

## **Ethical and Social Grounds of Corporate Social Responsibility: Some Reflections**

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### **Abstract**

*The idea of Corporate Social Responsibility (CSR) has come in the forefront both theoretically and practically by having a great attention on the discussing issues within the boundary of business ethics. It is one of the emerging issues rooted in business ethics but more in precise than that of. Academically this notion introduced probably in 1970 in USA. It illuminates that corporations existing in a society naturally have some influences of social rules and regulations in its decisions and activities which produce some obligations and duties for corporation towards the affected groups of that community in return. Generally, CSR holds that corporation has some responsible role to play on social grounds but where in philosophically CSR is an approach to justify those responsibilities on some ethical grounds following some moral standards. Focusing on this issue, the current study is an attempt to examine and evaluate some prominent theories of CSR and to identify their scope and limitations.*

**Keywords:** Business, Ethics, Social Responsibility, Ethical Standards, Integration.

### **Introduction**

Business ethics, which also known as corporate ethics or corporate governance, is the study of ethical examination of corporate behaviours or actions. It deals with those moral problems that arise in business environment through some sorts of ethical standards and principles. According to Ferrell, business ethics is “the application of a moral code of conduct to the strategic and operation management of a business...to emphasize the values and principles in conducting its operation” in order to make an ethical culture in business context (2011, pp.10, 15). The idea

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of business ethics is both normative and descriptive. It's normative since it evaluates corporate behaviours and practices on the basis of what is ought or not ought to do. And descriptive, in the sense of its study about behavioural and sociological aspects of what companies do (Werhane & Freeman). Therefore, the aim of business ethics is to awake the realization of the importance of ethical integration in business decision and to orient the experts with ethical responsibility and accountability to sustain in the long term. Here corporate social responsibility is another thought of this integration in social context.

### **Objectives of the Paper**

The present paper is aimed to explore the different approaches on corporate social responsibility. Particularly its objectives are to analyze the basic emergences and grounds of CSR, to examine its nature, standards and purposes on moral and social grounds, and to evaluate some selective theories following their theoretical and practical significance.

### **Methodology**

This study is substantially based on secondary sources. Widespread review of literatures has been collected from different books, journals, and published contents are carried out in preparation. Relevant literatures also have been brought together from other sources like library, Internet browsing and downloaded articles. Review of the literature are given here accordingly throughout the whole paper.

### **Historical Background of Business Ethics and the Emergence of CSR**

The plausibility of applied philosophy that the nature of the application is contradictory to the nature of traditional philosophical abstraction is a common holding view. The ancient history lying here is, from the very beginning, philosophy has been very prominent to be addressed as an abstract discipline which deals with the fundamental problems regarding the world and life, only in a normative and evaluative way through the method of analysis. Philosophers always have tried to find out the truths of such queries by giving theories without having a thought of its implication in the issues of daily life. Although, the relation of philosophical study to practical life can be found in the writings of philosophers like Plato, Aristotle but surprisingly they, especially analytic philosophers, themselves feel proud to address philosophy solely conceptual discourse rather than concrete. This normative and evaluative interpretation makes philosophical study distinct from application which continues till the end of the 19th century, and have drastically been

criticized for its impractical nature by the scientists and thinkers of different disciplines. This criticism compelled the royal thought of philosophers to give a consideration of the whether philosophical theories are enabled to play a solid role to solve our daily life problems or not. Consequently, applied ethics or more broadly applied philosophy has established as an another inherent feature and branch of philosophy in the 20th century where philosophers claim that value is very much related to the factual events and facts always judged by values (Almond&Hill, 1991). The notion of business ethics is resulted from the subject matter of applied ethics in both academic and commercial world in which the concept of corporate social responsibility (CSR) is another latter emerging notion in business ethics.

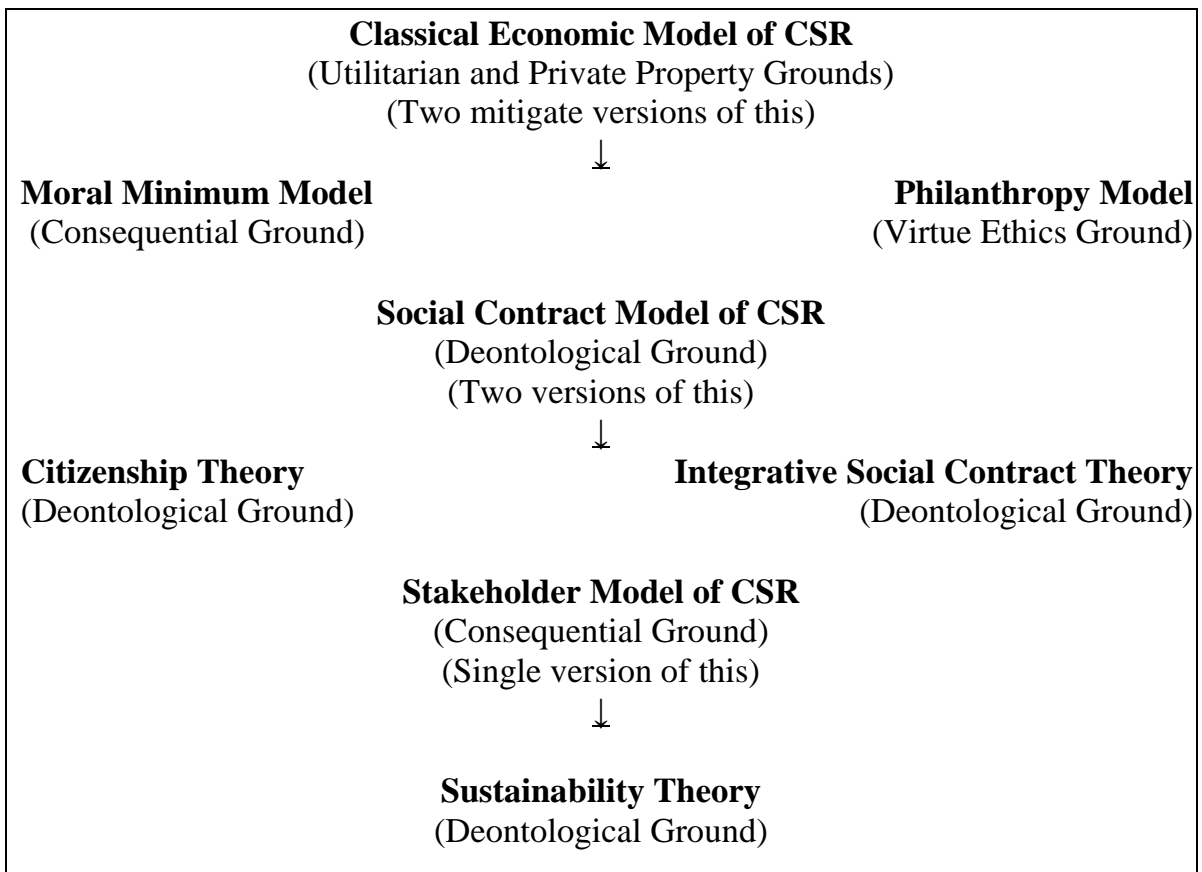
Most probably, the concept of business ethics has come into existence in the latter half of the twentieth century or around 1950. Before this, business industry has strictly followed by the separation idea that is business is of pure commercial thought and it shares no relation to any evaluative discourse. But the downward trends and rising of more and more problems in business industry have proved this idea wrong. Following 20<sup>th</sup> and 21<sup>st</sup> century, the whole phrase of time can be classified into two parts where each part evolves with one fundamental query in the context of corporate ethics. As DesJardins (2011) states, the query of first phrase, is there any relation between business and ethics? Or should business be a part of business? And in the second phrase, how and which ethical standards should apply to guide business decisions? Farrell ET. Al. transparently lift a continuous picture of the development of business ethics concept in his book *Business Ethics: Ethical Decision Making and Cases* (2011) following the phrase of time.

Farrell ET. Al. (2011, pp. 38), defines social responsibility of corporation “as an organizational obligation to maximize its positive impact on stakeholders and to minimize its negative impact.” They also describe that CSR requires both qualitative a quantitative credibility. The relation of ethics to CSR is not just a matter of recognition, but without ethical accountability, a company cannot justify its social responsibility. Ethical concerns rightly assess the social duties, and therefore, ethical justification is one of the significant grounds of CSR. On the other hand, Hartman & DesJardins (2011, pp.52-53) identify social responsibility as a restriction on corporate activities. Since social obligations directly refer to the interests of the society; social duty makes a company responsible for its actions and thus it makes a restriction on the activities of corporation.

Although CSR examines the nature and types of corporate social acts and efforts to suggest on how those responsibilities should be maintained, but the nature of CSR always changes with the nature of business institution and by its surrounded social context. According to Bowie & Schneider (2011), the types of social responsibility determines by the group to whom business is socially responsible. The interests of certain groups considered by a corporation have so many dimensions. The actual philosophical debates and challenges arise in the notion of CSR because of two fundamental questions. These are:

1. To whom a corporation has moral obligations and duties?
2. What sort of actions would be addressed as social responsibility?

To resolve or give appropriate answers of those queries, philosophers, economists and theorists have proposed many approaches and presented arguments in favour of them. These proposed approaches and their interrelations, especially following by the views of DesJardins, Bowie, Freeman and Werhane, can be shown by the following diagram:



*Diagram of various developed models of CSR*

Let us take a close look on each approach respectively in order to locate and examine their upholding social and ethical grounds.

## **Classical Economic Model of CSR**

Classical economic theory is the most conventional and extreme view which rests on the ground of capitalistic market system. This theory claims that market system survives only on the principles of earning and investment of profit. Market system proceeds by the cycling role of investment, production of product and profit (M-C-M). Hence, the only purpose of business is just to gain maximum profits which overweighs than anything. Adam Smith, David Ricardo, Robert Thomas, Malthus, (17<sup>th</sup> century's classical economists) and Milton Friedman are the well known defenders of this economic model.

Concerning CSR, this approach claims that the only social responsibility of business managers and executives is to consider the interests of the corporate owners or stockholders, and obviously this idea of CSR derived from the principles of free market economy. In favor of this claim, defenders stress upon the risks management since it is an inevitable part of business strategy. Owners of the company take the risks of their invested money for any uncertain occurrences and perils in terms of profits. Thus, since the owners invest their money to the corporation in order to have the utility or revenue, so business expert's social responsibility must be directed to the interests of those.

Capitalistic market system has always been accepted as a strong and logical system. It always successfully makes a good balance between law, ethics and society. On each ground, this model has rightfully established itself by several arguments. Basically, free trade function is based on two fundamental grounds. These are:

1. On the concept of human nature
2. Philosophical ground-I) Utilitarian principle II) Principle of private property Rights

On the concept of human nature, free trade system depicts itself as a good system because its ultimate purpose is sharply related with the human desires. Biologically, humans are selfish, competitive and greedy. Whatever a person tries to do is ultimately follows from these very natural desires. Free trade gives a person proper opportunity to explore the rational capacity of human being and thus one can develop his each potential attributes in a free trade system which finally results in profit maximization system. The early Greek legend philosophers Plato, Aristotle also has enhanced the significant role of human's rationality in developmental activities. So it is worthy in showing that capitalism does

respects the rational efficiency of humans (Bowie & Duska, 1990: 23). Philosopher Thomas Hobbes, in *Leviathan*, first illustrates the human nature as solitary, brutish, nasty and short, and places the importance of state law for controlling this nature and maintaining social harmony. Since he believes that the emergence of state flow from this human nature. So, it is obvious to say that free market frame has built in the light of these human features.

Economists as well as philosophers both have a consensus that capitalism rests on utilitarian and private property rights principles, and it justifies both the grounds. Historically, utilitarianism is a well known consequential moral theory stands on psychological egoism which refers the psychological feature of seeking happiness of each person. Every human first seeks his own happiness and every human beings are directed by this psychological function, more or less. For that reason, utilitarianism accepts 'happiness' as ultimate moral standard to justify human actions on the basis of positive consequence in order to establish maximum happiness for maximum number of people.

Maintaining the first premise, capitalism argues for the acknowledgement of people's self interest motivations and this key ground is as same as in the utilitarianism. Peoples have unlimited desires to get fulfilled and capitalism is the open sphere of fulfilling and balancing the unlimited demands of people and this self motivated interest finally portrayed as overall social welfare. Scottish economist Adam Smith, in His *Wealth of Nation* (1776), uses this universal attributes of self interest along with government law to explain that how capitalism results in overall social welfare. That means capitalism is the only efficient instrument which is able to direct the negative human attributes, like selfishness, competitive attitude etc., in a positive way. As he states, "Inevitably there is competition among people as they try to achieve their interests. As long as there is a government to enforce the rules of the competitive game, the competitive process is orderly and efficient. Because people look after their own interests more effectively than they look after the interests of others, the rule-governed competitive struggle will lead to the greatest good for the greatest number." (Bowie & Duska, 1990: 26).

On the other hand, private property rights is the other postulation of capitalism. John Locke first establishes this idea as natural right in his famous 'property theory' through the analysis of human attributes. He argues, when people earn something by giving his natural labor, it automatically produces the authorized power on that thing. This private

property rights idea relevantly requires the doctrine of freedom. Labor gives a man power to claim over something of his own and, at the same time, declare him as free autonomous being. Capitalism respects this aspect of man, and if anyone tries to refer this system as immoral or defective; he is doing nothing but just referring himself contradictory to his own nature and depriving him from the things what he deserves. Thus, the argument transparently claimed here is, “When you add this property right claim to the empirical thesis that shareholders want right to decide how to use their property. ...In short, the fact that a business function to make a profit is morally acceptable because it respects rights to freedom and property” (Bowie & Duska, 1990: 30).

Apart from those advantages of looking forward to profit maximization, a number of philosophers and thinkers challenge the above mentioned grounds. Marxist and socialist’s critical assessment are very well known. Among those critics, the challenges and evaluations made by DesJardins are significant to be mentioned here. He shows in his work *An Introduction to Business Ethics* (2011) the following inappropriateness on the analogy of utilitarianism and free trade system.

Firstly, individual satisfaction sometimes clashes with the overall good. So, one’s good rationally and necessarily does not refer the good of others which means capitalism is not an appropriate means to ends. Secondly, the appropriateness of utilitarian principle to any number of changeable situation is thoroughly complex for business to deal. Since business survives with only one particular principle. Thirdly, rational consideration of maximum profit for the maximum number of people is really tough to maintain in self motivated business. Fourthly, Profit and good is not identical. The general concept of good is different from the ethical sense of good. Ethical sense of good requires a wide consideration of public demand beyond market place. Business system concerns only with those goods which demand by the consumers in the market context. Moreover, there are also unethical demands of consumers for which no ethical basis to evaluate. Fifthly, capitalistic system limits the responsibility of business experts within obeying law and public demand. Therefore, business practices cannot provide the overall good and its ability of maintain is also in question.

On the other hand, DesJardins provides following two major challenges to the private property rights defense. One is private property rights that constrain the rights of others especially in liberal democratic society. For some critics, “there is no absolute right to do with one’s

property what one pleases.” (Bowie & Duska, 1990: 31). When a corporation tries to pursue maximum profits for its stockholders and shareholders, it underestimates the rights of others and at the same time limits by the rights of others. Although, Bowie & Duska clear that all kinds of property rights does not involve constraints, property rights are neither absolutely neither right nor it consists of single form.

Other one is DesJardins and other critics are agreed in that there are differences between personal and corporate property rights. The judgments about private property in a corporation does not always implied accurately in personal property rights. Owners have less responsibility to their invested property in a corporation and therefore they are less affected in any negative consequences. This makes clear that the rights and freedom of personal property does not fit in corporate sense.

So if the premises of corporate principles, from where the conclusion of profit maximization derived, prove as wrong or unfit, the whole logical claim then becomes invalid, or at least unsound.

### **Moral Minimum Model of CSR (1st Version of Classical Model)**

Minimalism is the first version of classical model of philosophers and economists, on the grounds of deontological and legal principle which aimed to justify the principle of maximum profits as a core social responsibility of corporation in a slightly deferent way. By placing a set of minimum moral standards, this approach replicates that a corporation has to fulfill some moral obligations and duties at least. If once such requirements get fulfilled, then the purpose of earning as much as profits of business itself would be considered as ethical, otherwise not. In short, it is an effort of mixing up ethics with law on the idea of corporate social responsibility.

Economists Adam Smith and Milton Friedman are the most familiar and stronger defenders based on the nature of human being. That is, every human biologically seeks his own interests and happiness everywhere. Any person has the full freedom and rights to live his own life as he wants to be, as a human being. So, every individual person has the right to invest and earn profits as much as he wishes to be is also relevant. Since a corporation is a collection of individuals, therefore, the rights and freedom of corporation to promote operations in order to achieve its ultimate goal is also very coherent. In addition to this, Friedman put some other grounds to justify this demand of market system. A corporation has to go through the acknowledgement of law and basic rules of the society, he said. Such set of minimum moral standards more possibly results in



overall social welfare (Bowie & Duska, 1990). Though both Smith and Friedman are indifferent in claiming that profit maximizing is the ultimate social responsibility of business, but they seem differ in placing the requirements of social rules. Where Smith places it inherently by invisible hand, Friedman exposes it explicitly by referring the basic rules of the society.

The mentioned approaches of both economists assert that the ethical obligations and principles may set for it but corporation cannot move from its ultimate purpose. Since the relation of business to society involves the relation of business to the customs, beliefs and values of that society, business needs to obey and respect those sorts of things for its own valid performance. Indeed, business itself is empty to operate without the surrounding context and constituents. Thus, the basic rules, law and ethical customs can be addressed as minimum moral standards which a corporation cannot violate or override at any cost, admitted by both economists.

Philosopher Norman Bowie has given a mitigated version of classical economic theory and denominated it as a 'neoclassical model' of corporate social responsibility. He puts the same direction of social responsibility to business experts but for Bowie, business strategies and purposes should be coherent with the values and practices to that society. The conventional values and beliefs of society imply some moral responsibilities to an existing company and that company needs to follow such consistency for its own sake. If this is so then corporation's acceptance of such things also means that they are promoting such obligations and duties as ethical (DesJardins, 2011).

The philosophical interpretation of that above mentioned idea generally refers to utilitarian attitude again. Overall social welfare has accepted here as good and preferable, and as final purpose. Some other additional arguments also have presented in favor of this minimum responsibility of business. But apart from this utilitarian idea, many ethicists and theorists preferred to provide some other moral standards on deontological ground, especially following Kantian principle, since all of them would be able to applicable to any corporation regardless of any particular situation. According to Simon, Power, Gunneman, and some other thinkers minimum moral obligations of business experts should be - avoiding harm and preventing harm. Both the principles stand on the idea that every person's right is equally important and subject to respect only because of being human. Human's rational and moral attributes give him the superiority to others. Corporation should not override or violate

anyone's right and be the cause of any avoidable harm, since it harms the dignity of human being. Besides, both law and ethical account can claim a corporation as responsible for doing any avoidable harm (Bowie & Duska, 1990). This point reveals that even legal institution is giving the acknowledgement of such ethical principles and concerned to these matters.

At present, Philosophers and thinkers are intended to enhance more broader outlook in minimalism. The nature and scope of minimum theory are now considered more beyond than that of limited sense, said Freeman and Werhane. They propose some more practical moral responsibilities that a business manager should take into consideration. These are respect for basic rights, honor contracts, avoid causing net harms, conduct business fairly, respect for the natural environment, ensure worker and consumer safety, and operational ideas of fair play etc. All these standards are referring that today the word 'minimum' does not bear the actual literal meaning. Such minimum ideas are now giving constrains over corporate activities.

Desjardins (2011) finds this model as revised version of classical economic of CSR. He has argued that such moral standards do face the problem of precision.

He distinguishes between causing and preventing harms, and harm and good in order to show that this new version is also encountered by the limitations of classical model of CSR. This theory can raises the conflicts of interests of owners with other constituents of corporation. In spite of placing the identification and significance of ethical principles and norms in business context, the above view do not provide any definite character of any moral principle. Just saying to obey or respect ethical customs or follow basic rules of society neither can not make the moral role of business expert's sound nor can make any sense obligation to do so. 'To do well' is indefinite in nature and ideological to follow, which in reverse raises so many queries in practical sense (Bowie & Duska, 1990). Even avoiding and preventing harm principles are also just ideological having no precise nature, in the same way. But however, Jardins is not surprised to applause that minimalism is the recognition of inadequacy of law to resolve any dilemma of business, and provide a considerable ground for significant consideration of ethical principles.

### **Philanthropic Model of CSR (2nd Version of Classical Model)**

Philanthropy is the second version of classical model known as corporate philanthropy, corporate charity or corporate giving. Initially this act

seems as a non consequential action as well. According to this notion, a corporation itself should contribute in the social welfare by giving a portion of its earning to any non-profit organization or somewhere else. Such non-interest act presents the responsible manner of corporation and its strong relationship to that society and society's members. Academically and practically, this idea first accepted and practiced in USA (Stanford Encyclopaedia of Philosophy).

Bowie and Schneider (2011) describe that this model is an integration of social needs of people with business strategy. Involvement in local business groups and nonprofit organizations, sponsorships of local events, charitable programs both in nation and international contexts etc. are the examples of efforts to be an active part of the community. The probable consequences of corporate philanthropy act are a good corporate image in any number of situations, increase the morale and productivity of current employees with new talents, it improves employee's morale and customer's loyalty, and finally a strong bond between corporation and its all constituents.

Philanthropic model can be explained and understand on two grounds. Firstly on citizenship ground. Corporation is bound to participate in philanthropic act because of its legal membership in society. Business institutions are allowed by the community to move freely, so that they are also bounded by the invisible commitment to help and support the community members where they feel need. Allowing a company as citizen with some commitments to the society resulted in corporate citizenship and thus a company meets with the economic, legal, ethical and philanthropic responsibilities to fulfill the expectations of those that it has committed, said Farrell.

Secondly on virtue ethics ground, corporation considers philanthropy as an ethical act. Norman Bowie (2011) advocates that the root of philanthropic actions is in individual's own values and norms. Our personal ethical sense of responsibility and obligation lead us to perform the act and convince us that this is a right thing to do. Above both the grounds transparently referring that philanthropic act is non consequential. It is aimed to social welfare and satisfaction of personal conscience.

Following this notion, some thinkers show that corporations can be classified into two groups. One those companies who do these acts on the condition of getting something in return like good sales and profits in the

short and long term. Others are those who find these acts are done without any return; considered as unconditional act which holds goodness and righteousness in itself.

Where some economists find these acts effective in social responsibility context, there some ethicists find this as another repetition of classical economic model. From Desjardins (2011) viewpoint, philanthropic act is nothing but a suggestion to serve the society if you wish to do so. This act holds no ethical obligations to do any contribution rather it is a voluntary act, and therefore relative.

### **Social Contract Model of CSR**

Social contract theory is one of the conventional, prominent and accepted emergence theories of state. It strongly developed by the seventeenth century's political philosopher Thomas Hobbes and following him John Locke and Jean Jack Rousseau also developed their theories. In contemporary age, this theory has greatly examined and evaluated by John Rawls in his famous writing *A Theory of Justice* (1971).

Social contract is basically refers a hypothetical eve of a state, stands on mutual understandings and co-operation of individual persons. It depicts the reciprocal relations and agreements negotiated amongst its parties and voluntarily subscribed. In this agreement, people together give their own will to make a sovereignty or higher authority to secure their rights, wealth and life in terms of giving all their rights and power to that authority. More importantly, this contract makes people understand how to treat one another in order to have mutual benefits therein.

Generally, the social contract is a fiction which binds everyone at birth to the extent that entering in a preferable place. Philosophically, social contract model is a deontological approach which emphasizes upon the fundamental principles rather than any consequence. It is non-consequential for some philosophers like Kant, Rawls; because the fundamental principles of future state emerged here from human's rational faculty and equally benefited for each persons. Principles originated from rationality hold intrinsic value within themselves in the same way human's rational faculty holds. On the other side, some philosophers find social contract as a consequence of both rational and animal needs of human's.

In regards to CSR, social contract takes place between the corporation and society where both of them bounded by some commitments to each other. This contract gets sanctioned by the community, and community

allows a corporation to exist and operate strictly because of the welfare and interests of society and its members. Following this, a business institution has to take the interests, rights and needs of all particulars of community into positive consideration. Business experts are bound here with some visible and invisible social and ethical responsibilities, and there is no other way of out. Thus, this contract makes a reciprocal relationships and obligations for both parties.

Brenda Almond (1991) asserts that one can find its strong connection with each constituents in that given society. And certainly, a corporation would be able to make such sort of connections only by maintaining those responsibilities. Therefore, all we can say that the matter of society and social responsibility directly connected to the corporate bottom line and social contract model reminds us this truth once again. But the scarcity of this theory is, it is only highlights the position of a company within society more importantly than that of its elements and activities. It only focuses on corporate-societal relationship externally, not on its particular internal elements and their inevitable relations, pointed by Freeman and Werhane.

### **Integrative Social Contract Theory (1st Version of Social Contract Model)**

Integrative Social Contract Theory (ISCT) is an enriched approach in assessment to CSR based on social contract theory. Where social contract doctrine emphasises only upon the relation of society with corporation there ISCT designed the connections of each elements to the corporation for a desired end. Thomas Donaldson and Thomas Dunfee propose this theory to explain the internal corporate-societal relationship more deeply.

The basic assumption of ISCT is, “All rational humans aware of the bounded nature of their own rationality would consent to a hypothetical social contract, encompassing a macro-social contract, that would preserve for individual economic communities significant moral free space in which to generate their own norms of economic conduct, through actual micro-social contracts” (Donaldson and Dunfee, 1995: 89, as quoted in Freeman and Werhane). They try to assign a universal application based on moral relativism, and for this task they find moral minimalism fitful to consider every ones own autonomy and moral freedom.

The terms ‘micro-social contract’, ‘macro-social contract’ and ‘moral free space’ play a great role in this theory in order to make links to each constitutions. Donaldson and Dunfee use the concept of micro-social

contract to indicate the relationships that individual groups share within themselves and even within institutions, and to place the importance of minimum moral norms and values of society which they all respect. They argue that only minimum thought can give anyone or any group the freedom of existence and increases the respect for others which can turn it as unity or macro-social contract. Once a corporation is being accepted in a society to move and operate. So corporation and society both would be able to share a reciprocal obliged relationship to each other with own principle and proper moral privacy.

According to Freeman and Werhane, though this interpretation of CSR seems appealing, but it also encountered by the critics for its lending overdose on freedom concept. Minimum conditions refer to limited responsibility and the possibility of immoral activities. Moreover, other considerable limitations of minimum idea are also applicable to this theory.

### **Citizenship Theory (2nd Version of Social Contract Model)**

Sometimes corporate responsibility identified as responsibility of citizen. Through the contract with society, a corporation get the acknowledgment of citizenship and this right of citizenship applies some obligations and responsibilities on that corporation. Corporate citizenship argument or corporate citizenship theory examines the moral obligations and duties of company by assuming it as a legal member of the community. Corporate citizenship indicates the rights, privileges, duties and obligations to support individual autonomy and defence against social injustice. By this right a company also tries to enhance the quality of common life through active participation (Evan and Freeman). According to Desjardins and Hartman (2008), corporation considers itself a responsible leader when it get addressed as social member and corporation's obligations and duties is strictly oriented to do good in this sense. The contract between business and society consists of some reciprocal commitments. Business expects the permission of society to use its resources and proper rights and freedom to operate and society allows a corporation to enjoy all the privileges like other individual member. On the other hand, society also desires from corporation to contribute in society's welfare and consider the demands and expectations of its other citizens. So it can be said that when a company fulfil such promises, it is actually respecting the contract between them.

This approach places an analogy between individual person's citizenship rights and corporate citizenship's right in order to show that like other single members and institutions corporations also get the right to engage in commerce within social context, where both of them act like

a moral agent (Freeman & Werhane). This analogy dignifies a company as moral institution; emphasizes upon the evaluation power of good and bad behaviours of it. In fact, corporation consumes more privileges than other members. Therefore, it is responsible for its all good and bad activities.

Despite of all above positive arguments, Werhane and Freeman find this theory imperfect and limited. Even the analogy between individual autonomy and corporate autonomy are different in origin and scop. Individual human dignity is beyond of any artificial institution even though when it is invented by any group of individuals.

### **Stakeholder Model of CSR**

Stakeholder model is the most widely accepted and liberal approach of corporate social responsibility among business ethicists. It has been emerged in the world of business ethics in 1960 as a real challenge for classical economic model of CSR and to its various versions. Generally, the word 'stake' means to affect someone and 'holder' means those people or group of people who get affected by the actions of someone. Therefore, stakeholder refers to those individual person or group of individuals who have the power to acclaim for explanation over the decisions and operations of another party by which their rights and interests get encountered. Following the notion of business ethics, this approach takes the concern of rights and interests of those persons seriously, whoever shares any relation to that corporation.

On the ground of CSR, Stakeholder's view holds that a corporation's social responsibility is to create values and make balance in the interests of those people who directly or indirectly can affect or are affected by the operations of that corporation in question. From normative level it respects the intrinsic value of every individual as human being on the basis of deontological ground. And practically it demonstrate that the implication of this universal principle always depends on particular circumstances, places and situations. These are the explicit determinations of the interests of stakeholders, and therefore, it is quite relative (Bowie & Schneider, 2011).

The meaning and nature of stakeholder view can be well understood from two points of view. Narrowly, stakeholder includes the interests of those people who face direct actions and reactions because of the decisions of an organization and who contribute materially to a company's success (Bowie & Schneider, 2011:162). By this scale, a company can categories its stakeholders according to their contributions. Primary stakeholders and secondary stakeholders. In a wider sense, whoever gets affected by the activities of a company must be considered

as stakeholder or stakeholder groups (Freeman, 1997:250). Here this view takes broader frame of stakeholders which encountered by the several queries of different critics in return.

Proponents of stakeholder model, Evan and Freeman, recognize two grounds of this theory from which moral obligations and duties of business experts derived. Firstly, the relationships between organization and its stakeholders is one of the core components of the existence of an organization. This mutual dependency or reciprocal relationship creates moral accountability to each other which consequently ask for a responsible attitude for both parties. Having consensus to this, Farrells and Fraedrich (2011) assert that this bridge of relationships only can be sustained by the good performance of corporation with respect and significant consideration to stakeholder's interests, wants, values and beliefs.

And secondly, those relationships also entail more additional responsibilities. In addition to this, Farrells and Fraedrich point out that it is the stakeholders who first take the initiatives to make a firm worth of existence within a society. They provide resources, supply capital, convey appropriate knowledge about the particulars of social systems and about the circumstances around it, and how to apply these norms and values in major constituents, etc. to a company. Stakeholder groups perform all such acts from some sort of expectations and desires. Thus, business experts should respect and fulfill the expectations of its stakeholders. People are those who actual judge of the admissibility of corporate actions.

Where above defenders narrated the visual arguments in favor of stakeholder view, there Joseph Desjardins tries to demonstrate the logical ground of this theory by giving a comparison of it to classical economic model of CSR. According to him, stakeholder view believes in the concept of justice. Although this model is equivalent with the classical economic model which believes that corporate managers have social obligations and duties to fulfill, but it differs in the implication of this acknowledgement to a target people. It considers as 'if the ethical claims of other parties are comparable to those advanced by stockholders, then managers have a duty to these other parties... such ethically legitimate claims do exist (2011:69).'

Besides, he has examined the arguments provided by Evan & Freeman (1998), especially those which stands on the refutations of the logic of classical economic model. Both of them have shown that conventional model emphasizes upon the rules of law of the society in the context of CSR and thus law does permit their ultimate purpose. But today's reality, law itself states that firm's managers have certain social and moral obligations to stakeholders as well. Even it is still remains to assess that



whether business institution really obey and follow the legislative restrictions that imposed upon business practices or not.

Classical view has failed to establish the two ethical grounds. Concerning utilitarian principle, this normative claim is committed to balance the interests of maximum people, which is not possible by the means of classical conception. Because it is ready to perform everything only for the welfare of those certain group of people who invest in that corporation. Consequently, it is has also disappointed the right of maximum individuals. From Kantian notion, this model addresses as unethical model since it uses person's interests and rights as means to pursue the welfare of other persons. In this way, Evan & Freeman have identified several flaws in classical economic model of CSR and found stakeholder model as superior than that. (DesJardins, 2011:70).

But despite of stakeholder's broad attitude, several challenges have raised against it by the critics among whom two challenges are most common and fundamental. These are:

1. To determine the stakeholders and prioritize groups among several stakeholder groups in term of interests and rights.
2. To determine the sort of obligations and duties of managers towards stakeholders to fulfill.

Both Norman Bowie and Joseph Desjardins points out that identifying the stakeholder groups and deciding the specific actions of managers are a tough job to be done. Bowie deals with the first task and suggests that managers need to classify first various stakeholders in terms of their need and interests on the basis of circumstances, contributions and influences. This is a useful way for managers to determine both all the stakeholders and their priorities (2011:162-63).

On the other side, concerning the second challenge, Desjardins argues that not only stakeholder model but also other models, especially classical economic model face the shortage of right assessment and proper guideline to managers for their actions and decisions regarding CSR.

### **Sustainability Model of CSR (Contemporary Version of Stakeholder Model)**

The question of sustainability's obligations towards business has become today's top most discussing issue while business decisions start to affect greatly on both the world and life of human, society and the environment. This frame is a current wider attitude of stakeholder theory; completely opposite to conventional approach of CSR, because this kind of responsibilities related to the service of social ends and long term

sustainable attitude instead of profit maximizing. Thus this contemporary ground added in the concept of CSR focuses on the environmental, including both human and non-human entities, responsibilities to business persons in which they operate.

The term ‘sustainability’ or ‘sustainability development’ can be defined in both general and particular meaning. Generally it refers to the carrying capacity and maintaining the balance of all resources of the earth. In 1987, The United Nation defines this term as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” And principle regarding environment has been one of the considered issues among other areas when United Nation has launched its United Nation Global Compact programmed in 1998. (Bowie & Schneider: 2011, 189). In this broad sense, business has to fulfill such obligations to protect and preserve the ecological balance with a consideration to present and future generation.

But most of the thinkers find this term quite relative and would like to define it in terms of situation. Firstly, corporation needs to maintain a balance within its all internal constituents, and secondly, for external constituents since it is confined by the commitments with consumers to maintain the loyalty in its activities. So, this doctrine is holding a universal principle of justice considering the value of each element, but depends on particular context to be applicable.

Not only in the forms of responsibility but there are also disputes about the acceptance of this doctrine for business strategy. Werhane & Freeman present several distinct basic views of economists, philosophers, ecologists and scientists in their paper on *business ethics*. Those who believe that business plays a great role in the degradation of ecology, find environmental obligations relevant and obvious for business to fulfill. Conversely, business is not responsible for any environmental affect instead it makes contributions in economic growth and welfare of society, argues some opponent thinkers. Other than both parties, some people try to combine both the views by proposing a mitigated attitude towards environment. Hence, they focus on the affects of business decisions and on the intrinsic value and right of non-human entity.

DesJardins believes that the sustainability question rises against business because business practices are also causes of some byproduct social and environmental issues. But a company based on traditional economic concept basically cannot deals with the social and environmental problems emerged from its failures by giving the sake of first-generation problem (2011: 57).

For Bowie, so often business person integrate the strategy of sustainable responsibility in business strategy for his own interests.

Protecting environment and its valuable elements, being eco-friendly or producing green products are ultimately turnout as profits in many ways, though in the long run. (2011: 185-201)

### **Findings**

This paper has presented a brief overview on the doctrines of CSR and the relative considerable theories of economists, ethicists and others. Ideologically, these theories are attractive and attentive especially in academic background, but their sensible application in free trade system and considerable implications on practical issues are still questionable. None of these approach absorbs actual obligation for any moral responsibility but accept morality as volunteer. After having a look on the ethical approaches of CSR, those which tries to incorporate ethical standards in business regulation, it can be acknowledged that only the principles of stakeholder theory has been an actual challenge for classical economic thought. Sharply because, this view holds the concept of justice and considers the interests of engaged people. But again it is also facing with the problem of practical inexactness like other doctrines. Such practical lacking is the real problem in business ethics issue. Therefore, whatever is needed is the proper up-to-date application of the existing social and ethical theories rather proposing more and more assumptions, to make business thought really judgemental and to create the opportunities for its potential exploration in the long run.

### **Conclusion**

It can be concluded that no one would be disagreed in acknowledging the significant role of each proposed theories of CSR in their particular status. Each theory is not only abides by distinct philosophical principles but also tries to imply the involving standards moderately in commercial atmosphere. However, each theory is endeavouring to justify the relation and integration of corporation and ethical principles by viewing the limitations of the preceding theory. The noticeable flaws between these approaches are the advent of each as a consequence of deficiency of the previous theory, and their theoretical overweigh than practical. So, individual implementation of each approach according to real status is highly required. It is open to rethink again and there are lot of works still to be done.

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