

# **CORPORATE SOCIAL RESPONSIBILITY**

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# CORPORATE SOCIAL RESPONSIBILITY

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INVESTOR IN PEOPLE



William C. Frederick, 1925–2018

We dedicate this volume of *Business and Society 360* to William (Bill) C. Frederick, a founding father of the academic Corporate Social Responsibility field. Bill was our dissertation chair, collaborator, and co-author, and, most importantly, mentor and friend.

We are proud that Bill's final published manuscript is the opening chapter in this volume, completed just a few weeks before his passing.

Bill's legacy lives on in his scholarship, his teaching and textbook writing, his service to the professional organizations he helped found, and in his unwavering love for his family, friends, colleagues, and former doctoral students.

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## About the Editors

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# Preface

## Introducing the *Business and Society 360* Book Series

### *Where are we? How did we get here? Which way should be go now?*

Sound familiar? Have you ever considered the answers to these questions related to the work you do? Existential moments are common in the maturation of any academic discipline. They are the product of a passionate, caring constituency that is cautious about making meaningful contributions that can propel future research and provide illusory discoveries that are conceptually powerful, empirically sound, and practically useful.

It is in this spirit for academic progress that we proudly present the *Business and Society 360* (BAS 360) annual book series. It is our view that there has never been a more opportune time to introduce a comprehensive book series on the most important theories, concepts, and constructs that drive our field. The volumes in this series take advantage of these moments of reflection that seem to permeate into many of our academic discussions at IABS, the Academy of Management (primarily in the Social Issues in Management Division), and our scholarship.

We envision BAS 360 as an annual book series targeting cutting-edge developments in the broad business and society field (stakeholder management, corporate social responsibility and citizenship, business ethics, corporate governance, sustainability, and others). Each volume features a comprehensive 360-degree discussion and review of the current state of the research and theoretical developments in a specific area of business and society scholarship. The goal of this series is to shape future work in the field around our many disciplines and topics of interest, to enlighten scholars in the area about the most productive roads forward. Essentially, at this crossroad, which way do we proceed?

The 360-degree view is intended to reflect on a theory's historical development, cross-discipline research, empirical explorations, cross-cultural studies, literature critiques, and meta-analysis projects. Given

our multidisciplinary identity, each volume draws from work in areas both inside and outside of business and management.

## **Introduction to This Volume on Corporate Social Responsibility**

The concept of businesses having a responsibility to society can be traced back to medieval artisans caring for the local tribes and villagers, but formally appeared in the United States around the start of the twentieth century (Heald, 1970). In the 1920s, there was increasing governmental pressure through legislation and mounting social protests by stakeholders against big business. In response, some of the wealthiest business leaders, such as Andrew Carnegie and John Rockefeller, became great philanthropists on behalf of their corporations, giving much of their wealth to educational and charitable institutions. Corporations began to establish foundations where corporate wealth was distributed to specific social causes or nonprofit organizations. These more recent traditions are globally present today and provide the foundation for what academics and practitioners understand as the modern practice of corporate social responsibility (CSR).

When searching for the term “corporate social responsibility,” the popular search engine JSTOR generated nearly 100,000 citations. There are dozens and dozens of books focusing on the many different aspects of CSR and/or its impact, such as *The Rise and Fall of Corporate Social Responsibility* by Douglas M. Eicher (New Brunswick, NJ: Transaction Publishers, 2015) and *Corporation, Be Good! The Story of Corporate Social Responsibility* by William C. Frederick (Indianapolis, Indiana: Dog Ear Publishing, Inc., 2006). Schrempf-Stirling, Palazzo, and Phillips (2016) summarized CSR through a critical examination of where this field is moving, implicitly acknowledging the fundamental presence of CSR in the world in which we live, work, and study. Sebastian Kot (2014) noted that CSR has evolved to the point where it is a dominant concept among businesses and is now evident in the common corporate social reporting function developed by many businesses around the world. (See the Report Alerts website, [reportalert.info](http://reportalert.info), which regularly lists company’s reports on CSR and related topics.)

Yet, the notion of CSR is filled with controversy. Many scholars investigated the impact of CSR, both within the business organization and upon its many stakeholders, and found benefits emanating from CSR activities (Janssen, Sen, & Bhattacharya, 2015). Yet, others point to “a paradox of corporate social responsibility” and the pitfalls

embedded in its policies and practices (deColle, Henriques, & Sarasvathy, 2014). However, it is sufficient here to acknowledge that CSR is an established feature within business organizations with a variety of potentially conflicting results emerging from these activities. This conversation continues as many of the multiple aspects of CSR are discussed in detail within this book series volume.

This volume of *Business and Society 360* begins with two overview CSR chapters. Like a docent leading a group of students through a museum providing important and interesting factoids, William C. Frederick's opening chapter leads us on a journey through CSR, from its inception to the present day. His chapter educates us on the multiple, evolving phases of CSR and poses intriguing "big questions" confronting today's millennials.

The next chapter, authored by Archie B. Carroll and Jill A. Brown, complements Frederick's opening chapter by illuminating for the reader some of the current and emerging CSR issues. This chapter spans topical analysis ranging from the many terms and labels attributed to CSR to a focus on corporate activism and related instances of CSR. The authors conclude optimistically that CSR, in all its various notions and branches, continues onward in its developmental path and systematically becomes more institutionalized into organizational practices.

In the next section of this volume, the analysis turns toward exploring the presence of CSR within a region — initially Asia, and then, Europe. D. Kirk Davidson, Kanji Tanimoto, Laura Gyung Jun, Shallini Taneja, Pawan K. Taneja, and Juelin Yin provide a comprehensive review of CSR found in four Asian countries: Japan, South Korea, India, and China. Using an eight-part framework, these authors clarify how CSR came into practice across Asia and analyze the development of CSR within the context of the country's history, religion, social norms, geography, political structure, economic development, civil society institutions, plus the societal safety net for its citizens. The similarities and differences highlighted in this chapter provide a stark contrast to the more commonly known Anglo-Saxon understanding of CSR that permeates United States and European academic literature, as noted later.

The next chapter focuses on CSR practice in India. Authored by Rajat Panwar, Shweta Nawani, and Vivek Pandey, this chapter broadens the book's coverage by focusing on the "business case for CSR." Grounded in the profit motive incentives for CSR activities, the authors introduce the reader to a new form of CSR — "legislated CSR" — found primarily in India. Focusing on India's Company Act of 2013,

Panwar and his colleagues provide an in-depth explanation of the Indian government's effort to "require" Indian companies of a sufficient size to "voluntarily contribute" to CSR programs, rather than impose a burdensome tax on businesses. They review this innovative CSR effort and provide their prediction of the future for such legislative CSR agenda.

The final chapter in this section investigates a marginally analyzed area of CSR: the implementation of CSR into the public sector. Nikolay A. Dentchev, Philippe Eiselein, and Thomas Kayaert target the "Local Agenda 21" project, involving municipalities in the Brussels-Capital region of Belgium. They explore various elements found in the Local Agenda 21 project including the importance of having strong political support to ensure program success and assessing the degree of competition among municipalities to enhance our understanding CSR in the context of local governmental efforts.

The third section in this volume of *Business and Society 360* investigates CSR as practiced from various perspectives. Daina Mazutis' chapter leads off this section by empirically assessing if corporations have continuously evolved in their CSR practices as the notion of CSR has also evolved or if firms overtime have become more irresponsible, suggesting the presence of corporate social irresponsibility (CSiR). Reviewing 120 studies using the KLD database, Mazutis concludes that little has evolved regarding CSR *practices* over the past two decades, but alarmingly corporate irresponsibility has grown. She advocates for greater care by scholars when analyzing the KLD data in reference to CSR and CSiR, as well as offers cautions about theoretical implications.

Caddie Putnam Rankin introduces the readers of this volume to the relatively new sub-CSR field: the Benefit Movement and the emergence of benefit corporations. In her chapter, Rankin offers a four-quadrant figure to classify potential benefit corporations and begins the dialogue describing how this social movement might generate more traction. She illustrates the required actions needed and potential advantages emanating from a more developed benefit corporation movement.

The next chapter takes a very different view for its CSR focus. Vanessa Hill and Harry Van Buren, III look at CSR from the lens of scientific management. At its core, scientific management dehumanizes stakeholders, according to Hill and Van Buren, separating morals from theory and practice. The authors argue that scientific management promotes a mythology of equity, poor treatment of employees by superiors and reduces employees to work roles and function rather than as a

whole stakeholder entity, among other undesirable traits. Investigating CSR from a dehumanization and alienation perspective has a profound impact on how CSR is understood and practiced by businesses, if at all, and the harmful consequences to stakeholders existing under the CSR umbrella. Hill and Van Buren provide strong arguments to counter scientific management thought to extend our understanding of CSR and its implications.

The chapter authored by Kathleen Rehbein, Frank den Hond, and Frank G. A. Bakker summarizes CSR research by exploring the potential relationship between a firm's social policies, such as CSR, and its political policies, such as corporate political activity (CPA). These authors contend that there are contradictory arguments and evidence concerning whether and under what conditions firms align their CPA and CSR activities. They also consider what impacts might come about if they do align these activities. This chapter explores this potential relationship from the micro and macro levels to see if this relationship is static or dynamic. They offer a general model to integrate the micro- and macro-level discussions to posit where future research needs to go to increase our understanding of an alignment of CPA and CSR efforts.

Concluding this section is the chapter authored by Edeltraud Guenther, Timo Busch, Jan Endrikat, Thomas Guenther, and Marc Orlitzky. This team of scholars examines the causal relationship between corporate ecological sustainability and corporate financial performance based on previous empirical explorations through a meta-analysis. They claim that these empirical associations seem to be contingent on the firm's strategic approach with regard to ecological sustainability; that is, a proactive versus reactive approach and on the operationalization of both constructs. Given the positive, yet limited, discovered association, Guenther and his colleagues provide guidance, tempered with caution, for scholars working in this sub-CSR field who are seeking to answer the complex, multifaceted question: Under what circumstances does it pay for organizations to "go ecologically green"?

The volume's final section concludes with three exciting chapters that look toward the future to imagine a new world where CSR plays an important role. Jerry M. Calton critically assesses the shortcomings of classical and more recently, progressive CSR thought such as creating shared value. He dismisses recent innovations as fundamentally inadequate in addressing the important need for a newly envisioned notion of CSR in today's complex business and society world. He argues for continued attention toward developing a socioeconomic system-centered model, rather than a firm-centered notion of CSR, drawing on works

by Garrett Hardin and Elinor Ostrom, to ensure systematic sustainability in our evolving world.

Sandra Waddock's chapter challenges scholars and practitioners to question whether our current understanding of CSR is sufficient to transform our society to deal with global issues that confront us today plus future generations tomorrow. She believes that a new socioeconomic story is required to reshape our approaches to sustainability, climate change, inequality crises, and other pressing issues. Waddock calls for creating a new CSR narrative based on such socioeconomic concepts.

The volume concludes with an Epilogue, written by Donna J. Wood, who provides a thoughtful summary of the themes found earlier in the book volume but also raises important issues for scholars to consider. As Wood points out: "CSR has come a long way from the early days" but many critical tasks remain. She challenges scholars to be mindful of many thorny problems that lie ahead when considering research topics selected, theories and methods used in our research, and the conclusions drawn from our investigations. She beseeches that business and society academics "also be known for its intellectual integrity and courage." Good words to live by and to conclude this volume on CSR.

James Weber

David M. Wasieleski

*Editors*

In collaboration with William C. Frederick

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**THE ORIGINS AND  
DEVELOPMENTS OF CORPORATE  
SOCIAL RESPONSIBILITY**

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## Chapter 1

# Corporate Social Responsibility: From Founders to Millennials

*William C. Frederick*

### Abstract

Corporate social responsibility (CSR) is presented as a series of evolving stages characterized by shifting attitudes and behaviors by business firms, their stakeholders, and public policies. Five major phases of CSR are described: CSR-1: Corporate Social Trusteeship; CSR-2: Corporate Social Responsiveness; CSR-3 Corporate-Business Ethics; CSR-4: Corporate Global Citizenship; and CSR-5: Toward a Millennial Future. Accompanying the first four CSR phases are the principal drivers and policy instruments that have activated those four CSR stages. An evolving set of generational values and attitudes about CSR — from Silent Generation to Baby Boomers to Gen-Xers to today's Millennials — reveal the continuing development and relevance of — and the major questions and challenges about — Corporate Social Responsibility in the Millennial future.

*Keywords:* Stages of corporate social responsibility; corporate social trusteeship; corporate social responsiveness; business ethics; global citizenship; millennials

Corporate social responsibility (CSR) occurs when a business firm consciously and deliberately acts to enhance the social well-being of those whose lives are affected by the firm's economic operations. This core, generic meaning of CSR signifies that it may be present in a wide variety of business and economic contexts, from the smallest and simplest firms to the largest and most complex companies, as well as in a broad range of diverse societies around the globe. CSR therefore blends and harmonizes economic operations with a human community's social systems and institutions, creating an organic linkage of business and society. The goal of this relationship is to achieve a balance between the firm's economic operations and the society's aspirations and requirements for community welfare.

While economic activities themselves — production of goods and services, workplace jobs, customer distribution channels, supplier networks, capital investment — contribute importantly to both economic and social well-being, social harm also can accompany the pursuit of economic goals, including ecological disruptions, employee mistreatment, job losses, consumer abuses, and investor distrust of capital markets. The dilemma facing both advocates and skeptics of CSR is to reconcile these competing and sometimes contradictory outcomes so as to sustain needed economic activity and perceived social aspirations simultaneously. CSR advocates champion social goals and often overlook the economic costs they impose on business, while CSR skeptics promote the centrality of economic operations and doubt the legitimacy, necessity, or workability of social goals sought by voluntary private initiatives and regulatory fiat. CSR supporters strive to reduce the social costs of economic operations, while CSR skeptics want to reduce the economic costs of social initiatives.

CSR in different societies around the world — the extent, type, and organizational approach taken — is strongly affected by (1) the reach of and commitment to a market-style economy and (2) the size, strength, and independence of its corporate sector. In free-market economies, greater CSR demands are typically made on private business firms, resulting in a greater degree of corporate resistance to these pressures. In state, or heavily regulated, economies, governments absorb many of the direct social costs of CSR by providing an infrastructure of social welfare and economic support. For that reason, private companies are often spared the kinds of CSR demands found in market-style economies and they also may be more receptive to CSR initiatives. Paradoxically, then, CSR tends to be favored in state-regulatory economies where it is less needed and opposed more vigorously in

market-style economies where most needed. A strong corporate sector in either kind of economy is therefore positioned to be highly influential as either a supporter or opponent of CSR proposals, policies, and programs.

Beyond these economic and corporate forces, CSR is influenced by any given society's religious institutions and beliefs, its stage of economic and social development, exposure to natural events and catastrophes, geopolitical status, and historical traditions and sociocultural values.

### **CSR in the United States: How It Began**

CSR, as an idea and corporate practice, has a longer history in the United States, or at least a better documented one, than in many other nations. The primary reason is the prevalence of a market-style economy, supported by adherence to free-market ideology and a limited economic role for government. As noted above, these conditions generate an increased expectation of social awareness and social services to be forthcoming from private enterprise. Accordingly, CSR ideas began to emerge in rudimentary form in the early decades of the twentieth century — and surprisingly to some observers, from the corporate sector itself, especially top executives of major companies. As in other nations, the first form taken by CSR was philanthropic support of community organizations, settlement orchestras, ballet, and art museums. As told by historian Morrell Heald in *The Social Responsibilities of Business: Company and Community 1900–1960*, corporate philanthropy was well underway by the 1920s.

Two major events, both of worldwide scope, stalled the further growth of CSR for the next two decades. One was the Great Depression and the other World War II (WWII). Companies hard pressed by the Depression's large-scale, long-lasting economic decline necessarily concentrated on their own survival and had less appetite (and fewer resources) for philanthropic initiatives. Likewise, WWII production became business's first priority, diverting attention from the social side of community life. While some social gains were made during the depression and war years — labor protections, a social security retirement system, tax reform encouraging philanthropic activities by corporations, wider employment of women — these were mainly years of hesitation and CSR passivity. For the most part, CSR at war's end was about where it was in the 1920s — a charitable handout to community institutions thought to be deserving by paternalistic business leaders

willing to use shareholders' funds to support worthy social causes. The more engaging social issues that would emerge in future years — racial and sexual discrimination, consumer exploitation, workplace health and safety, environmental despoliation, labor force downsizing and outsourcing, defaulting on employee retirement pensions and healthcare, and lack of integrity in financial markets — were nowhere to be seen as action areas for private enterprise.

### **CSR: Doctrine, Drivers, Policy Instruments**

From a timorous, uneven, and irregularly expressed idea in the form of corporate philanthropy, CSR was destined to grow far beyond the forms and purposes that its originators sought and intended. For deep-lying reasons not readily apparent even today, the idea that private corporations have obligations to society that go beyond their economic quest for profits — which is the core meaning of CSR — seeped into the consciousness of increasing numbers of U.S. business leaders around the mid-twentieth century. They in turn, with the help of scholars and social critics, produced the first coherent doctrine of CSR during the 1950s. But that was only the beginning of a half-century expansion of CSR practice and theory — a period of controversy and struggle between the social critics of business and its defenders in the executive suites that continues to this day. Often against their will, but at times in compliant mode, U.S. business firms found themselves caught up in the midst of large-scale social revolutions by workers, racial minorities, women, consumers, and environmentalists whose aim was to force business into conformity with newly evolving social standards. These transformative societal pressures caused CSR to acquire new layers of meaning that in time would modify the practices, strategies, and policies of corporations — and even penetrate to the innermost thoughts and attitudes of key executive decision makers and business leaders.

All of these transitions occurred during the last half of the twentieth century and early years of the twenty-first century, including the emerging CSR doctrine, the drivers of CSR practices, and the policy instruments for implementing CSR. [Table 1](#) summarizes these transitions. Though complex, the total pattern is important for comprehending the breadth and depth of CSR's significance for both business and society.

Table 1 CSR: Doctrine, Drivers, Policy Instruments

<b>Phases of Corporate Social Responsibility</b>		<b>CSR Drivers</b>	<b>CSR Policy Instruments</b>
<b>CSR-1</b>	<b>Corporate Social Stewardship</b>		
1950s–1960s	Managers as public trustee-stewards balancing constituent claims Corporate philanthropy	Executive conscience Company image/ reputation Public relations	Philanthropic funding Company grants Charitable foundation grants
<b>CSR-2</b>	<b>Corporate Social Responsiveness</b>		
1960s–1970s	Social impact awareness/analysis/audit Strategic priority for responsive posture Organizational redesign and training Stakeholder mapping and implementation	Widespread social unrest/ protest Repeated corporate misbehavior Public policy/government regulation Stakeholder pressures	Stakeholder strategy Regulatory compliance Social audits Public affairs function
<b>CSR-3</b>	<b>Corporate/Business Ethics</b>		
1980s–1990s	Foster an ethical corporate culture Establish an ethical organizational climate Recognize basic normative principles Human rights Social justice Community welfare Environmental protection	Religio-ethnic beliefs Technology-driven value changes Human rights advocacy	Mission/vision/values statements CEO leadership ethics Code of ethics Social audits

Table 1 (Continued)

<b>Phases of Corporate Social Responsibility</b>		<b>CSR Drivers</b>	<b>CSR Policy Instruments</b>
<b>CSR-4</b>	<b>Corporate/Global Citizenship</b>		
1990s–2000s	Identify/acknowledge globalization impacts Environment/ecology issues National trade, wage, and income issues Cultural/religious clashes	Global economic trade/investment Digital communication networks Geopolitical shifts/competition Ecological awareness/concern NGO pressures	Intergovernmental compacts Human welfare/rights Supply-chain labor conditions Ecological stability Global codes
<b>CSR-5</b>	<b>Toward A Millennial Future</b>		
2000–3000	Integrating culture and nature Seeking corporate and planetary sustainability Comprehending cosmic, galaxial, planetary processes	Sustainability processes Generational changes Religio-metaphysical beliefs	Indeterminate, speculative Awaits Millennials' maturity and control of corporate policies

CSR in the United States did not happen all at once. The idea slowly evolved after its beginnings in the early to middle 1900s. As depicted in the CSR Phases Chart, a total of five phases emerged in the last half of the twentieth century and the beginning of the new Millennium in 2000, as both business firms and human social communities interacted in both cooperative and competitive ways. A description follows of each CSR phase, the dates of its emergence and development, its basic idea or goal about CSR, and the principal drivers and policies to promote the phase's CSR purposes.

## **CSR Phases**

CSR in the United States has not been one single thing nor has it been sought and achieved in one particular way. Five distinct, though overlapping CSR meanings, have emerged, each originating in and associated roughly with a particular period of time and calling for different kinds of corporate practices. The drivers of these five phases differ, as do the policy instruments for achieving a state of CSR. The phases are identified here as CSR-1, CSR-2, CSR-3, CSR-4, and CSR-5 and are described as follows.

### **CSR-1: Corporate Social Stewardship (1950s–1960s)**

#### *The Basic Idea: Corporate Managers as Public Trustees*

In the CSR doctrine of the 1950s, three core principles stand out:

1. corporate managers as public trustees/stewards of broad-scale economic interests;
2. an executive duty to balance competing claims to corporate resources; and
3. philanthropic support of worthy social causes.

These duties and obligations, to be discharged by a company's top-level executives, were of an entirely voluntary character, generated out of a belief that those who held power incurred reciprocal duties to the commonweal.

The manager as public trustee had emerged earlier in the 1920s and became increasingly popular by the 1950s. A thoroughly paternalistic

attitude, it evolved from the sheer economic power and influence that corporate executives wielded in a postwar market-style society. The resources they commanded — technology, materials, capital, and employees — were to be treated in a quasi-public manner, with corporate leaders acting as caretakers of the public interest. Seeing business as an instrument of broad societal service meant that its directors and managers were bound to look beyond the company's gates in promoting public purposes. As self-nominated public trustees, they sensed in themselves a societal responsibility that outran (but did not deny) the narrow profit interests of their companies. Well meaning, even generous and open-minded about their favored position, the best of these executive leaders spoke out vigorously for a nobler purpose to be found in business practice.

A foremost duty of this trusteeship was to find an acceptable balance among all of the claimants to America's corporate wealth: owners, employees, customers, suppliers, creditors, government entities, and local communities. Adjudicating and negotiating fair prices, just wages, honest sales, reasonable taxes, supplier relations, and community responsibilities were to be accomplished through existing laws and market contracts. Perhaps only subconsciously, the desired balance of interests was presumably to be achieved by relying on the dual spirits of Adam Smith — the invisible hand of (market) competition linked with his system of (natural) moral sentiments. Attaining a fair balance among sharply conflicting and contradictory claimants was the goal. In their zeal to embrace this new style of corporate statesmanship, business executives often overlooked or downplayed the details and difficulties of blending public purpose and private gain.

The mainstay of this first, and voluntarily assumed, approach to CSR, was philanthropy — the allocation of company funds to support worthy community projects. As public trustees searching for a fair and just equilibrium of societal interests, philanthropic contributions could, in a marginal way, help reduce the gap between rich and poor, the haves and have-nots, thereby moving toward a more just and balanced social outcome. Authorizing these redistributive gifts from corporate treasuries was a responsibility, not to say a privilege, of public trusteeship.

The major spokesman for this new CSR doctrine was Howard Bowen whose 1953 book *The Social Responsibilities of the Businessman* depicted the business executive as social steward, public trustee, and philanthropic leader. This first phase of CSR was to be accomplished voluntarily and with minimal government direction. Rooted thoroughly within a corporatist, market-style economy, this voluntarist CSR doctrine

revealed what could and could not be achieved through purely private pathways, however genuinely and even nobly motivated by executive conscience and goodwill.

### ***The Drivers of CSR-1***

Cocooned securely within the framework of a market-style economy, CSR could be driven mainly by private actions. A principal driver was the private conscience and philosophy of a company's top executives and directors who were permitted by legal precedent and encouraged by U.S. tax laws to contribute company funds to worthy social causes. Having assumed the status of public trustee, they felt justified in thus dispensing shareholder assets to various community organizations as a way of demonstrating their concern for general social well-being.

At the same time, their companies became identified in the public eye as responsible members of society, giving up and giving back a portion of their gains as an act of responsibility and charity toward others less fortunate or left behind in life's struggles. Polishing the company image through good works was increasingly important as a motive for undertaking philanthropic activities.

### ***CSR-1 Policy Instruments***

This desire for establishing a good public image and a reputation as good corporate citizen generated what in later years would be known as "strategic philanthropy" by which good works were supported only if these charitable contributions also produced tangible benefits for the company, e.g., lower costs or even profits. However, during this initial phase of CSR, the goal was to project the idea of a caring company and that could be done through public relations. Public Relations departments were charged to identify potential recipients of corporate largesse and then to publicize the grants and programs sponsored by the company. Additionally, company officers served as symbolic heads of charity drives, such as the Community Chest (later called The United Way), and company employees might be temporarily furloughed for service to the charity being supported. Community outreach that contributed greatly to a socially responsible company image was greatly magnified by drawing on the resources of philanthropic foundations founded by well-known business tycoons. Generous grants from the Ford Foundation, Rockefeller Foundation, and the Carnegie Corporation

funded good works in education, health, and science — shining a philanthropic spotlight on the companies they had founded.

CSR-1 policy was carried out principally by some combination of targeted financial contributions and a public relations campaign to shed favorable light on the company and its leading executives.

## **CSR-2: Corporate Social Responsiveness (1960s–1970s)**

### *The Basic Idea: Responding to Social Demands*

CSR took on an entirely new meaning during the 1960s and 1970s. Under the hammer blows of rising social protests, corporations were now expected to do more than distribute marginal funds to charitable causes. The protesters demanded response to their social demands, not just a continuation of the voluntary *noblesse oblige* paternalism of CSR-1.

African-Americans demanded an end to racial discrimination in hiring. Women sought workplace equality. Environmentalists wanted an end of industrial pollution. Consumer advocates protested unfair prices, misleading advertisements, and unreliable or unsafe products. Opponents of the Vietnam War condemned weapons production and war profiteering by business. Workers in risky industries pushed for workplace safeguards. Foreign bribery by prominent corporations offended public opinion. Peace activists demonstrated against the military-industrial complex, the threatened use of nuclear weapons, and general business support of militant foreign policy. Some reformers proposed federal chartering of corporations and a more socially diverse board of directors.

In all of this social turmoil, business was expected to do something tangible in response to these social demands. Executive minds reacted by adopting a socially pragmatic attitude emphasizing social response rather than a passive, voluntary responsibility. No longer was it a question of whether business should pay attention to social issues because public opinion and new government regulations had answered affirmatively. CSR now required a new kind of social activism by business firms. It consisted of four kinds of corporate action:

1. *Social-impact awareness.* The diverse array of social demands being made on business, plus the different kinds, sizes, structures, and markets of these firms, meant that each company had to identify those

social issues and problems that were germane to its particular operations. Labor-intensive firms were more likely to face charges of workplace discrimination. High-polluting industries drew the wrath of environmentalists. Consumer goods producers faced the anger and skepticism of consumer activists. High-risk operations (mining, construction) could expect their labor unions to insist on strict health-and-safety rules. Large complex conglomerates and holding companies often faced multiple social demands. Proper response called for targeted awareness and careful analysis of the kinds of pressures that were relevant. Techniques of environmental scanning, issues analysis, and futures forecasting were signs of the socially *responsive* corporation.

2. *Assigning strategic priority for social responsiveness.* It soon became apparent to the managers of targeted companies that not all social demands could, or should, be met. Social response had to be placed within the firm's overall economic, financial, and marketing strategy so that revenues and profits were not exposed to excessive risks or costs of social response. Wage structures, price setting, capital acquisition — the basic functional elements of business success or failure — could be jeopardized by an exaggerated or “knee jerk” reaction to public criticism. On the other hand, a carefully crafted strategic policy finding a place and assigning a priority for the company's social impacts was not only worth having, it became another managerial necessity of running a business.
3. *Organizational redesign and training.* If social protest was to be handled well and made an effective part of corporate strategy, organizational reforms were found to be necessary, and key managers had to be prepared to cope with the new behavioral realities of a socially conscious workplace. Responsibilities for pollution abatement, fair treatment of minority and women employees, assuring quality control of consumer products, and safeguarding on-the-job health and safety brought new departments into being with authority to enforce new routines and rules. Old attitudes had to yield to the newer social outlooks by retraining and reshaping managers' and employees' attitudes toward co-workers and many taken-for-granted and socially outmoded practices. The goal was to create an internally generated posture of overall social *responsiveness* throughout all organizational levels.
4. *Stakeholder mapping and implementation.* Although the term “stakeholder” did not become popular until the 1980s and 1990s, its spirit and basic meaning were alive well much earlier. Richard Eells in his

1960 book *The Meaning of Modern Business* spoke of a company's "contributor-claimants" who deserved the attention and solicitude of top management — stockholders, creditors, customers, employees, and suppliers — all of them having a contractual bond with the company. "Indirect [non-contractual] claimants" included business competitors, local communities hosting company operations, the general public, and governments. Whether called "claimants" in 1960 or "stakeholders" in the 1980s, the CSR principle was identical: integrate their interests into a company's strategy.

### *The Drivers of CSR-2*

Whereas CSR-1 initiatives were privately and voluntarily driven, the CSR-2 phase brought companies directly and sometimes forcefully into the public realm, where practical action was expected. The main drivers of corporate response proved to be a potent blend of public unrest, corporate misdeeds, and new public policy rules:

- *A generalized social unrest* was generated by the demands of African-Americans, women, consumerists, environmentalists, anti-war protesters, workplace safety advocates, and radical anti-capitalist organizations. As claimants/stakeholders, their protests and social demands penetrated deeply into corporate boardrooms, annual stockholder meetings, trade associations, and across the entire marketplace — changing minds, actions, policies, and business decisions.
- *Repeated instances of corporate misbehavior.* The best known examples featured some of America's most notable and admired companies committing socially irresponsible acts: residential neighborhoods and schoolyards contaminated by poisonous chemicals left in landfills (Love Canal and Hooker Chemical); the production of unsafe automobiles (General Motors' Corvair and Ford Pinto's exploding gas tanks); health threats from asbestos products (Manville Corporation); racial discrimination (Coca-Cola, Eastman Kodak, American Telephone & Telegraph); auto deaths and injuries caused by defective tires (Firestone); bribery of foreign officials (Lockheed, Gulf Oil); sale of infant formula in unhygienic conditions of Third World nations (Nestle); doing business in South Africa's apartheid economy; and many other similar cases. Such dramatic, well-publicized events fueled public doubts about business integrity and built political support for new government curbs on business behavior.

- *Public policy and government regulations.* While the general inspiration for CSR originated within the minds and social consciences of corporate executives in the private sector, the strong social pressures and protests occurring during the tumultuous 1960s–1970s activated public sector responses in the form of new laws and regulatory agencies plus strengthening existing ones. Taking the lead were the Environmental Protection Agency, Equal Employment Opportunity Commission, Food and Drug Administration, Consumer Product Safety Commission, Occupational Health and Safety Administration, Mine Safety and Health Administration, Federal Trade Commission, Securities and Exchange Commission, and National Highway Traffic Safety Administration. State and local governments followed the federal government’s lead and wrote new rules, set new standards, imposed deadlines for compliance, and specified penalties for non-compliance. Corporations were put on notice to act in a socially responsible manner or face legal punishment. Public fiat, not private conscience, became the principal driver of CSR.

### ***CSR-2 Policy Instruments***

Leading CSR-2 companies soon realized that the public would no longer accept, nor could they rely on, the leisurely paternalistic approach of the earlier CSR-1 era. The phalanx of new regulatory agencies and their new social performance standards left companies with little choice but to create a parallel in-house architecture of regulatory compliance procedures, fitted with specialists and legal experts capable of interpreting the rules and advising top management on how (or whether, or to what degree) to comply. Social audits were adopted by some companies to review overall progress and to identify social shortcomings. Public affairs departments, often headed by a high-ranking officer who reported to the board of directors, expanded the public relations function by participating directly in strategic planning and policy. Corporate governance reforms included minority and gender diversity on the board of directors, CSR board committees monitored social progress, and in some companies, an environmental scanning function identified existing social trends and anticipated future scenarios.

The ideological unease felt by many private sector members about this public sector intrusion into corporate decision making and policy

determination sparked a backlash from the business establishment. Supportive think tanks and lobbying associations emerged to challenge the imposition of social controls on business, to shape public opinion, and most importantly to influence elected officials. A company's CSR-2 strategy thus embraced not only the organizational machinery of managerial compliance but well-financed efforts to blunt and neutralize social protest, social change, and social transformation of the corporation.

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By 1980, a coherent CSR doctrine was not only recognizable, but also was accepted with varying degrees of enthusiasm by the business community. Companies were judged to be socially responsible — or perhaps deemed themselves to be socially correct — by adopting either CSR-1 or CSR-2 standards, or preferably both. Still smarting under the restrictions and costs of the new social regulatory regime but resigned to political realities, business leaders settled in to the task of “managing” their firm's ties with society at large. In this limited sense, CSR had “won” the battle with more resistant business firms.

### **CSR-3: Corporate/Business Ethics (1980s–1990s)**

#### *The Basic Idea: Fostering Ethical Corporate Culture*

Beginning around 1980, CSR took on a new meaning that went beyond Phase One's philanthropy and Phase Two's social managerialism. A CSR-3 company could be recognized by the quality of its corporate culture, the type of ethical climate it displays, and the normative principles that guide the company's decisions, strategies, and policies.

Cultural anthropologists pointed out that each company harbors a distinctive culture that shapes the workplace behavior of all who work there, having much the same effect as do the customs, traditions, rituals, and values that can be observed in societies around the world. Usually the product of the original founders of the company, and subsequently of successor executives, corporate culture exerts a strong directive influence on company behavior, the goals it seeks, and the human beings who reside there for much of their working lives. Since it plays such a dominant role in shaping company practices, culture might hold the key to charting a more socially responsible path for the firm. Alert companies already attuned to the social desirability of being, or appearing to be, socially responsible scurried to identify the

core components of their cultures. “Managing” culture and turning it toward CSR was added to the corporate executive’s tool kit.

Part of this task involved taking stock of the ethical climate found in the workplace, i.e., the beliefs and attitudes about what constitutes right and wrong on-the-job behavior. Social scientists discovered that companies’ ethical climates differ along a continuum of normative standards: a legal compliance professionalism; a caring attitude toward fellow employees; a strict loyalty to company rules; an efficiency, cost-control attitude; and a detachment of one’s personal values from company routines and practices. Here, too, as with corporate culture, was an opportunity for top management to support and nurture an organizational climate favorable to socially responsible practices toward both internal and external stakeholders.

Corporate culture and ethical climate derive their meaning and societal significance from four normative principles widely recognized and sought by societies around the world: respect for human rights, achievement of social justice, promotion of community welfare, and environmental protection. Companies that explicitly and consciously make these principles an integral part of their culture and organizational climate become normatively focused CSR-3 corporations, moving well beyond the simpler formulas of the two earlier CSR phases.

### *The Drivers of CSR-3*

What combination of forces could possibly explain the radical transformation of private sector corporations from solely profit-centered goals to a broader normative orientation? Personal managerial conscience and company reputation drove corporate philanthropy. Public policy rules and regulations drove corporate responsiveness. What is the motive power for corporate/business ethics?

Three factors offer a reasonably plausible but somewhat tentative answer.

1. *A resurgence of religio-ethnic beliefs* symbolized by bitter clashes between Christians and Muslims, Israelis and Palestinians, Irish Catholics and Protestants, Iraqi Shiites and Sunnis, among other such religiously inspired confrontations in Asia, Africa, and Latin America. Company operations exposed to these struggles — Western oil companies in Nigeria being another example — are often forced

to deal with and recognize the normative elements and moral principles that inspire and activate the conflicts. American and European corporations discovered the power and normative appeal of religio-ethnic principles during the long struggle of South African blacks to throw off the bonds of a racially divisive apartheid system of government.

2. *Social value change induced by new forms of technology* — first the transistor radio, then television, followed by the computer, the Internet, the handheld data storage file, the multiple-use mobile phone, even the I-pod — transformed the world from nations separated by geography, language, and culture into a virtual “global village” sharing electronic space, communicating across language barriers, and creating entirely new high-technology enterprises and industries (think Google and Amazon). Values and practices once hidden behind compound walls or sheltered in religious sanctuaries or secreted in bedrooms or known only by the privileged classes have become, in a sense, public property available to anyone with a mobile phone and an Internet address. In such a world of giddy change, many seek solace in solid and long-established community standards. Business itself is often both creator and victim of these technological upheavals, at once exposed to fierce global competition while profiting from the sale and use of exotic technology it introduces to slow-to-adapt developing nations. In such a technologized world, personal, organizational, and social values are drawn into a dismaying and disorienting vortex of unwelcome transformation.
3. *Human rights advocacy*, 60 years following the United Nations Universal Declaration of Human Rights, has swept across the globe to become a voice speaking another universal language well understood, though not always heeded in practice, by peoples and governments everywhere. Human rights principles are now found in international and regional compacts regulating the cross-border practices of many multi-national corporations. The right to a job, to a living wage, to treatment with respect and dignity as a person, to safe and healthful working conditions, to a non-discriminatory and non-threatening workplace, to freedom of job choice and movement, to reward and advancement for good performance, to appeal and redress for unfair treatment, to recompense for rights violations — all such rights create reciprocal moral duties and ethical obligations for CSR-3 companies. They act increasingly as moral guidelines for business policy and practice.

### **CSR-3 Policy Instruments**

To achieve a CSR-3 posture that fosters an ethical corporate culture, companies need to design and install a supportive organizational architecture that encourages the active expression of moral principles. Older habits and behaviors may need to be dismantled and replaced with newer and stronger ethical supports. Ethics aspirations and goals proposed by top management must be given a tangible, operational form easily understood and enacted by lower-level employees. Unless motives — rewards and penalties — are clearly specified, desired behavior is not likely to occur. The typical diversity of values, ethnic loyalties, religious affiliations, age levels, and gender orientations present in the company's workforce calls imperatively for the promulgation of overarching principles that can unify and propel behavior toward common ethical goals.

*Mission Statements* broadly define a company's core purpose — its *raison d'être* — as an organizational entity, the aspirations its leaders have for what it can accomplish for shareholders, employees, and society generally. Closely related to company mission is what is often called its vision, which is an image of what the company hopes to become and to achieve as its employees enact the purposes embedded in the firm's mission statement. More tangible are the core values that are identified as general guides, taught in orientation and training programs, and symbolizing the kinds of desirable behaviors favored by and representative of the company.

More specific yet is a Code of Ethics or a Code of Conduct naming the kinds of specific on-the-job activities that are forbidden, describing degrees of punishment for non-compliance, identifying channels for reporting code violations, setting up quasi-judicial procedures for hearing and adjudicating cases, and requiring all employees to read and declare in writing their understanding of the code's provisions.

Organizational responsibility for the company's ethical performance rests ultimately and legally with the board of directors, who typically direct the chief executive officer and/or president to carry out the letter and spirit of the firm's Mission, Vision, Values, and Codes. Boards of the largest corporations tend to appoint an ethics and conduct committee whose task is to oversee and report on the quality of ethical performance or special problems that may arise from operations. Concurrent with the growing complexity of markets and technology has been the appearance of a chief ethics officer (often bearing the title of vice president with board membership) who handles ethics crises, responds to

ethics hot-line inquiries and reported violations, and reports directly to the board of directors or its ethics committee.

Still other policy instruments sometimes used are company-wide ethics audits, ethics training workshops for managers and employees, employee recognition awards for superior ethical performance, and service learning projects and employee furloughs to work with community groups.

Of great symbolic importance is the known commitment of the company's chief executive officer to maintaining an ethical corporate culture through actions as well as words — or in the rubric of ethical sincerity, “walking the talk.”

This array of CSR-3 policy instruments invokes the concept of a social contract between company and community where specific responsibilities are defined for each side. Displaying a long history in Western culture, particularly during the Enlightenment Era when constitutional and representative governments burgeoned in Europe and America, the idea of a social contract between business and society surfaced anew during the early phases of CSR development. Leading corporate executives proposed that private business firms and civil government should form co-equal partnerships to tackle major social problems, with government setting social priorities and firms working to achieve those goals. Such proposals foundered on the difficulties of agreeing on priorities, as well as some doubts about their financial feasibility. However, the spirit of social contract remains alive in the minds of leading CSR practitioners and scholars. Most notably, in *Ties that Bind: A Social Contracts Approach to Business Ethics*, philosopher Thomas Donaldson and legal scholar Thomas Dunfee proposed a unique kind of social contract between business and society that embodies universal human rights principles vital to society while granting economic enterprises the degree of flexibility and practicality needed for successful market operations.

Another notable development of the CSR-3 approach was the reappearance or reactivation of the CSR-1 idea that companies should pay attention to the various competing claims made by those affected both negatively and positively by its operations. The term “stakeholder” became popular with the 1984 publication of R. Edward Freeman's book *Strategic Management: A Stakeholder Approach*, which urged corporate executives to map out their relationships with all social groups who could seriously influence company operations or, who reciprocally, could feel the company's impacts on their lives and fortunes. This stakeholder approach has become managerially useful in building the firm's market-based strategy and in delineating its ethical stance toward

stakeholder groups, thus building a bridge between the earlier versions of CSR and those to come later. Stakeholder has thus given a name to social responsiveness, an identity to those groups targeted for social action, and a list of ethical theses posted on corporate boardroom doors everywhere.

#### **CSR-4: Corporate Global Citizenship (1990s–2000)**

##### *The Basic Idea: Achieving Corporate and Planetary Sustainability*

Corporate Citizenship, in a generic sense, has long referred to a company's duties and obligations as a member of civil society: to obey the law, contribute to the commonweal, participate in governance, and to demonstrate respect for other citizens. Law and custom have reinforced the idea that business firms possess citizenship standing as "legal persons" and are accepted as members of society. As such, they incur responsibilities for their actions, and their owners and directors are charged with fiduciary oversight of company operations and assets. This meaning of Corporate Citizenship accompanied all three of the CSR phases described above (CSR-1, CSR-2, and CSR-3) and its language is frequently used to denote the overall social responsibilities of business.

Beginning in the 1990s, the citizenship idea has taken on new meanings intended to reflect a much broader and more comprehensive view of business's social role in today's world. Cross-cultural, cross-national, cross-governmental, cross-regional, and cross-continental in scope, the spirit and deep meaning of this new dimension of social responsibility are best captured in the phrase "Corporate Global Citizenship." Neither polity nor society adequately defines the entity to which citizenship duties are owed. It is indeed the planet Earth itself and the totality of its living inhabitants that constitutes the core of citizenship responsibility. These magnified responsibilities reflect a transformation of the business firm from a purely economic entity into an organic natural form possessing an awesome potential impact on the future of planetary life and human well-being. As never before, the stark issues of worldwide human survival, and the quality of whatever life may remain, have generated new levels of human concern and global awareness. The business firm's social role has thus acquired responsibilities extending far beyond philanthropy (CSR-1), managerial pragmatics (CSR-2), and idiosyncratic corporate cultures (CSR-3).

CSR-4 consciousness — Corporate/Global Citizenship — is a potent blend of globalization trends, sustainability goals, and metaphysical quest.

- *Globalization* — the penetration of market-driven corporate enterprise into societies everywhere — has been accompanied by disruptive and often ruinous environmental and ecological damage. Despoliation of air, rivers, oceans, arable land, forests, natural habitats, potable water supplies, food stocks, and mineral caches is well documented, as is the buildup of atmospheric greenhouse gases as one contributory cause of global warming and associated meteorological threats. National economies and their domestic industries feel the onslaught of and seek protection from shifting trade relationships. Labor policies, social welfare programs, national health care institutions, public taxes, currency systems, communication and transportation networks — all face review and painful reform. Some lesser developed regions are lifted up economically by a surge of new jobs while formerly prosperous locales suffer precipitous decline. The consequent political unrest and instability following these massive economic transitions render the governance of civil society increasingly complicated. Adding to this geopolitical turmoil are the potent tensions arising where the boundaries of religious traditions overlap and may contradict the necessities of successful market transactions. Under these conditions, the corporate mind, always pragmatically alert, is focused imperatively — that is, without choice — on the multi-cultural, multi-national, multi-ecological consequences of corporate enterprise.
- The *sustainability* of individual firm, industry, economy, nation-state, human community, and all forms of earthly life rests upon the uncertain outcome of thermodynamically induced energy forces. Interacting and self-organizing complex adaptive systems, including business corporations, populate the world's variegated ecosystems, each one intent on its own survival and growth. Collectively, their efforts to incorporate the energy needed to drive their adaptive purposes diminish and degrade the quality, and sometimes the quantity, of life for all participants. Individual life-support units (e.g., business firms), on the other hand, may prove their adaptive superiority over others through effective strategies of energy capture, integration, and growth, thereby postponing their eventual rendezvous with an entropic outcome (market failure, financial decline, bankruptcy). The equations of this thermodynamics sequence spell out the compelling need

of all organic entities to adopt a strategy that will succor and nurture — i.e., sustain — each one individually, and all taken together, over the long run. Thus has been born the concept of sustainability that has so captured the attention of leaders in business, government, and society worldwide. Not just individual companies but entire economies and, indeed, planetary life as a whole, seek the shelter of a sustainable organic existence for the earth's inhabitants. More is said about sustainability in the following CSR-5 phase.

- *Spirituality and metaphysical quest* may seem to be seriously or even radically at odds with the normal pragmatic and technical requirements of the corporate workplace. Yet respected psychological, sociological, and behavioral research shows that managers and workers bring their entire array of personal attitudes, beliefs, and principles to their jobs in the workplace, and that these concepts and precepts influence their on-the-job behavior. Values formed in families, neighborhoods, schools, and religious institutions are carried forward into professional life. Moral development and value formation tend to gravitate toward in-group loyalty and a sense of law and social order, with few moving beyond to embrace a more inclusive and comprehensive universalist ideal. Finding meaning in one's work above and beyond job skills well applied, wages fairly earned, and satisfying associations with fellow workers is often referred to as a search for workplace spirituality. It may arise from explicitly religious teachings or from secular-based metaphysical speculation about one's place and purpose within the Cosmos. Such views need not intrude directly into job performance, although it may activate either positive or negative attitudes about the way work is done or the effect it has on others. For high-level corporate executives and managers charged with steering their companies toward economic success in a fiercely competitive global marketplace, and for entrepreneurs whose scientific and technological innovations can both destroy and create economic opportunity, and for the governments and financial institutions that supply the funds for such world-shaking initiatives — for all of these leaders whose decisions affect the lives and fates of billions of their fellow humans, an impulse, call it spiritual or metaphysical, to search for a larger significance and one's place in the larger Planetary or Cosmic scheme of things, becomes irresistible. It is fair to say that CSR-4's spirituality component is a work-in-progress, not fully formed and enabled, only transitional and not completely instantiated in business practice or policy. Its critics say that spirituality belongs in a religious sanctuary, and metaphysics in a philosopher's den. Its supporters

believe to the contrary that corporations and their leaders will need to come to terms with the transcendent consequences of their daily decisions and practices. Spirituality and metaphysics are discussed further in the CSR-5 phase.

#### ***CSR-4 Drivers***

Companies have been impelled toward a CSR-4 posture by large-scale economic and political forces operating ubiquitously. International trade and global capital flows have greatly extended the reach of market-based economies. Sophisticated technologies, embodied as computerized bits and bytes flowing constantly through the intricacies of a World Wide Web (the Internet), weave markets and firms into convoluted information networks of economic enterprise and productivity. Geopolitical competition and realignments follow domestic economic upheaval or decline in the wake of shifting economic and technological fortunes. A rising sense of ecological awareness and concern recruits an army of environmentalists, gives birth to “green” political parties, pits eco-protesters against bankers and civil authority. Non-governmental organizations (NGOs) by the thousands become a force to be dealt with in corporate boardrooms and at annual meetings, by demanding greater transparency and public reporting of a company’s social impacts. The bio-planetary dynamics of global warming, climatological disturbances, declining species diversity, threats of exotic viruses and disease plagues, and the more sinister implications of gene-driven behavioral biology drive corporate decision makers to search for solutions to problems facing market-driven enterprise. Generational change of attitudes and motives (from Baby Boomers, to Gen-Xers, and today’s Millennials) bring new and often imaginative outlooks to the functions, policies, and strategies of business firms and their impacts on societal environments. The Millennials’ newish Quality-of-Life Values, plus their devotion to digital technology, have the potential of injecting innovative approaches to all or most of the emerging issues confronting the entire global economic system. More about these Millennial possibilities are discussed in the following CSR-5 phase.

#### ***CSR-4 Policy Instruments***

The policy-and-practice tools of Global Corporate Citizenship differ from those used by companies in the earlier CSR phases. CSR-4 policy

does not issue solely from a company's directors and executive leaders; rather, it is a mosaic of values, goals, and strategy forged in a collective dialogue among company officers, citizen stakeholders, and government bodies. As such, it deals with a wide range of in-company issues, public concerns, and social/global problems. Framing this dialogue and posing the key questions that corporations must answer if they are to be judged as good Global Corporate Citizens is a network of codes, compacts, regimes, and behavioral standards of truly impressive and far-reaching dimensions. Together, they comprise a new kind of constitutional base that underwrites global standards of corporate behavior, including public accountability, transparency of operations, workplace human rights, environmental impacts, financial integrity, and relations with governments. Deborah Leipziger's *The Corporate Responsibility Code Book* describes 32 of the most important international and regional compacts, and the coauthored book *Living Corporate Citizenship* focuses on the "Global Eight" codes that embody the most important normative principles of corporate conduct and citizenship. One directory of CSR services available for consultation and advice by CSR-inclined companies lists over 200 organizations capable of extending such assistance.

For corporations that take these global codes seriously — and it should be noted that compliance is typically voluntary — tangible actions occur, such as negotiations with stakeholder groups (labor unions, NGOs, industry associations, government agencies), the redesign of production processes and supply-chain relationships to modify environmental impacts, and the issuance of CSR and sustainability reports and audits.

Still at a relatively early, though growing, stage of general acceptance, these initiatives by individual companies constitute what can be called a long-term sustainability strategy embodying three goals: to secure the firm's financial future, to lend support to its principal politico-government base of operations, and to ameliorate the environmental burden that the firm's operations place on the biodynamic and thermodynamic processes of the planet's ecosystems.

Even less clear, perhaps inherently so, are the specific steps that business firms might take to nurture a culture of spirituality and metaphysical quest by employees and managers who conceive their workplace actions and decisions to be part of a larger Cosmic existential realm. Two well-known corporations — Hobby Lobby and Chick-Fil-A — openly tout their workplace religious commitments. However, most pragmatically minded managers would want to avoid potential conflicts and controversies implicit in the adoption or approval of religious or

philosophic doctrines as guides to everyday work. Bridging that gap between work and metaphysics may best be left to personal initiative privately expressed.

## **CSR-5: Toward a Millennial Future (2000–3000)**

### ***The Basic Idea: Adapting Human Culture to Global and Cosmic Challenges***

In plain language, the Millennial Future is unknown, unknowable, and unpredictable. That it will be tumultuous and challenging — as well as threatening to human culture and therefore to human existence — is possible, though not known with certainty.

For these fundamental reasons, the CSR-5 phase is itself a puzzling and indeterminate condition which, like all of the preceding CSR phases — from CSR-1 through CSR-4 — must be lived and directly experienced to understand its functionality for both business and society.

Given these uncertainties, one can only speculate about what CSR-5's phase will turn out be and what effects on human life and culture it may produce. It may help to remember that the CSR founders in the early twentieth century had not the slightest knowledge or awareness of today's Internet and its digital technology that has become so essential to global communication and cultural awareness. So perhaps CSR-5 Millennials will produce similar discoveries that transform human awareness of planetary life and its potentialities. Time will tell.

## **The Speculative Millennial Future**

Three key concepts that may possibly shape the Millennial Future are outlined and briefly discussed in this section: Sustainability, Generational Changes, Big Questions, Puzzles, and Challenges.

### **Sustainability**

One of the first and most often cited meanings of sustainability comes from the 1987 Brundtland Report, bearing the title *Our Common Future*: “Sustainable development is development that meets the needs

of the present without compromising the ability of future generations to meet their own needs.”

Well, that popular definition does not say very much nor is it realistic to believe that meeting today’s needs and challenges can have no effect or impact on meeting tomorrow’s needs and challenges. In fact, it is contradictory of all the historical knowledge that we have of past and present civilizations, not to speak of the vast global diversity found in today’s human cultures. Indeed, if present actions do not “compromise” — i.e., negatively affect — future actions to meet needs, there can be no progress or gains in human culture. As noted above, today’s digital technology has “compromised” older forms of technology but has simultaneously vastly improved the ability to communicate among human groups around the world. Is not today’s digital technology a sustainable form of technology until replaced and “compromised” by a newer form at some point in the future?

Two more recent views of sustainability’s meaning and function are summarized next, one somewhat conventional, the other one more far-reaching. The first comes from a comprehensive discussion entitled *Business Sustainability: Performance, Compliance, Accountability, and Integrated Reporting* by Zabihollah Rezaee, Professor of Accountancy at the University of Memphis in the United States. A broader concept of sustainability is defined and discussed creatively in two unpublished papers by Sheng Zhao of Zhengzhou University, China. The abbreviated titles of these two papers are “Organizing Principles and Sustainability” [Paper #1] and “Management Education and Sustainability” [Paper #2]. The complete titles are listed in the References section.

Both Rezaee’s and Zhao’s interpretations exhibit imaginative and forward-looking views of sustainability’s functions and potentials. Rezaee’s views are discussed first, followed by Zhao’s ideas.

Professor Rezaee builds sustainability and its primary function on the well-known stakeholder theory, a concept first introduced in 1984 by R. Edward Freeman. Rezaee says that “[B]usiness sustainability is driven by and built on the stakeholder theory, which suggests that the primary purpose of business sustainability is to create stakeholder value” (xv). He focuses on “the achievement of long-term firm value maximization by creating value for shareholders and meeting the claims and interest of other stakeholders” (xv). Note two additional features of this model: (1) enabling “business organizations to be responsible stewards in creating stakeholder value” and (2) “Both financial and non-financial dimensions of sustainability performance ... complement each

other” (xvi). Hence, the non-financial, i.e., social, dimensions not only “benefit an organization’s stakeholders ... [but also add] a positive contribution to the sustainability of the planet ... ” (12).

Rezaee’s overall conclusion is that “Sustainability strategies should be integrated into corporate decision-making processes in promoting ... EGSEE [*Economic, Governance, Social, Ethical, and Environmental*] dimensions ... ” (36). His analysis goes on to describe how business strategies and government policies can be integrated so as to move in the general direction of sustainability, not just for business but for the entire planet. More is said about Rezaee’s views later.

Dr. Sheng Zhao is a think-out-of-the-box engineering professor whose notions of sustainability are broad and comprehensive in their reach. Listen to his own words: “I define sustainability as continuance of interaction between humans and environment ... the result of three factors working together: humans, environment, and their interaction” [Paper #1: 2].

In trying “to understand sustainability from the perspective of the interaction and evolution of human-environment systems”[#1: 3], Zhao necessarily invokes the broader concept of Nature, going on to say that “for a long future, humans will still have to yield to nature in many aspects.” And “for sustainable living, humans have to extend beyond [industrial] resources to seek compatibility with the earth on a larger scope including both ecological and nonliving systems” [#1: 7]. In fact, he believes that “Human society does not have the intrinsic tendency to form a pro-sustainability structure ... : only the power from wider nature can force society into pro-sustainability structure” [#1: 11].

Not only is Nature involved but human evolution itself:

Sustainability is about survival constraints on humans along its evolutionary course[#2: 33] ... [and] ... there are hard physical constraints for human sustainability. To achieve sustainability we need to know more about the way nature operates, and the way human society operates, and the interrelationships between humans, other [living beings], and nature. [#2: 34]

Sustainability is the challenge for all society ... [However,] we cannot radically change [the] evolution of human society [#2: 34].

What, then, are humans to do? He favors a scientific approach: “Sustainability is first a scientific issue ... sustainability for humans must be evaluated scientifically ... it is the best means to rely on ... ”

[#1: 14]. He then adds that “Sustainability is not only a science issue, but also a politics and economics issues” [#1: 15].

When combined, these two approaches to sustainability — Rezaee’s views based on stakeholder theory that is then integrated into existing global accountability standards and Zhao’s views based on natural processes that invoke scientific method — there may well be a way to make sustainability a reality for both business and society. Such an achievement depends on the incoming Millennial generation, to which we now turn our attention.

## Generational Changes

Millennials — named for the beginning of the next 1000 years (a millennium) — will be the first generation to cope with current and newly emerging challenges and opportunities confronting both business and society. Born during the early 1980s to the early 2000s, Millennials will gradually assume overall responsibility for the decisions, strategies, and responsibilities of business firms operating within societies around the world. It is important therefore to become familiar with Millennials’ values, work attitudes, and the knowledge base on which their decisions will depend.

The behavioral and attitudinal traits of successive generations in the United States have been described in some detail as the Silent Generation (1928–1945), Baby Boomers (1946–1964), GenX (1965–1980), and Millennials (1981–1996) in Acosta, Inc., 2013 & Pew Research, 2014: *Consumer Preference/Value Evolution*.

The Millennials’ major characteristics important for the present study are described in a *Generational Differences Chart* also produced by Acosta, Inc. and the Pew Center: They “grew up during the digital era with internet, mobile computing, social media, and streaming media on iPhones.” For Millennials, “Technology is integral,” allowing them to “work flexibly anytime, anyplace,” and “a work ethic that no longer mandates 10-hr. days.”

Their core values include being “Globally minded” and they prefer a work environment that is “Collaborative, achievement-oriented; highly creative; positive; diverse.” But Millennials’ downside at work is their “inexperience and lack of discipline,” and they “respond poorly to authoritarianism.”

Millennials’ workplace focus and preferred values supporting business success are further revealed by a 2016 study by Deloitte: 26% chose

employee satisfaction; another 25% preferred workplace ethics and integrity; while 19% took a customer-care focus. Guess where CSR wound up: only 8% of Millennials chose CSR as a practice that supports long-term business success [*The 2016 Deloitte Millennial Survey*].

Perhaps it is a bit early to know just how the Millennial generation will deal with the issue of CSR. Presently, they are focused on building their own professional careers rather than shaping and administering their firms' strategies and policies. Later on, some of them will reach organizational levels that allow them to influence the overall direction to be taken by their company.

Whether Millennials choose to follow Rezaee's Stakeholder model or Zhao's nature-and-science approach — or some combination of the two — in order to attain an acceptable model of CSR and Planetary Sustainability is among the Big Questions Puzzles and Challenges discussed next.

## **Big Questions, Puzzles, and Challenges**

Be forewarned that most of what is set forth in this section are questions and puzzles that have no clear answers. Even the likelihood of their actual occurrence is a matter of speculation and guesswork, although in some cases, they reveal a kind of directionality toward the future. So, you might say to yourself, "Then, why list them at all, if they and their consequences are not known or knowable? What good does that do anyone?" The answers to such dismissive questions are not entirely clear, either. The hope is that anticipation of possible future events, or even of "far out" possibilities, might forewarn today's Millennials (and their successors) of what may lie ahead.

**Big Question One:** What effect will Earthly natural geophysical processes exert on human affairs? Included here are such events and catastrophes as volcanic eruptions, earthquakes, global climate warming, polar ice melting, and rising ocean levels. Largely beyond humanity's ability to control (although partially predictable), these natural forces present continuing threats to the global human population.

**Big Question Two:** How should Earth's human population understand, react to, and attempt to influence Galaxial and Cosmic events? Interplanetary explorations have already occurred in the form of human Moon landings, robotic data-gathering machines sent to neighboring planets, and mammoth telescopic observations of cosmic events occurring both inside and far beyond our own galaxy. They are reminders of

human limitations but suggestive of the continuing quest for understanding humanity's role in at least comprehending present and future Galaxial and Cosmic phenomena.

Big Question Three: Can, or should, Earth's globally diverse human cultures resolve their many conflicts and contradictions? Human culture takes many forms and espouses multiple values and ethics systems. Such differences frequently result in warfare, ideological conflicts, great income inequality, and the suppression of weaker human populations by more powerful nations. Is there a solution to this ancient cultural dilemma? Do Professor Zabihollah Rezaee's Stakeholder and Integrated Policy proposals provide a possible answer and solution?

Big Question Four: Can the corporate economizing process be integrated with the human community's ecologizing process to produce a sustainable future? Thus far, business corporations have demonstrated their success at economizing by finding, discovering, and using natural resources in economical ways to produce human-needed goods and services for sale on markets. These corporate economizing activities are capable of disrupting and diminishing human communities' ecologizing processes that also sustain human life, e.g., access to clean unpolluted air and water, life-supporting income levels, and life-saving health facilities. Is Professor Sheng Zhao's marriage of Nature and Science a feasible and attainable solution to this economizing/ecologizing problem?

Big Question Five: Is today's still-evolving digital technology the key to a thriving and prosperous human existence on Planet Earth? Digital technologies — the Internet, hand-held iPhones, hands-free Bluetooth, even artificial intelligence, etc. — have spread around the entire globe, enhancing communication among nations and peoples and providing unforeseen educational and economic opportunities for the global citizenry. As a global messaging system, digital technology's potentials — for peace-making, intercultural communication, resolving ideological differences, and confronting the dangers of possible Galaxial and Cosmic events — are present and still evolving. Will these digital potentials allow the Earth and its global human population to thrive and prosper?

Big Question Six: Is there a religio-spiritual answer to, or an acceptable explanation for, the initial existence and further development of the Cosmos and its billions of Galaxies, including our own Galaxy, our Solar System, and Planet Earth?

Most people on Earth, especially the billions committed to one religious faith or another, would be inclined to answer this question affirmatively and without hesitation. The answers and justifications would

vary, depending on the specific religio-spiritual belief system accepted and used as a philosophical rationale for such beliefs. Indeed, some scientists who study and explore the farthest reaches of the Cosmos have offered science-derived explanations for the appearance and development of Cosmic phenomena. However, not even Science itself — nor anti-religious scientists — have been able to provide acceptable, non-speculative explanations for the appearance, evolution, and overall meaning or “purpose” of the Cosmos. Whether this dilemma is a function of cultural diversity, religio-philosophic disputes, lack of scientific knowledge, or perhaps a presently unknowable basis for understanding Cosmic phenomena, remains a mystery.

As noted above, there are no clear answers to any of these Big Questions. They remain genuine puzzles and challenges to be confronted — and possibly answered — either by today’s Millennials or their successors in oncoming millennia. One might hope for such an outcome. Time will tell.

### **CSR: Trends, Questions, and Prospects**

CSR is an idea whose time has arrived, not just in the United States but wherever markets and corporate enterprise comprise the foundation of a society’s economic endeavors. Unevenly developed and experienced across the grand arc of 21st century societies, CSR has infiltrated into corporate consciousness and corporate culture, finding expression in the workplace, sparking stakeholder involvement, reshaping company strategy, enriching the quality of community life, broadening business vision, and seeking to humanize economic enterprise wherever it is found. Dozens of examples of such a CSR awakening by corporations around the world may be found by visiting the website *ReportAlert*.

One prominent feature of CSR’s spread is its phased emergence, as described above. The phases themselves are accretive and augmentative in their effect on corporate behavior rather than simply separate and linear. As a company transitions from one phase to another, the CSR effect is additive, exponential, and logarithmic, acting much as a CSR multiplier. Collectively speaking, CSR has grown sequentially over time so that different firms may be positioned at different points on the phased trend line. Nor need a given company necessarily pass through all five phases, although many of today’s leading CSR enterprises manifest all of them simultaneously.

CSR's gradual adoption by corporate enterprise has taken a sometimes convoluted evolutionary path but clearly displays recognizable trends: from voluntarism to socially imposed compliance, from domestic to global communities, from circumscribed local initiatives to more complex broader interactions with multiple stakeholders, and from well-controlled social involvements to riskier engagements acted out in thoroughly unpredictable ways that can threaten profits, reputation, and corporate continuity.

One is entitled to ask whether CSR is a mainline or marginal function of the business firm. Good arguments can be advanced on either account. Some believe that the economic effectiveness of the large corporate enterprise is put at risk by a CSR overload of rules, restrictions, and unwarranted expectations. The CSR policy instruments in all phases are blunt tools but especially so in CSR-3 and CSR-4, where the measurement of ethical accomplishment is imprecise, values diversity frustrates the search for managerial evenhandedness, and the operational meaning of global citizenship is elusive, especially in socially diverse cultures. The CSR-5 phase exhibits even greater uncertainty, given sustainability's slippery attainment, not to speak of the speculative answers to the Big Questions, Puzzles, and Challenges.

The persistent search to prove that social initiatives carry economic and financial advantages for CSR-inclined companies — that “CSR pays” or is “good business” or that a “market for virtue” exists — has not only produced inconclusive results but is premised on a flawed vision of CSR's core meaning. The “CSR pays” viewpoint, often advocated sincerely by corporate officers and by CSR advocates, is a digression from the central issues of CSR. A firm's commercial gain from social activity is literally beside the point and is no measure of its social responsibility. CSR is not simply about the success or failure of a firm's *economizing* role, which may well produce positive, though limited, results for the larger society.

By contrast, CSR also embraces a firm's *ecologizing* role, its ultimate and broader impact on planetary life writ large. CSR companies seek to sustain both themselves and the people whose lives they influence. The search is for an organic linkage of business and society that preserves the integrity and continuity of both. That mainline quest takes them deeply into a realm of value and purpose where the language of commerce fails to capture the quest's goals. For a comprehensive discussion of this elusive quest and some possible answers, see William C. Frederick's 2012 book, *Natural Corporate Management: From the Big Bang to Wall Street*.

Whether mainline or marginal, CSR is mainly enacted within an environment of market-driven private initiative and politically driven public policy. In Western-oriented nations, the ratio of economy to polity establishes the terms on which CSR will be of mainline or marginal proportions. The civil society and its citizenry live their daily lives inside that formulaic reality, their fate dependent upon the interplay and outcome of these two central economic and political forces — the market and the polity, i.e., business and society. The organic relationship thus forged between the firm and its publics — the extent and spirit of business's commitment to CSR — ultimately determines the quality of life in the economy, the polity, civil society, global ecosystems, and in the lives, hearts, and minds of people everywhere.

As you read the following chapters in this IABS book, listen carefully to what their authors say. Some of them — Archie Carroll, Sandra Waddock, and Jerry Calton — have not only pioneered the early pathways of CSR but have explored CSR's future possibilities. Several other authors — dare we call them “Millennials”? — are relative newcomers to the CSR field of inquiry who propose new and imaginative ways of thinking about business's role in a global society. Their answers to the Big Questions, Challenges, and Puzzles of CSR may well open up new and imaginative ways of envisioning the further evolution of a supportive and positive concept of CSR. Once again, Time will tell.

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## Leading Business and Society Textbooks

Three business and society textbooks have long served the needs of business students to understand the concept of Corporate Social Responsibility and its relationship to business firms and their managers. These three insightful textbooks and their respective authors are listed next with their publication dates.

The earliest, longest-running, comprehensive, and authoritative account of CSR is found in the textbook *Business and Society*, first published in the United States in 1966 and continuing through 2017 and beyond. This textbook covers all phases of CSR development. The first two editions, *Business and Its Environment* (1966) and *Business, Society, and Environment* (1971), were coauthored by Keith Davis and Robert L Blomstrom. Succeeding editions, entitled *Business and Society*, were coauthored by Keith Davis; Robert L. Blomstrom; William C. Frederick; James E. Post; Anne T. Lawrence; and James Weber. Current coauthors of the book's 2012 through 2017 editions, titled *Business and Society: Stakeholders, Ethics, Public Policy*, are Anne T. Lawrence and James Weber. All editions were published by McGraw-Hill Book Company. New York: 1966, 1971; 1975; 1980; 1984; 1988; 1992; 1996; 1999; 2002; 2005; 2008; 2011; 2014; 2017. Future editions are planned.

The second well-known and outstanding Business and Society textbook was written by George A. Steiner and subsequently coauthored by

George A. Steiner and his son, John F. Steiner. The first two editions, entitled *Business and Society*, were published in 1971 and 1975 and authored by George A. Steiner. All subsequent editions (1980, 1985, 1988, 1991, 1994, 1997, 2000, 2003, 2006, 2009, and 2012) were coauthored by George A. and John F. Steiner with a modified title: *Business, Government, and Society: A Managerial Perspective*, beginning with the 1980 edition. Publishers were Random House (1971–1988) and McGraw-Hill (1991–2012). No further editions of this textbook are planned.

Another outstanding and popular business and society textbook was first authored by Archie B. Carroll, with the first edition published in 1989. Successive editions were authored by Carroll (1993 and 1996), then coauthored by Carroll and Ann Buchholtz (2000, 2003, 2006, 2009, 2012, 2015), and then by Carroll, Buchholtz, and Jill A. Brown (2018). Beginning with the 8th edition (2012), the book's title was changed to *Business and Society: Ethics, Sustainability, and Stakeholder Management*. Publishers include South-Western Publishing Company, Thomson Learning, and Cengage Learning. Future editions of the book are planned.