WHY WE NEED A THEORY OF CSR

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The contention of this paper is that, at the moment, the concept of CSR lacks a theory to give it clarity and direction in the corporate context, this makes it difficult for managers to know what to do, how far to go, and how to evaluate and account for the results they are achieving in their endeavours to implement CSR policies. To come to grips with the CSR movement we need briefly to consider why the demand for CSR has arisen, how it manifests itself in business practice, and whether it can be understood in theoretical terms so that it could become institutionalised in an accountable way. A candidate theory of CSR is offered: the communitarian theory of corporate purpose is to, within and upholding the rules of ethical business, produce the maximum sustainable value for stakeholders. The measure of this is profits for shareholders and deposits of social and natural capital for other stakeholders.

Introduction

A new concept has arisen in business practice that we, in the business schools, have been striving to catch up with and are seeking to understand. The concept is Corporate Social Responsibility (CSR) this is the idea that companies should consider the interests of society and the natural environment when making decisions. CSR is now a well-known expression for what, in the recent past, has been a collection of different and yet related terms: corporate philanthropy, corporate citizenship, business ethics, stakeholding, community involvement, corporate responsibility, socially responsible investment, sustainability, triple-bottom line, corporate accountability and corporate social performance. Some of these terms have a family resemblance to each other, but many of these expressions have other connotations as well. This lack of consensus has seriously hampered theoretical development as well as research into the implications of these related policies and practices. A great deal of imaginative, innovative and energetic activity is taking place in the field of CSR all over the world and we, in the business schools, are keen to understand and account for this phenomena, and to see whether it can, over time, become a movement which fundamentally changes the institutionalisation of business practice.

The contention of this paper is that, at the moment, the concept of CSR lacks a theory to give it clarity and direction in the corporate context, this makes it difficult for managers to know what to do, how far to go, and how to evaluate and account for the results they are achieving in their endeavours to implement CSR policies. To come to grips with the CSR movement we need briefly to consider why the demand for CSR has arisen, how it manifests itself in business practice, and whether it can be understood in theoretical terms so that it could become institutionalised in an accountable way.

CSR is not new but old wine in new bottles

Whilst here has always been concern about the social impact of business upon society most notably from John Ruskin onwards, the debate within orthodox business theory is more recent. (Ruskin, 1860) A general concern with greater corporate social responsibility began in the post-war period as part of the 'social responsibility debate', which started in the USA and radiated outwards to Europe in the 1950s and 1960s. Howard Bowen's book, *Social Responsibilities of the Businessman*, in 1953, explicitly enjoined a debate on the wider social responsibilities of business to the community, a debate started by the work of Peter Drucker, whose seminal study of General Motors, questioned the purposes and responsibilities of the large corporation. (Drucker, 1946) In the 1960s, environmental concerns about the impact of business in terms of pollution and the depletion of natural resources was kick-started by Rachel Carson's *Silent Spring* (Carson, 1962). The impact of the social responsibility debate on company practice in Britain was slow to ignite but a book by Kempner, Macmillan and Hawkins, Business and Society, in 1974, raised many of these growing concerns in the context of British business.

The social responsibility debate in the USA provoked some classic statements of the difference of opinion between liberals and social democrats about the purpose of business in society. Notably the economic liberals Frederick von Hayek and Milton Friedman stood opposed to the social democrats Robert Dahl and Charles Lindblom. The liberals argued that businesses are to be understood as private property and are as such instruments of their owners designed primarily to make money. The common good is served by this narrow focus because the pressure of unintended consequences ensures that each business seeks out efficient allocations of resources so generating the maximum amount of wealth in society, and the maximum amount of opportunity to engage others in the wealth creation process. This argument is encapsulated in the title of Friedman's article published in *The New York Times Magazine*, 'The social responsibility of business is to increase its profits'. (Friedman, 1970) The other advantage of this definition is that business should not be tempted to stray into other areas of activity such as politics or law making; this restriction of the scope of business power in a democratic society is thought to be a great virtue. The danger in the broader notion of social responsibility is that managers may see this as an open invitation to begin making political decisions and exercising power for their own purposes. This considerably loosens the notion of accountability to shareholders and increases the managers' prerogatives.

Those on the social democratic side of the debate consider these arguments to have been superseded by events, because large businesses are too powerful for dispersed shareholders to exercise real control, and in any case, managements spend much time and effort lobbying politicians to make the business environment more favourable for their own interests. Dahl and Lindblom argued that the large corporation should now no longer be considered to be private property but instead should be publicly regulated on behalf of a range of stakeholders, echoing the call of Berle and Means that this should be the case in 1932. (Berle & Means, 1932)

However, it was not until the final decade of the 20^{th} century that this argument seemed to find a receptive climate in business, and new calls for business to exercise CSR came to the fore. The new millennium's CSR debate is a new form of joint-stock politics that is being played out much as it was when the question of whether to allow for the creation of joint-stock companies in the first place was being discussed in Victorian society. (Alborn, 1998) A movement in the direction of the social democrats position in the last twenty years is noticeable around the globe, and is now clearly detectable in business practice in many parts of the globe. To understand why the climate has become more receptive towards the acceptance of CSR we need to consider some of the explanations that have been offered by commentators on these events.

Why has CSR become prominent in the new millennium?

The internationalisation of business and the process of globalisation raise many ethical issues about acceptable norms of conduct on the part of business. The core concerns of CSR today are: human rights, labour standards, poverty, bribery and corruption, environmental protection, product safety, and financial probity and the control of money laundering. (Kline, 2005) Racism and discrimination are also a universal problem for a global business ethics. (Chua, 2004) Multi-national companies (MNCs) are increasingly being challenged by non-governmental organizations and the media to justify their conduct and legitimacy in ethical terms. Activities that undermine human rights and visibly damage the environment are being particularly strongly challenged by pressure groups. In recent years nation states and international institutions such as the United Nations have begun to call upon companies to respect human rights, seek sustainable business practices and take up other ethical initiatives.

The adoption of CSR language and activity in business is now substantial and widespread. These changes are an indication that there has been a response by business to social, political and ecological pressures that are largely instinctive, ad hoc, and to-date, have had little guidance or direction from a justifying theory. In initiating policies and activities demonstrating concern for CSR business has made all the running, with business school academics often struggling to catch up, the business schools being mainly content with describing and categorising these initiatives rather than directing them. However, in recent years several interesting explanations have emerged that can help us to understand businesses' response to these new social and political pressures.

John Hendry, in his book, *Between Enterprise and Ethics*, offers perhaps one of the most eloquent explanations. (Hendry, 2004) As he sees it, we now live in a 'bimoral' society, in which social conduct is influenced by two contrasting sets of principles. On the one hand there are the principles associated with traditional morality and the maintenance of hierarchical order in society. Although these rules of conduct allow individuals a modicum of self-interest, their emphasis is on our duties and obligations to others: to treat people honestly and with respect, to treat them fairly and without prejudice, to help others and to be there for them when in need, and ultimately, to put the needs of others before one's own. On the other hand there are the principles associated with the entrepreneurial self-interest of individuals in a competitive society. These also impose obligations, but of a much more limited kind. Their emphasis is competitive rather than cooperative: to advance our own interests rather than to meet the needs of others. Hendry demonstrates in a richly textured analysis of changes in Britain that both sets of principles have always been present in society but that in recent years, traditional moral authorities have lost much of their force, and the morality of self-interest has acquired a much greater social legitimacy, over a much wider field of behaviour, than ever before. The modern moral dilemma is that in many situations it is no longer at all apparent to many people, which set of principles should take precedence. Hendry carefully explores how the cultural and historical origins of the 'bimoral' society have also led to new, more flexible forms of organizing, which have released people's entrepreneurial energies and significantly enhanced the creative capacities of business. He notes that working within these organizations, however is fraught with moral tensions because traditional obligations and individual self-interest conflict and workers are pulled in all sorts of different directions at once. Consequently, organisation and governance in business are much more problematic and are posing new moral challenges for business leaders, and is therefore putting a new focus on business ethics. The raison d'etre of management becomes institution building and stakeholder balancing: determining purposes and priorities, reconciling divergent interests, and nurturing trust in interpersonal relationships. Hendry identifies the issue of business legitimacy as one of the challenges posed for all societies as they seek to regulate and govern an increasingly powerful and global business sector. In this respect the issue of CSR and its influence on public opinion is of crucial importance in the national and increasingly in the global context.

The importance of the public acceptance of business as a legitimate set of interests that contribute to the good of society has also been stressed by Warren in his analysis of this change in the business climate. (Warren, 2000) Legitimization is a term used to analyze the relationship of power that exists between an institution and society. In society, a legitimization crisis arises when the power of an institution is challenged or where it comes into conflict with other groups who ask questions about the authority and scope of the institution. (Habermas, 1973) For institution to function its activities have to be generally accepted and the decisions of its leaders complied with both inside and outside the institution. Consequently, an institution needs a certain amount of authority if it is to pursue its purpose in society. Authority can be defined as a rightful claim to deference or obedience. As such institutional authority rests upon a kind of power, the need to gain assent or deference on the basis of a claim recognized as of right by those both inside and outside the institution. So a claim to authority must be accepted as right and proper by the relevant groups of people in society, but not necessarily from all those who are expected to obey that authority. For example criminals may not respect the authority of police officers, but the civil population generally does and so do most police officers inside the hierarchy of the police force. A claim to authority may rest upon a broad or narrow base of consent, and is often deeply rooted in law, custom or institutional practice. Authority can be swiftly eroded when this assent disappears, and at times, this can happen very quickly. For example the authority of the communist governments in the eastern European countries in 1989.

The major institution of business in society today takes the form of the company or corporation, either private or public under company statutes. But the moral character of a company is largely determined by the kind of authority its executive sustains and how that authority is used inside and outside the company. If a company's authority presumes consent, then when this consent is called into question and the claim to authority needs to be justified, then legitimacy questions are being asked. When a legitimization crisis occurs, and it might be a long time before this is recognized and acknowledged, then a new basis for company legitimization may be in need of negotiation, so that a new consensus can be built or formed in society. The term 'legitimization' is indicative of this fact, in that, it implies legality or acceptance of a state of affairs; that power is held 'rightly' in the view of the community, and that the institutions of business are legitimized because they are granted by the consent of the governed.

Legitimacy is also important to business for other reasons. It is often not enough for someone or for an organization to be powerful and to be able to get others to do their or its bidding, they want the respect of those they wield power over and they want them to accept this bidding as being right and proper. As

Max Weber, observed, "The generally observable need of any power, or even of any advantage of life, (is) to justify itself." (Weber 1968, p953) Weber, in his study of rationalization in society, distinguished three kinds of legitimate authority: Traditional; Charismatic and Rational. In the first, obedience is a matter of personal loyalty to some one in society with a traditional institutional role, perhaps a teacher or a priest. In the second, authority is claimed by the prophet or hero of a charismatic nature in order to reaffirm or reconstruct the values of a community. The leader's authority is derived from personal qualities and achievements not from social position. The third kind of obedience is based upon rational authority embodied in rules and commands in an impersonal order. Faith in a legal order is important for the legitimacy of this form of authority.

Company legitimacy is important because great power in terms of resources and life chances are now wielded by modern companies in the global market place. (Bakan, 2004) This power is often transnational and weakly regulated by the nation state, and although companies are nominally accountable to the shareholders, decision-making is firmly in the hands of a professional management elite. Transnational companies are also subject to varying expectations regarding the social norms and methods of operation they are expected to adopt when doing business in different parts of the world. The legitimacy of companies is under scrutiny when there is a perceived inconsistency between the way companies do business and the changing goals and priorities of people in various societies. A company is legitimate, if and only if, the way it does business is consistent with the norms of society it does business in. Free market economists have argued that companies ought only to be accountable to shareholders and the law, and that as instrumental organisations little else ought to be expected of them nor should we expect more of them. Notions of stakeholder accountability or corporate social responsibility are, from this perspective, dangerous notions that are damaging to the wealth creation process and represent the thin edge of the wedge that opens the door to totalitarian socialism. However, from time to time this justification of the limited responsibility of business wears thin and evidence of the social costs of moral indifference begins to mount in terms of market failures, environmental degradation, distorted priorities, defrauded consumers, abused human rights etc. The demand begins to mount for greater corporate responsibility and accountability through greater regulation and a greater sense of company responsibility. To maintain its legitimacy a corporate response on these two fronts is then required to defuse the crisis of confidence in the institutionalization of productive private property.

Company legitimacy involves issues of internal organization and management, and that attention is paid to public expectations and acceptability criteria in society. Hence company legitimacy is about corporate responsibility and accountability and how this is related to shareholders and stakeholders. Company legitimacy requires that management pay attention to external constraints and internal consistency of policy. General standards to which a company must adhere need to be developed and against which, companies can be held accountable by legislatures and courts. Principles of CSR, defining the mission, policy and responsibilities of the company also need to be developed and implemented. Within this framework the company makes its own decisions regarding specific objectives, internal organization and the allocation of resources. However, it is important that the company exercise restraint and show responsibility within these constraints and establish a moral order within the company. Legitimate companies build moral competence into the structure of the organization. To be a responsible company requires more than conformity with an external standard it also requires an inner commitment to moral restraint and an aspiration to be responsible. This legitimacy challenge is being met by the CSR response.

The movement towards a legitimacy crisis for business institutions in recent years can be seen to derive from a diverse combination of factors. Some are new and circumstantial, others are the legacy of a prolonged period of political change designed to make society more enterprising and market based. The preoccupation with the state ownership of the commanding heights of the economy has been superseded by that of the privatization of these public sector industries and services. Many of these privatisations have exaggerated the benefits of what such changes in ownership could deliver by way of prosperity and well being for the whole of society. The legitimacy of companies as creators and distributors of wealth is beginning to be questioned as greater inequalities are emerging. The employee's sense of security which comes from working in a company has been shaken in recent years through cost cutting redundancy programmes and the sub-contracting and outsourcing of the supply chains across the globe. Many workers have a diminished stake in the system of capitalism; it offers them neither job security nor stable sources of income on which to live, nor an environment that is sustainable. The welfare states in many societies are now struggling to cushion the blow of uncertainty, and an increasingly divided and unequal society is growing. In fact, the social fabric of some societies is wearing very thin because the base of social capital upon which capital accumulation depends is not being rewoven. Increasingly, workers and citizens are being asked to shoulder the risks of a capitalist society without gaining a sufficient share of the rewards of company profitability. It follows that many business leaders are of the perception that if something is not done to re-legitimize the operations of companies then there will be trouble. There could be a further deterioration in the social and ecological order of society. These pressures do not bode well for the creation of an open and tolerant society with a sustainable future that is able to shoulder its share of international burdens in the turbulent world of the twenty first century. Small wonder that in the face of these pressures and drivers, CSR has been moving to the top of the business agenda in recent years.

Globalisation is another reason why business ethics has become an important topic in the international business curriculum. The firm doing business on a global basis is faced with many difficult decisions about what to do in different countries: whether to follow the company's home country rules and customs, or whether to follow host country rules and local customs. Ethical dilemmas and value contradictions are bound to arise in many areas, and corporate managers need new guidance. For example, over ethical issues arising out of international business transactions such as patent protection in the pharmaceutical industry; what is fair trade; what constitutes cultural imperialism; varying global labour standards, the dilemmas of child labour; outsourcing production and services to low-wage countries; the problem of international commerce with pariah states. Hence, the need for careful thought about CSR, and the need for new rules of conduct. Corporate codes of ethics have a long history prior to globalisation but they were often confined to particular companies with special cultures or strong founders who instilled a particular set of guiding values at an early stage in the growth of the company.

Another aspect of the impact of globalisation is also adding to the demand that there should be more corporate codes of conduct. In a world of nation states the assumption is that the state will be the locus of regulatory activity in regard to the operation of the company. However, the growth of many businesses into corporations that operate in many states and across states means that the regulatory powers of any one state have been much attenuated, and in many cases the jurisdiction of one state over a MNC is often limited. Moreover, the wealth and financial power of the MNC means that politicians are often competing against each other to gain the support of the corporation for inward investment and support for their political party. States can therefore be in a position where they are competing with each other for FDI (foreign direct investment) and to provide the most favourable regulatory regime to attract MNCs to invest in them. Consequently, this conflict of interest between acting as the regulator of corporations and recipient of their investments is weakening the control of the state in relation to business. The power and scope of many companies means that the welfare and prosperity of many citizens in a nation state can be affected by the decisions taken by the management of the corporation. The speed of communications and mobility of finance and investment through international markets and the outsourcing and globalisation of the supply chain of the MNCs enhance this power still further. In many ways, corporations can now choose where to be registered, and so can shape the legal regime that will govern their operations. Nation states are often, in effect, engaged in regulatory competition. Without some degree of self regulation or restraint there will be increasingly fewer restrictions placed upon the conduct of the MNC besides those of the market.

The creation of international legal regimes to match the scale and scope of the MNC is a formidable challenge, and while many laws and regulations do exist, the ability of international institutions to monitor and enforce compliance with these laws is limited (as we have recently seen in the credit crunch of 2008). The United Nations (UN) and the Organisation for Economic Co-operation and Development (OECD) are the most obvious candidates as international regulators. However, the development of the European Union (EU) as a regional regulator of the affair of corporations in Europe is perhaps the most promising development in terms of matching the power and effectiveness of the MNC in part of their domain.

The concept of CSR

One starting point in terms of CSR research is to explore how corporations are themselves defining and interpreting CSR. The Co-operative Group use the term 'corporate responsibility', the Ford Motor Company talk about 'connecting with society', United Utilities descried their 'social and environmental impact', Shell are concerned about 'sustainable development', P&O report on 'environment and community'. These phrases and terms have to some extent been in competition for dominance in describing and giving name to the range of concerns of firms in this new field of responsibility. In many ways, it does not matter which term becomes dominant as long as there is some agreement about what firms mean by it, so that they do not talk past one another. For the moment, CSR seems to have gained dominance as the collective noun for this new set of initiatives and responsibilities. Many of the terms listed above are contributory or complimentary activities to the central message of CSR. For the moment it may be useful to try to define what themes and activities CSR describes, and then to examine some of the different interpretations of this phrase.

Authoritative definitions of CSR are hard to come by in this developing area of responsibility because there is, as yet, so little orthodoxy in both theories of CSR and in its practice. (Carroll, 1999) There seems to be no general theory of CSR, although many academics have sought to establish the fact that such a responsibility exists, and some academics are leading advocates and campaigners for its adoption in business. (Zadek, 2001) In fact, CSR is perhaps better understood as a new concern or activity that has been pioneered by business, and then discovered by the academy, and finally recommended to the State for validation and endorsement. This process has now moved on a stage further, beyond the academy and the nation state, to the super-national level in Europe and the United Nations.

The EU has embraced CSR, and in the green paper *Promoting a European framework for CSR*, has defined CSR, "as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." (EU Commission, 2001, p 6) There are three points to note in this definition: this activity on the part of companies is held to be a voluntary initiative; these social and environmental concerns should be integrated; and that all businesses should interact with their stakeholders. Let us consider these points in turn.

First, the EU, at the moment, is encouraging firms to embrace CSR as a voluntary activity, which is a move above and beyond what is required by company law. Firms are urged to do this as a matter of enlightened self-interest; but as yet, most states and in particular the super-national EU does not want to force this responsibility onto firms or require that it becomes legally enforceable. This reflects a political compromise within the EU, as firms in some states are now finding that certain aspects of CSR are now almost mandatory and are increasingly becoming integrated into some states frameworks of company law. For example, CSR reporting is virtually compulsory for UK firms that want to maintain stockmarket listings and the approval of large investment funds. So, whilst the EU definition defines CSR as an added value or voluntary activity, this may be a transition phase prior to its incorporation into the regulatory framework of business. On the other hand, CSR may just be a passing fad, as it has been in the past, that the EU is happy enough to endorse and encourage at present but will in due time be allowed to drop away so that its incorporation in to company law will not then arise. The voluntary character of CSR will also allow it to be dropped by business in a few years if the public pressure for CSR begins to subside. The designation of CSR as voluntary in the EU definition indicates then that it is still a tentative and a contested political issue that has succeeded in gaining the attention of the EU, but has not yet managed to become an institutional fixture in business.

Second, the EU definition indicates that two responsibility agendas ought to be integrated: the social and the environmental. The environmental agenda for business has been around since the 1960s, and in Europe, some states are much further along the road of making business more environmentally conscious than others. The movement towards sustainable business has a long way to go but consciousness of the perils of ignoring these matters is now with us. Many of these requirements are making their way into state and EU regulations, but once again business is being urged to take this responsibility further than mere compliance. The social responsibility agenda that is being integrated with the environmental or green agenda has arisen more recently, but represents the growing need for business to act ethically, transparently and responsibly in its dealings with customers, and in the communities where it operates. The integration of these two agenda reflects the globalisation of business and the fact that the social and environmental are ultimately connected and must be embraced as a single concern for sustainability in business.

Third, the notion of stakeholders is also referred to in the definition and this reflects some of the debate in business that developed in the 1990s about the different ways to embrace capitalism: sometimes characterised as a choice between the Rhennish (Stakeholder) versus the Anglo-Saxon (Stockholder) view of the firm. The term stakeholder is contrasted with shareholder or in the USA stockholder, as the signifier of the differing perspectives at issue. Shareholders are often held up as the beneficial owners of the company because they are the major risk bearers and are therefore entitled to the profits of the business after all other contract payments have been made. The creation of shareholder value is said by many commentators to be the raision dete of the business and is therefore the primary duty of the shareholder's agents, the managers of the company. The substitution of the term stakeholder in place of the shareholder is an explicit questioning of this first duty assumption, effectively redefining the duties of management as pluralist or multiple. Stakeholder advocates are seeking to define business as a shared endeavour with many participants, all of whom have a stake in its success, and in the firm's good governance. As yet, stakeholding is a term used mainly by public relations departments and in some management literature in large organisations, but there is now a push to see this conception of responsibilities incorporated into company law. In the so called Rhennish model firms, in countries such as Germany and the Netherlands, stakeholder representatives drawn from the workers have boardroom seats in the company. The demand to enfranchise more stakeholders in the company would substantially alter the institutional nature of business and the model of governance that that sets its purpose and function. The introduction of stakeholder language into the EU definition is indicative of the radical potential the CSR concept has and indicates that this will be a contentious and momentous change in the institutional structure of capitalism should this view come to prevail.

Before we consider whether there can be a theory of CSR that guides its development, it is important to understand the variety and range of activity that needs to be brought under the orbit of such a theory.

The random nature of the present activity in CSR

The importance of CSR in the operational strategies of business firms is apparent to most consumers today. The controversy surrounding obesity and fast food chains such as McDonald's in recent times is a real sign that consumer pressure has come of age and is a potent force that companies are obliged to take into account. A clever and amusing critique of the McDonald's fast food diet made in the film *Super Size Me* by Morgan Spurlock, and other health based criticisms, have brought about revisions in the menus and marketing of McDonald's in double quick time. Weeks after the screening of this film, McDonald's introduced its new salad meals and a new children's menu with 108 'healthy' happy meal combinations. McDonald's and many other global brands are only too well aware that they need to retain public approval if they are to remain profitable businesses. And yet, many people, it would seem, still have an uneasy relationship with many of these companies. In the UK, Mori opinion polls have tracked the public approval rating for big business over the last 30 years and find it to be at an all time low, with only a quarter of the public considering it a 'good thing' for large companies to make profits. Many people in these surveys are concerned that companies do not behave 'ethically'. Companies are aware of this fact, and have in recent times been searching for ways to improve their standing and legitimacy with the public without loosing sight of their private self-interest.

Many companies in response to these pressures have developed policies on corporate social responsibility. A quick reading of the report and accounts for many large companies will reveal that stakeholders, accountability and sustainability have become the slogans of the new millennium. Many companies are now publishing operating and financial reviews along side their mandatory accounts, and some have actively welcomed independent auditors and pressure groups such as Friends of the Earth as verifiers of their sustainability statements and achievements. The failure of a company to take swift action in the face of social pressure can be enormous, it is much harder for managements to get these decisions wrong than right. In 1996, Shell abandoned its sinking of the oil storage platform, the Brent Spar, in the face of pressure from Greenpeace and its supporters much to its own and the British government's embarrassment. (FT, 1995) For many companies, the attention that has had to be devoted to social responsibility issues is proving to be costly and time consuming. Most companies now allocate some of their budget to social responsibility issues. What was once perhaps a public relations stunt is now a serious part of many firms' business strategy. (Silberhorn & Warren 2007)

In context of the developing world CSR often takes the form of compliance with basic expectations about the conduct of business and in reducing public hostility towards business enterprise. In a study of CSR in Russia this concept is much more about creating productive firms that provide real jobs and that generate wealth and pay taxes. By showing that business can act independently of the state, business CSR policies are hoping to build the social legitimacy of business as an honourable and respectable occupation. If this were to be successful, this could be seen as a real achievement in the context of a society where 70 years of communist propaganda attempted to portray business as rapacious and immoral enterprise that exploited the working class and impoverished the third world. (Kuznetsov, Kuznetsova & Warren 2009)

A new trend in CSR is for companies to work together alongside governments and development agencies on problems that are too big for any one company to handle, such as the HIV/Aids pandemic, poverty and corruption. The United Nations is helping to forge some of these collaborations with its initiative called Growing Sustainable Business for Poverty Reduction in Africa. This initiative aims to encourage businesses to target poor consumers and improve the links between big and small companies in the continent. The Shell Foundation is also exploring collaborative solutions to social and environmental problems in Africa. (www.shellfoundation.org) It has set up two investment funds that provide loans to small businesses in Uganda and South Africa. The fund is trying to tackle two common problems in Africa: the lack of access to energy among poor rural households and the fact that small business growth is often hampered by poor governance, corruption and the unwillingness of banks to make risky loans. Using the Royal Dutch Shell group's reputation the Foundation is encouraging local banks to put up capital alongside its own finance. Other micro-finance initiatives are also focusing on poor people as a potential market for goods and services. Most recently the Shell Foundation has suggested that international development aid should be focused more closely on enterprise and small business development using business principles to evaluate the success of these investments. And, it argues who better to devise and help make these interventions than private businesses, which have untapped reservoirs of skills, assets and experience, that if deployed, via partnerships and the development of best practice, could significantly enhance the efforts of the aid community. This could extend the scope and impact of CSR quite considerably and importantly is an initiative that business is itself promoting.

Arguments against a theory of CSR

These trends towards the embracing of CSR particularly on the part of big business have not been without its critics in recent years. (Vogel, 2005) As was noted earlier these tendencies were subjected to criticism when they arose in the 1970s by the Nobel Prize winning economists Friedman and Hayek. In recent years the CSR movement has criticised by the noted economist David Henderson, and the business ethicist Elaine Sternberg. (Henderson, 2001; Sternberg, 1994) In general terms they argue that the laws and other social institutions ought to be neutral with respect to individual persons and their conceptions of the good life and how to live it. Institutions, including business, exist to enable each person to pursue their own ends as long as they do not interfere with others engaged in the same process. In questions of morality, liberals tend to the view that justice is a matter of procedural rights and the question of substantive goals such as the common good should not be allowed to decide matters. Consequently, in the matter of property rights these are fundamental and basic to the rights of individuals to exercise freedom and choice in society, and so have to be protected. The distribution of these rights is therefore a secondary matter and cannot be allowed to override the individual's property rights. The establishment of private property in the company form is something that the state should refrain from interfering in, and, apart from matters of procedural justice and the prevention of deception and fraud, should refrain from regulation beyond the necessary requirements of administrating contract law. In their view, the firm is to be thought of as a nexus of contracts, which is owned by the shareholders. The management are agents in the relationship with their investor principles. All others are contractors and can gain satisfaction and redress under the contract arrangements or by recourse the courts and the law of contract. In the pursuit of each person's self-interest the common good will is served by the invisible hand of the market as Adam Smith forcefully advocated. In this respect a moral outcome miraculously results from selfish motives. If this spontaneous system of interaction and outcomes is interfered with in an intentional way to try to pursue some other political purpose then disaster will follow. The aim of the economic liberal should be to vigorously defend this system and to see that malign and benign intentions of well meaning business people do not undermine what is a natural and spontaneous evolution of a civilized social order. When these doctrines are applied to the institutionalization of the company then a vigorous defence of the status quo and a rolling back of these recidivist tendencies is required. They view the CSR movement with utter dismay.

David Henderson in his pamphlet *Misguided Virtue* claims that CSR is a form of 'Global Salvationism', which advocates acceptance of alarmist views on the state of the environment and the damage done to it by business related activity, and that business has done little to improve the lot of the poor, in fact, on the contrary, it has exacerbated inequality and social divisions. He claims that these assumptions are wrong, and that the adoption of CSR policies carries with it a high probability of increasing business costs and impaired business efficiency. This is because CSR requires managers to take account of a wider range of goals and concerns in new processes of engagement with stakeholders. Also new methods of accounting, monitoring and auditing are required adding to the firm's costs. Then the adoption of more exacting than are legally required social and environmental standards becomes a compliance requirement of partners firms, suppliers and other contractors, adding to the total cost base of industries. CSR initiatives assume that the direction of progress lies in making social and environmental norms and standards more stringent and more pervasive. Henderson thinks this takes too little account of costs and benefits at the margin, and of the differences in circumstances in which firms find themselves. In the end these processes of cost increase will reduce welfare and will damage the efficient operation of markets and their ability to produce wealth for the whole of society. When these trends are taken further by governments and international organisations in the name of creating global citizenship and international standards even more damage will be done to beneficial trade and investment flows. This in turn will affect the progress of developing countries and restrict their opportunities for wealth creation. The enforcement of global standards and contract compliance has the effect of limiting competition and to worsen the performance of the economy as a whole. Consequently, CSR policies will make people poorer in the long run.

Henderson suggests that the primary role of business is to act as a vehicle for economic progress, which is best achieved by a smoothly functioning market economy where firm's profits are related to how well consumers' demands are met. Profits are the indicator of success in this system and measure the firm's contribution to the welfare of society. Business has ethical obligations to serve the limited and specific purpose that they were created for, and to do so within the legal framework of society. Real CSR concerns should be focused upon greater liberalisation of the global economy, and international institutions should put their efforts into widening market opportunities and increasing the competitive framework.

Elaine Sternberg's view of business purpose echoes that of Henderson, in that, this is an activity, which is very limited and specific. (Sternberg 1994) It is about "ways of ensuring that corporate actions, assets and agents are directed at achieving the corporate objectives established by the corporations shareholders." (p60) Because corporations are owned by their shareholders, absolutely, in her view, it is those shareholders they should serve, not stakeholders. Therefore, "...in business corporations, directors are properly accountable to shareholders for maximizing shareholder value." (p61) Directors are not on the board of the company to serve other interests, however worthy they may be. She goes on to argue that, though there are faults in the traditional Anglo-Saxon model of corporate governance, most of the recent criticisms are misdirected. Critics are often attacking the operations of business itself rather than the governance structures. Many critics she claims make false assumptions about what constitutes ethical conduct by corporations, and confuse issues about sort-termism, redundancies and high executive remuneration with corporate governance matters. What they really dislike, she claims, is the use of corporate assets to maximize owner value. In her analysis she makes the point that many critics of corporate governance are conflating the notion of governance with the political philosophy of government in society. It is not for companies to aim at achieving public policy objectives, or to give their stakeholders the rights and privileges commonly associated with citizenship. The German and Japanese approaches to corporate governance have few lessons for those in the UK and USA, because they are "... both theoretically and practically inferior to the traditional Anglo-Saxon system." (p74) This is because these systems are incapable of achieving the definitive purpose of corporate governance: the delivery of shareholder value. Nor do they protect sufficiently, in her view, shareholder property rights.

Sternberg's critique of stakeholder theory of recent years is that it is "fundamentally misguided' and that it '...undermines both private property and accountability." (p93) In her view, it is, unworkable because it involves multiple accountability and the impossible task of balancing stakeholder benefits which are unclear, differently weighted and difficult to reconcile. Regulation that attempts to limit shareholder rights and property interests will be counter productive and encourage investors to move elsewhere. Some criticisms of the traditional Anglo-Saxon model of governance are justified in her view, however. Sternberg proposes several ways in which the corporate governance system of the Anglo-Saxon type can be improved. The essence of the plan is to improve the accountability of the corporation to their shareholders by having companies compete for investment funds, and to differentiate themselves more by specifying their company objectives with precision.

A second line of argument against CSR is that these policies are more about public relations and marketing than about serious intentions to do good. A report by IPPR in 2003, using data from a survey of 500 leading firms, claimed that many of the firms' claims about CSR were tokenistic. (Joseph,

2003) The report highlighted that although 75% of directors said their firm promoted equal opportunities only 50% collected information on how many women work for them, and only 40% did so for ethnic minority employees. And although 60% of directors said that environmental impact was important, fewer than 30% collected information on their greenhouse gas emissions. The IPPR noted generally that there was a real gap between the rhetoric and reality of CSR reports, and that there were limits to what voluntary action on CSR could achieve.

Another study of 200 European chief executives views on CSR published by Business in the Community noted the commitment to CSR policies was driven primarily by the views and expectations firms had of their customers. (FT, 2002) And whilst the majority of firms had statements or CSR policies less than a third had assessed the risks and opportunities of these policies and less than half had set targets for their performance in these policies. There was also a difference in views about who in the company should take charge of CSR. Many UK firms thought that all departments should be involved, while only a minority of chief executives in Europe agreed, with the majority thinking it should reside in the marketing department. CSR policies were also a kind of insurance policy. Companies with well-known brands, healthy profits, and old sites in the developed world and significant activities in the developing world have significant value at risk. A commitment to CSR was being used to reduce these risks and act as an insurance against reputation damage if something goes wrong.

Reasons why we need a theory of CSR

For the reasons given above CSR is regarded as a danger to clarity and accountability derived from the theory of shareholder value maximisation in business. This simple theory of shareholder value maximisation provides clear direction to company management and accountability criteria for the shareholders. In neo-liberal terms the corporation's purpose is, within the rules of the business game (lawful, and according to custom), to produce maximum shareholder value. The measures of this are profits, dividends and share price. If we are to go against this theory we need good reasons to do so, and a better theory of business purpose to provide guidance on policies and practice.

First we need to acknowledge that there is a lot more to business than return to shareholders on the capital invested. We now know that other forms of capital are at least as important for business to prosper. Besides financial capital we need human capital in the form of education and training; but in recent years we have also come to recognise the essential requirements for social and natural capital as well.

Social capital is the building of trust and corporations can accumulate this in two ways by adhering to rules of moral conduct, which build trust, and are is not aimed at another purpose; and by building or maintaining social capital upon which all transactions between the corporation and its stakeholder depends. Social capital can be measured and its increase or decrease accounted for in balance sheet terms.

Natural capital refers to the natural resources and ecosystem services that make possible all economic activity, indeed all life. These services are of immense economic value; some are literally priceless, since they have no known substitutes. Yet current business practices typically fail to take into account the value of these assets, which is rising with their scarcity. As a result, natural capital is being degraded and liquidated by the wasteful use of such resources as energy, materials, water, and topsoil.

Let's briefly look at the vital importance of social and then natural capital in modern business practice.

CSR develops trust and builds social capital

The trajectory of global capitalism will be different from its past, and that the nature and form of the company is likely to change under pressure from the market, and as the result of changes in knowledge and technology. However, these are not fully determining processes, besides the economic and the informational dimensions of society, there are the political and social dimensions that will also play a part in shaping the company of the future. It is contended that the role of social capital in furthering the development of the information age could prove to be decisive.

Social capital is a term that has been coined by many commentators to describe the norms of trust and social reciprocation that are essential to maintain a civil society. The work of Francis Fukuyama has brought it to a much wider audience but he, in turn, acknowledges that the concept is derived from the sociological theory of James S. Coleman, the writer on architecture and urban affairs, Jane Jacobs, and more recently the political scientist Robert Putnam. If capital is understood to be property and money, human capital is the investment in human knowledge and skills, social capital is the term now used to describe the relationships of trust which bind people together. Social capital is intangible and relational but nonetheless important for social welfare than property capital. Fukuyama's definition of social capital is "the existence of a certain set of informal values or norms shared among members of a group that permit co-operation among them." (Fukuyama, 1995) He points out that the sharing of values and norms do not necessarily produce social capital because the values may be perverse and the co-operation used for malign purposes, as for example in the case of the Mafia. The bonds the produce social capital must be more virtuous (such as truth-telling, promise keeping, and reciprocation), and must be directed towards worthy ends. Social capital is not a pervasive feature of all societies it tends to reside in affiliation groups and is distributed in various amounts in different societies. The family is a very important source of social capital generation, and this is so in many other types of centres of affiliation, clubs, churches, trade unions, political parties, and importantly, companies.

Robert Putnam's interesting study of civil engagement in different regions of Italy showed that the quality of governance was determined by the longstanding traditions of civil engagement, or its absence. (Putnam, 1993) He measured voter turnout newspaper readership, membership in choral societies and football clubs as the proxy indicators of a successful region. He concluded, "In fact, historical analysis suggested that these networks of organised reciprocity and civic solidarity, far from being an epiphenomenon of socioeconomic modernisation, were a precondition for it." When he returned home he set about trying to measure the degree of civil engagement that existed in contemporary America. His now famous book, *Bowling Alone*, announced that the quality of collective life in the USA was in decline because the post-war generations were weaned on television and were forsaking the traditional forms of organised activity (bowling clubs etc.) on which their parents and grandparents had spent their free time. (Putnam 2000) Whether television is the simple cause of this decline is debatable, but his general thesis, even if partly correct, has serious implications for society because membership of networks comprising formal associations or informal patterns of sociability are vital components of social connectedness. A connected community can alleviate many social problems and facilitate the implementation of various kinds of public policy, for instance by using trade unions to administer social welfare schemes. If social capital is depleted then society looses a valuable resource that can help to ameliorate the social disruption and disconnection that capitalism tends to cause in its wake. The current problem in Britain of the social exclusion of some sectors of the population is difficult to deal with because this social and moral infrastructure is lacking in many inner cities and poor rural areas. Many years ago, Jane Jacobs noted of the failure of urban regeneration programmes in the USA, the philosophy of 'salvation by bricks' through re-building projects was ineffective without attention being paid to the cultural and moral depravation of the inner cities inhabitants. (Jacobs, 1992) Low levels of social capital tend to go hand in glove with low levels of political involvement and high levels of social cynicism. If families and other affiliation groups are allowed to erode generally, and the margins of society become completely disconnected as Castells has indicated, capitalism as a whole will eventually suffer. (Castells,1998) The task of maintaining and generating social capital is an important challenge that faces all social institutions, and particularly business institutions, for they are the main engines of creation and destruction in the global market.

Schumpeter's contribution to the development of the notion of social capital should be noted here, although he did not invent this term, it is a recognisable concept in his work. (Schumpeter, 1987) Schumpeter derived an important insight from Marx in this respect, in that the economic process tends, over time, tends to become more socially dependent and this is reflected in peoples' characters. What he meant by this is that modern societies have succeeded only because they have been able to live of several centuries of accumulated social capital. If capitalism cannot regenerate this stock of social capital then the technological and organisational aspects of economic activity are likely to become more socially controlled over time, and this in turn will change the psychology of people in business organisations. He anticipated that industrial property and organisation would become depersonalised, and that ownership would degenerate to stock and bond holding, with the executives of the firm acquiring the mind set of administrators. Over the course of time, the capitalist order would tend to destroy itself because of the operation certain destructive processes. The most corrosive of which was the erosion of the scheme of values that underpins family life and social civilisation. This then leads to a loss of motivation and identity with capitalist values amongst the general population and amongst the business class itself. This change he felt would giving rise to the general tendency in capitalist society for even greater demands for equality, security and regulation. Schumpeter's insight remains that the legitimacy of business firms is always under scrutiny, there is likely to be a growing critical public regarding the distribution of risks and rewards from business enterprise, and increasing pressure on governments to regulate and provide for the problems and insecurities generated by capitalist society. Legitimisation crises are possible focal points for the forward march of socialising tendencies upon the fortress of private property in the form of the company. The challenge that constantly faces businessmen is to justify and build the foundations of legitimate companies.

Moral values that guide CSR help build legitimate companies

The restoration of social capital and the legitimisation a contract between business companies and society depends upon the maintenance of trust relationships. Trust is a risky investment and selfish behaviour has to be guarded against. One of the best ways to build trust and gain protection from deception is to make a commitment to abide by moral rules and restraints. In this way the feared war of all against all can be avoided and a co-operative improvement in conditions can be secured. Whilst we have not solved the free-rider problem implied by the individual's question, why should I be moral? There are then good reasons why we, collectively, should be moral, based upon game theory and 'tit for tat' player strategies. If the reasons for a collective morality are compelling, then as members of affiliation groups the question of individual conformity is less likely to arise. This may build into a general social demand that all the citizens abide by a moral code, this demand can also be made of society's corporate citizens too. Companies may be increasingly be required to be socially responsible, and actively engage in building trust relationships in society. To be allowed to become public institutions they will have to show concern for and contribute to the public good as well as private gain.

The example of Norman Bowie's book on *Business Ethics* is a good indicator of the nature of this important new social demand. (Bowie, 1999) The question the book seeks to address is 'how would a business firm in a capitalist economy be structured and managed according to the principles of Kantian ethics?' Bowie uses the three formulations of Kant's categorical imperative to address this question and argues for the following conclusions. First, that market interactions are morally permissible as long as they are consistent with the universalizability criteria and do not violate any other moral principles. Business is a morally acceptable method of creating and distributing wealth in society. Second, that the principle of respect for persons provides a set of moral obligations for those engaged in business such that they cannot treat employees as a commodity like they do other assets of the business. This means that employees are worthy of respect and should not be coerced or deceived in any way: they should not be 'lied to', or 'cheated', or have 'their trust' undermined. He also argues that firms have to respect imperfect obligations towards employees to provide them with meaningful work. By this he means that work is to be freely chosen and will provide opportunities for the employee to exercise autonomy on the job; that a level of remuneration for the job is sufficient to help support the independence and well-being of the employee; that the work will help the employee develop their rational capacities and does not hinder moral development; and that the governance of the firm is not paternalistic but one that is democratic and open to deliberation. The third formulation of the categorical imperative is that business should be a contributor to the kingdom of ends; that is it should be viewed as a collective effort and as a moral community as well as an instrumental association. This conception requires that stakeholder interests are considered prior and during decision-making. As Bowie formulates it, the company should comply with the following principles:

1. The firm should consider the interests of all the affected stakeholders in any decision it makes.
2. The firm should have those affected by the firm's rules and policies participate in the determination of those rules and policies before they are implemented.
3. It should not be the case that for all decisions, the interests of one stakeholder take priority.
4. When a situation arises where it appears that the humanity of one set of stakeholders must be sacrificed for the humanity of another set of stakeholders, that decision cannot be made on the grounds that there are a greater number of stakeholders in the one group than in another.
5. No principle can be adopted which is inconsistent with the need to universalise principles or can it violate the humanity in the person of any stakeholder.
6. Every profit-making firm has an imperfect duty of beneficence.
7. Each business firm must establish procedures designed to insure that relations among stakeholders are governed by rules of justice. These rules are to be developed in accordance with principles 1-6 and must receive the endorsement of all stakeholders. They must be principles that can be publicly accepted and thus be objective in a Kantian sense.

If these principles are to be taken seriously then the organisational implications are that authoritarian hierarchical structures and the extreme division of labour are no longer morally permissible. The inclusion of other stakeholders' interests and their representation in a more collegiate type of organisation are strongly implied by these moral arguments if the company is to be regarded as legitimate in society.

The importance of natural capital

To build natural capital companies need to radically increase resource productivity. Implementing just this responsibility can significantly improve a firm's bottom line, and can also help finance the other natural capital deposits such as eliminating waste and reducing the use of non-renewable energy sources. (Porritt, 2005)

There are a variety of different systems of environmental reporting in European companies at the moment. Gray, Owen and Adams group them into three categories for analysis: descriptive and performance reporting; quantitative environmental accounts; and financial environmental reporting. (Gray at al, 1996) Companies in the UK tended to have the mainly descriptive environmental reports setting out policies, and activities, and some statistics on emissions control and energy savings. This kind of report was also prominent in other European countries. The main weaknesses of these reports are that they do not enable the reader to assess the extent of the firm's impact on the environment and the degree of progress to be made. In terms of quantitative environmental reporting, which attempts to provide a more comprehensive picture of the company's environmental impact, the more innovative report are German, Swedish, Danish and Austrian. Reports produced by some companies in these countries not only describes the firm's environmental policy and its production of eco-friendly products but also tried to show the resources used and the efficiency with which they were employed. In other words, some kind of input-output analysis; showing all the inputs of energy and raw materials and then the outputs of products and emissions to the environment. In the final category, financial environmental accounts, some pioneering companies had attempted to account for its environmental impacts by putting a financial cost on them and then subtracting this from the financial gain arising from its activities.

Another factor putting pressure on companies to increase their levels of environmental reporting is the growth of ethical and environmental investment funds in the USA and Europe. Fund managers have declared to investors that they will adhere to certain investment criteria in addition to rate of return for the investment of these funds; typically performance factors considered are heavily weighted in terms of environmental issues. Fund managers have to conduct or rely upon expert research to guide them on their investment choices, consequently, the more companies that are prepared to disclose and can provide verification about their environmental claims, the more attractive these firms will be to the fund managers. As the size of these investment funds grows more a more companies will probably want to be the recipients of this kind of investment, creating a self fulfilling cycle of environmental and sustainability reporting. Whilst the impact of these funds could be exaggerated in relation to the market for investment funds available world wide, it may be that a snowball effect can be created as pension funds and national and local government funds are increasingly more sensitive to the social impact of their investments. In 1999, pension funds in the UK reversed their opposition to rules requiring the disclosure of their ethical and environmental stance to pension fund trustees. Friends of the Earth immediately announced a campaign to encourage members of company pension schemes to write to their trustees and with draw the investment made in some companies with poor environmental records. Collectively, this pool of financial pressure will act as another driver for the improvement of accounting information on the companies' environmental impact.

A theory of CSR

What might a theory of CSR look like? It needs to be a normative theory of business as its purpose is to provide guidance on corporate conduct. This is different from positivist theory, which formulates a law to cover what businesses do in practice. A normative theory has a moral component to provide a direction in matters of values and conduct, and helps in the making of judgements about what is validity in terms of CSR policies.

Let me be so bold, or rather foolish enough to suggest a candidate theory of CSR. ***This communitarian theory of corporate purpose is to, within and upholding the rules of ethical business, produce maximum sustainable value for stakeholders.*** The measure of this is profits for shareholders and deposits of social and natural capital for other stakeholders. This might be more appropriately entitled a theory of corporate sustainability and responsibility (CS&R) to reflect the need to contribute to both social and natural capital building and maintenance.

Corporate Sustainability and Responsibility in the future

Social and natural capital recovery and moral arguments may not be persuasive enough however. Political and ideological considerations based upon property interests are probably the more powerful forces that will shape the future of the company. Some of the impetus towards a greater concern with business ethics, and the demand that companies learn to become more socially and sustainable responsible will be countered by calls for business to become more innovative, risk-taking and ultimately, wealth generating. Supporters of the capitalist ethos and interests will argue strongly for the restoration of shareholder power over their property rights in the company, and that management accountability to shareholders, regarding how this property is used, are still essential prerequisites for the generation of wealth in society and ultimately for the preservation of political freedoms. This position can also be defended in democratic terms because it is claimed we are all, in some form or another, shareholders now. Widespread vicarious shareholding in the form of pensions, insurance policies and savings give most people a stake in the efficient management of the capitalist system, and, it is argued, the best way to serve the interest of everyone with such a stake is to ensure that more attention is paid by the company's management to delivering shareholder value.

The new joint-stock politics regarding CS&R may well in its essentials revolve around the debate about property rights versus the need to rebuild and maintain social and natural capital. (Warren, 2000) If we put these together as two dimensions and divide each dimension into two positions, there are four possible scenarios that will indicate what the possible trajectories of CS&R policies may be. These can be mapped out in a two by two matrix below:

Table

The four possible future trajectories of institutionalised CS&R

	Liberal	Communitarian
Low contribution to social & natural capital	Limited CS&R Shareholder value	CS&R Stakeholder value
High contribution to social & natural capital	Selective acts of philanthropy	CS&R The common good

The first dimension is the degree to which property rights are considered to be held under social conditionality. At one end of the dimension there is the liberal view that property is to be the exclusive and unalienable possession of the individual. That this right is absolute because it was acquired either by a contractual exchange under the law in the market place, or the property has been brought into being by an act or effort of the owner and therefore has become is his property. Or that the entitlement is long standing and of proven provenance, so that a challenge to such ownership would be doubtful and ultimately fruitless. In other words, the holding of property by the owner is exclusive and final. It follows from this that the holding of such property shall be also unconditional: that the property is to be undivided and the owner's right of use or appropriation of the property is only to be challenged if it interferes with the property or personal rights of other people. Owners shall be at liberty to destroy, change, and increase their property at will, and be under no restraint from the public or other citizens. In the case of property in the company in the form of shares, that they can buy and sell this shareholding at any time, and without prior consultation with others. Shareholders may then create or windup companies at will under company law without reference to employees, customers, communities or other parties. And that the principle relationship between the owner of company shares and the management of the company is a fiduciary one of the agent principle sort. The form of the company is best understood in the liberal view as a nexus of contracts.

At the other end of this dimension is the view of a more communitarian political philosophy that maintains that property is to be owned and appropriated under various degrees of social and environmental conditionality. Personal property, cars, stereos, wrist watches, etc., are to be held in an unconditional and exclusive sense. But then other types of property which have a bigger impact upon social and environmental life are to be held under various conditions of restraint and forbearance. These will restrict the degree of ownership and the rights of the owner to appropriate and do what they wish with this property. For example owners of large tracts of land will be able to sell the land under certain conditions but will be restricted in whom they can sell it to, what uses it can be put to, who can or cannot be allowed access to the land. When it comes to the company form, this could mean that whilst shareholders are entitled to dividends and nominal ownership of the company the sale of shares is a conditional process that will involve consultation with various stakeholders, rights of veto and delay to the sale and perhaps even the denial of sales in certain circumstances. Indeed it might involve the separation of shareholders property rights and ownership and the collective ownership of the company form which is constituted as a trust with overriding powers over the shareholders.

The other dimension is the degree of social and natural capital maintenance that the company is expected to contribute towards and help recover: a low contribution or a high contribution. Low social and natural capital contributions on the part of the company will involve moderate changes to the form of the company which will modify its present constitution under the law, but not substantially change its function in society. Low levels of social and natural capital maintenance might moderate social discontent to some extent and help to re-legitimise the company in society in the short term, but will not necessarily undermine its destructive tendencies over the longer term. High aspirations for business organisations in the rebuilding of social and natural capital based upon them taking a greater role in supporting the social communities of society and in reducing environmental impact, will be more difficult to achieve, but would in the long run change the institutionalisation of capitalism more fundamentally. Which view comes to prevail, will to a large extent, depend upon which political processes and structural drivers gain dominance during periodic legitimisation crises, where the powers of the state are often invoked to appease democratic discontent and the force of property interests in society are at their weakest.

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U.D.C. 334.012.23:330.1
keywords: corporate social responsibility, social and natural capital, business ethics