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Responsibility and practice in notions of corporate social responsibility

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Responsibility and Practice in Notions of Corporate Social Responsibility

by

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Table of Contents

List of Figures

Responsibility and Practice in Notions of Corporate Social Responsibility

Denise Kleinrichert

ABSTRACT

This treatise presents a transcendental argument for corporate social responsibility. The argument is that corporate social responsibility, or CSR, is best understood as a collective moral practice that is a precondition for sustainable business. There are a number of theories and definitions of CSR in the contemporary business literature. These theories include considerations of economic, legal, social, and environmental notions of what a corporation ought to take responsibility for based on either motives or concerns of accountability for corporate acts. This work focuses on economic theories. I analyze the distinction between the technical terms "responsibility" and "accountability" found in these theories. This enables me to explicate the meaning of corporate responsibility as it relates to the conditions of sustainable business activity. These conditions necessarily include moral content. In other words, this is an applied ethics project.

First, I inquire into the intellectual history of the broader sense of corporate responsibility and review various contemporary notions of corporate social responsibility. My concern is whether these notions presuppose broader forms of *moral responsibility to* others as an obligation, *moral responsibility for* acts, or *to be held morally responsible* (i.e., accountable) based on moral tendencies, particular motives, or resulting outcomes.

This concern forms the basis of my consideration of the notions of individual and collective responsibility. The following work includes an analysis of the notion of human choice as a collective endeavor of institutional relationships and practice in the economic market system. I argue that corporate motives for moral interrelationships are necessarily implicit in *biosocioeconomic* multinational market enterprise. I conclude that an analysis of corporate community involvement may be found in a case study of Starbucks Coffee Company's efforts to practice CSR in particular coffee bean farming communities in developing countries.

Introduction

Corporate Social Responsibility – What Does It Mean?

…any given responsibility of action of business could have economic, legal, ethical, or discretionary motives embodied in it. (Archie B. Carroll 1979, p. 500)

I believe it all has something to do with the meaning of *responsibility*. Perhaps it is because my early academic training was in economics, or perhaps because I ended up in a variety of corporate functions related to analyzing risks, responsibility, and delving into human resources that I decided to tackle this subject. Nevertheless, I ended up teaching business ethics and trying to understand how all of these activities, my own and those of corporate endeavors, hang together. Therefore, I intend to discuss the history of the meaning of notions of *corporate social responsibility*.

At first glance, we could argue that this phrase merely means some sort of human choice to be responsible within institutional relationships. But, this discussion fails to consider notions of economic and social arrangements in society, or of the nuances of individual and collective responsibility. I am curious about the moral implications regarding corporate-societal relationships and the theories on which these hinge. Does the consideration of the meaning of corporate social responsibility entail an account of corporate moral practice? In other words, is this account contingent on some sort of notion of moral responsibility based on the meaning and development of an ethical, economic purpose?

I will argue that corporate social responsibility, in order to have an ethical purpose, must be developed as a holistic, deliberative action based on choices and on duties to develop motives for moral interrelationships in multinational economic enterprise in communities. I am concerned with voluntary initiatives of corporate social responsibility, which can be developed as sustainable socioeconomic moral projects. In other words, this dissertation will define and apply economic theories of responsibility to corporate enterprise that is relational and mutually beneficial to the communities in which these corporations choose to do business. Finally, I intend to analyze a corporate social responsibility project in a case study of Starbucks Coffee Company's small loan and social development efforts in particular coffee bean farming communities in developing countries.

In the following essay, I will examine what it means to say a corporation, as an economic entity, has *moral responsibility to* others in society, as opposed to claiming *moral responsibility for* its acts, or *to be held morally responsible*. I believe these distinctions are important to understanding what we mean by the attribution "corporate social responsibility." I argue that what we are actually meaning in the two latter phrases, "moral responsibility for" and "to be held morally responsible," is that an entity is *accountable* for the consequences of human decision-making that have an effect on others, or the Kantian notion of imputation or judgment (Kant [1797a, 6:227] 1996, p. 19). Accountability may be considered in moral terms, as we may argue from a utilitarian perspective, but accountability may also be considered in nonmoral aspects, as in determinations of financial accounting for profit in a corporation's annual statements. Moreover, philosopher James Brummer traces the usages of the term "responsibility" settling on the definition of a corporation *being held accountable* as an evaluative, rather than discretionary, definition of corporate social endeavors (1991, p. 15). It is this latter determination that often is confused with the meaning of corporate social responsibility. Moreover, it is this confusion in the *meaning* of responsibility that I believe is a problem. What I am seeking in this work is the basis of any sense of social responsibility – that of human tendencies and motives related to relationships with others.

In the process of analyzing corporate social responsibility theories and moral practice, I cannot escape the starting point for corporate decision-making and activity – economic theory. Economics is an analytical tool for determining meaning for human activities of exchange and commerce. Hence, the source of economic theory is rooted in human activities as individuals and as organized communities of individuals, e.g. corporations, who share a common goal. I will assume the understanding of individual and collective endeavors of individuals as "agency" in the sense of active, participative goal-oriented undertakings or deeds based on autonomous choices. In other words, there is a cooperative strategy to rational acts. These choices of activities by agents are both social and valuable due to two criteria. First, human activities in corporations are necessarily social because these acts are always already involved in relationships with others. Second, individual and corporate agency is worthy of consideration because their choices reflect the importance, or value, an agent places on their decisions. Moreover, my work will reflect this value as based on "respecting the agency" for these decisions, rather than focusing on the acceptance of whatever the agent "happens to value as valuable" (Sen 2000, p. 42). Furthermore, these relationships are indicative of a concern to consider others, as well as ourselves, a concern that involves thinking about our acts as practices of responsible agency. Therefore, if we are considering human acts of relationship in corporate endeavors, then it follows that what we are concerned with is social and a responsibility, both of which are derivative of moral notions of agency found in ethical theories.

The notion of “corporate social responsibility” implies some sort of collective moral practice. A consideration of the meaning of responsibility in this respect may be found in the origin of the analysis of economic endeavor derived from ethical theory found in ancient Greek philosophy regarding one’s household, or “community,” and later in philosopher Immanuel Kant’s literature addressing concern of otherness. While Kant does not give us the term “responsibility,” he does provide two forms of its appearance in his use of “obligation” as a necessarily free action derived from reason, which is coupled with his use of “duty” as “that action to which someone is bound” (Kant [1797a, 6:222] 1996, p. 15). Each of these two perspectives require a form of self-examination, which would not be necessary but for the fact that we are social creatures, and an examination of the motives of individuals who formulate a shared, collective endeavor. In this dissertation I am concerned with the collective endeavor known as a *corporation*.

What follows from this consideration are notions of responsibility for oneself, to one’s decision-making, and to one’s consideration of others. My use of the term regards *prospective* human relations and reciprocity, rather than a response or reaction to some particular prior event. It is important to make a further distinction here – I will use the meaning of the term “responsibility” in relation to rational, human choice, rather than in an attempt to attribute nonrational beings or objects as being “responsible” for some event, such as is used in the *simple causal agency* scheme. In this last respect, it is possible to ascribe merely a causal agent, such as a hurricane, to be responsible for death and destruction. This is certainly a descriptive event, but not truly what is meant by being responsible in moral terms. I will argue that what I am after is a definition that is integrated within human choice, rather than an action of cause and effect, which is a nonmoral, descriptive event. I will argue that the term responsibility always already implies moral, and therefore, both descriptive and evaluative meanings.

The term “corporation” will be similarly argued. There have been a number of theories and definitions of the concept of corporate social responsibility in the last thirty years in contemporary business literature. These theories entail considerations of what a corporation ought to presume responsibility for based on its concerns of accountability to some other entity or authority. Moreover, various notions, such as blameworthiness or holding someone responsible for corporate acts, may bear economic, social, political, legal, and environmental implications. However, these considerations involve the practice of corporate accountability and its financial impacts on the corporation, but not necessarily as a moral enterprise. This work will not provide a survey of contemporary literature discussing corporate social responsibility as I would have nothing new to contribute in that respect. Rather, the theories of corporate social responsibility require deliberation on perceptions of what *is* vs. *as if* we view the world economically, ethically, or the two notions together. My concern is whether the particular traditional economic perspectives of corporate social responsibility are related to concepts of moral social responsibility and practice in contemporary society.

First, I will develop an inquiry into the intellectual history of various notions of corporate social responsibility related to economic theories of market endeavors.

Although the broader sense of corporate social responsibility may encompass legal, stakeholder, philanthropic, or social well-being theories, this work will only bring to light their basic definitions. Much has been written, and taught, on these topics by management scholars. For example, R. Edward Freeman and Daniel Gilbert (1988, p. 88) trace the history of the notion of corporate social responsibility to the post-World War II era of social concerns, which became particularly focused in the 1960's social movements and ideas of the societal obligations of corporations. This notion of corporate social responsibility was based on the idea that businesses were social entities and members of society; therefore, business endeavors engendered obligations to the societies in which they acted. These obligations, of company executives and managers, were governed by the social and legal norms of a particular society, as well as economic obligations to stockholders of the corporation. I would not have anything further to contribute at this point to the debate of the merits of one perspective or another, such as of legislated obligations, legal determinations of corporate actions, societal demands, or philanthropic endeavors as corporate social responsibilities. Further, Archie B. Carroll (1977; 1981) has provided two significant contributions to management literature in the areas of the development and management of corporate social responsibility and these works will serve as touchstones to the background of my work.

Second, a number of terms require definition. First, "society" is variously defined in broad contemporary terms "as a community, a nation, or a broad grouping of people having common traditions, values, institutions, and collective activities and interests" (Carroll 1981, p. 4). What follows from society in the following chapters, which has often been used interchangeably in business literature, but which I see as distinct in a number of ways, is “community.” I prefer how Kant uses the term in relation to his attribution, *commercium*, or the space in which we could place individuals in a dynamic, continuous, reciprocal existence in which each member coexists simultaneously, and thereby is linked by chains of relationship. These relationships are mutual to one another and representative of the unity of a whole environment, yet the members mutually determine their particular positions and roles in “*one* time” (Kant 1781, B261, p. 236). There is connection and conformity within these relationships, based on interactive information – in other words, there is energy and synergy.

Further, there is a distinction between “corporate social responsibility,” “corporate social responsiveness,” and “corporate social accountability.” Some of these models include notions of corporations as trustees to society, while other models reflect corporate cultures that represent public interests (Beesley and Evans 1978, p. 9). Corporate social responsibility involves both intentional (theory and policy) and performance (practice compliance and evaluation) considerations. More importantly, its meaning varies as widely as its use in economic, organizational, social, and political literature. Oftentimes, the definition used for “corporate social responsibility” is misapplied and ought to be the reflection of notions such as “responsiveness” or “accountability.” “Responsibility” may be defined in early philosophical terms of duty and obligation by employing Kant and based on Aristotle’s foundations for ethical *praxis*, or character and practice. Amartya Sen, Nobel economist and philosopher, has stated this prospective self-examination as “induced by the Socratic question, ‘How should one live?’” (1988, p. 2).

In contemporary literature, “responsibility” has been defined “in a descriptive sense to mean simple *role application*” (Brummer 1991, p. 11). On this view, responsibility requires an individual’s commitment to their role, for example as an auditor in a corporation or a professor teaching at a university. In Brummer’s estimation, “since this use is descriptive in nature, there is no evaluation made or implied about how well one is meeting the commitments of one’s roles” (1991, p. 11). Rather, responsibilities for particular roles are recognized or acknowledged. However, determinations of how well an individual performs their function or keeps their commitments as a fulfilling of one’s duty take on a Kantian perspective as expressed in his *The Metaphysics of Morals* (Kant [1797a] 1996, p. 156).

The term “responsiveness” has origins in Jean Jacques Rousseau’s discourse on inequality where he argued for sentiment, over reason, in discussing the basis of social relationships and mutual commitments: “Man’s first sentiment was that of his own existence; his first concern was that of his preservation” (Rousseau 1754, p. 60). For example, social responsiveness is defined by Freeman and Gilbert as the response to a particular event or act committed by either the firm or some other market entity (1988, p. 90). This notion provides a mechanism, rather than a policy of decision-making. In other words, this is a secondary, although misapplied use for the term “responsibility.” In this sense, R. S. Downie (1964) indicates the usage is a response to one’s *role enactment* (Brummer 1991, p. 11). Put another way, “the focus is upon the way in which individuals perform their institutional roles” (Brummer 1991, p. 11), which is an evaluative construct of “the quality of one’s role performance” (1991, p. 14). H.L.A. Hart (1968) ascribes one of his definitions of responsibility to this same sense, referring to this as *virtue* *responsibility*, an Aristotelian perspective of one's function in society with evaluative notions of how well these roles are performed. Further, Brummer states that praise or blame may be attributed to the way individuals act out their roles. A third, similarly constructed meaning of "responsibility" by Downie that is closer to my use of the term "accountability" has to do with *role acceptance* (Brummer 1991, p. 12). This last meaning is externally driven by an individual's perceptions of social acceptance or rejection of their particular role, based on such things as the role including (or not including) making social commitments to provide some benefit to others. Further, Hart defines another sense of the term "responsibility" as the "capacity sense." In other words, individuals are responsible merely because they have "the capacity to be… morally praised or blamed" (Brummer 1991, p. 13). Therefore, in Brummer's estimation, the term "responsibility" conforms to "both descriptive and evaluative uses" (1991, p. 14). However, as I will argue in the ensuing chapters, some of these attributions are neither philosophically, nor economically, appropriate nor valid for the deep meaning of social responsibility that I arguing for.

For Freeman and Gilbert, if the firm employs a relativistic basis of accounting for corporate decisions in controlling aspects of unanticipated episodes as they arise, actions of corporations may be informed by these meanings in the following way:

> The main principle at work is to be responsive to those who can affect you, not from any sense of obligation to them, but because they can cause you potential harm. (1988, p. 90)

Some examples are corporate product recalls, such as removing packaged, pre-washed fresh spinach from grocery shelves in September 2006 due to *E. coli* outbreaks among consumers, or corporate bottlers providing free bottled water to survivors of Hurricane

Katrina in New Orleans in the months following the September 2005 catastrophe. While these actions are praiseworthy for their results, these actions do not constitute the sort of social responsibility I am interested in. These are responsive acts to particular events. The first may have been prevented by other sorts of corporate decision-making, and the latter was the result of a natural disaster wrought on an area that had been altered by human decision-making regarding manmade dams. In other words, “the company [and/or government agency] is a principal initiator of [social] change” (Beesley and Evans 1978, p. 15); but this initial instance is what ought to be examined to determine responsibility rather than examining the response to it. Another example of what has been termed “social responsibility” is altruism. Altruism is a sentient concern *for* the welfare of others based on sympathy or sentiment in response to a particular need. For example, many individuals in the entertainment industry have embraced particular causes for action in developing countries that incorporate financial giving and/or economic development of funds for education or medical facilities. These individuals are not acting independently, but as a corporate executive in their role as head of their own entertainment enterprise based on their product – themselves. I give the cases of Oprah Winfrey’s funding to build and endow a girls’ school in South Africa or U2 singer Bono’s marketing of consumer goods with the proceeds allocated for developing AIDS medical research and care. These are praiseworthy endeavors, but the distinction in these decisions of social concern is that they are consequentialist, therefore also altruistic, or “doing good,” as corporate enterprise in response to societal events. I would argue that “doing good” is not the same as “being responsible.” Starbucks Coffee Company agrees – Dennis Macray, the Director of Business Practices, states that his company, as a corporate entity, “partners” with the communities in which they do business “hand in hand,” rather than merely seeking philanthropic opportunities to do good (Macray 2007). Further, I do not take purely altruistic corporate actions as examples of my view of the meaning of “corporate social responsibility.”

Hart uses a final sense of the term “responsibility” in the attribution of liability - he and Joel Feinberg use similar definitions, ascribing this sense of the word as generally a negative attribution of blame in that an individual is accountable for some lapse or failing of their own accord (Brummer 1991, p. 13). An example would be a pharmaceutical company such as Merck donating a powerfully effective veterinary drug to impoverished rural sub-Saharan communities adjacent to fast-flowing river waters because an independent researcher accidentally discovered the drug could be used to combat human river blindness caused by a parasite. Criticism arose because of Merck’s failure to explore the full potential for long-term human consequences, a failure that resulted from the economic shortfall the company anticipated because the drug does not have wide scale marketability Gibson 2006, pp. 650-1). Further, the term, “accountability” is an evaluative, judgment-based concept of particular acts, rather than a notion of intentions or motives. On this view, the case of the Los Angeles hospital “dumping” of a mentally ill woman patient wearing only her hospital gown and slippers in March, 2006 on Skid Row, illustrates the distinction between accountability and responsibility. The hospital and its parent corporation were criminally and civilly charged and “will be held accountable for violating state law, its commitment to its patients, its obligations under the Hippocratic Oath, and perhaps most importantly, principles of common decency” (Associated Press 2006). In this case, the hospital had a duty and social responsibility to provide medical care to the patient because of its intention to function as a medical care provider in society. The failure to fulfill this responsibility resulted in the hospital being held accountable for both its actions and lack of acts of care. The distinction between "accountability" and "responsibility" is clear. To be held *accountable* is to be praised or blamed for one's acts; one is determined to be liable or answerable for one's virtuous or wrong deeds, consequentially. The notion of *responsibility* is to say that one has intentions to act derived from duty or commitment; or, that one deems as motive the dedication to oneself and others to do virtuous acts rather than misdeeds. These intentions are based on the Kantian notion of individuals being concerned with, or thinking of, their interests in humanity and well-being, in oneself and others with a motive of duty to other rational beings (Kant [1797b] 1994).

The goal of this dissertation is to examine *responsibility*, rather than responsiveness or accountability, as a rational moral sense and determine its meaning within the framework of various economic theories about corporate practice in society. In the first chapter, I will analyze the meaning of the term responsibility in my primary area of concern – economic theories, which involve profit and loss. In the second chapter, I will discuss the business-society theory of market enterprise and how these perspectives differ from profit theories of corporate responsibility. For example, business-society concepts are founded on economic theories of an exchange system based on financial considerations, but this relationship also entails more explicit social considerations. In chapter three I will critique the economic and business-society models of corporate responsibility, find the socioeconomic foundations within them, and explore the integration of the socioeconomic aspects of both market and human well-being models of corporate endeavors. Consequently, chapter four will provide a revised notion of corporate responsibility by looking at three particular contemporary concerns: re-envisioned corporate social responsibility, communities of stakeholders, and socioeconomic sustainability. Finally, a conclusion to my analysis of the meaning of "corporate social responsibility" in practice will be illustrated in a case study of Starbucks Coffee Company's initiatives in a voluntary corporate mission of the complex sustainable stakeholder relationships in their supplier-communities.

I am captivated and inspired by the words of Robert L. Heilbroner, an academic and economist and just a bit of a philosopher, who contemplated the notion of responsibility, without expressively stating so. In his consideration of the historical development of economic thinking and its origins in ethics, he stated of those economists and thinkers who wrote the history of the economic world:

> They were all fascinated by the world about them, by its complexity and its seeming disorder, by the cruelty that it so often masked in sanctimony and the success of which it was equally often unaware. They were all of them absorbed in the behavior of their fellow man, first as he created material wealth, and then as he trod on the toes of his neighbor to gain a share of it. (1999, p. 16)

Chapter One

Economic Theories

Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society.
(Adam Smith, *The Wealth of Nations*, Chap. IV, 33**)**

In this chapter I will establish the historical basis for a transcendental argument for the concept of corporate social responsibility. Mutual exchange in any context is a process of human relationships. Since corporations are comprised of a series of collective relationships based on responsibilities to self and other interest considerations, the basis of my analysis of economic theory is dependent on the initial attention to relational responsibilities. I will engage with several economic theories, focusing on how the concept of mutual exchange is viewed by producers in the economic market system and how it is conceived as an element of corporate responsibility. I then will show that since the idea of corporate responsibility is contained in the very notion of the corporation in its role in the market, corporate *social* responsibility follows from corporate responsibility.

In the classical economic theories there are notions of corporate responsibility to others in the market, and, when the classical theories address the corporation as an entity, the theorists advance that the concept of a corporation necessarily includes responsibility. This discussion includes the fact that classical economic theories assume rational decision-making by individuals, individually or collectively, within corporations. Rational behavior is defined in two ways in economic theory – as "internal *consistency* of choice," and secondly as, "*maximization of self-interest*" (Sen 2000, p. 12). I argue that corporate decision-making is a collective act that is "akin to that of individuals" in that corporations may base the strategies of their market endeavors on both normative-affective factors and logical-empirical factors (Etzioni 1988, p. 93). My interest is in rational decision-making as a project for moral consideration.

In what follows, each of these notions, internal *consistency* of choice and *maximization of self-interest*, will be evaluated on the basis of validity, as philosophical aspects of economic theory. My discussion of validity is informed by the work of Leo Rogin, an economist, was concerned with the theoretical and practical "problem of validity," in economic theory (Rogin 1956, p. 1).Validity refers to legitimate practical applications. Further, legitimacy refers to Kant's deontological aspects of the role of values (Etzioni 1988, p. 229). I contend that validity is fundamental to economic theories, and that validity implies ethical ideas. I argue that validity also entails ethical notions, such as reliability, integrity or persistence, and that these notions hold both practical and ideal determinations when we talk of the notion of responsibility, in other words, what *is* and what *ought to be* corporate social responsibility. Further, in this discussion I briefly engage with the public policy practices of external interference and regulation of market events as described in some of the classical theories of economic responsibility that, in spite of their differences, contain elements of or also insist on a form of corporate responsibility.

There is a philosophical difference in attempting to explain what *is* and what *ought to be* responsibility in economic theories. Aristotle (*Politics*: 1256^{b}) provides the foundation to classic economic theory when he describes the necessity of human exchange in terms of commerce based on self-sufficiency, which purpose was not originally intended for wealth accumulation (*Politics*: $1257^{a}30$). And, according to Aristotle this exchange is a process of commerce that later depended on money to facilitate exchanges and which led to the idea that commerce became a craft involved with the development of profit (*Politics*: 1257^{b}). However, he is careful to point out that "money itself is nonsense and wholly conventional, not natural at all" (*Politics*: $1257^{b}10$). Further, in both his *Politics* and *Nicomachean Ethics*, Aristotle considered the original exchange process as fundamental to the well-being of the community (Heimann 1966, p. 23). We must admit that there is a rational basis to thinking about this exchange that is meaningful, which would necessarily entail moral considerations in the human interactions involved in this process. Perhaps what intrigues me most in considering the theories of this economic process is that we may view human responsibility related to human decision-making and acts as a cooperative effort, which is reminiscent of how the ancient Greeks viewed the function of individuals in a community. These cooperative efforts of members of a community who choose to engage in the process of commerce result in what is called an "economic system," or series of economic activities. These activities include four broad types of human acts:

- Activities to obtain raw materials or human skills
- Activities to adapt raw materials or skills into finished products or services ("goods")
- Activities to provide distribution of goods to consumers
- Facilitating activities (e.g. banking, insurance, professional services) to support economic exchange (Salvadori 1963, p. 317-8)

Therefore, we ought to consider that "an economic system requires a set of rules, an ideology to justify them, and a conscience in the individual which makes him strive to carry them out" (Robinson 1962, p. 13). However, economic theories of market activities treat moral concerns and the notion of corporate responsibility in the exchange process in varying ways. Therefore, there is a problem correlating economics and corporate responsibility.

If we say that business enterprise is *economic,* we are saying that society recognizes a value-based system of conditions for the exchange of goods or services between individuals or entities. These conditions may include financial value, such as profit. Economic ways of looking at corporate enterprise and the marketplace include individual and collective acts:

- Individuals may organize around a shared goal of commercial enterprise or collective economic and social relationships.
- Collective actions may result in corporate activities, which are financially-based in exchange-oriented endeavors.
- Economic theories of business enterprise incorporate notions of a common ground, or marketplace for exchange that society sanctions.

These views of financial exchange integrate facets of efficiency, utility, resources, services, and associations of individuals. Corporate endeavors are based on a goal to *provide* some product or service to society, although not without some return of value from some members of society. This process requires an analysis of the motives of individuals engaged in creating a market system and the corresponding responsibilities attributed to those involved in this system. According to Archie B. Carroll, an academic researcher of management practice, who wrote an overview of corporate social performance and responsibility, "it may seem odd to call an economic responsibility a social responsibility, but this is, in effect, what it is" (1981, p. 34). The function of the market includes what economist Gary Becker views as a social coordination of "the actions of different participants – individuals, firms, even nations – so that their behavior becomes mutually consistent" (Becker 1976, p. 5).

The social coordination of these activities is the result of a market member's motive to develop viable commercial goals as a market participant. Each market participant is responsible for fulfilling a particular function in society. These functions may include manufacturing goods or providing services for other participants in reciprocating exchanges in the market. These views of economic activity portray what *is* an environment in society. Eduard Heimann, economist and social theorist, lists "those human activities with which economics is concerned – the production, exchange, and distribution of goods" (1966, p. 3). He finds the moral aspects of human exchanges to be integrated with economic ones in the history and practice of economic thought. For example, he states "A commodity, then, has no economic value in itself, independently of the present needs of its potential users" (1966, p. 108). His approach integrates economic and philosophical notions of value, utility, and validity in the principles of economic doctrines.

The Western capitalist environment is based on human expectations of economic relationships between marketplace participants, such as producers, suppliers, and consumers. But, these participants also develop social expectations of one another in terms of what *ought to be* ethical aspects found in mutual market exchange – for instance, reciprocity and responsibility. Economic relationships between individuals or entities of individuals, by definition, bear reciprocal aspects, which are certainly comprised of some sort of mutuality, but are not necessarily equal. These economic relationships hinge on social connections that provide the opportunity for developing additional market member bonds with the intention of setting in motion production, service, or economic exchange. In other words, "it is this search for the order and meaning of social history that lies at the heart of economics" (Heilbroner 1999, p. 16). Moreover, market relationships include commitments to others in society, thus the notion of responsibility has historical import in terms of "the concept of corporate economic power" (Beesley et al 1978, p.14).

The following classic economic theories of corporate responsibility are based on the "business economic function" in relationships related to *profit* development. There have been analyses of the success of corporate social responsibility using empirical data, such as stock price or return on investment (Aupperle et al, 1985). However, it is not the purpose of this chapter to analyze or determine the success of corporate social responsibility in economic theories on this basis. Rather, I will analyze the philosophical implications of the terms "corporate," "social," and "responsibility" in economic theories. My interest is in the various social possibilities, including duties and responsibilities held or taken, which may be considered as what *is* and/or what *ought to be*.

Classical Economic Views of Corporate Responsibility

The classical view of the free market focuses on human goals in the economic exchange of goods and services offered between producers and individual consumers. This understanding is "restricted to the maximization of the satisfaction of existing, unchanging desires for ever more private consumption" (Ackerman 1997, p. 49). The factors historically associated with this exchange between producers and their customers were viewed as being "impersonally and competitively determined by the market" (Galbraith 1967, p. 59). Further, external determinations of how the market must behave impact prices, costs, wages, and other business transactions. This view holds that corporate responsibility is a *response* to the market system.

Beginning in the 18th century, Western economists who analyzed the developing formal market system were also philosophers and observers of social, political, and ethical concerns of the process of economic exchange. This trend continued into the 20th century, rather than being “discovered,” as some would have it by “sociologists [who] observe – some with excitement, others with trepidation – that economists are attending more to sociological concerns, even winning Nobel prizes for doing so” (Baron and Hannan 1994, p. 1111). But, this “discovery” was the beginning of a movement to return to philosophical underpinnings of ethical notions, such as “responsibility,” in retelling the story of economic thinking. Examples of this emphasis are found in the classical economic views of the market in the work of Adam Smith, and later in the work of Milton Friedman and John Kenneth Galbraith.

Adam Smith and Moral Markets

My purpose in this chapter is not to develop Adam Smith’s economic delineation of the market system, but rather to present the concepts of responsibility found in classical economic theory and variations on its theme. An economist and philosopher, Smith reflected on the moral aspects of market enterprise in society. He used the term “self-interest” to define the motive of market exchangers. His notion of self-interest is based on his earlier notion of human vanity, need for attention, and desire for approval (Smith 1759, p. 71). But, Smith’s self-interest is not an egoist’s perception of the world; rather, it is based on human beings *being* interested in themselves. Self-interest is also distinct from being selfish; self-interest is an ability to put oneself in the position of another person as an impartial observer in such a way as to be able to assess how one would likely be situated in similar circumstances (Heilbroner 1999, p. 47). Business ethicist Patricia Werhane's analysis of Smith's *Theory of Moral Sentiments* and *The Wealth of Nation* concludes that,

> As a social being dependent on and interacting with others, I am the subject of my interests, so there is a trivial sense in which all my interests are "self-interests." That is, they are the interests *of* the self. But I am not always the *object* of those interests. (Werhane 1999, pp. 18-19)

Heimann concurs with this assessment. For example, he states that "[Smith] did not believe that self-interest necessarily coincides with the common good" (1966, p. 65), but rather in a harmony between individuals and market agents in the form of both social and economic responsibilities to seek greater satisfaction. In his assessment of Smith's later thinking, Heimann states: "In his work we find a model of that integration of economic sociology and economic theory without which economic theory remains empty and formal" (1966, p. 73). Further, we could state that self-interest serves as the driving force in society's market exchange, but only such that "similarly motivated individuals" seek to provide "goods that society wants" (Heilbroner 1999, p. 55). "Nature and reason coincide" (Heimann 1966, p. 84) in a "social harmony" (Heilbroner 1999, p. 56) that will produce beneficial results for individuals and market agents.

Self-interest is the driving force behind an exchanger taking responsibility for the development of profit. Market exchange was facilitated by the introduction of government-issued currency, and further by the standard monetary values set within particular countries as "the universal instrument of commerce" (Smith 1776, p. 41), but this is the only latitude Smith grants in terms of the role of government in the market system. In this process, exchangers consider what constitutes “a fair price – a price society feels represents the value of goods and services delivered and that provides the business with adequate profit for its perpetuation, growth, and reward to its investors” (Carroll 1981, p. 34). When the exchange of goods and services results in the receipt of currency that is valued higher than the expense of providing the goods or services exchanged, profit is derived. On Smith’s account, the notion of profit as a “good” in the sense of some sort of benefit is the basis for the *profit theory of corporate responsibility*. In other words,

> …it is only for the sake of profit that any man employs capital in the support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods. (1776, p. 572)

However, the notion of a “good” would also imply a qualitative, potentially moral implication. One possible implication is that reciprocity in human relationships, and the notions of ideas such as trust, consent, and mutuality, do exist in commerce.

Smith’s concept of the private commercial endeavor based on creating monetary values is supported by “circulation or successive exchanges” that result in revenue, or profit (1776, p. 354). His concept is a harmonious, reciprocating, relational interaction between individuals and collectivities. As a result, merchants are motivated to determine the value of their goods in relation to a prior standard of exchange, or rather, to determine “the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys” (1776, p. 41). What is more, this motive is based on a sense of economic responsibility on the part of exchangers to value these goods in dual considerations of fair prices and acceptable gains, or profits, for themselves as derived from the exchange with others.

At about the same time as Smith, French social philosopher Jean Jacques Rousseau considered *economy* as a responsibility to oneself in, “the wise management of what one has, [rather] than the means to acquiring what one does not have” (1754, p. 130). Rousseau considered the responsibility for how society benefits from goods, such as products, as that of government’s “invisible” involvement in the market through the administration of public finances. While private enterprise actuates, “the distribution of commodities, money and merchandise in just proportions according to time and place…” (Rousseau 1754, p. 130), Rousseau was concerned with government as a “moral being” which acts out of concern for society. Although this approach has bearing in some concepts of who should have the duty to “social responsibility,” for my purposes in this work the focus is decidedly an analysis of intentional corporate acts.

What is important in my view is Smith’s concept of the “invisible hand,” which is derived from his conception of self-interested acts. This notion appears once in his *The Wealth of Nations*. An individual’s self-interest for personal benefit is her motive to pursue a commercial endeavor with the intention that her “industry” will eventuate in its best possible economic gain. In other words, she is seeking her own well-being. She takes responsibility for her own welfare by exercising autonomy and duty to herself. The success of her market endeavor impacts society in some way, although this wasn’t her intention. In taking responsibility for her role in society, she takes responsibility for being in society in a beneficial way. She does not seek to harm society, but neither does she take direct responsibility for the well-being of society. She is “led by an invisible hand to promote an end which was no part of [her] intention” (Smith 1776, p. 572).

Smith uses a metaphor, the “economic man,” as the individual who “strives for maximum satisfaction with minimum sacrifice" (Heimann 1966, p. 73). But what is “satisfaction?” On Heimann’s assessment of Smith, it is “that which comes with the attainment of more goods rather than less” (1966, p. 73). Smith considered a fuller picture than his “economic man” might imply according to philosopher Hilary Putnam (2002, p. 48). Noting Putnam’s analysis of Nobel economist Amartya Sen’s evaluation of Smith’s treatise, we can elaborate on this aspect as it relates to the notion of social responsibility. Putnam states that Sen “provides a “reintroduction of ethical concerns and concepts into economic discourse” that is always already present in Smith’s work (Putnam 2002, p. 48). Sen states that classic economic thinking has misconstrued a “narrow” view of human beings in evaluations of Smith that attempt to “understand the nature of social interdependence;” however, “such interdependence is one of the more complex aspects of economics in general, and the insights derived from these theoretical analyses have proved useful even in practical ‘bread and butter’ problems” (Sen 2000, p. 8). I also see an Aristotelian perspective in Smith’s notion of self-interest – that of individuals performing their functions in society, and performing them well in such a way as to benefit themselves and thereby benefiting society as well. Smith states the moral aspects of individual responsibility to labor as the social responsibility of commercial enterprise in his Introduction to *Wealth of Nations* (1776, p. 1). This is the moral implication of creating well-being, for self and others, by taking primary responsibility for one’s own acts.

Smith laid a foundation for the social responsibility of business in early economic thinking – that of self-interest as the basis for developing profit in acts of commerce. He was concerned with individual intentions in the act of commerce, which created a potential social good. In other words, Smith's concerns with market trade illustrate interdependence between individuals – "because trade takes place on the basis of mutually advantageous (explicit and implicit) contracts" (Sen 2000, pp. 24-5). Moreover, Rogin (1956, p. 69) captures this act as that of "cooperation" based on Smith's assessment of "the skill, dexterity, and judgment" (Smith 1776, p. 1) of individual laborers. Cooperative endeavors of self-interest result in socially responsible acts. These impacts are beneficial to society if they are beneficial to the individual who gains economic returns, or profits:

> By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected trade for the public good. It is an affectation… (Smith 1776, p. 572)

There are further elements of Aristotle's *Nicomachean Ethics* captured here. The intention to develop oneself (one's role in society) bears moral implications to doing well by oneself. This notion of well-being is not a direct intention of providing a benefit to society, which may have right or wrong motivations (i.e. self-serving expectations of gratitude for the sake of receiving gratitude). Rather, with the metaphor of an "invisible hand," Smith seems to say that the intention of private enterprise is to benefit one's own well-being, which will ultimately, or guidedly, benefit others. This would apply a responsibility to oneself in market endeavors. I would argue that this also informs the classical economic view of corporate responsibility as the use of one's business acumen in such a way as to benefit oneself – pleasing the stockholders under whose direction one engages in corporate enterprise and thereby increasing one's value economically while the market benefits from successful business endeavors. However, this way of thinking may prove problematic in terms of how responsibility is considered.

An analysis of Smith's view in terms of whether this invisible hand *is* an implicit guiding mechanism or whether market agents act *as if* the market is determined in some particular way can be summed as follows: "In other words, is there a natural something, a hidden spring, which leads people in markets to seek their own interest and [/or] find the welfare of the society?" (Sufrin 1989, p. 26) Could these acts result in social costs, rather than benefits? On economist A.C. Pigou's 1920 account, the market is the space wherein "conflicts between producers and large numbers of affected citizens" occur (Ackerman 1997c, p. 123). Because of the potential economic and social costs, any appraisal of the responsibility for these conflicts will relate to the notion of accountability for acts in the market. The market is driven by, but also impacts self-interest, as well as corporate duty to others in society. But, if we consider accountability for market agent acts, then we are negating intentionality as a driving force in business endeavors.

Many would argue Smith's perspective in this regard. There is a fiduciary responsibility to stockholders, owners of private property, and laborers that "is strictly and inseparably connected with the general interest of society" (Smith 1776, p. 337). But, the general interest of society is not strictly met in connection with profits because it poses a conflict of interest, that of corporate self-interest alone, and thus a harm to society (Smith 1776, p. 338). A fiduciary responsibility is more than financial – it entails notions of stewardship, nurturing, and beneficence towards others. Smith is concerned that profitoriented investors, the “order of men, whose interest is never exactly the same as that of the public,” would develop a responsibility to themselves that creates harm to society through deception and oppression (Smith 1776, p. 339). Smith was suspicious of the “motives and consequences of business,” such as corporations (Heimann 1966, p. 69). In other words, Smith found that the early investors, the merchants and the manufacturers, “say nothing concerning the bad effects of high profits. They are silent with regard to pernicious effects of their own gains” (Smith 1776, p. 137). On his view, investors do not feel a sense of responsibility to society for their craft. However, he isn’t saying that investors shouldn’t be socially responsible, only that they aren’t.

The condition for the possibility of responsibility in corporate decision-making in the market system is methodology. The historical chronology of economic responsibility illustrates the transformation in thinking about individuals as decision-making actors, who have shared relationships and motives with other decision-makers. These shared motives are the basis for formal relationships that result in collective economic endeavors. In this sense, formal relationships rely on shared participation, as a collective endeavor, which acquires participant responsibility in economic decision-making. Hence, the collective responsibility of the corporation is implicit in terms of economic considerations.

We may use social theorist Max Weber’s account of market exchange acts as “the economic activity of an individual [as] social if, and then only so far as, it takes account of the behavior of someone else” (1947, p. 113). I understand corporations as entities comprised of individuals who make decisions bearing financial outcomes for their organizations and for market exchange in society. We could argue that these decisions provide the potential for shared ownership of corporate entities. In other words, philosopher James J. Brummer stated these entities are "involved in collective ownership, [and] thus they cannot characteristically be broken up and distributed to individual shareholders" (Brummer 1991, p. 9).

The concept of market exchange and of potential economic rewards resulting from market exchange could overlay the ways of thinking about corporate social responsibility. This overlay and corporate responsiveness based on economic returns for corporate acts is not to be mistaken for corporate responsibility to others. Further, market rewards are outcomes that are measured in terms of economic gains for investors and shareholders who have endowed a financial risk in a corporate interest as part of a relationship – in others words, an economically vested reciprocal relationship. The underpinnings of the process of corporate market exchange are based on responsiveness to the demands of other market participants.

For example, Weber describes "goods" as "all kinds of economic advantages," such as good will (1947, p. 170). This good will is also found in philosopher Immanuel Kant's concern about moral actions in the duties of producers to purchasers engaged in commerce and exchange, price-setting and honesty between market participants. He views these duties as social responsibilities based on "self-seeking inclinations" (Kant 1785, p. 10, cf 4), which have economic advantages. Kant states,

> …that a dealer should not overcharge an inexperienced purchaser certainly accords with duty; and where there is much commerce, the prudent merchant does not overcharge but keeps to a fixed price for everyone in general, so that a child may buy from him just as well as everyone else may. Thus customers are honestly served, but this is not nearly enough for making us believe that the merchant has acted this way from duty and from principles of honesty; his own advantage required him to do it. (1785, p. 10)

Moreover, good will is implicit in the notion of legitimate market exchange, rather than as a result of the experience of market agent acts of enterprise; otherwise, the transcendental argument regarding the conditions for the possibility of ongoing (corporate) concerns lacks validity. Market relationships are founded on *a priori* moral implications of reciprocity, reliability, integrity, and persistence.

Profit as Responsibility Theories

The distinction of motives in the market illustrates a further moral consideration of social responsibility. It could be that corporate enterprise would not have any particular duties to society, but only the motive to respond to the threat of its own demise or to its corporate effectuation in terms of measurable and quantifiable economic decision-making. However, the idea of socially responsible corporate decision-making that affords human capabilities correlates with Kantian aspects of benevolence. And on this view, those who have the means to provide for those in need (e.g. employment, goods, services) have a duty to do so. To do otherwise, would be to eliminate the reciprocity between market producers and consumers based on a "selfish maxim [which] conflicts with itself when it is made a universal law" (Kant [1797b], 1994, p. 117). Economist Lionel Robbins describes the concurrence of economic and ethical thinking: "Economics deals with ascertainable facts; ethics with valuation and obligations" (Robbins 1935, p. 134).

In contrast, orthodox economic theory developed as a utilitarian model of efficiency and sum total utility, without concerns of intrinsic values and interpersonal relationships (Sen 2000, p. 30). Hence, these latter moral considerations are absent in strict economic theory definitions. However, as we have seen, classic economic thought, although the basis for contemporary corporate models of market enterprise, does include a correspondence between profit and responsibility in ethical terms. This correspondence has been observed in Western domestic corporate enterprise in a number of ways, including employee relations (labor), and environmental practices and consumer goods (society). In other words, there are constraints on domestic profit-seeking enterprise. But, multinational corporate acts include development in foreign nations while seeking to generate profit. Therefore, the notion of responsibility is not a bounded construct, but rather a fluid idea of both fact and value. Hilary Putnam states that "issues of development economics and issues of ethical theory simply cannot be kept apart" (2002, p. viii).

The human motivation for an exchange of goods and services in the marketplace is based on reciprocated, but unequal needs and desires of market agents. In a classical 20th century Western economic model "equilibrial economics" is the traditional ideology of market balance between supply and demand (Sufrin 1989, p. 19). This market balance is the economic responsibility of producers who seek to benefit from their business endeavors with consumers. Market agents realize benefits in this exchange, but these agents have differing views of what constitutes a benefit. The considerations of any benefit on the part of market agents would be related to whether they are:

- subjective or collective in nature
- notions of voluntary vs. coercive behaviors
- considerations of duties, responsibilities, or accountabilities

Moreover, market agents delineate transactional relationships based on economic reciprocity and responsibility to selves and others. Likewise, contemporary aspects of exchange include economic responsibility to market agents based on production of "goods and services that society wants" (Carroll 1981, p. 34). However, as has been observed, "assessing profitability is a relatively clear-cut process, but assessing social responsibility is not" (Aupperle et al 1985, p. 446). On Brummer's view, contemporary classical views measure efficacy of corporate acts as contracts between corporate executives or managers acting on behalf of stockholders to derive the greatest possible profit for the firm (1991, p. 5). The character of the self-interests of these market affiliates informs their respective motives and ensuing market acts.

Sidney C. Sufrin, who held two emeritus faculty positions as a business economist, states that market acts are both transactional and contractual in contextual scenes: "...the setting, the scene of the action, can be distinguished from the action, for it is the latter which is the transaction of importance, the action of exchange" (Sufrin 1989, p. 14). To those who invest in the creation and growth of a business endeavor, corporate responsibility is limited to the relationship between shareholders and the corporate entity that is voluntarily entered into. In order to develop private economic enterprise with consumers, corporate endeavors must be free of external interference and coercion (Friedman 2002, p. 14). Traditional Western economic theory ignores the notion of voluntary social responsibility and it limits corporate responsibilities to economic relations entered into, such as those with investors or customers.

Milton Friedman and Profit Model

When we talk of the responsibility of corporate enterprise, we derive a sense of its obligation to investors from the reciprocity of an exchange between these individuals who lend, or invest, money in an organization comprised of other individuals. This is one element of the classical economic view. Second, there is competition in how this money, or capital, is used in the market. Moreover, the human motivation to develop organized economic activity as a free (i.e., absent from government restriction) activity leads to private enterprise in these exchanges (Friedman 2002, p. 4). Heimann's account of the classic economic theory is similar in that his model is based on an implied sense of "human self-realization" within a "*free economy* to denote the absence of authority in establishing the hierarchy of needs and in proportionally allocating means to their satisfaction" (Heimann 1964, p. 12). In other words, there is a negative freedom of public intrusion on market activity and a positive freedom of collective responsibility to actualize corporate market endeavors. Third, the motivation for organizing individuals into a corporate endeavor is based on shared goals and intentions of fulfilling a commitment to these goals.

According to economist Milton Friedman, "collectivist economic planning has indeed interfered with individual freedom" (2002, p. 11); however, along the lines of Smith, he views government intrusion through policy and law as far more limiting of individual autonomy. Friedman's notion of corporate responsibility is based on conservative financial exchange relationships which result in profit. The profit basis of corporate responsibility is derived from collective endeavors in the market, and the interrelationships of the individuals within organizations are the only ones imbued with ethical responsibilities to one another. And, according to Friedman, the relationships between corporations and individuals in the market are based more simply in terms of economic rather than social responsibilities (2002, p. 12).

On Friedman's account an evaluative process in economic endeavors considers issues such as efficiency and coordination of acts. This is the notion of accountability. In other words, "the basic problem of social organization is how to co-ordinate the economic activities of large numbers of people" such that a "voluntary exchange is a *free private enterprise exchange economy* – what we have been calling competitive capitalism" (Friedman 2002, p. 13). However, reciprocal relationships are based in economic responsibilities to other market participants. This concept forms the basis of the "Profit as Responsibility" concept.

The notion of responsibility in this concept is based on an economic reciprocity between collectivities and individuals or other collectivities that results in a "good." In other words, Friedman posits that "both parties to an economic transaction benefit from it, *provided the transaction is bi-laterally voluntary and informed*" (2002, p. 13), such as in freely producing safe products or services. But, the critical issue of what constitutes adequate disclosure of information, such as an environmental risk, is not determined in this statement. Moreover, the mutual exchange is not equal in economic terms, but actualized in terms of value determinations. Further, Michael Beesley and Tom Evans, economists of the London Business School, align the notion of corporate responsibility with power. They trace the source of this power to a "*relative* freedom from constraints" (Beesley and Evans: 1978, p. 25). Friedman's assessment, although not expressed in the same manner, could also be considered in terms of power – reciprocity is more than economic because it is built on the notions of "bi-lateral voluntariness" (absent government or external interference) and "informed consent." I will address the further implications of power and reciprocity in Chapters Three and Four as they relate to social responsibilities of corporations.

Friedman provides a further caveat to his view of corporate responsibility. He argues that the free market system must have cooperation, beyond reciprocal money exchange for goods and services:

a) enterprises are private; the ultimate contracting parties are individuals
b) individuals are effectively free to enter or not enter into any particular exchange
c) every transaction is strictly voluntary (Friedman 2002, p. 14)

In this latter case, his concern is that of interference by one individual with another "in respect of most of his activities" (Friedman 2002, p. 14). He refers to the market as "impersonal," yet on his account individuals are comprised of personal character and may seek to monopolize the market. He likens the monopolist to someone who interferes with another's endeavor in the market. Moreover, monopolistic behavior is a mechanism to gain power. But, there is a "social responsibility" in this mechanism "not solely to further [one's] own interests but to further socially desirable ends" (Friedman 2002, p. 120). In part, Friedman is using a Smithian view of a market endeavor – that society places "no trust" in a monopolist's market endeavors, but rather society holds an "opinion of his fortune, probity, and prudence" (Smith 1776, pp. 146-7).

Friedman's concern with a free market system is based on notions of voluntariness and negative freedoms. Thus, his notion of the responsibility to gain profit is something more than merely economic exchanges in the market. His concept of corporate responsibility has some other public benefit beyond the financial exchange. The notion of reciprocity may be used in connection with market exchanges, but this notion also bears moral implications based on considerations of the integrity of individuals and the trust between them. These considerations reflect on the veracity of any corporate endeavor.

However, Friedman's view is that "there is one and only one social responsibility 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 and fraud" (2002, p. 133). But, Friedman fails to account for how deception and fraud are defined – in other words, would the failure to disclose potential environmental risks of a corporation's competitive market activities constitute either deception or fraud, or both? His notion of corporate responsibility is based solely on the validity of the profit function of a market endeavor. Friedman's view of corporate economic decisions regarding the use of resources does involve choice and responsibility to others, but he does not view these two elements as a corporate social responsibility. The existence of the corporation, on Friedman's account, is the responsibility of the corporate managers to the stockholders. Corporate existence is only possible if it is based on economic choices in a free market. Further, "the corporation is an instrument of the stockholders who own it," (Friedman, 2002, p. 135) funded by shareholders for their intention of extending the purpose of its existence as a "going concern." On this account, Friedman's view is in agreement, in part, with Smith's assessment that those who live by profit invest in the "stock" of the corporation (Smith 1776, p. 338), hence taking responsibility to develop economic means through the use of resources for productive ends as a societal benefit, and thereby deriving profits as compensation for taking this responsibility. Friedman's view reflects Smith's admonition regarding those who fail to demonstrate ambition. Smith considers ambition a social responsibility of individuals involved in market endeavors:

> Even a tradesman is thought a poor-spirited fellow among his neighbors, who does not bestir himself to get what they call an extraordinary job, or some uncommon advantage. This spirit and keenness constitutes the difference between the man of enterprise and the man of dull regularity. (1759, p. 247)

However, on this account those who “mutter that the business of business is business, miss the point;” rather, “what they really are asserting is that the business of business *should be* business” (Sufrin 1989, p. 21).

Some might argue that “business is not equipped to handle social activities” (Carroll 1981, p. 38); however, the term “organization” as previously mentioned, is defined as a collectivity of individuals organized around a central, shared goal, like making money. This idea of sharing is based on aspects of reciprocity and the responsibility to avoid certain harms – such as employment or commerce-oriented discrimination against individuals in society. But, on management experts Allan Shocker’s and Prakash Sethi’s account, a corporation is also concerned with the legitimacy of its enterprise – as well as allowing society to hold it accountable for its actions (Shocker and Sethi 1973, p. 97), rather than merely responsible for its decisions. Legitimacy has to do with notions of trustworthiness and rationality (Baron and Hannan 1994, p. 1128), two elements of responsible choice, which are not easily quantifiable. In other words, holding a corporation socially responsible may not be feasible. This argument defines “holding” a corporation responsible for its actions - what I would argue is judging it to be “accountable” based on a consequential view of good or bad outcomes. Moreover, Beesley and Evans state that corporate social responsibility “is concerned essentially with the competence of the corporate system to manage multiple goals" (1978, p. 23). Again, this is a backward-looking, evaluative methodology of determining the value of the outcome by using an accounting of a market activity in *holding* a corporation "responsible." I would argue that this is a practice of determining "accountability" – a quantitative judgment of prior actions. One cannot *hold* intentions to act, but one can *hold* assessments of acts. This is an important distinction between accountability and responsibility.

Friedman's depiction of social responsibility bears some manifestation of Smith's view of sympathy for others in *The Theory of Moral Sentiments*, in that Friedman detaches the level of corporate response to others' plights in lieu of society's role. Smith related sympathy to self-interest from the imaginary view of oneself as an other: "this imaginary change [of situations] is not supposed to happen to me in my own person and character, but in the person with whom I sympathize" (Smith 1759, p. 465). On this view, neither individuals nor corporations would bear a social responsibility to others as an objective. Rather, that which "relates to myself, in my own proper person and character, but which is entirely occupied about what relates to you" is a segregated view of responsibilities in market exchange (Smith 1759, p. 466). This segregation of responsibilities to oneself and to others seems in part to be Friedman's approach to his notions of corporate responsibilities. However, his further distinction of responsibilities involves corporate and societal entities.

John Kenneth Galbraith and Profit Model

Five years after Friedman's account of corporate capitalist endeavors, Harvard economist John Kenneth Galbraith outlined some liberal ways of thinking about the notion of a corporation: "Its purpose is to do business as an individual would but with the added ability to assemble and use capital of several or numerous persons," thereby affording directive for responsibilities of those agents who work for the organization to "make money for the owners" (Galbraith 1967, p. 83). But, on his view, corporations are imperfect. Corporations make mistakes, as well as act in praiseworthy ways.

Galbraith holds a different view from Friedman of corporate action and corporate roles in society. He advances economics as much a study of social science as a study of "prices, output and incomes" (1967, p. 409). For example, he noted that "there is no such thing as *a* corporation. Rather there are several kinds of corporations all deriving from a common but very loose framework" (1967, p. 85). Further, a corporation is a legal image, based on an association of individuals, but yet autonomous and possessing a legal "personality" much as individuals (1967, p. 84). He lends support for Friedman's position, stating that profit maximization is the sole, legitimate purpose of a corporation, and Galbraith concurs with Friedman's view of developing profit:

> Accordingly, if the traditional commitment to profit maximization is to be upheld, they [i.e., managers] must be willing to do for others, specifically stockholders, what they are forbidden to do for themselves. (Galbraith 1967, p. 128)

In fact, Galbraith states that "profit maximization excludes other goals" (1967, p. 136). However, Galbraith digresses from Friedman's more stringent view of profit maximization as the sole purpose of corporate market endeavor. Galbraith considers the responsibility of corporate activity to social concerns – but noted as an indirect process rather than as a goal. Further, he echoed fellow Harvard economist Theodore Levitt's statement of 1958 regarding the "dangers of social responsibility" as an assumption of an improper extension of the role of business enterprise (Galbraith 1967, pp. 124, 137).

On Galbraith's view, corporate social responsibility as a goal does not extend directly *for* social concerns regarding hunger, clothing, housing, and disease. Rather, his approach nears English economist John Maynard Keynes' view, as reflected by Ackerman's assessment, "in which affluence will allow the development of more ethical behavior and less selfish character traits, replacing competitive, acquisitive individualism fostered by the market and the regime of scarcity" (Ackerman 1997b, p. 85). In fact, the views of liberal economists, such as Galbraith, "start with the premise that the macro economic system does not work with automatic efficiency" (Sufrin 1989, p. 19). As such, according to Galbraith, "a concern for social goals would have an exceedingly disturbing effect on economics as it is professionally practiced" (1967, p. 415). Rather, he stated that corporate responsibility is an indirect mechanism for social concerns in that the business endeavor is to provide "higher income [as] the basic remedy; [the] problem is thus an economic one" (Galbraith 1967, p. 413). The basis of his argument is that we have not and cannot establish a determination of "how much" or "how completely" a corporate social responsibility might be. In other words, he is saying that economic goals can be measured or quantified, while social goals cannot. Further, on Galbraith's view, "the quality of life is subjective and disputable" (1967, p. 414). This is a Smithian approach to market behavior. However, corporate decisions have social implications for those who may have economic claims on the corporation. These claims are also imbued with socio-economic moral concerns – or, as Adam Smith states,

> …the rent of land, the wages of labour, and the profits of stock; [which] constitutes a revenue to three different orders of people; to those who live by rent, to those who live by wages, and to those who live by profit. (1776, p. 336)

Conversely, philosopher Elizabeth Anderson (1997) argues that this sort of liberal economic position fails to value social goods, such as autonomy, that are necessary components of a capitalistic market system. She states that "we value goods in many ways that cannot be expressed in markets" (1997, p. 36). Further, the market is, "just one social sphere" of human activity, but this sphere permits human choice in valuing all "goods" (1997, p. 37). To state otherwise, on her account, is to "place limits on markets" (1997, p. 37). Rather, goods, such as autonomy, ought to be valued in their own right. Thus, "the difficult task for modern societies is to reap the advantages of the market while keeping its activities confined to the goods proper to it" (Anderson 1997, p. 40). I would argue that market limits on what constitutes a market "good" ought to include the notion of corporate social responsibility. Otherwise, limits on market agent choices about autonomy and social concerns would hinder corporate and collective abilities to make market decisions, placing emphasis on accountability or responsiveness, rather than responsibility, to market events. These limits could be both internal and external to the market, and would require desegregation, rather than integration, of the market system with society.

The profit theory notion of corporate social responsibility presupposes the existence of individual capabilities and autonomies in society:

a) to make choices based on the existence of choices, and
b) to apply those choices in corporate activities

The ability to apply those choices that Galbraith observes in the "modern corporation" produces responsibility because "corporation[s have] the power to shape society" (Galbraith 1967, p. 137); this implies a corporate paternalistic role bearing accountability for corporate acts *on* society, rather than *in* society as a reciprocal member. Sufrin and Friedman acknowledge that Smith accounted for sympathy in the market, but to the extent that efficiency and amenity are "reductive" of one another unless the former remains within the market system and the latter holds outside the market (e.g., Sufrin 1989, p. 50). Further, Sufrin stipulates that these conceptions are ideals, and therefore, "together they structure the market, that is regulate or control individual behavior" (Sufrin 1989, p. 51). For example, Friedman's remarks in 1962 about the social responsibility of corporations underlie the concerns over the concentration of economic power among a limited number of large corporations (see Galbraith 1967, p. 86 for statistics), which are viewed as amoral entities apart from society. On Galbraith's view, "individuals have souls; corporations are notably soulless" (1967, p. 71). Moreover, corporations, as efficient market entities, may even be immortal, surviving the individuals who may populate them.

Galbraith considers responsibility to be useful. Corporate responsibility is particularly concerned with how economic responsibility is used to advance determinations of market efficiency and effectiveness. The notion of efficiency for productive ends includes such factors as:

- utility
- technology
- organizational structure
- corporate strategy
- use of resources

The corporate funding of market and production planning – "control of supply, control of demand, provision of capital, and minimization of risk"– has value to investors and society on Galbraith's view (1967, pp. 87-8). Nevertheless, he supports Friedman's argument regarding corporate responsibility. Galbraith defines specific variables of his notion of corporate responsibility:

- exchange of information
- coordination of decisions and actions
- formulation of committees
- development of associations
- uses of intervention
- cultivating reliability among individuals (1967, p. 75)

Galbraith doesn't elaborate the methodology or sources of these definitions. On my view, these notions apply to social arrangements and thus imply social concerns, rather than strictly economic ones. One could argue that these are "public responsibilities." Further, these notions are indicative of developing relationships based on mutuality *in* societal contexts. Therefore, it is important that we consider how the notion of responsibility may be defined, used, and attributed in the context of corporate functions, and particularly in the economic sense under discussion in this chapter.

On Galbraith's view, notions of "public responsibility" are a matter for public policy (1967, p. 135). Moreover, these implications in a free market will effect both benefits and harms, thereby creating cooperation and competition among economic interests. Galbraith views external interference, such as governmental regulation, as a hindrance to corporate responsibility and corporate roles *in* society – note, not *to* society. Galbraith disagrees with Friedman's assessment of government policy – rather than intruding on corporate activity, corporate activity could be subsumed within the state if corporate goals, other than profit maximization, are pursued (Galbraith 1967, p. 406). But, Friedman argued that the responsibility for these benefits and harms, as long as law is not violated, are “the responsibility of the rest of us to establish a framework of law” (2002, p. 133). As previously mentioned, to do otherwise in the market is “subversive doctrine” on Friedman’s account.

In the case of both economists, Friedman and Galbraith, notions of social responsibility relate to delineated boundaries between corporation and society. Although they admit reciprocation among market participants in market relationships, their traditional viewpoints focus on the economic motives of producers involved in market exchange. Producers seek independence in determining who gains greater control over resources and prices at the behest of their investors. According to Galbraith, this sets the moral tone of developing corporations and market activity (1967, p. 59). However, although he does warn that corporate responsibility may be abused by stockholders, and some limits on their exercise of these areas can be obtained through obsolescence, management actually wields decision-making for corporations. Moreover, he views stockholders as properly remote and unknown to management, whose duty it is to be responsible for profit maximization (1967, p 126), rather than be concerned with solving social concerns. He sees stockholders as the guiding forces in shaping the decision-making processes for all aspects of corporate endeavor, including creating a corporate culture of seeking economic advantages. These advantages are benefits, or intangible goods, of the market system. They convey value, economically based on the relationships producers develop among other market participants.

I have argued that in these economic theories, moral responsibility to others as an element of mutual exchange is found in market decision-making. While each of the classical economists also admits, at least definitionally, to critical social relationships in corporate enterprise, Friedman and Galbraith segregate social from moral considerations. I would argue that such delineation is not possible; but, even if it were, I fail to see how the role of corporate responsibility is enhanced in such a case. We may consider "stockholders" as more than direct economic investors with whom corporate responsibility lies. For example, society provides assets-in-kind, much like investments, which have value, and which serve as indirect resources for corporate activity. In other words, there is a "business-society" relationship between corporations and two sorts of investors – stockholders and society.

Chapter Two
Business-Society Theories

The study of economics, though related immediately to the pursuit of wealth, is at a deeper level linked up with other studies, involving the assessment and enhancement of more basic goals. (Amartya Sen 2000, p. 3)

In chapter one I presented the thinking of several classical economic theorists who demonstrated that corporate responsibility is inherent in the definition of the corporation as it functions in the marketplace, and, using their examinations, was able to show that the corporate enterprise includes the notion of corporate social responsibility. This chapter is a discussion of more recent economic theories which explicate and incorporate both economic and social aspects. These theories add complexity to the ideas of corporate responsibility and corporate social responsibility.

Stockholders and society invest economic value in corporate enterprise. This investment may have either a direct or indirect role. Friedman's account situates the investment role as a direct relationship with responsibilities between stockholders and corporations, with managers accepting financial stewardship of stockholder investment. However, as I have shown in the previous chapter, a Smithian perspective gives rise to an economic theory of corporate social responsibility in the form of a *dual-investor* relationship between corporations and their investors (owners) and their society. Further, societal concerns over harm to and the well-being of the citizens of society are often formalized in laws, which are designed to protect the public. These laws are designed to constrain corporate behavior by enforcing particular corporate social responsibilities (CSR). I will argue that organizations, comprised of individuals, have a collective duty to avoid harming society because they have a duty to avoid harming themselves as members of society.

Each of the following theories I consider posit different aspects of responsibility for the corporation. First is the Dual-Investor Theory, which includes a corporate responsibility to profit, as well as its twin consideration of social concerns. In other words, it contains both the good of market enterprise as a direct return on investment to stockholders and owners of a business along with the return on the development of indirect capital in the form of societal assets. Second, I will provide an analysis of social controls of corporate acts, such as found in legal and legislated decisions of the United States' legal system. While I won't be discussing individual legal cases and the corresponding merits for their determinations, I will explore the moral reasoning related to aspects of laws pertaining to corporate endeavors. Third, I will discuss the Stakeholder Theory of corporate enterprise, which includes another aspect of responsibility involving the corporation. The notion of economic stakeholders in corporate endeavors incorporates a framework for business strategy, a strategy that is built on relational and reciprocal lines of responsibility to those entities that have a stake in corporate activities. The following three sections will address the business-society theories of Eugene Schlossberger, Christopher Stone, and R. Edward Freeman.

Corporations and Society

Business endeavors are conducted in society. However, contemporary economic theory has segregated corporate activity as economic functions and social concerns as the stuff of society. How we view these two endeavors may be based on our perceptions of boundaries to these functions in relation to segregating the roles of business enterprise and the role we place on societal acceptance or response to these endeavors.

Schlossberger and Dual-Investors

Eugene Schlossberger, ethicist and social philosopher, pioneered a formal Dual-Investor Theory based on elements of both shareholder theories and stakeholder theories (Schlossberger 2003, p.176). He states that the "nature" of a corporation is intrinsic. In other words, organizations "exist to serve a purpose, which is to advance or serve some good" (2003, p. 174) in society. According to Schlossberger (2003, p. 180) the nature of a corporation is comprised of three elements:

- intrinsic perceptions of the good
- distinctive economic and social relationships
- universal moral duties to others

In other words, a corporation is the embodiment of a collective effort to achieve a particular economic goal of market exchange based on the corporation's individual members' perception of what is both profitable and good for society. If a corporation achieves a financial benefit for its acts, then society benefits from its validation of the corporation's persistent efforts to achieve that good. In order to attract or maintain corporate practice that results in this good, society provides needed "capital," for example, in the form of education or tax reduction incentives

To illustrate, a financially successful enterprise requires skilled workers to fulfill the provision of the corporation's production. The workers attain payment for their services, or work efforts, to achieve this goal. This payment is based on two primary elements – the skill brought to the effort and the actual time spent working. But, the worker isn't born with this skill. However, society, through such institutionalized efforts of its own, provides education to develop skills that are valuable to these required work acts. Thus, society "invests" time, space, and money for education, then reaps a benefit in terms of such things as employment, housing purchases, taxes, and more. This process develops reciprocating notions of dependability, expectation, and commitment of individuals to corporate endeavors.

Why does this concept require analysis? One analysis of how individuals view themselves in relation to others in the sense of collective efforts is found in organization behavior academic researcher Robbin Derry's (1991) analysis of self-interest. She expands on Smith's notion of self-interest insisting that the broader concept of self includes consideration of self in relation to others in society. This extended self is dynamic; it is correlative to the collective efforts of collaborative institutions, such as the corporation. In other words, the extension of one's view of oneself beyond individual self-concerns adheres in corporate responsibility for others.

> … it draws on the motivations to encourage mutual growth, to combine efforts toward shared goals, to help others achieve their potential, to build relationships for the sake of relationships, to respond to the need of others. All these are integral to human nature and critical to the success of free enterprise. (Derry 1991, p. 126)

Further, Derry states that the collaborative self has an underlying nemesis – the myths of what constitutes a worker and manager, rather than a responsible member of society. I would term this perspective as the “corporate self,” rather than a “cooperative self.” These images were based on old understandings of what constitutes a good employee – loyalty to company, rather than responsibility to the diversities and strengths of others within the community and society at large who can lend reciprocal support to corporate functioning.

This dual responsibility is an intention to act to provide something for others. Schlossberger states: “The idea of a fiduciary obligation presupposes a general moral framework that generates such values as loyalty, trust, and good faith” (2003, p. 177). Moreover, organizations serve as stewards of this “perceived good for some perceived beneficiary” under the direction and intent of the owners, for society (Schlossberger 2003, p. 174).

As organizations, corporations have dual intentions: maintaining their function in the market and their role in society. Corporate endeavors serve to provide a benefit, known as a “good.” This good includes the notions of beneficence and moral concern for others. Schlossberger’s view of how these ideas develop in corporations follows British philosopher P.F. Strawson’s insistence that reciprocity among individuals in notions such as gratitude, resentment, and forgiveness are necessary to a definition of the moral implications of responsibility (Schlossberger 1992, p. 1). In other words, Schlossberger states that responsibility has a moral framework, is moral in the sense that an act is the result of a “moral calculation” (1992, p. 96). This calculation relies on “whether x is morally offensive or desirable” (1992, p. 96), where x is an act of a particular individual moral agent. But, he also looks at the notions of praise and blame – both of which are consequent, rather than antecedent, determinations of acts. What is problematic with his definition is his use of two views of responsibility for moral acts –

- As moral agents, we are each a worldview in operation
- [our] "moral responsibility" amounts, roughly, to moral evaluability (1992, p. 101)

These considerations do not seem to move us towards a sense of collective moral enterprise if we accept individuals as autonomous selves who are "embodied in our circumstances, acts, thoughts, and feels" (1992, p. 101). He accepts some Humean elements of motive and intention on the part of moral agent character development, but disagrees with moral philosopher David Hume's precondition of liberty in moral decision-making (1992, p.121). Rather, Schlossberger argues that "how an act was caused is irrelevant to moral responsibility" and thus what is important is "the ground of responsibility to be what our actions (among other things) show about us, rather than what causes us to act" (1992, p. 121, 122). However, while he states that individuals must instantiate their own moral characteristics in developing a view of moral practice, this perspective is not developed for collective endeavors in a society. In his later work he makes an abrupt shift in this perspective (Schlossberger 2003). He likens corporate enterprise to personhood, not in a legal sense, but with corresponding moral responsibilities based on a shared goal. Schlossberger attributes characteristics to corporations that shape and inform corporate decision-making. These characteristics, such as beneficence or integrity, may be derived from stockholder and owner expectations of how they wish the organization to be perceived by society.

> So the intended beneficiary is an idea while the objective beneficiary is a thing. The conceptual beneficiary is the set of things the organization takes, as an organization, to fit that description, namely what the organization believes…

> [are] the difference between the perceived good of an organization and what is really good. (Schlossberger 2003, p. 175)

On this view, the minimal social responsibility of a corporation is based on “a duty to be ‘good citizens’” to achieve a good, and to act consistently to the “needs, welfare, and projects of society” (Schlossberger 2003, pp.175, 177). Thus, Schlossberger believes that “the purpose of business is to make a profit (or, more precisely, to increase shareholder value) by serving society” (2003, p.176). While this view seems to have the capacity to develop general notions of corporate validity and legitimacy, he instead argues that the good is an intrinsic goal of every organization. In this theory there does not appear to be a particular reason for the good to be an intrinsic goal other than the adage, “it is good to be good.” He uses the notion of an existent moral framework, which provides the definition of corporate “purpose and raison d’être” (2003, p. 177). In other words, corporate goals – whether financial, social, or moral – only exist as goals because this pre-existing moral framework produces them.

This seems to indicate a metaphorical notion of a building – structure equals purpose and function. However, structure does not determine purpose or function, but may lend itself in one particular use or another. I would argue that implicit characteristics do not exist for corporations as entities. Rather, these characteristics are developed as “cultures” based on some particular collective decision comprised of individuals’ duties to act in one way or other, such as responsibly towards others in society. There is a wide base of literature that discusses corporate cultures; however, for purposes of my argument I am accepting that such cultures exist and will leave the analysis to others in terms of how culture develops.

The dual-investor society comprises a number of entities. These entities are viewed as investors in the corporate functioning of a market system. According to Schlossberger (2003), the investment by each of these entities varies in availability, form, and quantity.

These investors may include the following:

- governments and public agencies
- workers
- other producers as suppliers
- consumers

Schlossberger refers to the "opportunity capital" for corporate functioning in society. In other words, this is an investment by members of society who provide the opportunity for corporate activity. This capital may be viewed as indirect investments to a corporation. Further, this opportunity capital is the result of "duties of gratitude and reciprocity [which] seem to justify what one might call the limited 'don't bite the hand that feeds you', or 'no bite' principle" (Schlossberger 2003, p. 176). This opportunity capital includes such investments (social provisions of opportunity) as:

- road systems
- currency
- police protections
- fire eradication
- schools for educating potential workers
- social services

Society is both a beneficiary and benefactor of corporate enterprise. The dual-investor model incorporates the reciprocity between corporations and society as a form of mutual responsibility. On this view, the responsibility of corporations is both economic and social, such as in providing employment and benefits, with moral implications of trust, choice, deliberation, and decision-making.

> Hence, by the no-bite principle, every organization has a duty to go out of its way to ensure that in pursuing its purpose it does not undermine the good of society. (Schlossberger 2003, p. 176)

Moreover, the Dual-Investor Theory is indicative of an uncomplicated moral evaluation. In Schlossberger's estimation, the "good-in-general" principle is both the motivation and the object of every corporate goal. Further, he states that corporations "serve a limited purpose" and thus are subject to only limited questions regarding moral evaluation (2003, p. 178). This thinking is comprised of moral and social concepts. However, it seems to negate the complexity of the individual concerns of corporate members, or agents, in determining what this good-in-general may be, or in how to apply collective decisions to economic or social practice. These limited concerns are not specifically defined in terms of what *ought to be* social responsibility or to whom these concerns ought to be expressed. For example, Schlossberger's dual-investor approach is missing the issue of moral decision methodology regarding competing economic and social issues. Therefore, the notion of corporate social responsibility (CSR) is difficult to assess using his model.

Christopher Stone and Social Control of Corporate Behavior

Social controls between individuals determine what we consider "society." Society is comprised of individuals within a given bounded sphere. This sphere has characteristics that may be geographic or conceptual. Moreover, a society has characteristics accepted by its members based on the shared notions of perceived benefits or harms to its citizens and non-citizens. If we accept that society has valuable assets available for use by its citizens, including corporate citizens, one may argue that these assets require protection from exploitation or misuse by some members of society, as well as nonmembers. In other words, society has a responsibility as an investor in the well-being of its members to protect what its members have come to expect of its characteristics. We seem to have no difficulty in attributing moral thinking to intentions or acts of individuals. Traditional moral theories consider motives or consequences of decision-based actions of rational beings. Furthermore, we look to moral theories to provide guidance, sometimes boundaries, to our individual acts towards others in society. These acts may be social, political, or economic transactions, or relational interactions, between individuals in a society. But, it is possible to accept an argument that "any law [is] a token of perfectly expressed collective choice" in society (Stone 1985, p. 25).

Christopher Stone, professor of corporate and environmental law, argues that, "Our society has become a corporate society" and it bears particular characteristics (1985, p. 13). In other words, much of what occurs in a society is an act of corporate enterprise, rather than individual enterprise. Stone looks to individuals as "officeholders" in corporate organizations; those individuals who make decisions at the behest of corporate stockholders for the sake of economic market endeavors. We can say that these officeholders are financially accountable to the corporate investors because they are stewards of the capital of the organization. Further, U.S. corporations have are afforded various legal protections as complex entities – "they have the status of legal persons and have consequently many of the same legal rights, privileges, and obligations that humans do" (Brummer 1991, p. 9). But, are we able to establish "socially approved bounds" (Stone 1985, p. 13) to the results of these decisions in such a way as to hold a corporation responsible for the actions of its agents? Brummer sees a dilemma to the construct of corporations as entities in that corporations also have "virtual perpetual duration" (1991,

p. 9). In other words, corporations, once formed, exist independently of changes in original owners, executives, managers, or employees such that it “has a life of its own” (1991, p. 9). The difficulty then is to determine how social responsibility might factor for such an entity. Stone states that what we have in mind is a mechanism in which to control organizational decisions and acts. This mechanism may serve to limit or punish the unwelcome results of decision-making by establishing responsible corporate behavior in laws. But, on Stone’s account, is it possible to control a corporation because “there is a need for something other than conventional legal mechanisms: Call it ‘corporate social responsibility’” (1985, p. 14)? In other words, he finds that corporate social responsibility is “a way of modifying corporate conduct” absent restrictive, or negative, traditional societal means (1985, p. 14).

What Stone has in mind is a tiered, or hierarchal, construct of responsibilities traditionally held by corporations for practice in society (1985, p. 14). But, these responsibilities must be managed, controlled, and manipulated by society in order to protect individuals in society from harm by organizational acts. On Friedman’s view, the market system is a control mechanism on corporate behavior, but the market system could fail or be unable to provide economic disincentives. In this case, legislation is required to control corporate acts. Corporations may be subject to fines, penalties, or punitive monetary damages as a way to punish unacceptable behavior. In other words, despite the duality of responsibility between business and society, the business-society model provides for negative actions to coerce corporate responsibility.

- the market *disciplines* corporate misconduct, deficiencies in creating employee well-being, or production errors
- society imposes *discipline* of law to curb irresponsible behavior

- society *pressures* stockholders engaged in corporate acts by applying deadlines and penalties with threats to corporate profits (Schlossberger 1985, p. 14)

But, is there a way to both encourage corporate social cooperation and hinder harm to society in this scheme? Stone devises an analysis of two challenges to traditional CSR. First, he formulates an interventionist approach based on amending laws that constrain corporate acts of potential harm to society, in other words, “to make the corporation ‘responsible’, ironically, through law” (Stone 1985, p. 17). However, the interventionist approach does not detract from Friedman’s notion of the business of business is to make a profit; rather, this approach creates a mechanism to ensure that corporate activity does not stray from its market purpose through illicit acts and thereby threatening its profits (Stone 1985, p. 23). On this basis, Stone suggests that an organization’s structure and decision-making apparatus needs “to nudge the corporation into a more responsible posture” (1985, p. 14), much like a person. In other words, Stone states that a responsible corporation may be compared to a responsible person in decision-making methodology (1985, p. 17):

- think before they act
- gather relevant information
- assess benefits to themselves
- assess effects their actions are likely to have on others
- weigh alternative decisions and actions

On this view, he is “institutionalizing” the methodology of decision-making and responsibility, even extending this process to the point that a corporation can be forced to act responsibly. An example would be the establishment of the Equal Employment Opportunity Act in 1972 to enforce workplace employee relations based on the Civil Rights Act of 1964, which criminalizes discriminatory employment practices based on race, ethnicity, religion, or gender. These societal controls of corporate activity were the result of interventionist thinking regarding harm done to society and its citizens in corporate hiring and promotion activities. In other words, society used its abilities "with the court's recognition that job discrimination can exist even in the absence of conscious intent to discriminate" (Shaw 2003, p. 109).

Stone's second CSR challenge is what he terms "voluntarism." This notion does not seek to constrain corporate acts through law. Rather, he states that through amending the corporation's goals and self-constraints, with substitutions of values, corporations can be ultimately profitable to both the organization and society (Stone 1985, p. 15). In fact, he submits that the voluntarist is closer to a movement than a requirement of corporate social responsibility. In fact, voluntarism "questions the adequacy not only of the market, but of the law as well – even of the law as it might emerge after the Interventionist had reformed it" (Stone 1985, p. 15). These concerns are based on considerations of moral concerns as well as legal ones. Society has reasons for self-constraints – simply because an awareness of oneself and how we fit with other selves in society will ultimately be concurrent with how we act and how we wish others to act towards us. Law is not the only constraint on corporate acts.

The voluntarist's approach is akin to Kantian perspectives of individual, internal motives for acts, as well as externally abiding by the law. Kant states that the idea of duty is *internal*, combines individual intentions with practical law, and thereby is fundamental to determinations of choice among alternative actions (Kant [1797b], Sec 219, 1994, p. 18). Stone defines the voluntarist approach by its "internalization of corporate social responsibility" (1985, p. 26). This internalization is an integration of economic and social constraints, such as is found in corporations who embrace a “living wage” approach to employee compensation. The “living wage” conception involves adopting independent economic bases for determining how individuals in particular geographic regions ought to be compensated for their labor, rather than merely paying normative or legislated governmentally-determined minimum wage standards. Living wages typically are higher than societal or governmental standards. Further, the arguments for living wages indicate an initiative for sustainable employment based on moral concerns for worker sustenance and well-being (Rivoli 2006, p. 538). Corporate action in this respect is a voluntary initiative and a moral responsibility to its workers and society. The motives for these types of decisions are generally based on a consideration of reciprocation – between society (workers’ skill-set assets) and business (employment assets).

Stone provides an analysis of reciprocation through a use of game theory. The reciprocation in respect to the example of wage rates would seem to fit what Stone considers to be the *space for cooperative egoism* (1985, p. 27). He defines this space as a way for a corporation to act responsibly as a moral agent by ascertaining a long-range opportunity to secure the best workers, while providing the occasion for sustaining long-term commitment from workers. He likens this reciprocated action to a form of game theory in which each participant anticipates their own advantages in correlation to each “move” of the other. There is no beneficence in this practice beneficence being a provision of some benefit to others without an expectation of anything in return (Kant [1797b], Sec. 30/453, 1994, p. 117). In this case, profitability is balanced on a scale of acceptable returns with a “rightness” to levels of wages paid. This game occupies space in relationship to the range of choices and expectations of each player. This space is created in the idea of a game, which may have constraints, or boundaries, imposed by either of the players who choose to participate in acts of benefit to themselves. In other words, the voluntariness of creating this scenario is a reciprocal responsibility based on cooperative egoism (Stone 1985, p. 28-9). However, Stone states there are problems with this line of thinking: “No one knows how much space exists for such behavior, for the cooperative egoism, the strategizing, and so on” (1985, p. 28). But, Jeffrey Pfeffer and Gerald Salancik (2003), academic researchers in organizational behavior, view constraints differently. They state that: “Constraints on behavior are often considered to be undesirable, restricting creativity and adaptation. However, in most cases action is not possible without constraints, which facilitate the choice and decision process” (2003, p. 15). Moreover, a Kantian perspective of a duty to the social well-being of others includes a broad obligation that bears “no definite limits” (Kant [1797b], Sec. 394, 1994 p. 53), but limits nonetheless. Although Stone argues that moral rules are “vague” in terms of application to corporate acts, he does not see this problem as a hindrance to encouraging corporate intentions along the lines of voluntary moral responsibility (1985, p. 29).

At this point I would like to include some thoughts regarding voluntary egoism and the space Stone formulates as requisite for moral configuration of responsible acts. We may consider Kant’s proviso regarding duties to ourselves and others, the lacking of which would be a harmful self-contradiction, in his last enumeration of the first categorical imperative (Kant 1785, Sec 423, p. 32). In this respect, individuals could take an egoist approach in their roles in corporate endeavors; however, to fail to assist those we perceive as struggling while we are benefiting only serves to negate the human necessity for reciprocated, cooperative behavior. Self-constraint bears moral implications when we talk about cooperative voluntary egoism. Kant considers free self-constraint as the underlying principle to a duty of virtue, and thereby an ethical obligation to ourselves and to others (Kant [1797b], Sec 383, 1994, pp. 40-1). Furthermore, the cooperative practice in Stone's game as described above may be considered part of a societal "occasion" that has "great consequent responsibility" to others (Horne 1912, p. 75). This sort of responsibility is reciprocal – in other words, using Stone's game play, corporations enter into relationships with other entities or with individuals, such as suppliers or consumers. These relationships are voluntary and cooperative, although not necessarily equally distributed in terms of economic returns. However, each agent involved in these relationships has self-interest in their own well-being in terms of how they may benefit from engaging with the other agent. But, each agent also realizes that egoism on their own part can result in a harm to others and thus a potential hindrance to accomplishing their highest well-being in society. Therefore, each agent feels responsible for their own well-being, but also for others in the sense that the well-being of others will result in continued, reciprocated cooperation.

Stone also considers a second type of corporate responsibility, that of a *space of corporate altruism*, which will not be included in this discussion. As discussed earlier in the Introduction to this dissertation, I view altruism as a choice based on a response to some particular event or circumstance, rather than as a responsibility based on relational and reciprocating acts between members of society as defined herein.

Stakeholder Theory

R. Edward Freeman and the Stakeholder Model

Stakeholder Theory is hot. I am paraphrasing business ethicists R. Edward Freeman and Daniel R. Gilbert's view of business ethics in 1988, but the advance of the Stakeholder Model by Freeman (Freeman 1983) as a Corporate Social Responsibility has reached the level of near-absolute acceptance as *the* theory of responsibility. In fact, Freeman's stakeholder approach is considered "a classic" in the field of strategic management (Walsh 2005, p. 427). The Stakeholder Model of corporate enterprise is based on the definition of an organization, and according to Freeman and Gilbert is:

- a compilation of human beings
- a complex network of values
- a development of corporate culture
- both individualist and collectivist endeavors
- strategic human choices
- shared goals of market enterprise in a society (1988, p. 6)

Freeman (2003) expands the concept of the business/society relationship to include particular recognition of specific categories of society, which he calls *stakeholders*, who are interdependent in their societal roles. These stakeholders have an economic *stake* in the outcomes of corporate endeavors in the marketplace. Stakeholders are either individuals or entities "who are vital to the survival and success of the corporation" and "who can affect or [be] affected by the corporations" (Freeman 2003, p. 168). In other words, I would argue he uses a notion of *integration* – relational interdependence of corporations and various entities within society who benefit, or may be harmed, by the actions of one another. The integration of stakeholder relationships has been termed a "new reality" in strategic management of corporate enterprise that is vital to corporate functioning (Walsh 2005, p. 428). When Freeman talks about the term “vital,” he means the particular aspects that permit an entity, such as a corporation or consumer, to flourish – economically. This is a direct impact of market endeavors by corporations. But, these impacts are the result of goal-directed decisions inclusive of corporate voluntary initiatives involving societal concerns about these impacts. In other words, “Freeman’s attraction to voluntarism” is predicated on the basis that “he is not interested in having government regulate stakeholder relations” (Walsh 2005, p. 428). Further, on Freeman and Gilbert’s view, corporations are a means to an end – “the accomplishment of human goals” (1988, p. 8) – through non-coerced corporate strategy.

Freeman (2003) has re-envisioned the definition of corporate economic endeavors to *include* the interests and values of social relationships and moral responsibilities, rather than endeavors as *responses to* other entities related to their specific market activities. In this last respect of responsive actions, the Friedmanesque perspective of corporate obligations to stockholder interests is subverted in “giving away” invested assets without explicit consent or consideration of intended beneficiary needs. To alleviate concerns about corporate malfeasance in the face of social demands for corporate beneficence, many corporate executives attempt to avoid accusations of greed (*a la* Friedman critics) by giving to perceived charitable social causes. Oftentimes, the motive for acts of this type are based on a corporate fear of some sort of potential harm that social critics might attempt to inflict (Freeman and Gilbert 1988, p. 90), rather than an intentional act of beneficence. But this isn’t what Freeman and Gilbert envision as “corporate social responsibility”:

> The argument was made that as long as the firm was "responsive" to the demands of society and tried to anticipate and meet these demands, issues of responsibility could be left for the debate among philosophers. (1988, p. 90)

On Freeman and Gilbert's view, "merely responding amounts to an admission that the interests and values of others need not really count" (1988, p. 90). More accurately, they enjoin us to: "remember that a moral principle deals with others, by definition" (1988, p. 90). These others do not necessarily place claims or demands on corporate actions; rather, the Stakeholder Theory is a duty-based perspective of reciprocal social relationships involved in economic exchanges.

These relationships with others, of individuals or entities, form metaphorical spokes (financial *stakes*) on a wheel, with the corporation as the hub of activity. These spokes are the owners/stockholders, employees, suppliers, customers/consumers, local community, competitors, environment, and government. Each of these stakes forms a reciprocal relationship with the corporation, inclusive of responsibilities – economically, socially, legally, and morally. In fact, on this account, these responsibilities are conditioned on "the [negative] rights of individuals, both managers and stakeholders, to pursue their own projects without interference and coercion from others" (Freeman and Gilbert 1988, p. 8). However, Freeman and Gilbert choose to consider the moral concerns integrated with corporate social responsibilities – rather than "disconnecting ethics and strategy" (1988, p. 87).

While Freeman and Gilbert seem to be using both rights-based and responsibility-claimed approaches, a Kantian form of an imperative results in their use of a concern to "'discover' what it is to be human" (Freeman and Gilbert 1988, p. 10). In other words, they rely on a rational approach to corporate practice in the use of a series of questions to formulate the basis for determining reciprocated responsibilities between stakeholders:

1) Which values are important?
2) How are we going to act?
3) How *should* we act?
4) Who is going to benefit and who is going to be harmed by our action?
5) Who will be able to pursue their own projects, and who will be prevented from pursuing their projects, if we take this action?
6) Is this decision the very best one that could be made in these instances? (1988, p. 7)

Freeman and Gilbert predicate the Stakeholder Model on a simple factor: “It is people that count, not corporations” (1988, p. 9). In other words, each stakeholder is comprised of human beings who act in relational ways to the corporations with which they have a stake. Corporations are no less relational. Furthermore, human beings are social beings, and as such are always already engaged in relational acts with one another. On this basis, these relationships hold value, based on deriving mutual understandings of these values, to those involved in a social tie to another. Freeman and Gilbert derive the responsibilities of corporations through the development of corporate strategies to be responsive to their stakeholders (1988, p. 14). These responsibilities are based on the interdependence of the stakeholder-corporation relationship. Furthermore, stakeholders, as well as corporations, have intentions and purposes to their actions, which “implies some continuity of action” (Freeman and Gilbert 1988, p. 14). But, what is purpose? Freeman and Gilbert define purpose as:

1) Purposes are personal
2) Purposes guide action
3) Purposes require others
4) Purposes are shaped by bargaining
5) Purposes are the bottom line for performance (1988, p. 14)

Further, purposes are a “justification for action” (1988, p. 20), a mechanism in which one may measure the effectiveness of one’s responsibility to assist others in society. This measurement belies a consequential view; rather, it is determined by the motives for acting one way versus another.

Corporations may exert pressures on or cause harms to those who have a stake in corporate decision-making; but, stakeholders are capable of similar acts. Similarly, each party to the stakeholder relationship may seek to produce benefit to the other. These are intentional acts. In fact, the motives for corporate decision-making are based on some consideration of various notions of what constitutes a relationship and how a relationship ought to be developed. There is a sense of being responsible to engage in cooperative, normative ways with others. In other words, for each party to corporate existence in society there are social responsibilities based on formal and informal relationships.

The formal relationships are based on a specific economic opportunity for a stakeholder and the corporation. The responsibilities of each party to this type of relationship – such as supplier to manufacturer - are based on notions such as loyalty and trust to continue engaging in business with one another based on number of acts, such as fair pricing. The informal relationships may develop from indirect benefits to a stakeholder, the corporation, or both. An example of an informal relationship would be the impacts on the housing construction industry, a supplier of labor and product (homes built), in a particular region when a new corporate processing center is built. A processing center, such as a coffee bean roasting center, may change the community in which it is built in a number of economic and social ways. In this case, the processing center provides new intentions of business endeavors, new jobs for local and out-of-area workers, new responses from the local community to ease and support the development, and new opportunities for correlated aspects of human existence. One direct aspect would be related to new local tax impacts derived from both the company and new homeowners, which directly affect local services such as road systems and school resources. On an indirect basis, new employment and re-employment of construction workers results in further development of well-being of many community members. Those who initiate this scenario hold an explicit responsibility for the impacts of the strategies they choose to undertake. Therefore, there are direct and indirect responsibilities involved. These responsibilities develop into relationship “chains” of reciprocated ties that provide potential strengths to the direct, formal relationships in the form of the Stakeholder Model.

Stakeholder relationships formulate implicit as well as explicit expectations, which may result in contractual obligations. Freeman (2003) uses a Rawlsian approach in his Stakeholder Theory to further explicate the explicit contractual obligations. However, a Kantian perspective could be used in terms of various notions of implicit duties, respect for others, and acknowledgement of moral equals to argue both for and against the Stakeholder approach. These notions have both economic and social bases. For example, managers are employees of an organization and have a duty to represent the financial interests of stockholders (e.g. Friedman’s Stockholder Theory); but, according to the Stakeholder Model, managers also have a social and financial responsibility to satisfy suppliers’ desires for continued corporate loyalty in the purchase of raw materials. Likewise, suppliers have a social responsibility, among other responsibilities, to reciprocate loyalty to their “benefactor” corporate producers. For instance, Chrysler

Corporation’s suppliers accepted deep cuts in payments from Chrysler during Chrysler’s financial decline some years ago in exchange for commitments of loyalty to long standing supplier relationships.

Moral decisions are incorporated in financial decisions. On Freeman’s account, a moral decision, much like a financial decision, “do[es] not mean it is a morally correct decision” (Freeman and Gilbert 1988, p. 3). Rather, any decision is just that – a decision. What is “correct” in decision-making is a fundamental concern regarding:

- methodology
- values
- evaluations
- determinations

The stakeholder approach to corporate responsibility involves decision-making between individuals and other entities that have an economic as well as moral interest. Responsibilities are balanced between competing interests of these stakeholders in such a way as benefits and harms are apportioned based on the nature of the established reciprocating relationships. Freeman and Gilbert state that, “Corporate strategy is about purpose, and so is ethics” (1988, p. 19). The methodology of assessing these responsibilities includes strategic considerations of assisting “some group to realize its purposes and projects, or cause some group to fail to realize its projects” (Freeman and Gilbert 1988, p. 5). My purpose is not to delineate specific strategic managerial or corporate theories and practices, but rather to note that Freeman’s Stakeholder Model (Freeman and Gilbert 1988) is predicated on theoretical aspects of corporate economic strategy as well as moral responsibility. These aspects depict the stakeholder relationships as interdependent, reciprocating exchanges between individuals and entities and various corporations in society.

"Mushy" is hot. In fact, Freeman and Gilbert (1988, p. 104) dispute the view that, "the whole point of the move from corporate social responsibility to corporate social responsiveness was to be pragmatic, and to get away from those mushy, philosophical issues of values and ethics." Rather, they fear "systematic ambiguity" and a perversion of the "connection of ethics and strategy" (Freeman and Gilbert 1988, p. 104). In other words, the interdependent, reciprocal relationships between stakeholders and their corresponding corporate entities are based on strategic economic business choices underlined by moral principles. Further, corporate entities are viewed as strategic actors who base their decision-making among choices about how to act using rational theory. These decisions are based on intentions to act from both economic and moral duties to those involved in reciprocating, cooperative relationships. Moreover, Freeman and Gilbert argue an implicit notion of morality in a corporation, or "the internal *logica* of the institution" (1988, p. 109). This logic is based on the necessary corporate actions that ensure the "proper functioning of an institution" (Freeman and Gilbert 1988, p. 109). In fact, this functioning is realized in the process of corporate "behavior." This behavior is more than the explicit determinations of responsible corporate strategy.

> Behavior is almost inevitably constrained – by physical realities, by social influence, by information and cognitive capacity, as well as personal preferences. (Pfeffer and Salancik 2003, p. 15)

But, in order for a corporation to realize its purpose it must develop rules, or imperatives, of proper conduct, which provides for corporate sustainability. This conduct is imbued with economic and moral considerations because corporate acts are, by definition, in regards to others and the impacts experienced by others. What Freeman and Gilbert advocate is a notion of corporate endeavor in society that holds moral considerations as implicit in economic decisions – something they term as "corporate moral responsibility" (1988, p. 105) to others in society. Although not stated as such by Freeman and Gilbert, these considerations have the Kantian aspects of autonomy and consideration of others found in the second categorical imperative (Kant 1785).

I have discussed three theories of corporate social responsibility in this chapter. In Schlossberger's dual-investor theory, the corporation and society act as segregated, yet dependent, investors in business enterprise. But, there is a failure on his part to be precise about the moral complexity of the basis for the motives of these two perspectives to cooperate with one another as more than economic partners. In contrast, Stone states that moral rules are vague regarding voluntary cooperative corporate relationships, which result in legal or regulatory stipulations to instantiate corporate social responsibility when it appears to be absent. Although this perspective could account for corporate social failings, his work fails to provide a deeper sense of moral responsibilities in relational game play that ought to specifically identify and frame corporate social responsibilities. Finally, I analyzed Freeman's Stakeholder Model as an argument for a relational basis of corporate endeavor that includes social, as well as economic, responsibility. While this model incorporates moral concerns in relationships between stakeholders, I would argue that there is much more work to be done to determine how corporate endeavors with their stakeholders are to develop moral, integrative reciprocal relationships as embodied in economic exchanges. In the third chapter, I will discuss a number of critiques of the notion of corporate social responsibility, with particular attention to the classic and contemporary views of corporate responsibilities in the market system.

Chapter Three

Critique of Perfect Markets and Ideals of Capitalism

Almost all questions of corporate strategy are questions of ethics. Furthermore, the role of ethics in corporate strategy has been, for the most part, systematically ignored in theory and in practice. (R. Edward Freeman and Daniel Gilbert 1988, p. 7)

In the previous chapters I delineated the historical and contemporary approaches to corporate responsibility and the implications for the social responsibilities of business decision-makers. I also noted that the economic and business/society models of corporate social responsibility define moral and economic endeavors as segregated ways of thinking about the market system. While the classical theories certainly provide economic foundations for the current western view of corporate responsibility, I argued that Adam Smith held that social responsibility to others in the market community is implicitly present. In the two 20th century stockholder theorists' perspectives in the first chapter (Friedman and Galbraith), these thinkers drew distinct lines of demarcation between economic and social corporate responsibilities (if such were even "permitted"). On economist Amartya Sen's account, "the importance of the ethical approach has rather substantially weakened as modern economics has evolved" such that mainstream 20th century views of the nature of corporate responsibility in the market system were "substantially impoverished by the distance that has grown between economics and ethics" (1988, p. 7). In chapter two, we observed the segregation of business endeavor and corporate social consideration in the attempts of three contemporary theorists to integrate business and society in various ways. These models began the dialogue of viewing cooperation between the corporate and social activities, yet a number of constraints arise which precluded success in this respect. In this chapter, I will analyze a number of critiques of each of these economic approaches to corporate responsibility in order to subsequently provide a model for a notion of corporate social responsibility based on an integration of the socio-economic aspects of both market and human well-being.

How did Classic Theory become Stockholder Views?

Dogmatic profit theory ideology did not result from classical economic theory. The early advocates of an economic market system believed in a process of integrated efforts of individuals interested in commercial exchange, and these early theorists looked to broad definitions of relationships between exchangers. Those who later developed the corporate perspectives of investor-owned enterprise narrowed their definitions to relationships based on singular motives – stockholder driven motives for profit as the basis of economic markets. In chapter one I outlined important considerations of each of these economic theories of corporate responsibilities in the western market system. In what follows in this section, I will provide a critique of the transition in thinking about the meaning of corporate social responsibility.

Rejection of Economic Man

In *The Wealth of Nations* (1776) Adam Smith had suggested the basis for the motives of individuals interested in an economic exchange as an act of commerce. He formulated a model of an “economic man” who was autonomous and acted freely based on motives of self-interest for his well-being. Smith’s advocacy of voluntary market agent action, or initiative, stemmed from concerted efforts of like-minded individuals as they formed coalitions based on shared commercial goals. In his earlier work, *The Theory of Moral Sentiments* (1759), Smith demonstrated that human endeavors are the result of duty – to oneself and to others – and reflect self-examination of one’s character. But, this self-reflection is based on looking at one’s motives as both a “spectator” and as an “agent” of conduct (1759, p. 164). As a result, individuals assess praise and blame for their own acts, developing an interest in themselves in their roles in society. Individuals seek to be “agreeable to mankind” by being able to view their endeavor in society as “the impartial spectator would view it” (Smith 1759, p. 172). On Smith’s view, this sense of striving is a moral approbation, which he terms “ambition,” and which “is always admired in the world” (1759, p. 247). However, as I have shown in chapter one, by using a narrow, economic definition of the responsibilities of corporations this concept has been co-opted by 20th century economic theorists such as Friedman’s.

Smith’s views were carried forward by many overlooked thinkers, such as John B. Clark, a socio-political theorist, who argued for “economic altruism” (1963, p. 390) when he stated that “the motives of human action are the ultimate determining forces … to the value of the results of economic reasoning” (Clark 1963, p. 387-8). In this respect, Clark attributed moral concepts of “affections, aspirations, and conscience” to individuals, and eschewed the idea that human beings exist merely to pursue material acquisitions (1963, p. 389). His concerns are with the moral aspects inherent in human beings as social actors, responsible to and dependent on relationships with one another beyond economic ties. He attributed a “universal interdependence” wherein “each member exists and labors, not for himself, but for the whole, and is dependent on the whole for remuneration” (Clark 1963, p. 390). Further, he situates individuals in society, not merely in particular systems:

> It is not merely man as an individual that needs to be considered. A man is not independent. So close is the relation between him and others of his race that his conduct is dictated and his nature transformed by it. Though a self-directing being of the highest organization, he is made, by his relations to others, to be an atomic portion of a higher organism – society.” (Clark 1963, p. 389)

The sense of social mutuality among market agents is found in economist Ludwig von Mises’ *Human Action* (1949). In other words, an individual is not merely herself and only bearing responsibility to her own person, but a self in the sense of being a member of a social entity that bears responsibility to its own well-being for continued existence. This responsibility is derived from the collective actions of the individuals it comprises, but importantly it is based on these “individuals whose actions are related to the collective as the secondary source” of responsibility to the decision-making of the “intermediary” of individual/s’ actions (Mises 1963, p, 428). In considering the meaning of corporate social responsibility earlier in this work, Mises’ premise is:

> The life of a collective is lived in the actions of the individuals constituting its body. There is no social collective conceivable which is not operative in the actions of some individuals…Thus the way to cognition of collective wholes is through an analysis of the individuals’ actions. (1963, p. 428)

Therefore, he argues that the meaning of a collective’s acts is based on the meaning its individual members attribute to their endeavors. And, in this respect, I would argue that corporate responsibility is social for two reasons: a) individuals are always already social by virtue of notions of rational, autonomous beings (one cannot be autonomous unless there are others who seek to influence us), and b) individuals form themselves into relations with others, e.g. social ties. Hence, corporate responsibilities are social responsibilities. On Mises' view, "a collective whole is a particular aspect of the actions of various individuals and as such a real thing determining the course of events" (Mises 1963, p. 429). In other words, an absence of society would effectuate an absence of a market system in which commercial exchange could take place. Thus, the market holds responsibilities – the social responsibilities of corporate actors acting as corporations that strive to benefit themselves and others in economic activities through the intermediary of corporate endeavors.

The early notion of corporate social responsibility is based on specific business activities aimed at achieving a defined beneficial outcome, such as a commitment to refrain from depleting a particular resource. Carroll (1979; 1981) has developed a history of the definitions of the notion of corporate social responsibility. He divides the early concepts of corporate responsibility into two initial discussions: economic models and legal models. The legal model is concerned with placing constraints on the actions of business enterprise. Further considerations of the role of corporate entities in society serve to expand society's expectations of how this role would prevail and to what extent these entities would benefit or harm society. These expectations range from philanthropic activities, community obligations, and paternalistic provisions for segments of society (Carroll, 1981, p. 30). For example, provisions such as school funding, employee housing or health benefits, or environmental clean-up became mainstay claims. Thus, Carroll defines four contemporary *kinds* of responsibility: economic, legal, ethical, and discretionary (1979, p. 500; 1981, p. 34-5). These latter two have been more prominent in the literature and conceptualization of what corporate practice ought to be in contemporary society, but without an analytical explanation of this view beyond some vague determination of social expectations.

James J. Brummer, philosopher and business ethicist, addresses the theoretical dilemma of defining corporate responsibility a decade after Carroll's work. He uses an interdisciplinary approach to assist in reaching some conclusions regarding the definition and legitimacy of the term, "responsibility." He states, "unlike persons, social institutions must be legitimated" (Brummer 1991, p. 3). His basis for this argument is that corporations are human constructs and thus necessarily imply the capability to make rational choices, which requires taking responsibility for corporate acts (1991, p. 3). Many have argued that corporations cannot take ethical "responsibility" for actions because they are entities, not persons. Brummer explores a number of related questions:

> 1) Do corporations themselves have responsibilities, or do only some or all of their members have such responsibilities?
> 2) To whom are corporations or their members responsible in their conduct?
> 3) What determinate responsibilities do they have?
> 4) Why do they have these responsibilities? (1991, p. 4)

While these are important considerations, and they have served at times to be the springboard for some of the literature on corporate social responsibility. I will return to what I regard as a more fundamental problem. I will argue that there are not merely *kinds* of responsibility; rather, there are different *meanings* attributed to the term, which derive from economic theory and which may or may not truly define "responsibility." For example, Kant stipulates a voluntary duty to be responsible towards the well-being of humanity, inclusive of ourselves, as ethical while not stipulating "exactly how far one must go in this effort" (Kant [1797b], Introduction, Sec. VII, Sec. 392, 1994, p. 50). The notion of Kant's human well-being is reminiscent of Aristotle's *eupraxia* in *Nicomachean Ethics*, Book I as an inclusive state of acting, functioning, and faring well, in total immersion in society. However, the term "responsibility" may be also used when the reasoning is closer to evaluative or quantitative considerations, such as "accountability" for misstated financial disclosing. Or, it may be used as Carroll and others have discussed, as "responsiveness" to a social pressure to react to a particular event, or to initiate some "action phase of management," absent a continued commitment of such acts (Carroll 1979, p. 502; cf Carroll 1981). However, the notions of accountability and responsiveness fall short of duty. Rather, these two notions are reflective-based, evaluative assessments of corporate activities. I am interested in "responsibility" as denoting duty-based motives to effect human well-being, which necessarily implies a social responsibility.

Duty is related to intentional thinking, rather than consequential, evaluative implications, in decision-making. We accept that duty is related to the notions of human reciprocity between moral agents and responsibility to others. As has been discussed previously, moral agency can be attributed to corporate endeavors based on shared goals of individual agent decision-making within a corporation. Although not frequently cited, New York University philosopher H. H. Horne stated that in taking individual responsibility, "a man's character determines his acts, he is responsible, for the act is his own; he committed it because, being the man he is, he could not have done otherwise" (1912, p. 92). Two considerations could follow from this thinking. One, we could argue that a collective organization such as a corporation may have a "character" that determines its acts based on shared individual decision-making and thus the corporation holds responsibility for its decisions because these acts are its own, and, two, a corporation possesses a particular sort of culture and could only make decisions of a particular type, which could be moral or immoral.

Returning to my discussion of historical foundations for social aspects of market activity in chapter one, the character of a corporation has been related to the “culture” of a corporation. Although the notion of corporate culture is accepted in organizational behavior literature, its meaning and application vary widely. I intend to use the accepted definition of corporate culture of organizational behavior expert Jeffrey Pfeffer as inclusive of “a system of shared values (that define what is important)” (Pfeffer 1997, p. 121). Furthermore, Leo Rogin states that “the assumption that these institutions are in the public interest endows them, further, with objectivity in the sphere of social values” (1956, p. 6). Hence, objectivity is based on judgments reflective of what Rogin envisions as both adequacy of practical acts, and as importantly the “judgments as to the possibility of the aim being realized in given historical circumstances” (1956, p. xv). This constitutes a duty for corporate responsibility to others in its market activity and practices.

These responsibilities correlate to an organization’s capacity to develop a “culture.” Corporate culture derives from the rational decision-making of individuals who *consistently* share the goals of the organization. This consistency is based on more than empirical determinations; rather, consistency is a correlative notion that embodies valuative qualities, such as persistence and validity, based on an interdependence of “what one tries to achieve and how one goes about it” (Sen 2000, p. 13). This parallels Aristotle’s view, in the *Nicomachean Ethics,* of the individual development of virtuous character, or internal consistency of rational choice, in the shared perspectives and interpretations of our choices as individuals functioning responsibly in a society.

Models of Economic Efficiency and Ideological Responsibility

The assumption that corporations, as market actors, follow particular scripts, is the basis for classical economic models. These models attempt to advance optimal choices about corporate market roles using concepts of ideal capitalism, perfect competition, and unadulterated free enterprise. The result is an ideological construct in the form of what is termed Pareto optimality (Freeman et al 1988, p. 111; Sufrin 1989, p.22). Vilfredo Pareto, a neoclassical Italian economist, was interested in how rational behavior impacted human motivation and choice in economic decision-making (Baron et al 1994, p. 1116). Pareto optimality is the underlying notion of economic choices regarding the achievement of aggregate welfare for society under a supposition of general equilibrium between suppliers of goods and consumers of those goods in the capitalist market. This equilibrium is disrupted when one market agent benefits because a corresponding agent will be hindered in some respect, for example as a cost of market enterprise. This cost may be reflected in consumer desires to reach maximum value for their expenditures; but, producers seek to maximize their return on their production investments. Each market agent is being responsible to themselves. Hence, one of these agents is harmed by the other's self-interest and goals to maximize their utility. In other words, "Pareto optimality captures the efficiency aspects only of utility-based accounting" (Sen 2000, p. 33). But, both efficiency and utility in this definition do not account for the evaluative considerations of these two terms in relation to human well-being. Moreover, Pareto optimality is often used interchangeably with the term, “economic efficiency.” Although Pareto optimality is used for analyzing issues related to welfare economics in the general public sense of state responsibility to citizens, it has also been applied to corporate responsibility mechanisms in the free market system.

But, Pareto optimality fails to engage in socio-economic considerations of what constitutes corporate social responsibility. For example, corporations make mistakes, or in other words engage in imperfect market choices, about their economic activities and market relationships with other market agents. Thus, if an attempt to create an environment in which an improvement in the economic well-being of market participants is made, then at least one market agent will be harmed financially. It is this harm that is problematic – human efficiency and utility include notions of fairness, honesty, and responsibility of individual functions to society.

Herein lies the problem with Pareto optimality – it is a mechanism of contemporary economic theory to evaluate the success of the market system by looking at the consequences of the autonomous choices of *individuals* acting in the market. However, individuals do not act based solely on their *individual* choices; rather, rational choices in a capitalist market system are made in a *collective* decision-making environment of increasing corporate enterprise. Moreover, the acts of market agents are necessarily social because these agents are operating in a “market” of other agents who develop relationships with one another. The strategy of market agents is thus based on mutual interdependence. Because our “behavior is ultimately a social matter as well” as an individual matter, “what should be ‘our’ strategy, may reflect a sense of identity involving recognition of other people’s goals and the mutual interdependence involved”

(Sen 2000, p. 85). Hence, as individuals who act within corporate endeavors perceive harm, they see themselves. But, they also see themselves as agents in roles in corporate enterprise. In other words, to have a motive to instigate harm requires acknowledgement that others, as rational beings, also have the capability to act with motives of harm. But, these harms are social harms, rather than merely individual to individual harms.

Pareto optimality methodology, despite its use as a norm for state welfare responsibility, is inherently concerned with market actors and corporate enterprise for economic development theory. However, this methodology does not account for interpersonal comparisons of utility. As stated by Sen, "the policy use of the Pareto criterion goes beyond welfarism and embraces consequentialism as well, since choices of actions, institutions, etc. are all required to satisfy Pareto optimality, so that consequentialism is implicitly but firmly demanded" (1988, p. 39). On Sen's account, questions must be "raised about the possibility of interpersonal comparisons of utility" (1988, p. 38). When we begin a discussion of interpersonal concerns, we necessarily face questions about the motives of others. Moreover, as I have shown previously, social harms, as well as benefits, such as some sort of optimality, require conceptions of responsibility to others as well as to ourselves. Market actors, including corporations, act from duty to themselves, as well as to others, to prevent harm that may likewise be realized. Market actors may act according to Kantian notions of duty and responsibility to moral equals in fulfilling their social responsibility.

Sen argues against a narrow utility-based determination of market responsibilities for social well-being. In fact, he traces the evolution of the current characteristics of the economic market to the 1930's and conservative economist Lionel Robbins in which accountability became the new responsibility of market agents. On this basis, economists were "judging success [in the market] by the size of the *sum total* of utility created" (Sen 2000, p. 30). Moreover, Robbins' definition of economics included relationships, but these relationships were "between ends and scarce means," rather than between human beings (Cooter and Rappoport 1997, p. 95). Further, Robbins espoused a view antithetical to Pareto's original view of responsibility to others in "rejecting the interpersonal comparability of utility" and in formulating a narrow definition of ophelimity, or economic satisfaction, as an economic market responsibility. Pareto's view constructs a social responsibility between market agents, which is interdependent and reciprocal. It is important to look to Pareto's original sense of responsibility in the economic market:

> We will say that the members of a collectivity enjoy *maximium ophelimity* in a certain position when it is impossible to find a way of moving from that position very slightly in such a manner that the ophelimity enjoyed by each of the individuals of that collectivity increases or decreases. That is to say, any small displacement in departing from that position necessarily has the effect of increasing the ophelimity which certain individuals enjoy, and decreasing that which others enjoy, of being agreeable to some, and disagreeable to others. (Pareto 1906, p.261)

To put this differently, in re-defining "utility" as a perpetuation of the physical, intellectual, and moral development of individuals and communities, Pareto intended a social responsibility of market agents to one another (Salinas 2003, p. 150).

The meaning of utility may mean different things, depending on whether we use an economic basis, or an ethical one, or an integrated sense of the two. In other words, "utility" has been defined to encapsulate "total well-being," an Aristotelian perspective, rather than the 20th century Benthamite attribution that requires a "metric of happiness, or desire-fulfillment" (Sen 2000, p. 40, n13). As I discuss in this dissertation's Introduction, we may look at agency in terms of motives of utility in either definition. However, if we embrace the "well-being aspect," rather than the "desire-fulfillment aspect," or vice versa, I argue with Sen that the notion of agency importance is diminished in value because it dilutes the holistic approach of a Smithian perspective of market exchange (Sen 2000, p. 44 n15).

However, Sen would have us be "more concerned with what ethics can do for economics than with its converse" (1988, p. 78). I would suggest adopting the opposite view. I have argued that the notion of corporate social responsibility entails considerations of both economic and ethical utility. In this respect, Sen contends that, "it is, of course, possible to argue that interpersonal comparisons of utility make no sense and are indeed totally meaningless…" (1988, p. 30). However, as I have shown, the *meanings* of economic terms have inherent social implications related to corporate responsibilities in the market system because of interrelational market agent ties. My argument returns to the meaning of what constitutes responsibility, and whether economic endeavors are distinct from or integrated in ethical thinking about corporate enterprise that fulfills a social responsibility in society.

The relationships of stakeholders in the market system are constructed using quantifiable constructs of corporate efficiency and effectiveness, but not as ends to be pursued. Rather, this quantifiable construct is absent any accounting for social responsibility to others based on efficacy in the system. But, as we have seen, the social interactions between producers and suppliers are fluid in mutual exchange; yet, they are constrained in the market, "because people seek consistency between their conduct and creeds and because they tend to conform to the values and expectations of others" (Baron et al 1994, p. 1117). Moreover, it is this social aspect that claims of corporate responsibility address – in fact, responsibility, as I have shown, necessarily implies an otherness in rational decision-making. Sen states that economic theory is characterized by rational decision-making based on "internal *consistency* of choice" and with the "*maximization of self-interest*" (1988, p. 12). In rational choice it is the consideration of others, as a responsibility to their well-being as our own, that takes on a Kantian perspective of an imperative: "Rational choice must demand something at least about the correspondence between what one tries to achieve and how one goes about it" (Sen 2000, p. 13). Otherwise, we are no longer discussing "responsibility," but rather, "accountability" for some quantifiable product, or good. My interpretation of the meaning and practice of "responsibility" is implicitly social.

In order to discuss "responsibility," we necessarily must return to my earlier work in chapter one regarding individuals' functions in society. Responsibility requires individuals to adhere to particular, purposeful roles in society. Individuals attach to *roles* – "which are social (not technical) definitions of durable clusters of tasks, rights, and responsibilities – and only indirectly to individuals by virtue of their occupying roles" (Baron et al 1994, p. 1117). In fact, sociologists traditionally refer to roles in complex bi-fold layers – "the incentives or task responsibilities confronting an actor in a position, but also to the expectations…associated with a given social position" (Baron et al 1994, p. 1117). Further, these expectations result in "the *forms* of economic and social exchange, and not simply the *outcomes*" (Baron et al 1994, p. 1117). These forms of exchange are intended to develop and provide satisfaction, or good, to our roles in society, which entails "moral assumptions and purposes" (Lilienthal 1963, p. 433). I concur with philosopher Charles Taylor's assessment that economic exchange is "ordered, peaceful, and productive activity [as] has become the model for human behavior and the key to harmonious coexistence" as an element of social well-being (Taylor 2004, p. 15). This is what I am seeking – what the notions of corporate social responsibility mean if the motive for market agency is based on consumer and producer satisfaction, or "good," and therefore human well-being.

However, as I have also shown, a "good" is such by virtue of being valued, as determined by human interest in what constitutes a "good." Implicit in this determination is a responsibility to evaluate our motives for undertaking decisions regarding others, our intentions to consider the alternative choices we may have, and our willingness to assess these impacts in order to make decisions about our actions. Taylor's concern is the "new understanding of sociality, the society of mutual benefit," which leads to efficacy (Taylor 2004, p. 18). The efficacy of our actions conveys a social responsibility to others based on our decisions as a legitimate moral agency. On this basis, individuals act according to their roles in society, including acting in collective endeavors such as being a member of a corporation. Our economic decisions are made individually, and collectively, within corporate environments. However, classical economic theories use a model of efficiency in terms of economic well-being. But, improvements in well-being are value-based on more than economic calculations; goods are valued because they are good, efficient, or efficacious by being useful for our individual and other selves as consumers, producers, and members of communities. What is efficient for corporate endeavors has to do with responsibilities that determine the status of goods in society. The status of corporate endeavors may indicate a quality or "good," which is of value, to produce material goods that are economically successful, and thereby efficient, and socially successful based on efficacy in the market. In other words, the terms “good” and “efficient” are not synonymous with “efficacy.”

Utilitarian Applications of Responsibility

John Stuart Mill, in his treatise on utilitarianism, as the fundamental theory of value ([1871] 1993), indicates moral and economic notions relating to what has been determined to be good and efficient in the market when he states, “Whatever can be proved to be good, must be so by being shown to be a means to something admitted to be good without proof” ([1871] 1993, p. 140). In other words, the good is not efficient in and of itself, without quantifiable proof; rather, what is good is efficacious because it accomplishes a social purpose that is valued by human determination. In fact, while what is efficient is “a superiority in quality, so far outweighing quantity as to render it, in comparison, of small amount” (Mill [1871] 1993, p. 146), efficiency cannot be reduced simply – “if it were possible to assign numerical probabilities to the various effects of our actions we could devise a way of applying the method of total situations” (Smart 1998, p. 38). But, we can’t. We value efficacy as well as a social responsibility to others. In other words, we cannot place a numerical value on the probability that Starbucks Coffee Company will consider it their corporate social responsibility to indefinitely continue to offer small business loans to coffee bean farmers in Sumatra merely because this action is efficient, and thereby good. Rather, the efficacy of social relationships is a component of what is good in the market as well.

Further, efficiency is a standard, or value, we place on events or actions, such as corporate endeavors. These endeavors are based on rational decisions regarding corporate responsibility for particular endeavors that are intellectual in basis; and, these intellectual pursuits are good in that they are efficient, or are valued, based on human choices to act one way versus another to achieve a strategic goal of stakeholder satisfaction. In this respect, the notion of self-interested agency encapsulates more than a monist pursuit of self-interested satisfaction; this pursuit is based on a motive of agency, or efficacy, for its own sake (Sen 2000, p. 55). Satisfaction is not a quantifiable construct, but rather a knowledge of achievement of some "aspiration," as Mill would term it ([1871] 1993, p. 148). Aspirations are considered good; they identify a purpose, an effectiveness, a value – in other words, an integration of efficacy and efficiency. Further, if this aspiration, by definition as a human goal, is an aspiration by virtue of being viewed as attainable, it would not be set out as a goal if it was unattainable. Thus, what is attainable is efficient and efficacious; moreover, what is attainable is good. Further, Mill calls upon individuals to be "public benefactors" to "consider public utility" ([1871] 1993, p. 158), and thereby achieving an attainable "good."

On Sidney Sufrin's account, the degree of efficiency oscillates due to trade offs. These trade offs must be considered in light of various corporate responsibilities, including social ones. These responsibilities are based on changing knowledge and arising market issues such that, "the interaction of micro and macro, of small and large entities in the market-business system has to do, in an operational sense, with changes in the structures of the market," which entail social relationships (Sufrin 1989, p.16). But, how do we determine what these social responsibilities may entail if the changes in the structures of the market are unknown until they occur?

In response to this question, I would concur with Sumner H. Slichter, Harvard University economist, who suggests in his work *The American Economy* that the responsibilities of corporations are based on adaptations of ways of moral thinking about "conserving scarce resources, increasing the efficiency of men and equipment, or adapting the product more closely to the preferences of customers" based on social efficacy (1963, p. 371-2). Further, his view is that the corporation fails its social responsibilities if it is solely motivated by self-interest in the sense of disregarding its "effect upon the community as a whole" (Slighter 1963, p. 371). In fact, he states that, unlike public policy, corporations have the opportunity and responsibility to "adapt themselves to change" without waiting for social demand. Further, he argues that the economy functions best "when there is proper balance between people's interests as consumers and their interests as producers" because they are essentially the same individuals to which corporate endeavors are aimed (Slichter 1963, p. 373).

Further, Adolph Berle, a fellow Harvard economist, uses an expanded view of the importance of public concern about corporations, which he calls "corporate constituency" (Berle 1963, p. 368). He suggests that this constituency operates as a primary impetus for corporate responsibility to its role in society. Moreover, this constituency – labor, consumers, and suppliers – acts as the "force of public opinion" (Berle 1963, p. 365), which could be argued is a precursor to Freeman's Stakeholder Theory of market equals. In other words, "general equilibrium will result, if all the rules of the game are simultaneously honored by all participants in the markets" (Freeman et al 1988, p. 111), but the market is anything but static. In fact, on this basis, “economists assume that the general-equilibrium conditions are descriptive of the way the world has to be” (Freeman et al 1988, p. 112).

Freeman and Gilbert point to the lack of truly perfect markets in which there is perfect information – or, “informed consent” for economic agents to make rational choices within impersonal constructs in economic models. These market agents are stakeholders to one another – corporations to suppliers, consumers, etc., but also among themselves. In other words, corporations are not merely “hubs” around which stakeholders revolve. Rather, corporations are themselves stakeholders to some other entities in the market who are held to be the “hub” of the Freeman metaphorical wheel. Said differently, corporations are interdependent entities of individuals who are cooperating within and outside of their organizational constructs. This cooperation requires both economic and social interaction - a responsibility to be concerned with others’ well-being because one’s self-interest is dependent on others. There is a duty to strive towards interrelational activities that provide cohesion to market endeavors, which are necessarily economic and social aspects of corporate decision-making. It is this cohesion that is primary to the functioning of a good market system.

Economic Harmonies

I have shown that corporate responsibility includes a social concern in that choices are made based on market agent efforts to secure information from others in order to strive towards the market ideal of both efficacy and efficiency. But, this then involves choices between trade-offs with others in the market and attaining some measure of Pareto optimality based on social responsibilities to innumerable reciprocating market agents in order to attain good in a community. On this basis, we will need some method to determine what is a socially optimal determination of responsibility to a community of rational members.

A “civilized community,” ought to meet a number of tests according to Slichter (1963, p. 376). On his basis, there are both economic and non-economic tests applicable to market agents of the economic system. The economic tests ought to include: “reasonable security and abundant opportunities” for community members, adaptability to change, fair product distribution, and “a fair balance between the interests of consumers and the interests of producers” (Slichter 1963, p. 369). What I notice about Slichter’s economic concerns are the implicit, morally-based aspects of considerations of otherness. In the same year as Slichter’s publication, accountant Stuart Chase, in *The Proper Study of Mankind* (1948), argued that economic self-interest results in “a higher harmony” (1963, p. 391) that is absent selfishness and inclusive of efficiency, and certainly incalculable in terms of Smith’s economic man.

Further, Slichter’s four non-economic tests are directly concerned with a corporation’s social responsibilities in the market. These tests are based on whether there are decisive acts of corporations based on “intelligent action” (Slichter 1963, p. 369, 377-81) for:

1) Regard for workers and their needs as human beings
2) Artistic and intellectual life free of constraints, encouragement in creativity and innovation, and sponsored interests
3) Favorable environment for democratic institutions and associations absent economic controls
4) Balanced scale and exchange of values within a community

Moreover, he argues that corporate endeavors ought to be inclusive of open contact and communication with the members of their communities, otherwise corporations, as highly organized groups, "will become narrow and parochial" (Slichter 1963, p. 382). In other words, his view of a "civilized" community is a harmony of market agents' interests that captures both economic and social responsibilities. These interests carry mutual concerns and motives of self-interested market endeavors. However, each of these notions draws on moral responsibility based on choices about rational human acts. Horne stated that choice "presupposes motives, or ends of action" (1912, p. 72). Further, on his account choice is made at a particular point in time and is integrated with an individual's motives.

Sidney C. Sufrin, Milton Friedman and Reflex Responsibility

Sidney Sufrin, a business economist, frames this scenario:

> So long as there are choices, or the illusion of choices, so long as people think and act as if there are alternatives of thinking and acting, questions of degrees of goodness and badness, however conceived and measured, are implicit in thought and action. (1989, p. 13).

The opportunity for a range of choices is a concept that has moral implications. If there are alternative ways of acting in the market, then the individuals making choices among these alternatives bear responsibilities to themselves and others to make a good selection. The implications of goodness or badness of acts can be represented in a variety of perceptions of the activities in the market.

For example, Sufrin states that issues related to fairness and justice are incorporated in the "functioning" of the market system but that, "an ethical act is *outside* the market and its rules" (Sufrin 1989, p. 40). But, does this reasoning impinge on our concern with social responsibilities of corporations? Sufrin seems to be saying that ethical behavior is attributed to individuals, rather than market entities, but at the same time he states that "ethics is implicit in both individual and social behavior" (Sufrin 1989, p. 41). What is apparent is his distinction that ethics pertains to individuals who act *in* markets, which is reflective of "the values of society" (Sufrin 1989, p. 41). In other words, he states that there is an "interconnectedness between social and private values," (Sufrin 1989, p. 45), rather than between social and corporate values. Thus, ethics does not seem to be a social responsibility of an entity, such as a corporation, *to* legitimize collective market acts. Rather, the notion of moral responsibility could be classified as "market baggage" derived from theories of ethical acts, if not subsumed in perceptions of justice and fairness as a responsibility of corporations (Sufrin 1989, p. 40).

Sufrin's view of corporate social responsibility is reflective of, although not equivalent to, Friedman and Galbraith in regards to the purpose of corporate enterprise. Sufrin views the market for "practical purposes" based on its structure. The market is "structured by considerations of efficiency and amenity, or more precisely by efficiency and law" (Sufrin 1989, p. 46). In other words, Sufrin's concept of the profit model is, "the balancing of efficiency considerations and amenity considerations in the act of responsible behavior [which] obviously includes control over technical know how and acceptable values" (1989, p. 51). But, these values are considered outside the market system, and they do not include government policy imposition of societal values. In this respect, Sufrin considers government intervention in corporate responsibilities, particularly in terms of legislation, as stifling the use of reason in market systems (1989, pp. 52-53).

Friedman states that the notion of corporate social responsibility *to* something other than profit “is a fundamentally subversive doctrine” and ought to be limited in scope to allow for corporate officials “to make as much money for their stockholders as possible” (Friedman 2002, p. 133). But, his view implies a narrow concept – that corporations are formed through the investment of capital to earn a profit as an act of responsibility and as such an entity may not act in any other manner. His way of thinking thereby impinges on autonomy and choice for managers operating within a corporation.

Alfred Marshall, a neo-classical economist of the early 20th century, was concerned with reciprocity and choice in the social responsibility to relationships in what he termed, *economic chivalry*. In other words, economic endeavors will not bring about ideal economic functions, but rather include an “aim of social endeavour” inclusive of market participants (Marshall, quoted in Rogin 1956, p. 562). However, Sufrin notes: “Since providing income and security is not achieved by unthinking processes, by merely following the dictates of nature in some Rousseauean fashion, choice is implicit in personal behavior as well as social behavior” (1989, p. 13). Rousseau’s argument from nature, rather than reason, would have us taking responsibility for others out of pity and a fear of being harmed by others, rather than some sense of reasoned duty as to how we behave towards others (1754, p. 55). This way of thinking failed in establishing an early conception of what the role, function, and responsibility of a corporation ought to be, yet it imposes some of the same concerns Friedman eschews in his rant against “corporate social responsibility.”

Kantian Applications to Market Agency

Friedman's imperative in economic theory would seem to advance a provincial perspective and proceeds to defeat its own purpose: stockholder, corporate, and market agent endeavors must be individually, "mutually unconcerned" with one another on his view (Freeman et al 1988, p. 114). Furthermore, Friedman's view of Smith's "economic man" and his motives of self-interest as driving economic forces fails to provide empirical evidence of absolute market success. Sen states that market success has not been proven to be solely dependent on all market agents acting only from a motive of self-interested profit (1988, p. 18). In fact, we do not have a measure for determining motives for every market agent's acts, nor what constitutes perceived degrees of corporate responsibility. Market agents may choose based on a sense of loyalty, courage (risk-taking), or benevolence over self-fulfillment – which are moral aspects of self-interest, and commitments to concerns for others that Smith considered.

In contrast to Friedman, a contemporary, Clarence Randall, a former industrialist and Chairman of the Committee on Foreign Economic Policy during President Dwight Eisenhower's administration, stated that "the secret of free enterprise is that we harness the natural instinct of each man to serve himself, and rely on other natural forces to see that as he serves himself he serves society" (1963, p. 351). This "enlightened self-interest" of Randall does appear to be the case in every exchange relationship in the market – corporate decisions demonstrate mutual concern for other market agents in cases of free enterprise or fair competition, employee safety and health, or public reputation. Further, corporate aims of efficiency and effectiveness are not equivalent, nor are they value-free. Rather, efficiency is more than a determination of "how much is produced at what cost" (Pfeffer et al 2003, p. 34). I have argued that efficacy is valued as a thing in itself – as a social ideal as well as "an argument to achieve objectives sought for other reasons" (Pfeffer et al 2003, p. 35), such as effectiveness. The image of perfect competition and consequential realization of income maximization in classical economic theory is an ideal – a *moral* ideal – in Sufrin's terms because ideals are projections of what *ought to be*, rather than what *is* (1989, p. 22). Randall provided earlier foundations for this thinking in his work, *A Creed for Free Enterprise*:

> Personal participation means also, of course, generous giving to community causes…I hold deep conviction that this meeting of the social needs of the community is a proper charge to the cost of production. It is not charity, but the acceptance of responsibility… (1963, p. 353)

Accordingly, the responsibility of business includes a "social concern" as an impetus to corporate decision-making based on the pursuit of an ideal market comprised of many constituents. This concern is found in Sufrin's notion of interaction between micro corporate endeavors and macro applications of ideal market efficiencies. Moreover, the traditional view that efficiency is purely quantitative is a misnomer in Sufrin's view:

> *Real* i.e. quantitative and physical deviations from the ideal are treated as the result of obstacles to the realization of the ideal. Such analysis and synthesis are clearly ideological and moral rather than scientific. (1989, p. 22)

In other words, Sufrin states that this synthesis is rooted in politics and morality, two social aspects of analytical processes, rather than purely 20th century economic models and statistical constructs of business enterprise (1989, p. 23). For that reason, an argument regarding the social responsibility of business is inclusive of social, evaluative notions of responsibilities to others based on moral aspects of reciprocity involving economic exchange.

Pfeffer and Salancik (2003, p. 34) state that effectiveness is a valuation that may include efficiency, but which also incorporates external judgments of how well a corporation's acts achieve social goals of satisfying market agents and stakeholders. Accordingly, economic theory must be linked with moral imperatives (Freeman et al 1988, p. 112). On that basis, the object of concern would entail considerations of well-being for another agent as a good beyond particular financial exchanges or legal constraints. And furthermore, any sense of interest for another market agent would be indicative of a moral concern. In citing Christopher McMahon's theory of Implicit Morality of the Marketplace (IMM), Freeman and Gilbert (1988, p. 112) argue that the notion of economic efficiency contains hypothetical imperatives of stockholder responsibility to consumers in moral terms related to corporate decision-making. In other words, IMM is the link between economic and moral theories because "the achievement of economic efficiency is taken as an end" (McMahon 1981, p. 255).

Further, this view is linked to classic economic theory in that corporate decision-makers, as agents of stockholders of the corporation, act in congruence with owner preferences. As we have seen in classic theory, the notion of self-interest is regarded as a prominent motivator for market acts. This includes the idea that "the key to it obviously is the intelligent harnessing of the self-interest of the individual for the advancement of the common good" (Randall 1963, p. 351). Freeman and Gilbert (1988) are concerned with the notion of market agents. Market agents may be stockholders, managers, suppliers, consumers, etc. whose behavior impacts themselves and others in the operation of market exchanges. The interdependent acts of these agents indicate the capabilities of these individuals to engage in rational decision-making, inclusive of economic and moral determinations of motives to act with responsibility towards others. In this regard, Freeman and Gilbert attribute the competency of individuals “to both understand the idea of ‘the good’ both for him or herself and others, and to have a sense of duty in interaction with others” (1988, p. 52). Furthermore, rational individuals are *moral agents*, with capacities of moral tendencies to act from a duty of responsibility to their own well-being and that of others.

Those engaged in collective activity, such as in a corporation, are agents who initiate the framework of responsible economic acts as role-players in the marketplace. Their capacities are bounded by the framework of their roles in such a way as to formulate duties to the functioning of corporate practice. Moreover, these capacities may be economic, as well as moral – without prejudice. Duties are “quite simply, an obligation to take specific steps” (Freeman et al 1988, p. 52). Further, duties “provide a full framework in which persons can take action of their own accord” (Freeman et al 1988, p. 52). Thus, corporate agents who perform the duties apportioned by stockholders are in effect taking steps towards corporate practice without differentiation in terms of morally or economically based space for being responsible to others in society. Corporate practice is “corporate strategy.”

The “implications for the practice of corporate strategy” illustrate “no justifiable separation of owner and management” acts because stockholders are responsible, or liable, for the use of their capital (Freeman et al 1988, p. 113). Moreover, Freeman and Gilbert postulate that “certain decisions of the firm cannot be separated” (Freeman et al 1988, p. 113), such as managers being given responsibility for the use of stockholder investment capital in ways that enrich the corporation. The problem occurs in terms of how we define "enrich." This term would seem to connote a "good" in the sense of some benefit of a product, service, or idea that gives a sense of human well-being. For example, McMahon's two basic requirements of the purpose of market activity are moral underpinnings of corporate responsibility that is reminiscent of harmonious social decision-making. Freeman and Gilbert (1988, p. 112) paraphrase these as corporate imperatives:

1) Thou shalt bring about perfect information.
2) Thou shalt consult stockholders in cases of morally significant decisions.

Once again, the problem is one of definition. A stipulation of stockholders to management that encompasses the notion of "morally significant" is no different than stating that consultation must occur in cases of "financial significance." In other words, Freeman and Gilbert state, "the point is that, to the extent that owners are liable for the use of their capital entrusted to management, certain decisions of the firm cannot be separated" (1988, p. 113).

Stakeholders and Moral Strategy

The definition of "corporation" proves to be troubling. The term is meant to encapsulate the collective endeavor of rational individuals, or rather a coalition of rational individuals, toward some specific purpose, based on shared goals (Freeman et al 1988, p. 8; Pfeffer et al 2003, p. 23). In other words, "organizations are social instruments of tremendous power and energy, and the critical issue becomes who will control this energy and for what purpose" (Pfeffer et al 2003, p. 24). Based on the definition of a corporation, the strategy of corporate activity is the attainment of economic profit through the collective exercise of shared individual goals. This formulates the basis of free corporate enterprise in society. The term “free” attains a moral notion of autonomous rational choices to make decisions related to corporate self-interest of well-being. Further, the term “enterprise” attains the basis of deliberative, shared activity to provide some good as we have defined earlier.

As I have discussed previously, the classic notions of economic theory argued that the notion of self-interest is a responsibility of an individual to choose to engage in commercial exchange. The later theories of economic perspectives of Friedman and Galbraith embraced narrow definitions of utilitarian self-interest as an ideal of a corporate motive of profit within market enterprise. However, earlier 20th century economists and contemporaries of these thinkers viewed Smith’s “economic man” in broadly defined terms that included moral aspects of responsibility to society based on Kantian notions. I would concur with current economist Sen’s view that Smith’s treatises elaborate what *ought to be* economic theory – “economics is supposed to be concerned with real people” (Sen 2000, p. 1). To put it differently, economic thinking is originally considered, beginning in ancient Greek society and continuing up through Kant to the early 20th century, as a social activity based on considerations of human well-being. Because the basis of corporate endeavor is founded in the practice of commercial exchange – thereby economic transactions – these exchanges and transactions are implicitly human-based and thereby social. Therefore, when we speak of corporate responsibilities, we are including social responsibilities as harmoniously integrated in all corporate decision-making about exchange and transactions. On Sen’s account, “the study of economics, though related immediately to the pursuit of wealth, is at a deeper level linked up with other studies, involving the assessment and enhancement of more basic goals" (1988, p. 3).

But, on Freeman and Gilbert's perspective, as well as Pfeffer and Salancik's accounts, these social entities are less a constructed corps and rather a *process*. One could argue that this notion of a process is movement – whether it be advancement or regression – of ideas and things. For example, corporate purposes lead to goals that include goods produced from material resources as well as human resources. Human resources would include the decisions of corporate managers based on their particular skills in making market choices. Further, a corporation comes to be defined by its activity (Pfeffer et al 2003, p. 25). However, corporate activity is characterized by the decision-making capabilities of its individual members who are intent on the mutual concurrence of shared motives for the functioning of the organization. The economic endeavors of corporations acting collectively between one another and other entities is relational, thereby social, as is illustrated in Freeman's Stakeholder Model, in a particular space – for our purposes, the "market" of exchanging goods, services, and ideas.

Corporate economic responsibilities construct market activity that satisfies consumer demands. These responsibilities are based on purposive economic actions on the part of all market agents, as stakeholders in market exchange, which, according to classic economic theory, must be voluntary. In considering this element of the definition, Freeman and Gilbert (1988, p. 8) argue that market choice must be voluntary in that it must also be free of coercion, impediment, and constraint. However, on Pfeffer and Salancik's view, a corporation's responsibility to satisfy the needs and demands of consumers, "simultaneously constrains its own behavior in meeting other or subsequent demands" (Pfeffer et al 2003, p. 29). Further, Morgan (1990, p. 5) develops an account of society's expectations of others, which also serves as a constraint, in the development of market relationships. This constraint is a responsibility for using rational processes between market agents in these relationships:

- participation
- coordination
- cooperation
- responsibilities to others

Corporate decisions related to market relationships follow from understanding the values placed on these notions, as well as on market products and the social implications these products have on market participants. These understandings are particularly misunderstood in view of what Morgan observed of the 1980's wave of multinational enterprise in which "wealth, income and social standing are increasingly derived from being a member of, for example, IBM rather than being British or American" (Morgan, p. 225). Furthermore, political policies in developing countries had to change to meet the increasing demand for their inclusion in the world market, often with mixed results for how all resources would *be*, rather than *ought to be*, allocated for purposes of assigning responsibilities for new corporate endeavors. "The result is a highly complex trading environment where institutions make choices about the time-scales, nature and risk level of their investments on the basis of a picture of worldwide economic developments" (Morgan, p. 233). In other words, corporate decision-making requires social expectations as much as economic expectations. Each set of decisions is based on corporate considerations of the well-being of others, including themselves, in terms of corporate capabilities to satisfy all agents. However, Sufrin cautions: "Moral imperialism may also be a characteristic of those in or out of the firm who require some particular behavior of the firm" (Sufrin, p. 84). Moreover, corporate agents and market agents may exercise autonomous choice, including decisions regarding social responsibilities of corporate acts. But, these choices may impinge on other choices.

Freeman and Gilbert view corporate choices as "involv[ing] choices as to what is important to, and valued by, the firm's constituents" (Freeman et al 1988, p. 127). This is a Kantian notion of placing value in the intrinsic worth of individual decision-makers to make rational choices. These choices are the *process* Freeman and Gilbert attribute to corporate economic endeavors, which on their account are inherently moral and socially responsible to other market participants (1988, p.130).

I would argue that taking responsibility for decision-making is more than the financial fiduciary accountability of a firm; it is a moral statement of being responsible to others based on some perception of duty. This Kantian aspect of responsibility is an evaluative process inclusive of considerations of both moral and social reciprocity. The decisions producers make are based on choices; but, choice among alternatives is underscored with moral deliberations of what *is* best and what *ought to be* most advantageous. The assumption of moral responsibility for making these decisions is held by individuals – investors and managers – within the producing corporate participant.

In other words, corporate economic strategy, based on the classic economic theories of Freidman, Galbraith, and Schlossberger, demonstrates notions of profit as a social responsibility, which is a narrow definition that on historical reflection does not find its basis in the original classicists of economic theory. As I have shown in this chapter, the theories of Smith and Pareto require revisiting – historical classic economic theories, rather than the later 20th century contemporary western theories, that integrate social aspects of market endeavors into the responsibilities of producers. If society's expectations require corporate social responsibility to social efficacy and efficiency, then corporate capabilities must stretch beyond production capacities and economic determinations such that the "good" of goods would be a corporate social responsibility.

Chapter Four

Corporations – Responsibility, Community & Sustainability

The thinking on corporate responsibility that is represented here is motivated by the perception of a problem, an image of a preferred state, and some specific ideas on how to move from where we are to where we would prefer to be.
(Neva R. Goodwin 2001, p. 261)

I have argued that the notion of social responsibility is a necessary component of what is referred to as "corporate responsibility." In the previous chapters, I provided the historical and contemporary economic theories and various notions of corporate responsibility, including those thinkers who specifically deny a social aspect to business endeavors in the Western commercial market system. The basis of these discussions has focused on the *conditions* of responsibility in the early classical economic theories and how contemporary economic and stakeholder theories use the term. I have shown that market economic endeavors, and the theories on which these practices are based, are necessarily social because they involve interdependent, cooperative relationships between individuals who are engaged in collective decision-making entities known as corporations. The meaning of responsibility oftentimes has been confused in ascribing corporate practice with theory. Hence, much of what has been called the "responsibility" of an organization is actually how I have defined "accountability." In this chapter is a brief review of my definitions of these two terms, community, and sustainability as I have used them in the Introduction and subsequent chapters of this work, which should be helpful in providing background to my further analysis of the meaning and practice of *corporate social responsibility*.

Corporate Social Responsibility & Meaning

I mean to say a corporation, as an economic entity, *has* moral responsibility *to* others in society, as opposed to *claiming* moral responsibility *for* its acts or *to being held* morally responsible for the consequences of its decisions, because a corporation has the intentional strategy to accomplish the shared goals of its founders and its constituents. Moreover, corporations are responsible to society: “business should help to anticipate and plan for the future needs and constraints of society and of the natural world within which society – and its subset, business – are imbedded” (Goodwin 2001, p. 262). In other words, corporate endeavors are based on forward looking motives to benefit themselves and others in society in socioeconomic ways.

Further, if I say that a corporation is responsible to others, either individuals or other entities, I am saying that the corporation makes deliberative, autonomous choices from an *a priori* duty to act by way of rational thinking. Rational thinking may be attributed to corporate decision-making because it is just that - a collective process of rational individuals who agree to operate as a single-minded decision-maker, appointing the entity known as a corporation as their agent to be responsible to others. We are not “responsible for,” nor can we be “held responsible,” as these are notions of judgment and consequential evaluation – in other words, “accountable” events. These events are not defined by our ties to others – our joint commitments – in the same way. Therefore, we can be “accountable for” our actions as an evaluation or “held accountable” to some measurable outcome. Margaret Gilbert (1996), philosopher, states that as social beings we form collective relationships with others based on shared, not summative, goals in joint commitments to one another. These commitments are holistic and interdependent. I have argued that not only are we morally responsible to ourselves and to others in general, but as members of corporations we are morally responsible to develop sustained socioeconomic relationships.

The shared goals of individuals are based on the duty and function of a corporation – to be an ongoing concern. This "concern" is human-oriented and mutually Aristotelian and Kantian in meaning – it entails both the objectives and the functions necessary to be a commercial entity and member of the market system (a society) of exchange between individuals and other entities comprised of individuals. "Concern" is both noun, as in this case, and verb, as in the case of "to care." In each case, "concern" is involved with the notion of "responsibility" to others. As a noun, it means an organization of individuals who share a common objective. In this sense, a "concern" is a unified, harmonious collective. Business concerns strive to achieve accord, or what we may call congruent goals, as a responsibility to its own well-being and that of others in the market. As a verb, concern is relational and social. It involves a motive for, and thus movement, toward human well-being. These meanings of "concern" are indicative of a corporation because it is comprised of autonomous, rational individuals and thus is more than an entity, not merely a "thing." It is complex. It is interactive.

A corporation is both *intra*-relational and *inter*-relational. These relationships are based on human interactions, of rational human choice, regardless of the nature of these interactions. Thus, human interactions will occur within corporations between colleagues *intra*-relationally, and various types of relationships will occur between individuals and their corporations with outside entities *inter*-relationally. Further, the interactions between individuals and the organizations they form as corporations are based on socioeconomic choices, which form the basis of the Western economic market system.

"Does morality matter to economic analysis?" (Hausman et al 1993, p. 671). Since interactive rational human choice is necessary to the function of the corporation in the marketplace, economic analysis ought to seek and find social legitimacy as a moral intention of corporate decision-making. The notion of interactive choice in the economic market system involves social interdependence among stakeholders – in business and society. This notion of choice has moral underpinnings:

> The question whether *morality* constitutes a constraint on the prudent management of motivating interests is a good example, because morality does seem to require us at least sometimes to put the interests of other people ahead of our own. (Kahane 1989, p. 511)

Further, stakeholder relationships – as economic functions of corporate activity – are inter-reliant and mutually effective acts, which necessarily imply moral considerations of benefits and harms as acts of responsibility. Responsibility is *not* synonymous with accountability.

The meaning of the term "responsibility" has been used in this study in relation to *prospective* human decision-making based on a duty to others, rather than an examination of the outcomes of human endeavors that constitutes a basis of "accountability." I have argued that responsibility is integrated *a priori* in human choice as a duty, rather than as an action of cause and effect, such as a nonmoral descriptive event, or as a response to a particular occurrence. The term responsibility is forward-thinking and progressive, and always already implies moral, and therefore, both narrative and evaluative meanings. Responsibility is based on deliberative thought; accountability is based on reflective thinking.

I believe the distinctions between “responsibility” and “accountability” are important to understanding what we mean by the expression “corporate social responsibility.” I have argued that what many contemporary theorists who refer to this expression actually mean is that an entity is *accountable* for the consequences of human decision-making that effects others. Accountability may be considered in moral terms, as we may argue from a utilitarian perspective, but accountability may also be considered in nonmoral aspects, as in actualized determinations of financial accounting for profit in a corporation’s annual statements. Moreover, accountability is static.

In my view, responsibility is movement. It is inspiration, stimulation, and emergence. It is making things happen, it is evolutionary, and it is human other-oriented. Responsibility is necessarily always a moral term of human choice and duty to oneself and others’ well-being. Responsibility includes showing consideration to others and to various aspects of existence – development of individuals’ capabilities for economic sustenance, intellectual opportunities, and community. It is advancement and innovation, as well as original. Responsibility is an integration of character and reason that contains power, strength, vigor, consistency, and intensity. These notions are consistent with the query, “What are the motives for human conduct?” (Schlick 1939, p. 36). In other words, responsibility characterizes potentiality. What I have examined in this work is the basis of any sense of social responsibility – that of human tendencies and motives related to relationships with others.

Can Economic Motivation be Moral Responsibility?

As I noted in chapter three, on Amartya Sen's view moral values have utility; the motivation for economic activity may be "the actual behavior of human beings [as] affected by ethical considerations, and influencing human conduct is a central aspect of ethics" (1986, p. ix). There is a sense of social achievement that marks the distinctions between efficiency, efficacy, and *the good*. These concepts relate to the human motivation of how we *ought* to live. Further, on Sen's account there is a sense of an "ethics-related view of motivation." The corporate *ethos* instigates the application of how production and exchange, as components of market relationships, develop patterns of interdependence (Sen, 1986, p.8). Economist Neva R. Goodwin concurs with his view. She states that we need to look further into the corporate mind – for its *ethos* – relating corporate responsibility to "broader social interests" (2001, p. 271). In other words, "responsibility cannot be imposed entirely from the outside; if the goals of corporate responsibility are to be achieved, people in business – owners, managers, workers – must make some kind of moral commitment, accepting responsibility for their firm's impact on the world" (Goodwin 2001, pp. 270-71). This impact concerns human-well-being.

Sen's earlier work in a 1985 article, "Well-being, Agency, and Freedom," illustrates his view of utility and his critique of the utilitarian conception of well-being – and whether this concept can be measured in terms of utility. He is careful to distinguish between the notions of *well-being* and the utility notion of *being well off*. The former notion reflects an integration of economic and social concerns, while the latter bears a singular economic concern. Moreover, the importance placed on rationality in matters pertaining to the *consistency of choice* and the *maximization of self-interest* for Sen has both internal and external difficulties of choice about how one *ought* to act in the market (1985). What is more, reciprocity between relational agents is a demand placed on choices about how we *ought* to act. This demand is an integration of economic and ethical considerations that motivates corporate responsibility – inclusive of social responsibility – in the economic market system.

On this view, the consideration of how we *ought* to act is an element of the motivation for social responsibility. The idea that Sen has in mind is the concept of "rational behavior" and how people actually behave. In his words, human beings make "mistakes, experiment, get confused" (Sen, 1986, p.11), but duty is *a priori* moral consistency in our concerns towards others. Moreover, Tibor Scitovsky and economists such as Amartya Sen, Albert O. Hirschman and John Oliver Wilson, also stress the importance of human values, inclusive of life expectancy, literacy, and human rights. For example, Hirschman looks to identifying human behavior with economic behavior and motivation in the productive processes of corporations based on "the propensity toward self-interest or public morality" (1997, p. 184). In other words, he states that the espousal of self-interested markets to the exclusion of a sense of public morality results in the market system "undermin[ing] its own viability" (1997, p. 187).

There is a sense of promotion in Sen's account – that of the value of human well-being that lacks full satisfaction with an individual's own well-being, but instead requires a motivation to grant social values to the notions of both motive and utility. Whereas he sees motive as the foundation of agency approaches and value as a utility factor of the nature of objects, there seems to be a synthesized approach to his view of an ethical market system (Sen, 1986, p. 40). Goodwin argues that a "positive corporate *ethos,* though essential, cannot be the only solution…it must be stimulated and reinforced by an environment in which firms will perceive their interests to coincide with broader social interests" (2001, p. 271). But, I am concerned with a further aspect of the corporation – and its *ethos*.

The traditional view of economic behavior, derived from the economic and philosophical work of Adam Smith in his *Wealth of Nations*, is based on the belief that all parties to the economic system are self-interested and only behave as such. Further, self-interest directs the economic system to its most efficient use of resources. However, I argue in concurrence with Smith regarding moral motives - that corporations ought to consider contemporary views of *moral* motives of human well-being in the global market and seek to synthesize many differing economic market systems into a single perspective. Differing market systems have differing economic behaviors and differing self-interests, not only between these systems but also within their respective markets. Thus, the corporate *ethos* ought to reflect the notion of *social responsibility* for human well-being based on corporate acts in the *global* marketplace (Kleinrichert 2006).

Further, John Oliver Wilson's *moral model* is an integration of human values and economic behavior (1997, p.23). In other words, there is an integration of economic behavior and human well-being that incorporates notions of values based on market preferences shaped by subjective considerations of producers and consumers. Wilson suggests an alternative measurement of economic behavior that encompasses three components related to "identifying the commonalities among various conceptions of justice and morality and identifying the conditions that all must satisfy" (1997, p. 24). First, economic evaluations must include his notion of *social values* – those "that shape interpersonal relationships and the social externalities involved." Second, his consideration of *shared values* is reflective of what "all individuals in an economic system regard worthy of achievement." Finally, he includes *integrative values,* or those "that integrate individual self-interest into the larger economic system" (Wilson, 1997, p. 24). This Smithian approach moves beyond strict adherence to a model that reflects economic distribution within a market system; it synthesizes an individual with their respective society in economic, social, political, and ideological ways. This approach argues that the interdependence of economic behaviors of the corporate decision makers *ought* to move from a singular view of self-interest to a plural view of socioeconomic value-laden concerns. Certainly, consideration of this thesis bears importance in terms of relating economic development policies of multinationals to global enterprise.

In this dissertation, I have used various economic theories to reflect the conditions for the meaning that I believe "corporate social responsibility" (CSR) requires to validate the historical basis for saying that a corporation has social responsibilities - as moral duties and because it is a member of society. These duties are based on voluntary corporate initiatives, rather than on coercion by nongovernmental organizations (NGOs) or governmental legislation. Although the International Organization for Standardization (ISO) is a global organization of business entities from some 110 countries who voluntarily adopt standards of corporate enterprise, many businesses have felt pressured, particularly regarding the ISO 14000 environmental impact standards (Bruyn 2001, p. 291). Each of the following considerations support autonomous moral notions of corporate initiatives in the market system.

First, I have argued that there is a difference between "responsibility" and "accountability," and that this distinction is critical to understanding why it matters to society that corporate action is based on collective motives to be socially responsible. Second, in this chapter I argue that being responsible to social concerns is reflective of being a "going concern." The definition of a valid corporation requires that it have the potential and capacity to be a continuing, autonomous entity comprised of shared goals of individual members, which compels both existence and perpetuity. These characteristics are the basis for moral responsibility in relationships with others and for the meaning of "corporate social responsibility" that I am advancing. Finally, I will argue that a corporation's fundamental nature is found in sustained economic relationships with others in a market system. These relationships begin within a corporation between its individual members, or staff. Then, corporate relationships develop with members of society, or as I have shown, its stakeholders. The broad definition of "stakeholders" includes a corporation's relationships with its community and environment, as well as its economic ties. These stakeholders are part of the market system, or what may be termed a particular community of interdependent entities seeking to individually sustain their stake in a corporation's existence. Corporate responsibility is included in its purpose as a going concern that requires sustained, on-going, interdependent socio-economic relationships In other words, the purpose of a corporation is to be "sustainable."

CSR Revisited: Communities

The notion of corporate social responsibility is reform from within. Pure CSR is the development of corporate motives steeped in genuineness and authenticity. Its practice is an ethical matter of validity – as a socially legitimate act. In chapter one, I concurred with economist Leo Rogin's assessment of the role of validity in economic theory and practice. I argued this sense of validity signifies the legitimate intentions of practical corporate applications, and that validity is represented by notions of reliability, integrity, or persistence. Further, in using the term "legitimate" to reflect corporate acts of validity, I am also conveying a sense of meaningfulness. In other words, there is purpose to corporate activity, but it is not singular in nature. Validity has the import of efficacy and value, two notions found in traditional economic theory. Further, these notions of efficacy and value are determinations of both corporate and moral responsibility. Corporate social responsibility has been defined in a variety of ways, as I have shown in earlier chapters. With economic and political science backgrounds, respectively, contemporary management scholars George A. Steiner and John F. Steiner, define corporate social responsibility broadly as: "the duty a corporation has to create wealth by using means that avoid harm to, protect, or enhance societal assets" (Steiner et al 2003, p. 126). These assets are valued by individuals and corporations in society *a priori* to the social relationships imbedded in corporate enterprise.

Ally-building and Corporate Social Responsibility

I now consider how individuals within corporations develop an *intra*-social purpose with or responsibility to others with whom they work through particular relationships of *ally-building*. Self-interest, as well as other-interest, are motives for ally-building. But, ally-building is also the source of valid practice of developing relationships with others in organizations. These relationships are based on the intrinsic value both individuals and corporations place on them. For example, Jeffrey Pfeffer argues in *Managing With Power: Politics and Influence in Organizations* (1994) that establishing ties to powerful others, and developing one's position in the network of communications and social relations in an organization, creates effective corporate endeavors.

First, Pfeffer's notions related to sources of power require further definition. His notion of power is not portrayed as authoritarian or self-serving, but rather as a source of effective ethical leadership that develops relational networks, *intra*-organizationally. Second, his notion of ally-building requires additional consideration in terms of how I have defined "responsibility." For my purposes, I am interested in developing a new model of moral corporate socioeconomic enterprise based on Pfeffer's use of ally-building. I will apply his model to the socially responsible ventures of corporations using ally-building *outside* the organization. The effectiveness of individuals' motives for decisions in an *intra*-organizational environment may be connected to corporate "intention" in referring to the organization's mission as being "good," or socially responsible.

What I mean by a corporation being socially responsible is distinct from the notion of developing social capital. Social capital has been defined as "a functional feature of relations among social structures, such as friends, community organizations, and governments" (Kiron 1997, p. 204). Although a corporation's efforts in a community may result in social capital outcomes, I want to discern the motives of a corporation to be responsible to the communities in which it operates. These motives will necessarily be linked to the development of economic theory in such a way that the practice of corporate enterprise engenders "such concepts as trust, social norms, and moral values" (Kiron 1997, p. 207). The purpose of this analysis is based on a revisited notion of corporate social responsibility as a reciprocal community relationship for ethical corporate practice. Therefore, I will advance a concern about how individuals in corporations may use an *inter*-organizational business practice in communities to develop "corporate social responsibility" as a sustainable endeavor (Kleinrichert 2007).

It would seem that the ability to exercise influence through relationships with others in an organization and getting things done are the products of "the consequences of [one's] actions, measured against an objective standard of correctness." However, Pfeffer disputes this view (1994, p. 144). He states that the consequences of individual actions are inappropriate measurements of the effectiveness of an individual. Rather, he focuses on the *motivation*, or intention, of the individual by looking at the respective capability of that manager or professional to solve problems. In other words, an individual's accomplishments ought to include the ties one has to others – particularly to powerful others, and the individual's formal position in the organization. But, there is an implicit sense of "otherness" in this view to develop relationships based on the intention to be responsible to solve problems in an organization. An individual's formal position in an organization will itself be a source of responsibility "because of what [it] implies about an individual’s *ability* to perform his or her job effectively” according to Pfeffer (1994, p. 142).

This ability involves “performance,” or functioning, within the organization. Functioning within an organization may be likened to an Aristotelian notion of an individual’s performance in the *polis*, or Greek society, based on voluntary actions. In other words, “we choose only what we believe might be attained through our own agency” (Aristotle, *NE* 1111b.25). What I mean by human choice is Aristotle’s sense of *proairesis*, or moral choice based on ethical deliberation prior to an act of agency. Furthermore, an individual’s development of an ethical practice, or functioning, in society is based on deliberative development of character and reputation (Aristotle, 1105a.30, 1106a.20). The reputation of any type of agency is based on social approval, or praise versus blame. An individual’s capabilities to develop social approval, rather than reproach, are derived from early notions of individuals as “responsible agent[s]” who have the capacity to voluntarily develop character as found in Aristotle’s Book Three of his *Nicomachean Ethics* (1115a, 1-15; 1116a, 25-29). Moreover, voluntary actions that may be considered noble, rather than disreputable, on Aristotle’s account for example, are applicable to what I mean by reputation.

Moreover, performance is an important source of responsibility in that in Pfeffer’s view, it “helps to build one’s formal authority and reputation [and] thus, position, reputation, and performance are interrelated” (1994, p.142). Moreover, the development of one’s reputation may be a value, or benefit, such that “reputations are a type of capital asset” (Dasgupta 1997, p. 232). Therefore, the development of one’s reputation is a responsibility to oneself and to others in creating something of value – such as trust - in relationships. I argue that the processes of *intra*-relationships for the individual in an organization should be applied to corporate endeavors based on market *inter*-relationships in communities.

Pfeffer is concerned with relationships within organizations. In his view, individuals ought to be effective, goal-oriented, and capable of developing a variety of relationships with others in the organization. But, what does he mean by “effective?” First, an individual, “to be effective, [will] also need to know how to develop sources of power,” according to Pfeffer (1994, p.71). In other words, individuals within an organization cannot work in isolation, but will need to use “tools,” or skills, in working with other individuals in the organization. Second, these skills involve developing a command of something – in the case of an organization this would be “resources.” Pfeffer defines a resource as, “anything perceived to be valuable – from building contracts to press exposure to control over systems and analysis” (1994, p. 87). Moreover, this control over resources is the result of engaging in interrelationships with others in the organization. These relationships will dictate how an individual gains access to these elements, or resources, either by the individual alone or through a particular work unit or department. These relationships are resources. One of the most valuable and effective mechanisms for being responsible for developing moral business practice is through the social ties we have to others. Therefore, in using Pfeffer’s notions of *internal* ally-building, I argue that *external* ties to community-others are valid moral motives for responsible corporate initiatives.

However, in order to establish ties to others in the organization one must be an individual who functions well in their role based on “personal competence,” as described by Samuel A. Culbert, a clinical psychologist who researches management issues (1996, p. 105). Personal competence is “the core ulterior motive for the self-interested perceptions people have” but this translates to not only notions of self-respect and performing responsibly, but also to “want[ing] key others to view them as performing competently” according to Culbert (1996, p. 105). This concept of competence entails moral motives, or “good intentions,” which are based on duty and responsibility to oneself and others. Further, he states one must be able to have a sense of “the view of the world that the other person actually lives” (1996, p. 14). Hence, an individual needs to be able to identify the needs of those who would be probable sources of support and determine the likely responsibilities in building an ally network with those individuals.

Additionally, decisions within an organization, more often than not, require support from others in a reciprocating social network in order to be implemented and perceived as effective. This *intra*-organizational model may be applied to a corporation’s *inter*-organizational relationships in such a way as to illustrate both the corporation’s competence and its ability to view the world as it actually is. These characteristics build a source of potential through ally-building with other market agents based on working with community-others. In other words, rather than being engaged in market endeavors in isolation, reciprocity may be, and is, developed through social ties. Moreover, these social ties are similar to R. Edward Freeman’s stakeholder model (1994). I suggest that corporate socioeconomic ties will be sustained based on reciprocity between market agents in a voluntary corporate community involvement model.

What's more, as Pfeffer points out, the consequences of particular managerial decisions and actions are rarely known immediately, and the “responsibility for decisions is often collectively shared" in corporate relationships (1994, p. 144). Further, it is impossible to predetermine or foresee the future outcomes of any decision or action, thus the *motives* for an individual's decisions must bear the determination of what constitutes a right action. As a result, these motives impact one's reputation, which is honed based on how one's intentions for decisions are evaluated. One's intentions bear on what Pfeffer is concerned with *in* an organization – reliability. This is a long-term view of *how* an individual solves problems, rather than "correctness as a measure of performance" (1994, p. 144-5). Thus, how an individual CEO perceives her reputation within an organization may shape both her motive to establish ties to the community and her view of how she may establish her company's *inter*-organizational sources of responsibility to the community relationships.

For example, Pfeffer lists a number of important characteristics of individuals who have developed the reputation for the capacity to be effective as responsible individuals in an organization, with which I concur and would further incorporate in a revisited notion of corporate social responsibility to community relationships:

1) energy, endurance, and physical stamina;
2) the ability to focus one's energy and to avoid wasted effort;
3) sensitivity, which makes it possible to read and understand others;
4) flexibility, particularly with respect to selecting various means in order to achieve one's goals;
5) the willingness to engage, when necessary, in conflict and confrontation;
6) the ability to submerge one's ego, at least temporarily – to be a good subordinate or team player. (1994, p. 166)

These characteristics develop one's reputation, thereby gaining what Pfeffer views as social approval (1994, p. 166). Furthermore, Freeman, Jessica Pierce, and Richard Dodd point to the qualitative aspects of developing one's reputation – "by asking the question, ‘What do you stand for?’” (2006, p. 613) This question has benefits for an organization because the response not only develops a perception in terms of validity and effectiveness, but builds allies both internally (employees of all strata begin to believe in these values) and externally (suppliers and consumers seek businesses based on integrity). The easy response to this question would include an ethical statement such as “honesty in all transactions” or “commitment to my stakeholders.” However, what many would deem as unethical responses, such as “greed at the expense of my consumers” and “malice towards anyone who attempts to enter my market share” could just as easily satisfy this question. Therefore, a rephrasing of this question might look something like this: “What moral stance do you suggest in corporate relationships?”

One’s ability to develop what Pfeffer refers to as “coalitions of support” built on trust and loyalty in organizations is crucial to navigating what he refers to as “large interdependent, and complex systems” known as organizations (1994, p. 101). Hence, the development of allies is based on one’s reputation, one’s capability to get things done, and thereby social approval in the form of support for one’s efforts. In fact, the community in which a corporation operates also affords the opportunity to develop, or to further hone, corporate social responsibility through external ally-building, or what I mean by *corporate community involvement* through community ties. The development of community allies may result in what I have mentioned earlier – social capital. Social capital of corporate community involvement is a determinant of economic well-being:

- it fosters reciprocity and efficiency
- it develops networks of social interaction, trust, and reputation
- it creates processes for collective action to solve social problems

(Putnam 1997, p. 212)

Social capital can be a major element in the success of a corporation, and the lack of social capital can certainly increase the negative effects of unexpected adverse occurrences.

I use the example Pfeffer provides of the troubled years of labor unrest at Nissan in its early founding period in Japan. Taichi Minoura, then-president of Nissan, secured a financial advisor, Katsuhi Kawamata, from the Industrial Bank of Japan to assist in developing a process of ally-building. Kawamata became adept at building networks outside of Nissan's organization, as well as internally among the managers of the organization. His development of banking and business ties between Nissan and IBJ, the government of Japan, and other manufacturers and automobile companies, garnered his reputation internally and externally as developing successful strategic planning capabilities. Further, Kawamata's process was based on "building long-term relationships" by developing allies into coalitions of loyal, supportive networks within and outside the organization according to Pfeffer (1994, pp.101-4). This model of Nissan's external ties within the community of economic stakeholders provides my inspiration and groundwork for developing a framework for "corporate social responsibility" as *corporate community involvement* through ally-building.

Ethical Considerations of Corporate Community Involvement

Is there a model for thinking about others in the community that fits with Pfeffer's account of effectiveness (Pfeffer 1994)? On his account, as a corporate extension of ethical concern it may be possible to develop a diffuse, generalized obligation to the well-being of others through community efforts. But, what needs to be determined is whether a more meaningful qualitative reciprocity between corporations and the communities in which they operate can be developed. And, if so, how does this relationship reflect a corporate motive to be socially responsible and involved in communities. The concept of "involvement" I am interested in requires several factors:

- interest in and the intention for active, participative commitments
- development of reciprocal socioeconomic ties
- fostering and strengthening stakeholder relationships
- application of consistent and continuous acts of coordination
- patience, tolerance and persistence

In other words, a corporation could develop a scenario akin to *corporate social responsibility*, but distinct in its formulation through ally-building based on reciprocity and exchange of responsibilities in a community, rather than on the conventional notion of paternal CSR-type responsibility *to* some particular stakeholder in society.

The conventional notion of CSR may result in ally-building, and therefore serve as a source of validity for corporate social responsibility. However, I suggest that developing allies based on more than *direct economic* ties in a stakeholder model creates a revised model of "corporate social responsibility" based on the meaning of responsibility developed in this dissertation. In fact, my re-formulation of the CSR model includes various obligations to society based on the socioeconomic ties to stakeholders in the market, and particularly in the community, and on ethical concerns for others rather than merely "responsiveness" to issues (Freeman et al 1988, p. 89-90). These ties, as I have argued, are based on the motive of *corporate community involvement.*

"Corporate community involvement" is a momentum. It is an active, participatory commitment based on corporate concern for community well-being. It is self and other-interested. As has been advanced, this involvement is developed through corporate-community ally-building. Moreover, a further distinction is evident between the uses of external allies as strategic economic ties to resources and the ethical corporate strategies that bear on the qualitative aspects of ally-building.

> I would like to argue that economics, as it has emerged, can be made more productive by paying greater and more explicit attention to the ethical considerations that shape human behavior and judgment. (Sen 2000, p. 9)

The ethical concerns of community well-being underpin motives for CSR. These concerns apply to developing sources of ally-building inter-organizationally in communities. In Pfeffer's account, "coalitions of support" are requisite for individuals to develop effectiveness in their roles in an organization (1994, p. 101). According to Pfeffer "we are known by the issues we are associated with, and by what happens to those issues when they are decided" (1994, p. 140). Moreover, I argue that we may attribute this thinking to corporate enterprise in communities. Pfeffer's earlier work with Gerald Salancik (Pfeffer and Salancik, 1978) points to organizational effectiveness as a sociopolitical concern. In this sense, corporations socially cultivate their position, reputation, and performance based on community perceptions of ethical practice in corporate community involvement.

Corporate social responsibility is a process of cultivation and reciprocation. Pfeffer uses the notions of "reciprocity" and "exchange" to further define interpersonal relationships in terms of loyalty. These notions underscore qualitative examples of moral implications for relationship building in corporate "communities." In other words, "What distinguishes the development of allies through reciprocity…[is] making sure they feel important and secure" (1994, p. 106 & 109). This notion of reciprocity in the use of ally-building in communities, which follows along the lines of corporate social responsibility, carries ethical concern related to respect for others, a Kantian concept.

Moreover, Kantian perspectives of human acts includes the notion of cultivation – that is both participative and cooperative - in Kant's references to duty and virtue - found in his second expression of the categorical imperative (Kant [1797b] 1994, pp. 50-1 and 147). The term cultivation also seems to be imbued with something else – a Platonic moral, perhaps even an Aristotelian, qualitative sense such as "concern." Aristotle may be translated in his second chapter of *Politics*, Book VII, to read that individuals "cultivate" their characters and minds for good (1323^{b}2). Further, Aristotle likened this cultivation of character to the persona of the city-state (1323 ^{b}34-35), which I am attributing to what we regard as the culture of a corporation and the corporation's purpose. Moreover, he equated the city-state to a "community" with the same defining characteristic I have used for "corporation" – they are both relational. Nevertheless, cultivation may also establish a metaphorical notion of seeding social, political, or economic ties to others in the nurturing of relationships between corporations and the communities in which they operate. In other words, cultivation involves process. It is this methodology of nurturing within the cultivation of relationships that must be developed from a motivation, or particular intention, with sincerity as referred to in Kant's formulation of moral decision-making and practice. Kantian perspectives of human acts include a notion of cultivation – in his references to morality and duty - that is both participative and cooperative. This reciprocity is reflective of Kant's second expression of the categorical imperative ([1797b] 1994, pp. 50-1).

Pfeffer's notion – the cultivation of responsibility through ally-building *intra*-organizationally – if applied to the community outside the organization could serve as the motivation of corporations to solve social problems through the cultivation of allies and developing a strategic position, and reputation, based on integrity and the ability to get things done – in other words, responsibility to others as well as to the organization. I argue that an extension of Pfeffer's model of *intra*-relationship ally-building provides the framework for a revisited notion of corporate social responsibility using *inter*-relationship ties to valuable and valued others in communities. These relationships are based on voluntary corporate initiatives that include notions of legitimacy and social concern for the well-being of others. In the next section I will explicate the notion of *corporate community involvement* as an intentional corporate social responsibility for *sustainable* corporate practice in communities in which corporations have a stakeholder-supplier relationship.

In using Pfeffer's arguments I have formulated a model, *corporate community involvement*, that is related to conventional CSR. Corporate community practice illustrates a transition from individual to collective *inter-organizational* performance in the community and is formulated as a moral practice based on reciprocity. In the next section of this chapter, I will develop a revised model of corporate social responsibility that integrates its conventional features, the meaning of responsibility I have argued in this context, and the notion of corporate community involvement as sustainability.

Corporate Social Responsibility and Sustainability

I have argued that “cultivation” is an ethics-laden term related to reciprocity and relationships. As I have shown thus far in this chapter, there is basis for this argument in moral, managerial, and economic literature. These starting points are theories. It is important to these considerations that I determine how these theories may be applied to the meaning of the expression of *corporate social responsibility* and its practice. However, in this section I will first explicate the concept of “sustainability.” Second, I will expand the idea of sustainability as the cultivation of reciprocal relationships and I will develop what corporate social responsibility means as practiced in rural developing communities. In the following chapter, I will illustrate a case study of Starbucks Coffee Company and its practice of sustainability as a corporate social responsibility to the communities in which this company operates.

Sustainability is hot – not in the general sense what we think of as global warming, although it could play a role in this respect - but in the sense that its meaning is already always situated contextually, rather than theoretically. A conceptual basis for sustainability can be articulated in moral terms – in other words, the notion of sustainability is prescriptive, universal, and practical in the same ways that we often ascribe the necessary elements of moral theories. I argue, with my emphasis on the social aspects of relational reciprocity, that sustainability is a corporate social responsibility. On this basis, my project in this dissertation is twofold – it is both reflective of the meanings we ascribe to corporate social responsibility and it is determining of the meaning of “the task of sustainability” (Sen 2001, p. xxii). First, the meaning of sustainability varies across disciplines. There are economic, environmental, and social theories regarding what constitutes a notion of sustainable intentions. Further, within each of these broad categories are particular “subheadings” of conceptual meanings. For example, economic theories of sustainability include corporate, institutional, and governmental concerns:

> An economically sustainable system must be able to produce goods and services on a continuing basis, to maintain manageable levels of government and external debt, and to avoid extreme sectoral imbalances that damage agricultural or industrial production. (Harris and Goodwin 2001, p. xxix)

However, environmental and social theories will also include these same concerns. Therefore, for my purposes in this section I will concentrate specifically on the corporate responsibilities that relate to sustainability using John Elkington’s term, and what is commonly referred to in business literature, as the *triple bottom line* components of economic, social, and environmental measurements of corporate decision-makers (Elkington 2006, p. 571). These three elements are integrated strategic, or intentional, concerns of corporations that commit to being “sustainable” business enterprises. For example, Elkington states:

> Today we think in terms of a “triple bottom line,” focusing on economic prosperity, environmental quality, and – the element which business had preferred to overlook – social justice. (2006, p. 572)

A “sustainable” corporate endeavor is defined as more than the “greening,” or the environmental impact reduction, of a corporation’s responsibility to its community. According to Elkington, the corporation has a social responsibility to develop its practices based on strategic intentions to be a sustainable enterprise and to develop sustainable business practices that cause no harm to *any* stakeholders. This motivation will entail considerations of not only the purpose of a corporation’s existence as an “going concern,” but also what Elkington refers to as its economic, natural, and human capital (2006, p. 573). In fact, this attribution of social responsibility treats the concept of motivation no differently than Milton Friedman's directive to corporate endeavors in his *New York Times Magazine* statement – "there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits" (1970).

We could easily argue that this view of corporate enterprise recognizes businesses as having responsibilities to others in determining the intentions of corporate market enterprise, such as employment, production, sales, and distribution activities. Therefore, why would one other area of stakeholder concern be any less a "responsibility" when community efforts are as equally social as any of these already recognized responsibilities of corporations? Granted, quantifying the outcomes of social responsibilities, including sustainability, requires different sorts of assessments for success. But, there are a number of accepted measurement tools, such as the Human Development Index (HDI) that may be suitable for corporate practitioners (England 1997, pp. 373-402). While it is not my purpose in this chapter to explicate the measurement tools for determining the triple bottom line components, it is important to understand what these three factors mean in order to get at the meaning of sustainability for the corporation and its community.

All corporations measure their successes. The standard form of these measurements requires an accounting – a form of accountability – of the results or outcomes of a business' market endeavors. In other words, in a corporation's annual financial statements this accounting includes economic capital in the form of the "total value of [its] assets minus [its] liabilities," or the physical capital (buildings and contents) and financial capital owned less any debt owed (Elkington 2006, p. 573). Some forms of accounting for costs to the organization for its market practices begin to take shape in the form of external costs. However, the external costs of doing business, such as "externalities" of environmental and social costs, have not previously been fully accounted for until Elkington's formulation of the concept of the triple bottom line (Elkington 2006, p. 575). Further, contemporary concerns over valuing human and intellectual capital are beginning to be measured in terms of staff experience, skills, and education as well. These latter costs are reflected as natural capital and social capital.

Natural capital may be viewed as having two forms according to Elkington: (1) "critical natural capital," those elements of the natural environment that are "essential to the maintenance of life and the ecosystem integrity," and (2) "renewable, replaceable, or substitutable natural" resources that can be replenished through breeding, relocation, repair, or replacement (2006, p. 576). These interests in the concept of "sustainability" include "the issue of time," or what thinking that follows Kant's *Critique of Practical Reason* would consider as an extension of thought into practice (Kant [1787] 1996, p. 162). In this respect, I am using the meaning of *strong sustainability* – in which "some elements of natural capital are considered *critical*, and not readily substitutable by human-made capital" in the long-term basis of time "in physical, not economic, terms" (Munda 2001, p. 20). This definition is more than what has been referred to as *weak sustainability*, or merely sustainable income, as a short term strategy of corporate initiatives. Rather, strong sustainability "requires maintaining the *stock* of natural capital" such that there is a corporate responsibility to "argue for the existence of a complementary relationship between natural resources and produced capital” (Serafy 2001, p. 34).

Therefore, a comprehensive definition of environmental sustainability includes a system that:

> …must maintain a stable resource base, avoiding overexploitation of renewable resource systems or environmental sink functions and depleting nonrenewable resources only to the extent that investment is made in adequate substitutes. (Harris and Goodwin 2001, p. xxix)

Further, the definition of socioeconomic sustainability is a factor in an economic perspective of “social integration,” which provides that:

> …the process of examining the patterns of human relations and values that bind people together in time and place and that define their life opportunities. (Ghai and Alcantara 2001, p. 248)

Accordingly, in sustainability literature the moral concepts important to the meaning of sustainability are the notions of prospective motives and the intentionality of corporate decision-making, rather than reflective or “damage-control” mindsets. Although much of this literature focuses on accounting for corporate “footprints” in the community as a corporate social responsibility, my argument is that this focus more often means “accountability,” rather than forward-thinking potentiality toward what I believe is “corporate social responsibility.” For example, there is a sense of taking care of the environment in terms of administering some aspect of land-use or water use – managing its direction and changes. An example is Ray Anderson, CEO of Interface, Inc. whose decree regarding human duty related only to the biosphere, which: “as responsible people we are required to think” about (Anderson, Interface). Specifically, I argue that the practice of cultivation is adversarial. We are “plunderers” of a nature that is filled with self-organizing systems, such as a forest. In contrast, sustainability is based on the responsibility to maintain, stabilize, and replenish the biosocio-diversity of the community – with the motive of responsibility to the integration of ecosystem and socioeconomic well-being of the community.

Reciprocal Relationships and Communities

Many ways of thinking about the world and our societies look to a human/nature unity and a reciprocal relationship. These conceptual concerns are represented in both individual and collective intentions to be responsible to the communities in which we reside. For example, much can be found in Indian thought that minimizes "otherness" and shows "a strong aversion to representing the land as natural surroundings existing apart from its inhabitants" (Nakamura 1974, p. 130). Zen Buddhism and particular sects such as Hua-yen espouse a theory of mutual interdependence, penetration, and identification of all things in harmonious interrelationships – nature and self are one (Nakamura 1974, pp. 278-9). Further, "man as a part of nature or the universe" was not in opposition to nature, nor nature in opposition to human existence, and thus "seldom thought nature needed to be overcome by experimental manipulation in order to master her ways or laws" (Nakamura 1974, p. 281). In other words, philosopher Hajime Nakamura states that there is an element of ethical reciprocity between nature and human beings. A further view found in Japanese philosophical traditions incorporates this same harmonious, unifying relationship between human activity and nature, and provides honorific expressions for elements of nature. Human endeavors, in order to be ethical, ought to be reciprocally benevolent in the consideration of the intrinsic value of the natural world and its life forms (Nakamura 1974, pp. 360-1). Finally, I conceive sustainable corporate responsibility in terms of how the intentions of a corporation develop both natural capital for cultivation and social capital for farmers (Kleinrichert 2006).

What about the social aspects of sustainability? Elkington refers to sustainable corporate endeavors as inclusive of social capital – human capital as comprised of public health, skills, and education (2006, p. 578) – or what Sen refers to as human capability (2001, p. xxii). Further, political scientist Jonathan Harris and economist Neva Goodwin define sustainability as an integrative approach for corporate thinking in terms of the "possibilities for a different kind of [economic] development, one that would integrate the goals of economic prosperity, social justice, and healthy ecosystems" (2001, p. xxvii). They look to a socially sustainable system that is based on responsibilities inclusive of opportunity, social services, health care, education and skill development, gender and political equity, and community participation in decision-making about the community (Harris and Goodwin 2001, p. xxix). In other words, sustainability is the potentiality for corporate endeavors in social responsibility to communities.

Further, Harris and Goodwin define the social dimension of sustainable corporate and social responsibility as "progress toward enabling all human beings to satisfy their essential needs, to achieve a reasonable level of comfort, to live lives of meaning and interest, and to share in opportunities for health and education" (2001, p. xxvii). This is also reflected in the definition of sustainable development in social, governmental, and corporate endeavors by the World Commission on Environment and Development (1987) as the "development which meets the needs of the present without compromising the ability of future generations to meet their own needs" (quoted in Harris and Goodwin 2001, p. xxix).

In chapter three I argued that the role of corporations in being responsible to social concerns as a concept and as a practice was always already present in economic theory – beginning with the ancient thinkers passing through early modern thinkers such as Adam Smith and Jean Jacques Rousseau and even in the work of traditional twentieth century economists such as Milton Friedman and John Kenneth Galbraith. I argued earlier in this chapter that "corporate social responsibility" entailed "sustainability" given the definition of a corporation and the meaning of social concerns implicit in economic theory. This sense of sustainability is a concept that requires an organization to be a continuous nurturer of both the corporation's and society's well-being as its duty to relationships that are inherently reciprocal, and thereby related to moral responsibilities. While sustainability has been a topic of social welfare and environmental public policy literature, I am particularly interested in what it means for "developing countries."

> Considered within a global context, social responsibility therefore takes on immediate practical and political importance for an international business community whose operations are conditioned on continued globalization. (UNCTAD 1999, p. 355)

In this dissertation I have considered a variety of "developing" concepts – theories and market systems, corporate responsibilities and endeavors, profit, moral concerns and motivations, and ally-building and relationships. While I have focused on the specific economic theories of corporate enterprise in Western market systems, rather than those aspects related to public policy and social or nongovernmental agency organizations, I now turn to what sustainability means to developing rural agricultural enterprises in economically emerging non-Western countries.

Cultivation as Sustainability

The idea of cultivation is imbued with "concern." This notion, cultivation, involves a process, yet it also seems to involve qualitative nurturance based on aspects of care, competence, and fruition. Cultivation is both a concept and a practice of nurturance – of oneself and others. It bears social, political, or economic implications. But, there is more – it serves as a simile in tying others into the nurturing of relationships, as in a community. Some sort of intention, based on the concept of cultivation, is inherent in the practice of cultivation. When we think of cultivation as a practice, the notion of "sustainability" comes to mind.

Agricultural cultivation involves the relationship between the human act of seeding and growing vegetation, or land-cover. The practice of agriculture is directly impacted by the process of relationships as well, which would imply some sort of attentiveness to human acts, choices regarding cultivation and land-use, and responses to sustainability. Agriculture is a human enterprise of cultivation, in other words *land-use* through direct human management of soil and planting vegetation, based on concern for human sustenance. This enterprise involves changing the landscape – land, water, and vegetation – as well as the life forms dependent on the landscape.

My concern involves corporate choices regarding agricultural sustainability as a corporate social responsibility in developing countries. The literature regarding agricultural enterprise and human choices of crop cultivation are based on considerations of food crops and the economic value for other land-use changes. However, concerns over sustenance are often secondary in terms of responses to non-food crop land-use, the clearing of tropical forests, and the absence of concern for sustainable land-use.

There have been various interdisciplinary studies and models regarding agricultural land-use based on biological, sociological, political, and economic concerns. Some show that

> both a pure market economy and a pure command economy suffer from procedural and material drawbacks as institutional settings for the satisfaction of needs. (Gough 1997, p. 33)

Land use is a reciprocal element of human activity and has been absent from much of the economic analysis of sustainability – not specifically an oversight, but a reflection of the segregation of theoretical aspects. My argument has been concerned with interdisciplinary arguments regarding corporate motives that have inherent moral implications for social responsibility to communities. Moreover, paraphrasing philosopher Gilbert Ryle, there are inter-theory queries that are not truly scientific, nor social, political, nor economic – rather, these are philosophical questions regarding the human/nature interplay (1998, p. 13). He states that only by philosophical inquiry are we able to determine rights and obligations within any given relationship (Ryle 1998, p. 5).

Moreover, corporations are capable of being responsible to communities for their activities, including their human/nature relationship. For Kant, responsibility extends to rational others in the world based on filial relationships found in humanity (Kant [1797b] 1994, pp. 127-8 and 134-5). This relationship is not a short-term endeavor, but rather one built on consistency with the moral law to treat all humankind with respect, including sustenance for human life, in Kant's second formulation of the categorical imperative

(Kant [1785] pp. 46-7). He also examined the cultivation of human capacities, rational choice, and morality (Kant [1797b] 1994, pp. 50-1). Perhaps Ryle has pointed us in this direction as well:

> …a deadly rivalry between what economists said about motives and policies of human beings and what ordinary people said about the motives and policies of the people with whom they lived – and it was the latter story that seemed doomed to be condemned. (1998, p. 69)

My concern is to clarify the argument that sustainability is reciprocity, a relationship of corporate responsibility to the other, the community, with human interaction operating between the two. In this chapter I have considered and argued that the measurement of corporate legitimacy is found in the inherent responsibility of a corporation to be moral. Corporations are social entities with moral requirements to practice what promotes the cultivation of the good of human capacities based on both corporate self-interest and other-interest. Furthermore, corporate practice entails more than attention to biosphere footprints; corporate practice also requires attention to footprints in the communities in which their corporate endeavors tread. Corporate attentiveness to both the biosphere and the sociosphere is based on sustained reciprocal relationships in communities. And, as such, any human action either individually or collectively in corporations, because it is particular rational behavior, is imbedded with moral implications, including corporate responsibility to society to advance sustainability. In other words, these intentions cultivate *corporate community responsibility*.

Case Study

Starbucks Coffee Company

Responsibility means the social, environmental, and economic benefits we provide to the communities where we operate.
(Dennis Macray, Director of Business Practices, Starbucks Coffee Company, 2007)

Starbucks Coffee Company advances a voluntary corporate initiative of private-sector social responsibility to society. The Starbucks corporate strategy is an integration of stakeholder concerns. For example, the Starbucks Mission Statement has six guiding principles that affirm the moral aspects of relationships, inclusive of respect, dignity, diversity, excellence, satisfaction, and community, and guided by those principles, Howard Schultz, Chairman of Starbucks Coffee Company, addressed himself to the consumer market interest in portable, good-tasting coffee drinks. Although one of his motives is to provide the best, aesthetically-pleasing coffee to the market, his original corporate mission was based on multi-dimensional market relationships. For example, Starbucks' enterprise is also a growing agricultural project. Starbucks builds relationship alliances not only within the communities in which they operate stores, but within the communities in which they have developed ties to independent suppliers of coffee beans. These communities are tradition-laden agricultural societies comprised of interdependent relationships. Starbucks envisions its going concern as a relation-based entity in respecting all of its stakeholder relationships, rather than succumbing to the lure of the short-term outcomes of its enterprise. Schultz' mission as a corporate leader is to develop corporate responsibility toward furthering the integration of social, environmental, and economic values in communities as a tradition-laden, sustainable corporate legacy (Starbucks, "Company Fact Sheet" 2006). This perspective is a revised concept of traditional "corporate social responsibility" as I have defined it earlier in this dissertation. In other words, Starbucks' business practices are designed to foster business sustainability. In this case study, I will analyze the Starbucks model of sustainable corporate endeavors.

Starbucks, as a corporate entity, embraces the notion of "corporate social responsibility" with its stakeholders in each aspect of its market enterprise, including the company's purchases of their primary resource, coffee beans, from small landholder-farmers in Asian/Pacific, West African, and Latin American rural and developing economic regions (Starbucks, "El Món del Café;" Kleinrichert 2006). Corporate social responsibility means analyzing the impact of corporate "footprints" left by corporate endeavors because footprints always have an impact. But, Schultz' direction goes further than "traditional" concepts of CSR – the company's mission is to be responsible to others, in this order: for the social, the environmental, and the economic footprints of Starbucks' impact in all communities in which they have a presence.

Economic Footprints and Responsibilities

With reported net revenues of $7.8 billion, up 22% from the prior fiscal year per Starbucks Annual Report 2006, this organization has developed success in just over 35 years as "the leading retailer, roaster and brand specialty coffee in the world" (Schultz, 2005). In other words, though the Starbucks Mission Statement Guiding Principles primarily stipulate the socioeconomic guidelines for the corporation's decision-making, Starbucks has met the mandate of its last guideline which states: "Recognize that profitability is essential to our future success" (2007). In the U.S. alone, the company has almost 5,700 company-operated coffeehouses and 3,200 licensed locations, plus international sites in 36 countries. Starbucks produces and sells over 30 formulations of coffees, various teas, and an assortment of other related beverages, as well as branded products merchandised in their café-style stores (Starbucks, "Company Fact Sheet" 2006). In just a year's time, from 2003 to 2004, Starbucks' purchases of coffee beans from alliances with small planting coffee farmer networks amounted to 14.5% of their total purchases and rose from 13.5 million pounds to 43.5 million, surpassing their goal of 30 million for the year (Starbucks Key Performance Indicators Summary 2005).

Schultz built the company from a Seattle coffee shop enterprise, using high quality coffee beans to brew individual cups of coffee into a successful corporation with worldwide distribution of brewed products, with its growth based on balanced, ethical corporate endeavors inclusive of community enhancements. Schultz states,

> We believe our growth and success are the result of our unwavering commitment to offer the highest-quality coffee and an exceptional customer experience while conducting our business in ways that produce social, environmental and economic benefits for the communities in which we do business. (2005)

Whether Schultz' motivation is more or less than traditional views of corporate social responsibility for its own sake, rather than a tool or commodity to further the effectiveness of his leadership and market position, this concern will not be pursued for the purpose of this study. A key element of the corporation's perspective of its role in society is a commitment – it is *responsibility* to communities as an active, participative, and relational partner. Starbucks does not take its role to be one of interference, nor of "bandwagon" jumping. In other words, Macray describes this "Starbucks effect" as a "hand-in-hand" involvement (2007). Further, the corporation's precepts assert the model of sustainability as both a concept and a practice of socioeconomic enterprise, which is distinct from altruistic or philanthropic financial provisions. In other words, while altruism and philanthropy are valuable corporate practices in which Starbucks engages, neither is defined as the essence of sustainable corporate responsibility. Rather, these activities are an extension of a corporate benevolent response to the consequence of some particular climatic event or perceived social need (Macray 2007).

My analysis of corporate responsibility in this dissertation has been theoretical, though "corporate social responsibility" is understood as it is in economic and organizational theory. But, my purpose is also to develop an analysis of this meaning in corporate practice as an applied ethical concern. In this case study, I focus on the economic impact of sustainability on coffee bean farming. Although Starbucks holds itself accountable to both themselves and their stakeholders, and the company uses both internal and external auditing in order to develop measures of financial reporting and its transparency, I will not analyze the accounting of the company's commitments, other than to state what seems to be important to understanding the contexts of Starbucks' CSR efforts. This case study will focus on the basic economic aspects of Starbucks Coffee Company as groundwork to the company's mission for sustaining the interdependent concerns of a business founded on relationships. What is important to consider is the moral implication of ally-building in communities as part of a "new model" of corporate social responsibility – that of sustainability in a company's mission of corporate community involvement (Kleinrichert 2007).

Environmental Footprints and Responsibilities

The collaborative ally-building exemplified in Starbucks' Environmental Mission Statement is based on a commitment to the development of understanding and measuring the company's impacts on the environment (2007). While 81% of the company's worldwide green house gas emissions (GHG) into the atmosphere are generated as a result of retail store use of electricity, Starbucks has developed what they call "climate change mitigation strategies" to address the environmental footprints the cafés have on the communities in which they are located (Starbucks 2006 Annual Report). The environmental effect of coffee roasting accounts for 18% of GHG, which adds to the corporation's admitted overall potential to harm the earth's biosphere, including climate change. Obvious in the following statement is the role sustainability plays in Starbucks' environmental commitment.

> We agree with the consensus of the scientific community that climate change could pose an enormous threat to the future of our planet…Climatic conditions influence the yield and quality of coffee crops. We are concerned that climate change could threaten the production of high-quality coffee crops and ultimately impact our business. (2006 Annual Report)

Collaborative action is one source of remediation. Beginning in 1998, Starbucks, in partnership with Conservation International, made a commitment to "support farmers of shade grown coffee while also protecting tropical forests" (Starbucks, "Starbucks and Conservation International"). Much of this effort has focused on Mexican and Latin

American farming. Further, their partnership with Conservation International to preserve shade trees on coffee farms in Mexico is intended to sustain natural habitats and biodiversity (Starbucks, “Starbucks in Our Communities”). Moreover, the company has teamed with Earthwatch Institute to replant trees and work toward the restoration of landscape in Costa Rica – where the current forest footprint is currently at 10% of its original land cover (Starbucks, “Help Restore a Costa Rican Rainforest”). Their environmental footprint self-analysis states: “The environmental impacts of growing coffee include damage to forests, soil erosion, and the use of pesticides and herbicides” (Starbucks Coffee, “About Us”). The company has developed Coffee and Farmer Equity (C.A.F.E.) Practices as guidelines to monitor their sustainability efforts internally:

- To ensure the sustainable supply of high quality coffee
- Achieve economic accountability
- Promote social responsibility within the coffee supply chain
- Protect the environment (2006 Annual Report)

Further, Starbucks has established a partnership with Scientific Certification System (SCS) to provide an external audit of their practices, including sustaining forest growth.

However, the complexity of both advancing corporate commitments to environmental sustainability and to business sustainability creates moral dilemmas. It is a given that “Starbucks’ core business is high-quality coffee, an agricultural product that flourishes in tropical microclimates around the globe” (2006 Annual Report). For example, since the 2005 tsunami hit Sumatra, the company has placed increased emphasis on purchasing shade grown higher quality *arabica* coffee from small landholding farmers in the devastated areas, as they do in other supplier countries, because it provides a better tasting coffee and it produces higher yield prices to farmers.

However, *robusta* coffee tree plantings are disease-resistant, grow more quickly on arid land, and are a shorter term enterprise, although the yields provide lower prices to farmers because the coffee cherries produced by these trees are harsher-flavored (Starbucks "Coffee Trees," 2007).

While Starbucks' effort seems to be based on long-term duties to others, i.e., moral human activities based on motives of sustaining communities following nature-caused land-use changes, the question remains whether the drive for coffee market share and expansion through increasing international retail sites creates a moral tension in decisions made by all coffee producers, not only Starbucks, about changing landscapes and how land is used. Further, it seems that conducting one's economic endeavor in the cultivation of coffee beans in known areas of illegal deforestation is immoral.

When I say immoral, I mean to say that the commercial intent seems to be to increase the demand for coffee products, not as a response to tradition or local economic growth thereby increasing the short term demand for more agricultural output and for monocultural agricultural land-use. Economist James K. Boyce is concerned with multinational corporate demands for uniformity of major food crops and its impact on crop genetic diversity *in situ*, or in the field, and what it means for sustainable agricultural practices. On his view, "modern agriculture is associated with less genetic diversity than traditional agriculture" (Boyce 2001, p. 236). Contemporary practices of farming based on monocrop planting can result in the benefits of greater land productivity, but also in increased vulnerabilities to mass crop failures due to climate changes, disease, or pest infestation (Boyce 2001, p. 236). The increase in demand also requires land conversion from some other going enterprise or from natural forestation.

This has long term impacts – economically, ecologically, and climatologically. For example, the deforestation of tropical and developing country landscapes continues at a pace far exceeding replanting efforts and the regrowth rate of mature tree lines that balance the vegetative CO_2 transmission changes.[1]

Although some agricultural practice studies illustrate environmental concerns - "decoupling conservation and agriculture is unwise, given the interconnectedness of biological, social, and economic factors" (Dietsch et al 2004, p. 625), recognition of climate impacts seem to be missing. The primary concerns in much of the agricultural research literature center on soil erosion and habitat for biotic diversity, but not changes in precipitation. Is it possible that the widespread deforestation for saleable timber and coffee cultivation have contributed to changes in Indonesia's climate? Further, "studies of climate change have relied on expert opinion or extrapolation of historical trends" in order to make sense of changing landscapes (Antle, 743). These historical trends are part of how I view moral human enterprise, including agricultural practices and land-use. Have we become "the respectful inheritors of a great tradition" (Schultz, 24) of coffee drinkers, or rather have we become coffee consumers for the aesthetic pleasure at the expense of colonial thinking about land and forestation?[2] This question does not provide

[1] Antle provides further consideration of the impacts of climate change on land-use in tropical coffee-growing regions - Indonesia is "one of the most vulnerable countries; it is an archipelago of almost 17,000 islands" (Antle, 742). Indonesia provides the world's largest agricultural product, coffee, and is the fourth-largest coffee-bean producer in the world. When the March 2005 tsunami hit Sumatra, climate took a toll on the region. The lower-quality *Coffea robusta* beans are easily grown on open, arid land and comprise 90 percent of the country's crop, while higher quality, shade-grown *arabica* cherry beans that return higher prices to independent farmers comprise the remainder of the coffee beans (O'Brien and Kinnaird, 587). O'Brien and Kinnaird advocate growing *robusta* coffee in Indonesia due to the lowland climate, but with additional subsidies to farmers to assist in conservation of existing forests through fair trade prices (O'Brien and Kinnaird, 2004, 626). Others, such as Starbucks Coffee Company, would disagree with this approach.

[2] Indonesia has about 10% of the world's total tropical forest, but it is disappearing due to illegal logging and sale of the timber at an alarming rate according to *BBC News*. A study by the New York-based

the moral basis for human decisions; rather, the impetus is consequentialist economic thinking in terms of climate change impacts on agricultural crop yields, which benefit from tree shade and transpiration, and soil conservation. Starbucks' stated mission in small farming communities includes a holistic approach to the role the corporation takes within the societies. The company espouses a value-based approach to long term relationships with suppliers and growers of coffee beans, such that the construction of schools, medical and dental clinics, libraries, and textile factories in places such as Panama, Costa Rica, Guatemala, Antigua, and East Timor become important aspects of Starbucks' view of community sustainability (Starbucks, "Ho sabies…?"). In other words, Schulz has advocated a plurality in the approach the company takes: quality of product and quality of stakeholder relationships are equally valued (Macray 2007).

Starbucks has focused one avenue of their stated social responsibility mission on climate change strategies, but their analysis of renewable energy usage and recyclable product delivery have taken precedence, rather than analysis of changes to land-use footprints (Schultz, 292-305). In fact, Schultz' 1997 book lacks a complete "blueprint" of *how* the company has or intends to consider something so intrinsic to agricultural cultivation of his source of product as climate change and changing landscapes. The company sought to measure the metric tons of CO_2 equivalents and greenhouse gas emissions related to their enterprises, but only conducted a baseline climate inventory in 2003, choosing not to schedule one in 2004 or 2005 (Starbucks, "Starbucks Commitment

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Wildlife Conservation Society says that large areas of Indonesian lowland forest are being cut down to make way for coffee plantations. O'Brien and Kinnaird state that a 28% increase in land clearing for coffee production has occurred in the Lampung province in Sumatra, "the heart of Indonesia's *robusta* coffee growing region," between 1996 and 2001. The World Resource Institute (WRI) also reports widespread deforestation – "Land development for plantations to supply timber and valuable export crops is a vital part of the country's economic strategy" (*BBC News*, "Indonesia Risks Losing Rain Forests," August 23, 2002; "Corruption in Indonesia Logging War," January 14, 2003).

to Social Responsibility"). However, their 2006 Corporate Social Responsibility Annual Report does adhere to a concern with greenhouse gas flux and its impact on human sustainability within the notion of environmental management, even if it doesn't seem to include the direct causal effects of changing agricultural landscapes on climate change. Consider the claim that, "a better understanding of managed ecosystems would improve our understanding of agricultural sustainability as well as climate change impacts and adaptation" (Antle, p. 741). But, is it a matter of "managing" ecosystems, or managing agricultural endeavors? An understanding of "adaptation" is important. Antle's notion reflects a common usage of the term – that of landscape adjustment to changed climate. But, this adjustment may be naturally evolutionary or human-induced changing landscapes that are reflecting climate changes. The analysis of agriculture adaptation, particularly in the poorer regions of the world, necessarily requires the critical information on the rate of climate change (Antle, p. 741).

But, again this is thinking that reflects on the economic impacts of climate change, rather than moral agency in the human/nature interplay. The climate change literature I have examined bears this view, rather than a harmonious notion of human/nature relationships. Climate is seen as distinct from and adversarial to nature and human existence. Rather than moving human thinking toward moral decision-making regarding agricultural practices, climate change, and changing landscapes, this economic-impact-of-climate-change view advocates managing or conquering climate. Warrick echoes this position in his consideration of climatic change and agriculture: "Agricultural systems analyses suggest that, to a large extent, the potential adverse effects of climatic change could be absorbed or avoided through agronomic, policy, and market feedback mechanisms" (Warrick, 221). Kant would view this perspective as paternalistic, thereby violating the second formulation of the categorical imperative. Further, I would argue that Kant's notion of beneficence applies to human acts towards climate change via decisions to change landscapes such as forests and agricultural lands that are governed by long term commitments to human potential as farmers and to community well-being. But, as others have noted, Kantian applications are not individualistic, but rather may be applied to corporate rational decision-making: "Since Kantian obligations are supposed to guide the action of agents," responsibility is equally applicable to institutional and collective deliberations and actions (O'Neill 1986, p. 132-33).

Environmental concerns are included in interdisciplinary literature regarding sustainability and social responsibility. These two concepts can be seen as based on Kant's notions of perfect duties of preservation of oneself and imperfect duties of beneficence towards others in *The Metaphysical Principles of Virtue* (Kant [1797b] 1994, pp. 82 and 117). If we accept that climate change is effected by choices of land cover, then the perfect duty of sustainable land-use and imperfect duty of beneficence as collaborative corporate endeavors in communities based on self-interest and other-interest, including future others, would entail considering land-use changes in moral terms of responsibility and duty.

Social Footprints and Responsibilities

Schultz refers to the company's mission as a process of ally-building, or partnership, in other words relationships, with each of the company's stakeholders (Schultz, 1997). He aspires to "Striking a Balance" among stakeholders as an ethical mission in the organization's Corporate Social Responsibility Fiscal 2004 Annual Report. This mission is still reflected in the Fiscal Annual Report 2006:

> For us corporate social responsibility is not just a program or a donation or a press release. It's the way we do business every day. (p. 2)

Based on company analysis of the key issues of concern to their stakeholders and the potential impact on the company, Starbucks determined that socioeconomic impacts on coffee suppliers were of utmost concern. The top three concerns are:

- Coffee purchasing practices:
  - Prices paid to coffee farmers and suppliers
  - Respect for workers' human rights
  - Long-term availability of high-quality coffee
- Growth and expansion
  - Impacts on local communities
- Environmental impacts
  - Climate change energy consumption
  - Paper cups

(Starbucks Corporate Social Responsibility Fiscal 2006 Annual Report)

For example, Schultz has developed Starbucks as an *inter*-organizational ally in the communities in which small, independent supplier-farmers reside and work in coffee bean farming. Moreover, Schultz suggests that Starbuck's "ongoing success will be measured by how well we balance our fiscal responsibility with our goal to enhance the lives of those whom we serve and who serve us," based on notions of reciprocity and cooperation in community relationships (2005). The concept of reciprocity that Starbucks anticipates in its supplier communities includes supplier commitments to the Starbucks Supplier Diversity Program. Among these commitments, for example, are the criteria regarding the suppliers' business characteristics – diverse ownership and employee population. This diversity program requires Starbucks' suppliers to be: "51% women or minority-owned, or socially or economically disadvantaged as determined by the U.S.

Small Business Association" (Starbucks Supplier Diversity Program, 2007). The intent of these criteria are to produce mutual benefits for Starbucks and the supplier/farmer communities based on reputation, loyalty, and commitments – necessary elements of duty and respect to others. These characteristics and the company's extension of loan funds with low interest may be measured in terms of the social approval of the motives of Starbucks' efforts as an ally-builder in coffee production enterprises in global communities. This is the kind of measurement of social approval Jeffrey Pfeffer (1994) sought in his analysis of ally-building and the corporate effectiveness of individuals' motives for decisions in an *intra*-organizational environment.

Schultz' development of a diffuse, generalized obligation to others through Starbucks' extension of "affordable credit to small-scale farmers" has meaningful qualitative reciprocity (Schultz, 2005). He has cultivated market allies based on more than *direct economic* ties in a stakeholder model. Further, Schultz expresses the company's mission as "contributing positively to our communities and our environment" (1997, p. 293). He has developed something related to traditional CSR, but distinct in its formulation by using ally-building based on reciprocity and the exchange of sustainable practices in a community rather than a notion of paternal responsibility *to* some particular construct in society. Put differently, he does not see his role as a corporate leader in the way Western standards portray –"a charismatic, 'John Wayne type.'" Rather, a "consensus-building," leader who uses "cultivated relationships" (Nielsen 2006, p. 269) to develop long-term corporate goals based on shared perspectives seems to fit his approach. I would also argue that Schultz' leadership approaches what has been advanced as the three practices of citizenship – "engagement, networks of networks, and rotation"

(Manville and Ober 2003, p. 120). Engagement is the “voluntary, spirited participation by individuals in the work and decisions of the community;” human networking “foster[s] innovation by building small subcommittees of trust;” and rotation is “the habit of taking turns at public service” in leadership and community decision-making (2003, pp. 121-25). It could be argued that Schultz seems to initiate, rather than follow, corporate trends – in other words, his leadership has taken “responsibility” to mean instigation and action, rather than meeting the “moral minima.” In fact, in 1997 he eschewed the traditional terms, “corporate social responsibility” and “corporate social responsiveness” because each imply paternalistic, and possibly coercive, aspects of effecting change on some particular stakeholder (Schultz 1997). Rather, the focus of his efforts has been in ally-building through reciprocal dialogue and practice based on a company mission of inclusiveness in decision-making in stakeholder communities. This has been the hallmark of Starbucks’ *corporate community involvement.*

Corporate community involvement is analogous to some elements of William Clohesy’s notion that businesses are imbued with necessary social practices by serving the public good through a *public market*: “Business people are on the scene, know what is happening, can predict what could result from their products and practices” (1998, p. 5-6). Clohesy states that this is a call for social responsibility. In fact, Macray states that Starbucks may look more like a nonprofit entity in terms of its mission and practices, rather than a traditional corporate enterprise because few private corporations are willing to take the initiative to be sustainable. Why? He suggests it is because most corporations have not realized how they can add *value* through sustainable initiatives. Further, Starbucks did not set out to develop CSR motives as a way to influence other corporate entities – sustainability is a “tall enough order” unto itself (Macray 2007).

In addition, Schultz has used a model similar to what Samuel Culbert describes as the “new model” – “relinquishing control, increasing your spheres of impact, and getting involved in influencing people over whom you have no formal authority, [which] requires that you find persuasive ways to make your view known” (1996, p. 9). This latter strategy carries qualitative notions of understanding the mind-set of a community in advance of decision-making about support and ally-building. Starbucks establishes influence through small loan access for sustaining farmers’ working capital from season to season and through community development endeavors such as building health clinics or schools. These are vibrant, sustainable community resources for a multinational corporate enterprise to undertake. Relationships are complex and dynamic, and Macray relays that tracking changes to these relationships and assessing where the company ought to develop additional lines of CSR growth requires cultivation and nurturing of relationships (2007). These relationships are the result of integrating corporate endeavors and community endeavors with a goal of human well-being, a holistic perspective.

Weissbrodt and Kruger have considered corporate social responsibility efforts by multinational organizations:

> Transnational corporations evoke particular concern in relation to recent global trends because they are active in some of the most dynamic sectors of national economies, such as extractive industries, telecommunications, information technology, electronic consumer goods, footwear and apparel, transport, banking and finance, insurance, and securities trading. They bring new jobs, capital, and technology. Some corporations make real efforts to achieve international standards by improving working conditions and raising local living conditions. They are certainly capable of exerting a positive influence in fostering development. (2003, p. 901)

In other words, the relational aspects of corporate endeavors in any market are always already interdependent social structures based on reciprocity and sustainable ties to others. To reiterate, these models move beyond traditional concepts of R. Edward Freeman's Stakeholder Model (1994) and Archie Carroll's definition of "corporate social responsibility" (1979) because of the emphasis on the socioeconomic aspects of corporate community involvement.

For example, shareholder relationships are not Starbucks' primary mission. The first three stakeholder relationships discussed in their annual reports are – in this order--partners (employees), customers, and coffee farmers. But, the coffee bean farmers come first in discussions of ally-building. Schultz and his management team have fostered an "integrated approach to building mutually beneficial relationships with coffee growers and their communities" by not only paying premium prices for and preferential purchasing of coffee beans grown by community-based farmers, but also investing in "housing, health clinics, schools, and other projects in coffee-growing communities" (2005). Further, Starbucks began committing loan funds to foundations willing to partner in credit ventures for rural communities in 2001 when world coffee market prices were dropping, leaving farmers struggling to survive in their communities. By 2004, Starbucks had provided $6 million for foundation small loan provisions at low interest rates to small-scale coffee farmers, which increased in 2006 to $9.5 million following the inception of its partnership with the expertise of three foundations – Verde Ventures Fund, Calvert Foundation, and Ecologic Finance (Macray 2007; "Access to Affordable

Credit" 2007; Annual Report 2006). Providing low interest loans enables coffee farmers to remain economically viable, in other words *sustainable*.

The small loans provide working capital to sustain the independent farmers between harvests of coffee cherries, providing a stabilizing socioeconomic force for the community and the ecosystem by supporting the continuing allocation of land use for traditional agricultural endeavors. In this way, Schultz is creating long-term relationships with the farmers as allies in the coffee trade. Further, this constitutes ethical practice as a business partner by taking into consideration and respecting the needs of all these particular stakeholders – the suppliers, the communities, and the environment. Macray states that Starbucks' small loan initiatives meet the corporate mission and expectations, in fact often exceeding their intentions. Moreover, the value of the corporate mission of sustaining these farmer-supplier relationships in the community is valued equally with its outcomes (Macray 2007). This is the basis of Pfeffer's (1994) sense of ally-building based on developing feelings of importance and security among allies.

In the company's annual reports, Schultz has emphasized these values in his relationships with coffee bean farmers and the communities in which the company operates. The financial role of small farm-sustaining loans is nine times that of each of the company's recent philanthropic endeavors in 2006 – such as $1.7 million for community investments in coffee-growing regions and $1 million allocated to rebuilding projects in areas of Guatemala and Mexico that were impacted by Tropical Storm Stan. These activities imply that Starbucks' position in these communities takes a central role in terms of increasing community enhancement and well-being. Further, these forms of community development engender a sense of exchange, or reciprocity, by creating a sense of security and commitment to this well-being. This would appear to be a source of sustainability using *inter*-organization ally-building for Starbucks' position in the community, and in the world market in terms of market perceptions of ethical practice as a "good neighbor."

A potential caution may be in order in some cases of the development of social ties based on loyalty. Pfeffer states that "networks of allies can obviously be misused, [but] they are nevertheless essential in order to get things done" (1994, p. 108). Social ties to others assists both individuals, and their organizations, in terms of viewing their respective roles in the market "because what an organization does is significantly affected by who it is connected to and what they do," according to Pfeffer (1997, p. 56). But, Pfeffer's *intra*-organizational model stops short of a reciprocal relationship based on social aspects, rather referring directly to market contacts in an economic sense of a resource dependence theory. Further, his view only includes the benefits of *inter*-organizational business ties based on mergers, joint ventures, interlocking boards of directors, and other transactional interdependencies (Pfeffer 1997, p. 59).

It seems to be the case that Schultz is committed to the interrelationship between position, reputation, and performance in the communities in which Starbucks develops social ties with indirect economic approaches. Using Pfeffer's view, these ties would establish legitimacy (Pfeffer, 1997, pp. 58-9). Further, Pfeffer does admit to the need for "understanding inter-organizational as well as intra-organizational behavior [because] benefits from explicit attention to social influences [are] activated through network structures" (1997, p. 60). In analyzing Starbucks, one could make the argument that Schultz has found the notion and practice of CSR/sustainability to be a viable source of socioeconomic value as a result of building allies with the local coffee bean growers in places such as Costa Rica. Although his argument would be both conceptual in terms of the company's mission and sustainable in terms of corporate practice, reciprocally-oriented ally-building relationships create and develop a particular reputation of integrity for corporate decision-makers. Moreover, ally-building is a project entailing long-term relationships built on shared responsibilities in inter-organizational local networks.

In this respect, Schultz commits to both *indirect economic* and *non-economic* ally-building sources of sustainability for Starbucks and its stakeholders. His company's purpose has been to develop a "sustainable model for coffee production" (Starbucks Annual Report 2006). But, this production includes two types of human resources, or partners, in the Starbucks' enterprise. First, in 1995 Starbucks initiated "a program to improve the conditions of workers in coffee-growing countries, establishing a code of conduct for its growers and providing financial assistance for agricultural improvement projects," as well as becoming "the largest corporate contributor in North America to CARE, a worldwide relief and development organization that sponsored health, education, and humanitarian aid programs in most of the Third World countries where Starbucks purchased its coffee supplies" (Thompson 1999). Second, this model of responsibility to partners (employees) is also found in the retail endeavors of the company. The sources for ally-building found in the retail communities in which Starbucks operates includes allies developed through the community efforts of their partners (employees) *and* customers. For example, Starbucks donates $10 for every volunteered hour (up to $1,000 per project) to nonprofit organizations in which U.S. and Canadian partners (employees) and customers volunteered 383,000 hours of their personal time in their communities under an internal program called “Make Your Mark.” Starbucks has over 145,000 partners (employees) worldwide (Starbucks Annual report 2006). In Pfeffer’s account, these are “coalitions of support” (1994, p. 101), which are requisite for an organization to develop a reputation as a legitimate and ethical business.

Starbucks seeks to be supported by rural community farmers, its partners in their stores and their corporate offices, and its retail consumers. Starbucks ranks their individual community initiatives in terms of: “achieved,” “making progress,” and “did not achieve” as elements of their commitment to communities (Starbucks Annual Report 2006). These perceptions by Starbucks are based on societal views of social responsibility – in other words, social approval of a reputation – while community perceptions of how deeply this reputation affects their decisions are unknown. I advance that these initiatives are the “small wins” advocated by psychologist and organizational behavior scholar Karl E. Weick – problems to be solved may appear to be overwhelming, and of such magnitude as to preclude getting involved with any hope of achieving an effective outcome, particularly those with social implications such as unemployment or scarcity of raw materials (Kleinrichert 2007). Moreover, Weick states, “This strategy of small wins addresses problems by working directly on their construction and indirectly on their resolution” (2001, p. 427). In other words, corporate community involvement initiatives are those smaller components of larger projects that serve as stepping stones to bigger picture perspectives.

Pfeffer and Salancik argue that “organizational environments are not given realities; they are created through a process of attention and interpretation” (1978, p. 13). The financial growth of Starbucks and Schultz’ leadership seems to point to support for this statement. For example, the annual public ranking of the 100 Best Corporate Citizens by *Business Ethics* journal notes Starbucks at #45, noting the company's strengths from the years 2000 – 2004 as:

(1) community relations
(2) women and minority staffing
(3) environmental consciousness

In this sense, organizations and their stakeholders socially construct their position, reputation, and performance based on perceptions of the roles individuals play *intra*-organizationally and *inter*-organizationally through socially responsible ally-building. The perceptions of the roles individuals play become shared in collective interrelationships in the setting of corporate enterprise goal-setting and practice. These relationships develop ties that bind individuals' intentions for public endeavors to the role of the corporation in society – to be an ongoing socioeconomic concern. These relational ties follow from Kant who "proposes a very intimate connection between the *moral incentive* and the *feeling* of respect for the [moral] law" (Guevara 2000, p. 2).

The socioeconomic connections between corporations and individuals are the basis for relationships. For example, Gary Becker, in his Theory of Social Interactions, refers to "social income" as the sum of an individual's personal income and the monetary value to her "of the relevant characteristics of others" (1976, p. 253). The monetary value of others is inherent in the social integration developed by multinational corporate endeavors. In other words, and this quote bears repeating: "the patterns of human relations and values that bind people together in time and place and that define their life opportunities" require analysis (Ghai and Alcantara 2001, p. 248). These social integrations are changed and charged by global market socioeconomic initiatives in both beneficial and harmful ways – interactions have the potential to promote greater understanding between corporations and their communities – developing a "civic culture," but these interactions also have the capacity to extol consumerism over human-well-being (Ghai et al 2001, p. 249-50). Nevertheless, social interactions have value – socially and economically. In this respect, a primary intention of sustainable corporate practice is community ally-building as a reciprocal relationship and a moral practice for corporate enterprise.

Conclusion - Biosocioeconomic Sustainability.

Cultivation of coffee beans as the primary element of a commitment to an ethical business practice seems an unlikely enterprise. But, whether cultivation is practice, as in agriculture, or cultivation is conceptual, as in the development of relationships, the process involves self-examination. In other words to ask the question: "What do I stand for?" I have argued for "responsibility" and "sustainability." But, even by these standards I need to provide further clarification in terms of the meanings these concepts convey. The key concepts that represent more than the moral minima of corporate responsibility are inherent in market relationships – community, reciprocity, environmental concern, socioeconomic concern, interdependent relationships, mutual beneficence, duty, respect, active and voluntary private sector initiatives, validity, and legitimacy. Corporate commitments to advance *bio-socio-economic* responsibilities for sustainable business deliberations are complex, and complexity creates moral dilemmas. A sustainable business model instantiates acts of corporate capacity, rather than one-time responses to market events, for relationships with complex communities. Communities are interwoven with economic, environmental, and human relationships. Sustainability is a complicated, ongoing concern requiring expertise derived from multiple layers of knowledge and direct involvement in communities. In chapter one, I illustrated Adam Smith's concern with the humanity that he found inherent in market exchanges and economist Eduard Heimann's assessment of the integration of economic and social theories. I concur with these perspectives in that "economic man" represents the harmonious relationship between human motives and market activity. And I noted that these relationships carry moral and philosophical considerations, as well as environmental and socioeconomic ones. One might argue that this explication is a reinterpretation – and it is on some level. And, I argue that, following from that explication/reinterpretation, what "corporate social responsibility" (CSR) means conceptually and in practice is *biosocioeconomic* sustainability.

Biosocioeconomic sustainability encapsulates sustaining, or cultivating and nurturing, the biotic community, the social community (society), and the economic community (the "market") as interdependent elements of a holistic market society. Economist Neva Goodwin argues that "ideally, business should serve people in society – rather than vice versa" (2001, p. 262). In other words, "responsibility cannot be imposed from the outside; if the goals of corporate responsibility are to be achieved, people in business – owners, managers, workers – must make some kind of moral commitment, accepting responsibility for their firm's impact on the world" (Goodwin 2001, p. 270-71). However, as I have argued, and illustrated in the Starbucks model of CSR, there is a reciprocal relationship between corporations and stakeholders, and in particular in this dissertation, suppliers. This relationship is based on corporate community involvement, rather than corporate community accountability. Some are arguing the "coming age of sustainable business," that the twenty-first century will be one based on corporate responsibilities to economic, ecologic, and ethical business practice (DesJardins 2007). But, as I have advanced, sustainability is a tradition rather than a trend. I have argued that the meaning of corporate responsibility is always already social interaction and with its respective communities based on sustained relationships of duty as a corporate citizen. In other words, I refer to this private sector concept of *biosocioeconomic* sustainability as the "*BSE Sustainability Model*" (see Figure 2).

Many economists and philosophers would argue that the movement away from public policy initiatives to greater voluntary private sector responsibilities to communities "is making the goals of social and environmental well-being harder to reach" (Gallagher 2001, p. 225). These individuals criticize the greater role multinational corporations play in globalization, particularly in developing countries. In other words, they do not recognize voluntary corporate social responsibility initiatives as sustainable community development, but rather as intrusive capitalism that poses more harms than good.

> A sustainable global economy will require the efforts of many different actors. These include corporations, local and national communities, as well as global institutions. (Gallagher 2001, p. 229)

Economist Paul Streeten is concerned with the diminishing role of governments in overseeing worldwide markets, leaving private enterprise, such as corporations, without supervision of corporate practices in global communities. He argues that "socially and ecologically sustainable development" must be underpinned by governmental frameworks (2001, p. 229). In other words, the integration of corporate social responsibility initiatives are fragmented and lacking centralized coordination – or, as he terms the scenario, “a schizophrenic, fragmented world without effective coordination” (Streeten 2001, p. 230).

Herman E. Daly, senior economist of public policy and sustainable development, agrees with much of Streeten’s perspective. Daly states that free trade conflicts with sustainable development because it internalizes social and environmental costs rather than creating a market environment in which these costs are correlated on the same basis across countries engaged in multinational enterprise. In other words, free trade allows those living in developed countries to “live beyond their own ecological capacities by importing those capacities from abroad,” and thereby also depleting necessary resources in developing countries (Daly 2001, pp. 233-4). Further, he states that free trade negates the fostering of community because “life and community can be made subject to distant decisions and events over which communities have no control,” among other harms (Daly 2001, p. 234). However, David Reed disagrees with these two wholesale approaches in that he argues that limiting government intrusion in community agricultural development has eliminated bureaucratic inefficiencies and mismanagement. While he argues that some economic reforms and social stabilities have been hampered as a result, he finds that environmental and social impacts on community farmers in developing countries have been “largely a function of the status of the farmers in the countries being considered” (Reed 2001, p. 258). Without some sort of ally-building between outside entities and farming communities that raises the socioeconomic status of farmers, small landholder farmers lack the social and economic capital to sustain their livelihood in the face of increasing global demands. Therefore, these farmers may resort to short-term avenues of capital derivation by “agricultural extensification, deforestation, and intensified use of marginal lands" (Reed 2001, p. 258). But, if the goal of corporate social responsibility is focused on long term sustainable practice initiatives, and based on reciprocal interdependent relationships between corporations and farmers, then the potential for sustainable communities exists.

Corporate efforts to be socially responsible have the capacity to cultivate corresponding sustainable rural agricultural community relationships. This course of action leads to the creation of allies in the community, an important stakeholder concern, based on "hope, discovery, and opportunity in communities" (Starbucks, "About Us). In other words, as I have argued, corporations are founded on and depend on social and economic legitimacy – which is more than "the fact that a corporation has not violated the law [but] has otherwise conformed to the current moral or social standards of society" (Brummer 1991, p. 116). An *inter*-organizational ally-building process by corporate leaders has a distinct legitimate reciprocity related to various concepts of corporate social responsibility. But, I have argued that there is even more in the sense of responsibility that we actually should mean. This meaning is the foundation of sustainability - *corporate community involvement* hangs together with committed *biosocioeconomic* relationships. This is not a trend. It is a tradition. Moreover, using my teen daughters' vernacular, when folks *hang* together, there is excitement, and movement, and active participative progression of relational activities. In other words, I argue that *BSE Sustainability Models* are hot.

Corporate Social Responsibility Models

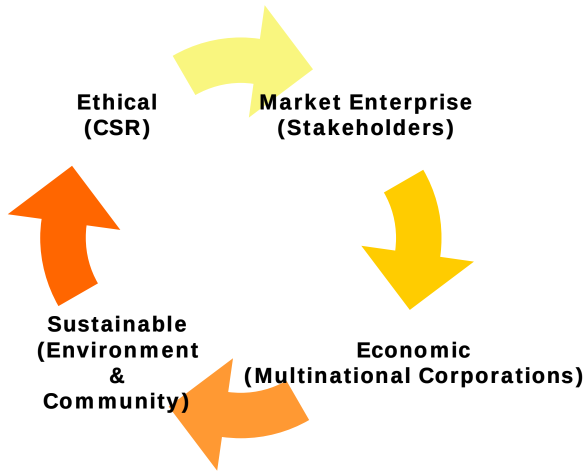

Figure 1 - Kleinrichert 2007 dissertation

Biosocioeconomic Sustainability

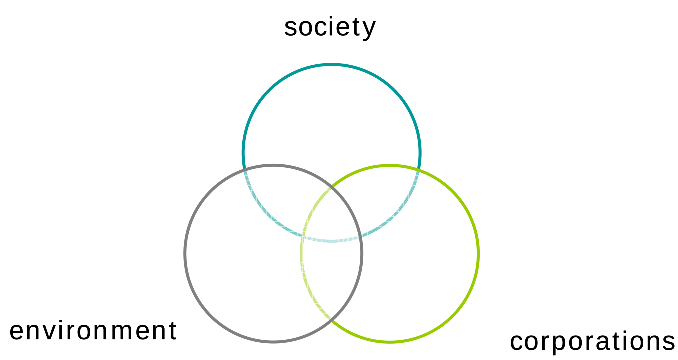

Figure 2 - Biosocioeconomic Sustainability Model integrates the biotic community (environment), the social community (society), and the economic community (corporations & the "market") as interdependent elements of a holistic market society (Kleinrichert 2007 dissertation).

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