Chapter 3

CONCEPTUAL FRAMEWORK OF CORPORATE SOCIAL RESPONSIBILITY

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3.1 Introduction

The next line of enquiry concerns the actual content of corporate social responsibility. What are the issues, and what are the standards to adhere to in each issue? Environmental issues, child labour, discriminatory employment practices, human rights, corruption and animal welfare are probably all among the most widely recognized concerns that responsible businesses should be serious about. Although there are differences of emphasis, most of these themes appear in most of the works. In each of these issues there is a room for debate about the levels of standards and the scope of responsibility.

This easily turns into a normative discussion, taking us back to the preceding agendas, but the point now is that it also represents an area where factual knowledge is desirable and consequently an agenda for empirical research into the issues actually included by companies. More systematic examination of larger and different samples of companies, including smaller ones, with a view to also identify differences between industries and nations, could lead to a more precise and differentiated picture. More focused and qualitative studies of the constellations of interests, relations of power and ideational elements involved in determining particular articulation of corporate responsibility would also be highly relevant and closely related next agendas.
Conceptual Framework of Corporate Social Responsibility

Essentially, social science perspective on corporate social responsibility are concerned with explaining the rise of corporate social responsibility and permutations, and with discerning its effect on and implications for global governance, relations of power, democracy and accountability. For the social scientist, corporate social responsibility is a novel feature in global society that is sufficiently significant to warrant theoretical and empirical analysis of its causes and consequences. Many treatments of corporate social responsibility offer some thoughts on its future prospects also. Although explanations seem convincing and plausible, they often are of a somewhat speculative or hypothetical nature, and not grounded in deeper theoretical and empirical research. Works that are dedicated to social science investigations of the topic, in other words, are still fairly rare.

3.2 Meaning of Corporate Social Responsibility

The modern corporation is not and cannot be expected to be a "responsible" institution in our society. For all the self-congratulatory handouts depicting the large firm as a "good citizen" the fact remains that a business enterprise exists purely and simply to make more profits- a large proportion of which it proceeds to pour back into itself: Corporations, like all businesses whether large or small, are in the primary business of making money; indeed, they do not even exist to produce certain goods or services that may prove useful or necessary to society.
3.3 Towards a working Definition of Corporate Social Responsibility

No one argues that management does not have a direct responsibility to stockholders that corporations are uninterested in profits and survival, that obedience to the law constitutes a minimal obedience in the direction of social responsibility. Debate does arise, however, over priorities of obligations— to stockholders, workers or consumers. The impact of Multinational Corporation on the social values of other cultures, the balance-of-payments problem and the whole realm of defense for a free world are further examples of the issues debated. Due to current problems and rising expectations among the people, a new gospel of social responsibility is being promulgated.

The new concept of social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals. Therefore, the essential ingredients of the corporation's social responsibility are its degree of voluntarism as opposed to coercion, the indirect linkage of certain other voluntary organizations to the corporation and the admission that costs are involved for which it may not be possible to gauge any direct measurable economic returns. The corporation may not invest in higher education, volunteer for “citizen” activities in the political arena, reward indigent artists, or handsomely
endow the poet with pensions. The new version of social responsibility argues, however, that the corporation does not need to do these things, but that it may not be compelled to do them.

Corporate Social Responsibility, according to the EU "is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment"¹ "Being socially responsible means not only fulfilling legal expectation, but also going beyond compliance and investing 'more' into human capital, the environment and the relations with stakeholders."²

3.4 Corporate Social Responsibility and Societal Governance

The term governance denotes the system which provides direction to society. It is thus distinct from government. It is a generic rather than a temporal term. Corporate social responsibility has moved from the margins of governance to occupy a more mainstream position, entailing partnership with government and non-government organization.

Business motivation is premised upon its interest in obviating society. Whilst this form of social responsibility is outside narrow profit-making activity, it is not unrelated to it. An interest in profit

² ibid
making can now include an interest in the social conditions in which this takes place. Activities of this sort are often individual and local but they nevertheless represent direct engagement in the politics of social provision rather than shouting from the sidelines about how they are governed.

3.5 Ethics

Ethics is essentially positive and creative, searching out the truth of what human fulfillment means and then embracing it in action. Business ethics is often negative and guilt-ridden, focusing on vices, rather than positively attempting to delineate paths of virtue. In concentrating on what should not be, no clear positive and creative vision has emerged of what should be.

If an enterprise is sanctioned as lawful in a democratic society, in good conscience an individual may choose to work, or not work, for the enterprise. The choice will depend upon individual’s conception of right and wrong. Resting the point, a firm has no ethics because it is not a human being. The question of whether it is ethical for a person to work for a firm that produces, sells, or provide services to businesses that traffic in such things as alcohol, beef, pork, shellfish or divorce services is either a trivially simple question, or a question so complex that it cannot be answered. Trivially simple if by ethical we mean those activities allowed in society. To define ethical as anything else is to believe that the individual’s judgment should be substituted
for those of the legally anointed authorities of the state. This is the road to rebellion, anarchy and ruin. An ethical person's conduct should not lead to disastrous consequences unless the consequences of not acting would be even worse.

Business ethics are a key component of our competitiveness as a society. How can we ensure that we work in an atmosphere characterized by mutual trust and confidence? Although business school can and should engage in some forms of ethical instruction, the work can not begin or end there. Instruction must begin in childhood and encompass such practical devices as role models and codes of conduct; it must include a demanding study of history and literature; and above all it must recognize business's proper place within a greater hierarchy.

Business ethics is defined by Velasquez in a way, "business ethics is a specialized study of moral rights and wrongs. It concentrates on moral standards as they apply to business policies, institutions and behaviour."³

Undoubtedly business ethics and corporate social responsibility are coming of age. Systematic, quantitative information may be lacking, but it seems undeniable that an ever growing number of

companies are serious about business ethics and corporate social responsibility, codes of conduct, company codes of ethics, labeling schemes, auditing principles and standards are proliferating, and business associations are expanding their activities. Keen attention from the general public and concerned NGOs in particular has for years been a significant factor in the international environment of business and corporate social responsibility and business ethics has become a concern for policymakers at the national and international levels.

3.6 Evolution of Corporate Social Responsibility

Business with traditional approach to corporate social responsibility has its own set of limitations. Under this approach managers often must choose between a short-term and possibly, short-sighted profit-maximization response or, alternatively, a more costly, long-term social welfare strategy. The outcome of the more expensive, long-term strategy, however, is often speculative and can be justified to shareholders only by reference to seemingly vague notions of ethics and community welfare. A manager who desires to act in a socially responsible manner may encounter enormous financial pressures from impatient stockholders looking for quick returns on their investments. The dichotomy between the traditional approaches to corporate social responsibility can become a barrier to managers pursuing more enlightened social policies.
Management strategies adopted by corporations as corporate social responsibility include:

- Obeying the law
- Enlightened self-interest
- Serving community
- Making contributions towards religious programmes
- Community welfare projects etc.

These included

- Profit maximization
- Social welfare in a broad sense.

However, these are largely contradicting goals. The consequence of this gap was reactive management strategy that responds only to immediate economic and legal pressures. Hence a dynamic legal framework can bridge the gap between the two.

**3.7 Industrial citizenship**

Using the phrase 'industrial citizenship', Drucker\(^4\) argued that the major challenge for business, especially in mass production, in relation to its workers, is not mechanical or technical, but social, because the worker has not enough relation to his work to find satisfaction in it. He does not produce a product. Often he has no idea what he is doing or why. There is no meaning in his work, only a pay

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The worker in his work does not obtain the satisfaction of citizenship because he does not have citizenship. By better liking the concept of citizenship to business-society relations, as has been increasingly done in the most recent corporate citizenship debates occurring worldwide, the diversity of views on business as a private, closed, enterprise, concerned only with maximizing profits and shareholder return, is changing. The term 'corporate citizenship' may not survive the very disparate debates that have taken place in this area in recent years, but the importance of it as a mechanism to put the company as a social-more public enterprise- will.

The notion of citizenship is crucially important therefore. It has important resonances throughout corporate social responsibility discussions. 'Citizenship' four grounds the need to broaden responsibilities to everyone involved in an organization. This enables not only management and workers, but also stakeholders in the organization to obtain the 'satisfaction of citizenship', because they have citizenship in the work place.

3.8 Corporate Social Responsibility - Shareholder or Stakeholder

There is stark contrast between the concept of "corporate social responsibility" and Milton Friedman’s\(^5\) declaration of social responsibility of business. Friedman’s perspective is clear and

unambiguous, "there is one and only one social responsibility of business- to use its resources and engage in activities designed to increase its profit so long as it stays within the rules of the game, which is to say, engage in open and free competition, without deception or fraud". In contrast "corporate social responsibility" is inherently vague and ambiguous, both in theory and practice.

**Cases for stakeholders**

Incorporated businesses were created by governments to permit their owners to undertake enterprises that the state allows. Corporations are legal fictions created by the state to engage in lawful enterprises. Corporations have no existences beyond this legal fiction, and, unlike real people, can have neither responsibilities nor ethics. In assessing the social practices of any corporation, the focus must be on the agents of the firm meeting their prime responsibility: their fiduciary responsibility, within the legal structure of society and without deception, to husband and increases the wealth that has been entrusted to them by shareholders. All other responsibilities of the firm's agents must be subordinated to this one. Above all, ethical agents must ask themselves: Have we met our fiduciary duties to the shareholders?

We stress that, to be ethical, individuals acting on behalf of a corporation must do so without fraud or deception. This means that in the case of the river valley, if the timber company does log it and there is disastrous flood, the executives who made the decision must admit that the flood was a consequence of their decisions. "With neither
fraud nor deception" is a strict code of ethics that would resolve many, if not most, ethical dilemmas. Transparency in corporate decision making allow the citizenry to address that they see as ethical issues. Again in the case of logging the river valley, ethical executives will provide information that allows and inform public to act. Individuals will defer in their assessments, and the fundamental assumption of democratic societies is that decisions made by ethical individuals will generally benefit society writ large?

If an enterprise is sanctioned as lawful in a democratic society, in good conscience an individual may choose to work, or not work, for the enterprise. The choice will depend upon the individual's conception of right and wrong. Restating the point, a firm has no ethics because it is not a human being. The question of whether it is ethical or a person to work for a firm that produces, sells or provide services to businesses that traffic in such things as alcohol, tobacco, narcotics, pornography, explosives, beef, pork, divorce services are either a trivially simple questions, or a question so complex that it cannot be answered. Trivially simple if by ethical we mean those activities allowed in society. To define ethical as anything else is to believe that the individual's judgment should be substituted for those of the legally anointed authorities of the state. This is the road to rebellion, anarchy and ruin. An ethical person's conduct should not lead to disastrous consequence on not acting would even worse.
**Cases for Shareholders**

The stakeholder paradigm may be superfluous. The elasticity of the list of stakeholders and the unspecified amount owed to each makes the doctrine of corporate responsibility to stakeholders pale in comparison to Friedman’s paradigm of single-minded responsibility of management to shareholder. There is just one interpretation of the stakeholder paradigm that we find to be as intellectually defensible and that is when the list of stakeholders includes only shareholders. In this case, the difference between the paradigms is defined away. Advocates of corporate social responsibility to shareholders are conflicted; they are hard pressed to deny the reasonableness of Friedman’s paradigm, but generally think that the corporation should do something beyond pursuing pecuniary profit. This sometimes makes it difficult to tell exactly what it is that advocates of the shareholder paradigm really intend.

Certainly a firm’s interaction with customers, employees, input suppliers, government, activists and so may affect profitability. Ethical executives should consider this as part of their fiduciary duties to shareholders. If the stakeholder paradigm is the same as Friedman’s then there is no conflict between the search for profits and other goals. Because management is in a better position to understand the benefits from its charitable activities than shareholders, it will not always be clear whether managers have been faithfully to their shareholders or have squandered shareholder wealth. Whether the corporate activities incurred under the rubric of social responsibility
are, or are not, in the best interest of shareholders will depend upon the circumstances that the firm faces. Donations to local cultural charities may be an effective way of recruiting and retaining employees with pretax dollars, or the result of unethical executives using shareholder resources to enhance their own avocations or pleasures.

The stakeholder paradigm may lead to corruption and chaos. To argue that a corporation has an ethical responsibility to behave in a manner not conducive of its own owners financial well being is both logically and conceptually inconsistent. First the business was created for the purpose of increasing its shareholders’ wealth. The state sanctioned the enterprise by granting it a corporate charter. It is logically inconsistent to claim that an artificial creation of the state is more prescient in assessing social responsibilities than the state’s legally appointed representatives who were instrumental in the creation of the firm. Second, by undertaking actions that are not consistent with increasing shareholder value opens a venue for individuals to divert wealth from shareholders to others. This is the road to managerial corruption and/or chaos.

3.9 Multinational Corporations (MNC)

Ethical issues stemming from multinational corporate activities frequently derive from a clash between the cultural attitudes in home and host countries. When standards for pollution, discrimination and salary schedules appear lower in a multinational's host country than in the home country, should multinational managers always insist on
home country standards? Or does using home standard simply a failure to respect cultural diversity and national integrity? Is a factory worker in Mexico justified in complaining about being paid three dollars an hour for the same work a US factory worker, employed by the same company, and is paid ten dollars? Is an asbestos worker in India justified in criticizing the lower standards of in-plant asbestos pollution maintained by a British multinational relative to standards in Britain, when the standards in question fall within Indian government guidelines and indeed, are stricter than the standards maintained by other Indian asbestos manufacturers? Furthermore, what obligations, if any, do multinational is have to the people they affect indirectly? The notion of a fundamental international right and that of an ethical algorithm for home country managers to use in arbitrating clashes between home and host country norms.

3.10 Corporate Social Responsibility and Financial Performance

Various arguments have been made regarding the relationship between firms’ social responsibility and their financial performance. One view is that firms face a trade-off between social responsibility and financial performance. Those holding this view propose that firms incur costs from socially responsible actions that put them at an economic disadvantage compared to other less responsible firms. In addition, concern for social responsibility may limit a firm’s strategic alternatives. A second, contrasting viewpoint is that the explicit costs of corporate social responsibility are minimal and that firms may
actually benefit from socially responsible actions in terms of employee morale and productivity. High corporate social responsibility may therefore improve a firm's access to sources of capital. A third perspective is that the costs of socially responsible actions are significant but are offset by a reduction in other firm costs. Socially irresponsible actions may spill over to other implicit stakeholders, who may doubt whether the firm would honor their claims. Thus, firms with an image of high corporate social responsibility may find that they have more low-cost implicit claims than other firms and thus have higher financial performance.

For obvious reasons the consequences of Corporate Social Responsibility on the financial performance has attracted much interest. The basic question does it pay to act ethically and socially and environmentally responsible is of major interest to managers, investors and indeed to any group of stakeholders. Are high standard companies more successful and profitable in the short and long term, or are the costs of improving performance higher than the alleged benefits? These are not only questions of short-term measurable profits and share-prices-issues of reputation and the value of intangible assets, the ability to attract high quality employees, etc are also important.
3.11 Social Responsibility Reporting / Social Accounting

The question of how business should report its social performance and how that performance should be assessed have been dominant themes in the social accounting literature and the social issues in management over the past decade. We are now witnessing both a number of initiatives that seek to set guidelines or standards for social accounting. As further initiatives emerge, motivation to report may change. Whilst these initiatives are developing, it is informative to examine their motivations and to see where current trends might lead.

3.11.1 Business interaction with society

Fig: 3.1

Business and Society

Source: www.yourbuilding.org
The nature of relationship between business and society is an over-arching question and it is important to note that interpretations of social behavior will depend upon the perspective adopted. A strong view is that business carries out the economic function of the society. There are, however, competing perspectives and views that conflict with this dominant perspective. The liberal economists would say that the only forms of responsibility are economic whereas some critical theorists would state that any forms of what might be termed as 'social responsibility' is there to maintain legitimacy of the system.

Whether or not business should undertake activities that may be regarded as pro-social and the forms that responsibility should take depend upon the perspective adopted. Those who adopt the neo-classical view of the firm would believe that the only social responsibilities to be adopted by business are the provision of employment and payment of taxes. The view is most famously taken to the extremes of maximizing shareholder value. An alternate view of the firm following the behavioral theories might view corporate social activity from a standpoint that examines the political aspects and non-economic influences on managerial behavior. This might also be extended to examine personal motivations, such as the chairman's personal preferences or alternatively some of the critical perspectives associated with the exercise of power.

The need for companies to undertake activity that might be regarded as socially responsible has been discussed in the literature and has been a topic of academic studies for decades. Some experts
discuss the development of corporate social responsibility via the historical development of business involvement leading to a post-war re-examination of the nature of relationship between business, society and government. The primary role of business is to produce goods and services that society wants and needs, however there is interdependence between business and society and the need for a stable environment with an educated work force. ‘Business only contributes fully to a society if it is efficient, profitable and socially responsible’.  

Similarly it is stated that ‘the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities’.

However, an underlying question is whether business involvement with society is or should be a purely economic activity or whether there is a deeper normative or ethical basis for wider benefits? An approach to this question is to look at community involvement and philanthropy, because such activity may be regarded as voluntary. Therefore, in examining how reporting might impact on these motivations for activities, one can observe whether there is a focus on business benefits, social benefits or the mixture of the two. Further, if the focus is on the business benefits, might this focus change current activities or does it an advocacy method adopted by those who see wider benefits to society from greater involvement?

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3.11.2 Corporate Social Performance and Measurement

There is a need to measure corporate social performance. This is referred as organizing device for research in social issues in management. Corporate social accounting is often described as the outcome of social programme, social impacts and social policies. The stake holders focus appears to be implicit for those businesses that undertake corporate social behavior, the types of activities undertaken may be examine from an organization-centered stake holder perspective, with employees, the environment or the community as the typical stake holder. However, this assumption should not discount the possibility that social behavior might be undertaken for the benefit of shareholders or managers and presented as for the benefit of other stake holders. Hence it is necessary to find the type of measure involved depends upon, which particular stake holder to be addressed.

Having introduced the need to measure corporate social performance, the problem remains of what to measure and the impact of that measurement on behavior. Evaluation does take place. 'Financial performance is a key variable in understanding social responsibility. As with all corporate decision making managers must attempt to measure both the short and long run financial impacts.'

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But here, there is a different question. Is the measurement directed at the impacts and the benefits to business or should there also be measurement on social impacts and/or benefits?

3.11.3 Corporate Social Reporting

Research into corporate social reporting has focused on examination of the annual report and other separate report of the companies. Corporate social responsibility activities include:

- Actions with a direct bearing on the nature of the business undertaken by the company, such as investment in the reduction of toxic emission by a heavy industrial company.
- Charitable donations and sponsorship which bear no direct relation to the company’s business and as well as the obvious benefit to the recipient, fulfill a useful PR function for the company.

Companies in sectors with high public presence seem more likely to use their annual reports to capitalize on their investment ion the community by mentioning it in the annual report. A significant change in social disclosure over the period – in particular an increasing level of disclosure. They offer a number of explanations for the increasing level of reporting – a shift in power away from the state, attempts by the business to legitimize its activity, specifically in the areas of wealth transfer to management and also in management of environment or attempts to define specific agendas.

It is apparent that corporate social reporting practice is a complex activity that cannot fully be explained by a single theoretical
perspective or from a single level of resolution. The problem remains, however, that without structures on what to report, the reporting that does occur may well be selective. There is already much 'silent reporting' where by companies already report upon some aspects of their social activities but in a fragmented and unverified form.

The premise behind these initiatives is that business is interrelated with society and that businesses will be more competitive if they take account of their relationship with society. Virtuous but uncompetitive companies will not be a part of our future. Socially or environmentally destructive companies must not be part of our future. The challenge is to create the condition where social and environmental benefits go hand in hand with the competitive advantage.

As developments emerge, this calls for timely research into both the practice of current reporting and into its motivation. In the field of community activity, this means a deeper examination of the perceived and reported benefits, both to business and to society.

3.12 Cases For and Against Corporate Social Responsibility

Cases for CSR

The scale and nature of the benefits of corporate social responsibility for an organization can vary depending on the nature of enterprise and are difficult to quantify. The business case for corporate social responsibility within a company will likely rest on one or more of these arguments:
1. Human Resources

A CSR programme can be seen as an aid to recruitment and retention. Potential recruits often ask about a firm's CSR policy during an interview, therefore having a comprehensive policy can give an advantage. CSR can also help to improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering.

2. Risk Management

Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These events can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.

3. Brand Differentiation

In crowded marketplaces, companies strive for a unique selling proposition which can separate from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values. Several major brands are built on ethical values. Business service organizations can benefit too from building a reputation for integrity and best practice.

4. License to Operate

Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps, they
can persuade governments and the wider public that they are taking societal issues. This also applies to firms seeking to justify eye-catching profits and high levels of boardroom pay.

**Cases against CSR**

Critics of CSR as well as proponents debate a number of concerns related to it. These include CSR relationship to the fundamental purpose and nature of business.

1. **Demand for Information**

A barrier to shareholders using good information is the cost of processing it, especially to small shareholder. The traditional answer to this problem is the efficient market hypothesis, which suggests that the shareholder will free ride on the judgments of larger professional investors.

2. **Monitoring Costs**

In order to influence the directors, the shareholders must combine with others to form a significant voting group which can pose a real threat of carrying resolutions or appointing directors at a general meeting.

3. **Supply of accounting information**

Financial accounts form crucial linking enabling providers of finance to monitor directors. Imperfections in the financial reporting process will cause imperfections in the effectiveness of corporate governance. This should, ideally, be corrected by the working of the external auditing process.
4. Questionable Motives

Certain motives like ethical consumerism, globalization, market forces, social awareness, education, ethics training and laws and regulations are some of the questionable motives on the grounds of a firm's nature of business, objectives of business and its sustainable development.

3.13 Relevance of Corporate Social Responsibility

CSR (Corporate Social Responsibility) has become the new buzz word and a key differentiator with research indicating a positive and statistically significant relationship between CSR and profitability. CSR has now to go beyond the realm of purchasing greeting cards from an NGO or donating to a charitable cause to entering long-term commitments towards developing the society. Companies are now required to discharge their stakeholder obligations and societal responsibilities without compromising the shareholder wealth maximization goal.

The idea of corporate social responsibility has failed to help create the good society. Long seen by academics and managers alike as the missing link in capitalism, the concept of corporate social responsibility has not delivered on its promise. Furthermore, it has become a barrier to meaningful conversation about corporation and the good life. Corporate social responsibility, in all of its many masks, has outlived its rather limited useful life.
3.14 Conclusion

Good corporate social responsibility does not require outside approval, nor should it necessarily be a measure of how 'good' or ethical a company is. What is essential is that corporate social responsibility is made a part of all decision making in the company. It needs to be an integral part of all of the operations and policies of the business. This in turn, requires social diagnosis. This further requires an understanding of business, not just as instrumental, but also organic, where there are many points of leverage. It is a both/ and, not an either/ or situation. We are beginning to see this move away from business as instrumental to being more 'organic' develop more fully as the debate on corporate social responsibility widens and deepens, driven in part by the increasing external demands being made upon business to change, and in part by business themselves more fully articulating a business case for such change. That business case, coming out of what is increasingly understood as 'enlightened self-interest' is about both survivability in both local and global markets, but also about operating in, and growing those markets, in sustainable ways. Those 'sustainable ways' have thrown into increasingly sharper focus in recent years the imperatives upon business to be more responsible in the way it performs in and for those markets, and how it reports upon the benefits, economically, socially and environmentally, for the communities, which make up those markets.
Generally speaking, the debate over corporate social responsibility is not so much over whether it exists, but rather over what these responsibilities are and how they are to be discharged. Those who oppose the notion of having corporations contribute to the support of higher education or the creative arts, which resist the imposition of social obligations on the enterprise and who feel that economic firms should engage only in economic activities might be called classicists because their views are influenced by the doctrines of classical economists. These classicists have also been labeled conservatives and traditionalists, because they wish to preserve a way of life—part of long western legacy—that has proved enormously successful in every sense of the word.

According to a more recent vintage is the view that the modern corporation is so enmeshed in the life of the total society that it not only cannot avoid assuming responsibilities for the health of the community, but it has a positive duty to contribute to the preservation of the pluralistic and constitutional characteristic of a free democracy. A new ideology must be forged that allows for accountability to large goals, for the corporation affects these larger objectives by virtue of its vast powers. Convinced that the presumed insularity between market and community is more fiction than fact and impressed by the rapidly changing expectations of the nation for a better life, these critics advocate explicit corporate commitment to projects that transcend any pure market calculus. Each term, however, is laden with difficulties
which are compounded by the fact that the latter group includes men who advocate social responsibilities for reasons of sheer self-interest and men who believe that corporations, as good citizens, are obligated to contribute directly to the common good and towards the building of a better society. The debates over what might be called corporate constitutionalism. The classicists take a strict interpretation of state charters to corporations and advocate a range of functions restricted to the economic sphere. The modernists lean to an "implied powers" viewpoint and prescribe broad functions for the corporations.

The difficulties involved in using labels are apparent when concrete examples are introduced. By most standards, Thomas Reid, of the Ford Motor Company, is considered a liberal because of his well-known advocacy of a company's obligation to encourage its workers to engage in political activities and to support community ventures.

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