinationals such as Shell and BP Amoco, and also takes up coordinated efforts like the Global Compact and the PercentClub. This provides some evidence for a dominance of the responsive approach.

One theme in the article is to penetrate the motivation of managers concerning CSR. Normally the question has a moralistic twist – why are managers not more obedient? Here, the question is: why *are* they so obedient? The reasons given for Responsive CSR are hardly compelling, so there is a problem of motivation to notice and address. The prevailing popularity of responsive CSR among executives is attributed to two major factors – the aphrodisiac of power and the strong sense of vulnerability. The old rule of joining those you cannot beat brings attraction to corporatist solutions. The perceived change seems to imply both a possibility for a new kind of power and a strong threat to the old power position.

One explanation for the enthusiasm of executives for business ethics is that norms can be a new justification for centralised authority inside companies. There is always a delicate balance between moralistic enforcement and lower level autonomy. Your own moral conviction is proved by the extent that you impose it on others, and in a hierarchy there is always a tendency to lick upwards and kick downwards. Ethics can be used properly, but also abused. This danger is not limited to responsive CSR; in the autonomy approach, too, the executive can be carried away as a moralistic enforcer. The foundation of all totalitarian ideology is a belief in the virtue of imposing a superior morality over deviating individualistic preferences. That simple observation should be a good reason for the agitators for more virtue to exercise more humility and restraint.

The agenda for increasing corporate social responsibilities seem to be strongly influenced by people with an anti-liberal view of economics. Appeasement is hardly the best way to handle this. Symbolic tabloid questions are brought up since they can hurt the brand regardless of their low significance. These micro-questions are mixed with macro-questions on which no company is big enough to make a direct impact. Those questions deserve priority and should be addressed by citizens and parliament, not decided in boardrooms in negotiation with NGO lobbyists.

One ambition of this article is to outline a prolegomena for a business ethics that not only pays interest to conventional ethics, but to economics and other social sciences too. The feeling that to mix ethics and economics is like mixing oil and water is justified, if one is convinced that the norms of conventional ethics are correct and that economic reality should adapt to the conventional ethical map. Here some major revisions of that map are discussed.

A transfer of initiative from companies to business organisations and academics might result in more systematic thinking about qualified suggestions for revisions of the rules of the market game. To provide for a contribution from the academic field there is a need to distance business ethics from conventional moral philosophy. Conventional ethics is to a high degree a question of good intentions in the theological tradition. The economic tradition focuses on beneficial results that often follow private vices. Greed might not be the worst of sins, nor is money the root of all evil. Ethics containing Christian and socialist ideas will have problems with compatibility with the morals, and mechanics of a market economy and a better starting point might be what can be called the morals of the market. It is when companies break against these 'lower' rules that they seriously harm their stakeholders, themselves and the economic system. This article indicates a need for less emphasis on marketing CSR ambitions and more academic scepticism putting these suggestions under scrutiny.

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