THE MANAGEMENT CASE
FOR CORPORATE SOCIAL RESPONSIBILITY

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Abstract

Could Corporate Social Responsibility (CSR) provide with new arguments about how to ‘humanize’ the theory of the firm and the management profession? Several arguments – the legal, ethical, social and business cases – have contributed to the discussion of why a company must be socially responsible. In this paper I discuss these arguments from the point of view of the manager who asks himself why he should be socially responsible, and I add new reasons that make up the ‘management case’. Exploring why CSR is good management, this papers explains why ethics and CSR make more human the firm and more humanizing the task of the manager.

Keywords: Corporate social responsibility, Ethics, Management.


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There is no agreed definition of corporate social responsibility (CSR) that is accepted by all, or even most, experts and managers, and it is unlikely that there ever will be (Argandoña and Hoivik, 2009; Dahlsrud, 2006). This has not prevented a growing number of academics and managers from promoting CSR as a means of shifting the paradigm of the firm, away from a purely economic model, oriented to maximizing shareholder value, toward a much broader and deeper model that takes ethical, social and humanistic variables into account and is oriented to a broad spectrum of stakeholders.

This is certainly a step forward in the theory of the firm, but an unsteady step – at least as regards the reasons why companies are supposed to be socially responsible. In this paper I put forward some ‘new’ reasons why companies should be socially responsible and ethical, explaining how ethical, socially responsible behavior can foster good management and organizational success. My main contention is that companies must be socially responsible not only because it is demanded by society, or because it makes companies more profitable, or because it is expected under a certain conception of business ethics, but above all because CSR is part of good management. That is to say, an ethical and socially responsible company is a good company, and a manager who manages in accordance with social responsibility criteria is an excellent manager, or at least is in a good position to become one.

In what follows we look, first, at the traditional arguments in favor of social responsibility in companies, namely the legal case, the social case, the moral case and the business case. After that, we examine what it means when we say that a company is socially responsible, once again converging toward the moral case. Finally, we present the management case and the conclusions.

Arguments for CSR

Why must companies be socially responsible?¹ The arguments put forward in the literature can be summed up as follows (Argandoña, 2008a, 2008b):

¹ Naturally enough, there are also authors who reject CSR, e.g., Friedman (1970), Henderson (2001), Sternberg (1994).
The legal case

In the first place, the term ‘responsibility’ is used in legal language. The law defines the responsibilities that directly or indirectly attach to certain acts and omissions and their effects (as when we say that a person is responsible for the injuries her dog caused to another person, perhaps because she failed to take the necessary precautions to prevent the attack). Legal responsibility is easy to establish and allows us to determine some of the effects of an action. However, it is widely agreed that CSR goes beyond the law, which means that the legal case is not a good explanation of why companies must act in a socially responsible way (although there is a broad movement calling for greater legal backing for CSR).

The social case

The social case is probably the one most often cited. According to many accounts of CSR, companies must act responsibly because society, represented by its main stakeholder groups, expects, demands or requests that they do so (Carroll, 1979; Wood, 1991).

Certainly, society expects or demands certain behavior from all those who belong to it, individuals and organizations alike, whether as simple citizens, or as bearers of a particular status or role in society (politicians, managers, property owners, etc.), or as organizations (firms, trade unions, political parties, NGOs, etc.). The important thing, however, is not that these expectations or demands exist but why they create an obligation or ‘responsibility’ that companies must fulfill. If they do, it is probably for one or other of the following three reasons:

1) Because these responsibilities presuppose that those demands of society create a moral duty (e.g., because acting responsibly is part of companies’ contribution to the common good: Argandoña, 1998), or because they specify that moral duty in specific situations (e.g., they specify what constitutes employment discrimination in a given society at a given time).

2) Because meeting those expectations or demands is a good citizenship obligation, similar to the rules of behavior among individuals, backed not by the coercive power of the State but by the pressure of society itself.

3) Because CSR prevents harm or brings benefits, economic or otherwise, to the company in the form of lower costs, stronger customer and employee loyalty, higher productivity, enhanced reputation, etc., which leads into the business case, discussed further below.

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2 Not all and perhaps not even the most important ones, e.g., those relating to moral learning.

3 There are many situations in which people or organizations feel obliged to act in accordance with ‘social norms’ within the framework of a ‘social contract’ (Donaldson, 1982; Donaldson and Dunfee, 1994, 1999).

4 Corporate responsibility is sometimes said to be “social” on the grounds that companies are ‘agents’ that operate in society and are a part of society, and so need a ‘social license’ to operate; or that they have an obligation to improve the society in which they operate, by being ‘good citizens’ (corporate citizenship) (McIntosh et al., 1998).

5 For example, the argument that consumers are willing to reward socially responsible companies with greater loyalty or by paying higher prices (Devinney et al., 2006), or the argument that socially responsible investors expect companies to act in a socially responsible way and demand higher risk premiums of those that cannot prove that they do so (Geczy et al., 2005).
The moral case

The term ‘responsibility’ can have a moral or ethical meaning, as well as a legal one. “To say that a person is responsible […] for a given action is only to say that it is appropriate to take it as a basis of moral appraisal of that person” (Scanlon, 1998, p. 248).

From the moral point of view, responsibility can be understood in two ways:

1) Responsibility, strictly speaking, appears when an action (or omission) and its effects are attributed to a person not only as the cause of the action, but as a ‘moral’ agent (responsibility as attribution).6 It is retrospective or a posteriori: an agent acted (or failed to act) in the past, and the resulting moral responsibility for the action and its consequences is attributed to her. Moral responsibility as an attribution implies the existence of a prior duty (Jonas, 1984).

2) Responsibility implies that the agent must be accountable for her actions or omissions, and their consequences, not only to herself but above all to others,7 and not only for what she does, but also for the moral reasons for which she does it, i.e., the reasons that justify the action (responsibility as accountability). It presupposes responsibility as an attribution; but it adds something else, because it is social, open to others, owed to the community, and it is subject to the normative standards required of interpersonal behavior – external scrutiny, evaluation and sanction – and implies duties of disclosure and transparency (Eshleman, 2004).

The business case

The business case, where the aim is to show a positive correlation between CSR and profits, features increasingly in efforts to promote CSR. Being socially responsible is profitable, the argument goes, the assumption being that the causality goes from CSR to earnings. In fact, numerous empirical studies have been carried out relating corporate social performance to corporate financial performance. Many of them come to the conclusion that the relationship is positive; a few find a negative relationship; and, above all, many find no statistically significant relationship at all.8

The most likely conclusion from these studies is that, yes, there appears to be a positive relationship between CSR and profitability, but that this conclusion is not definitive, as the relationship depends on the country and the environment, the period studied, and how the variables are defined (Allouche and Laroche, 2005; Goll and Rasheed, 2004; Margolis and Walsh, 2003; Margolis et al., 2007; Orlitzky et al., 2003; Vogel, 2005; Wu, 2006). On the other hand, the fact that social performance and financial performance are correlated does not necessarily mean that they are causally related. It may be that more responsible companies are

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6 The classic reference is Watson (1996); cf. Weber (1921), on a person’s availability to answer for the foreseeable consequences of his actions. See also Fischer (1999), Williams (2008).
7 See Oshana (1997) for a classic discussion of responsibility as accountability.
8 Up to 88%, according to the meta-analysis of Margolis et al. (2007).
9 Confirming the expected scientific biases, the studies that reach negative or uncertain conclusions tend to appear in economics journals and the positive ones in business ethics or strategy journals. It is also likely that many studies that find no clear relationship are never published, as editors are less likely to accept them.
also more profitable; but it may also be that CSR actions consist of distributing corporate profits among stakeholder groups (Devinney, 2009).\footnote{10}

In any case, a company is unlikely to decide to implement CSR policies simply because empirical studies show that such policies have a positive impact on financial performance. More direct arguments, addressing the details of the relationship between the two variables for a particular sector, location and company, will be needed. For example, if it can be shown that a commitment to CSR attracts the best employees, makes their work more attractive to them, increases their pride in the organization and makes them more efficient and more loyal, then the case for the profitability of CSR will be more effective and more credible.\footnote{11}

Especially where the focus is on the business case, the CSR literature usually mentions a series of advantages enjoyed by socially responsible companies. First, there are what we might call external advantages (i.e., external to the organization). In the legal and political sphere, for example, socially responsible companies will have a more favorable environment for their activity, smoother relations with regulatory agencies, even the possibility of new and better regulations, or a say in the drafting of new regulations; less risk of complaints and fines; better relations with central and local government (e.g., preferential access to contracts, concessions and subsidies); and an active role in spreading their good practices.

They may also have advantages in relations with customers and suppliers, including a better image, brand and reputation, or more loyal customers, who may even be willing to pay more for the companies’ goods and services because it is respectful of the environment, human rights or satisfactory employment relationships. And they may have better relations with society in the wider sense, that is to say, agreement with society’s expectations and demands, fewer disputes, less risk of negative advertising and boycotts, better relations with the media, opinion makers and the social agents, and so on.

Socially responsible companies are also likely to have internal advantages. For instance, they may well have an edge when it comes to attracting, retaining and motivating the best employees; greater transparency, morale and trust in relations with their internal stakeholders; and, specifically, more satisfactory employment relationships, a better working atmosphere, more effective management systems, diffusion of good practices, better supervision of the supply chain, and so on.

All these internal and external advantages may translate into better financial and economic performance. For instance, they may give a company a strategic advantage over its competitors in the form of higher or more stable sales, product differentiation, a higher price, and so on (Porter

\footnote{10} Furthermore, much published research displays major theoretical and empirical limitations (McWilliams and Siegel, 2000). For example, the definition of social performance tends to be very unsatisfactory, based merely on manifestations of potentially responsible behavior such as publication of sustainability reports, adoption of codes of conduct, investment in pollution reduction equipment, establishment of minority employment policies, social action programs, or philanthropy, etc.

\footnote{11} The business case has acquired a new dimension in recent years as CSR starts to win the ‘battle of legitimacy’ among academics and, increasingly, among managers. Academics continue to make great efforts to show that CSR is profitable, while managers at least claim to believe it is and try to justify their CSR decisions in terms of the results of CSR actions, including financial results. This has led to the development of a formidable CSR ‘industry’, ranging from consultants and professors to communication and PR experts, auditors, certification authorities, social rating companies, socially responsible investment companies, and CSR professional associations. To sell their products and services, all of these participants need to prove to business owners that CSR ‘pays’. Ultimately, the attitudes of academics, business owners and CSR industry players are mutually reinforcing.
and Kramer, 2006). They may also reduce costs, perhaps because the company runs fewer risks (of problems with employees, products, production processes, litigation, boycotts, etc.), which will reduce finance and operating or management costs (e.g., the costs arising from wastage of natural resources). A policy of honesty is likely also to reduce other costs (litigation, complaints, fraud, etc.), enhance employee productivity (through higher motivation and commitment, or self-selection of the best workers), or reduce the risk premium for financing (through having attracted socially responsible investors who value the company’s CSR policies), etc.

As we already pointed out, however, all this is not enough to guarantee higher accounting profits or a higher share price. A responsible company is in a good position to increase the social value of its contribution to society. That value, however, is just as likely to be captured by employees (in the form of higher wages or other benefits), customers (in the form of better products at the same prices) or other stakeholders as it is by the owners of the company. The problem is comparable to that of a company that has a privileged location, or holds a patent, or has high market power, etc., namely that the economic value (rents) it has created may be captured by other stakeholders, rather than by the owners, in which case the private profit will be no greater than before.

What does it mean when we say that a company is socially responsible?

We have looked at various arguments for why companies need to be socially responsible. Now we shall consider the decision to be socially responsible from a different point of view, focusing on the managers who make the decision. We can assume that those managers seek an outcome (Argandoña, 2008c, 2008d; Pérez López, 1991a, 1993b) which may be:

1) Extrinsic, i.e., a response to be delivered by their ‘environment’ (customers, suppliers, owners, employees, local community). This response may be tangible (higher revenue, lower costs) or intangible (reputation, prestige, lower risk, etc.). Extrinsic effects are the driving factor for companies in the business case and in some arguments of the social case.

2) Intrinsic, i.e., an outcome that occurs in the agent himself as a consequence of his decision. This outcome may be what we could call ‘psychological’ (the satisfaction of fulfilling a duty, for example), ‘rational’ (operational acquisition of knowledge, capabilities or skills as a result of the decision) or ‘evaluative’ (the agent learns to resist the attraction of an immediate reward, developing in himself capabilities that will enable him to make better decisions in the future, mainly as regards understanding the needs and interests of other people, and as regards his contribution to the company). This argument may be a part of the social and business cases, and also the moral case, especially evaluative learning (acquisition of virtues and values).

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12 Yet CSR does generate greater social value and wealth for society as a whole in the form of better products and services, lower costs, lower risk premiums, higher productivity, economies of innovation, etc.
13 This classification of the results of human actions is based on Pérez López (1991a, 1993b); cf. also Argandoña (2008c, 2008d). It also mirrors other ways of classifying the goods that people seek, e.g., Finnis (1983).
Whether he likes it or not, however, the agent’s action will give rise to all these outcomes. Each one of these outcomes “can be a powerful source of motivation; that is, each one can be directly intended by the person who acts and can therefore be a reason for performing the action” (Pérez López, 1993b, p. 52). Whatever the aims of an organization may be, managers must achieve all of them; and to do so they must secure the cooperation of the members of the organization, i.e., the people who possess the human and material resources that the company needs, as well as that of other stakeholders – because organizations exist to achieve certain common aims in a way that is compatible with their members’ different reasons for participating in it, at least as far as the available resources allow.

Lastly, managers must take into account the time dimension of their decisions, in the sense that their decisions are not isolated, independent actions but are all related to one another, at least insofar as they are all made by, or affect, the same people (Andreu and Rosanas, 2010). Managers must therefore bear in mind that the decisions they make today will affect how other agents respond today (depending on whether and to what extent the decisions satisfy those other agents’ expectations and interests, economic or otherwise) and in the future (if the decisions are capable of developing the capabilities the company needs, mainly the evaluative capabilities, which will lead the other agents to cooperate in achieving the objectives of the company and its members); and above all the ability of the managers themselves to continue to make the right decisions in the future (including their ability to satisfy their needs through tangible and intangible extrinsic outcomes, but also what we have called intrinsic outcomes, namely the rational and evaluative outcomes).

Decisions in companies, including (or especially) CSR decisions, therefore cannot be justified by any one case or argument, be it social, moral or economic. Indeed, overemphasizing any one case may well have undesirable consequences. The social case, for example, may turn the company into a provider of funds for all sorts of social initiatives, even if remote from the company’s goals. And the business case may prompt opportunistic behavior, aimed at obtaining profit at the expense of other objectives.

In short, in every decision they make, managers must monitor three ‘state variables’ in the organization (Pérez López, 1991a, 1993b):

1) **Effectiveness**, i.e., a company must generate (economic) value for all its stakeholders (Freeman et al., 2010, p. 28). In other words, a company must offer its stakeholders remuneration that is at least equal to the opportunity cost of its resources, which represents the difference between the extrinsic outcomes achieved and the resources employed. That roughly equates to the expected or actual profit from a CSR action. The business case is always relevant, not necessarily because CSR generates higher profits but, if nothing else, as a minimum condition for the economic feasibility of CSR actions.

2) **Attractiveness**, i.e., a company must develop capabilities that increase the satisfaction of its members or that generate learning which reduces the costs of doing what the organization needs to do, i.e., distinctive capabilities that will allow the company to learn how to resolve problems more effectively, or how to resolve more complex problems, because its members have a better knowledge of the needs to be addressed

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14 This is probably the main argument against CSR. Cf. Friedman (1970), Henderson (2001), Sternberg (1994).
and are more capable of addressing them. The social and moral cases also are important.

3) Consistency, which is achieved when the members of an organization identify with the organization and trust develops between employees, management, the company and other stakeholders. In fact, in making decisions about CSR the agent will be learning to take the consequences of his actions for other agents into account and to internalize those consequences. Here, the moral case predominates.

Every decision within the organization, including CSR decisions, “must necessarily respect certain minimum levels of effectiveness and attractiveness” and, above all, consistency (Pérez López, 1981, p. 14). These three dimensions may act in different directions, however. A CSR plan, for example, may be effective (e.g., it may increase customer loyalty and sales), yet not attractive (e.g., the person implementing the plan may feel that he is not doing his duty, perhaps because he thinks that it is a PR exercise and not genuine CSR) or inconsistent (e.g., because the employees have noticed that there is a gap between what the company promises to do and what it actually does, and so are reluctant to collaborate).

Back to the moral case

The important thing in the decision process we have just described is the changes that take place in the agent when he takes into account (or ignores) the effects that the action he is about to perform will have on himself and on other people, because those are the changes that explain how the agent actually improves. And so ethics enters into the decision-making process, because “evaluating human acts according to how much they improve the person who performs them is the very substance of ethics” (Pérez López, 1977a, p. 5).

Ethics bears on the inner transformation of human beings through their actions, and that is the object of the moral virtues. Virtues are operational habits that are acquired and developed through deliberate, effortful repetition of acts aimed at developing them (Argandoña, 2010a). This process of acquiring and developing moral virtues takes place when the agent makes an effort to achieve what is good for him and for others. “Every time a person freely chooses something that he knows is better, even though it is less attractive than another thing that is worse, he is training and building up the strength that will free him of any pressure that might deflect him” (Pérez López, 1977b, p. 10).

In other words, acting in accordance with ethics allows a manager:

1) To develop his ability “to perceive reality – the whole of the reality that affects him, not just the small part of reality that attracts him or that he happens to observe at a particular point in time” (Pérez López, 1993a, p. 6). That whole reality includes the external consequences of his actions, but it also includes what he himself learns and, above all, how he becomes aware of the consequences of his actions for others. “When a person stops taking other people’s needs – other people’s motives – into account, he is

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15 Of course, this applies fairly broadly. A particular decision may be ineffective (because it costs more, in terms of resources, than it contributes), not attractive (because it is unsatisfactory to the person who implements it) or inconsistent (because it prevents stakeholders from identifying with the company); yet none of this will be serious if the decision is inconsequential and is embedded in a pattern of actions that overall are sufficiently effective, attractive and consistent.
ignoring, or not taking into account, the most fundamental aspect of reality” (Pérez López, 1993a, p. 6).

2) To be capable of always choosing the best option, because he will be able to resist the temptation to act in accordance with what he prefers, or what appeals to him, in the short run and do what is best for himself, for the company and for the other people involved (Pérez López, 1991a).

This means that the idea that managers have a moral responsibility must play a central role in analyzing the social responsibility of companies. Many authors do not accept this, however; they do not consider the social responsibility of companies to be a moral responsibility, or at least do not emphasize the moral aspect. There are various possible reasons for this:

1) They may have another way of understanding CSR, e.g., an instrumental view of CSR as a set of tools for achieving certain goals that have no ethical content. In that case, the moral case is irrelevant.16

2) They may consider that ethics has no role to play in the field of economics because economic decisions are technical, not moral, so that what is at issue in financial and economic debate is founded on assumptions of rational behavior that economists take as given, without questioning them (the ‘separation thesis’) (Freeman, 2008).17 On the practical level, this means that everything that can be done in finance and economics is morally neutral (Miller, 2009), so the moral case continues to be irrelevant.18

3) Thirdly, they may have another way of understanding ethics. If, for instance, what is ethical is defined solely in terms of the (mainly economic) consequences of action (i.e., utilitarianism), the ethical evaluation of a given action is independent of the evaluation of any other action, as there is no moral learning (virtues).19 The moral character or quality of the agent is irrelevant. Thus, if the outcome of an action is just, the action itself will be just, even if it is carried out by a person who does not have the virtue of justice. And whether or not the person has acquired the virtue of justice will be irrelevant for the purpose of making just decisions in the future. Nor are the effects the action may have on the moral quality of other people relevant – beyond the possible (economic) consequences (Abbà, 1992; Argandoña, 2010a, 2010b).

From our point of view, ethics in organizations does not consist (only or fundamentally) of applying rules, codes or principles established from outside, nor of evaluating the

16 The strategic approach to CSR (Porter and Kramer, 2006) may fit with this view, but not necessarily. There are many reasons why moral responsibilities are present in strategy preparation (Andrews, 1971) and act as competitive advantages of the company, as we shall see later.

17 The existence of other motivations is also accepted, but they are always considered secondary, in need of explanation, and convertible into economic motivations, because there is a trade-off between the economic variables and the rest (e.g., how much an agent would be willing to pay to achieve a particular non-economic objective, or how much we would have to pay him to make him give up that objective).

18 The concept of the person implicit (and sometimes explicit) in this argument assumes that the agent has no intentions or purpose beyond maximizing his utility and undergoes no evaluative learning (Andreu and Rosanas, 2010).

19 The ethics we are proposing here also seems consequentialist, but in a much broader sense, as it assumes that a person is responsible for the full range of consequences of his actions, not only at the economic level but also at the psychological, rational and evaluative level – for the natural environment, for people, and above all for himself and his ability to make good decisions in the future. “To be responsible is to be consistent; to be consistent is to accept the consequences and discern good consequences from bad ones” (Polo, 2007, p. 144).
costs and benefits of every decision. It does not obey only economic rationality, because real decisions go far beyond choosing the appropriate means to achieve given ends. It involves choosing the ends themselves – whereas economic rationality has nothing to say about the choice of ends. This is a dynamic process that will depend on the agents’ evaluative learning. Every time the agent makes a decision, he either enhances or impairs his ability to continue to make good decisions in the future. The ethical nature of a decision will therefore depend on how it develops the agent’s moral capacity, that is, his capacity to know on each occasion what is good, and his ability to do it, overcoming the (primarily internal) resistances that make it difficult for him to do so. Ethics thus goes hand in hand with the development of virtues in the person. In other words, it is dynamic but not relativistic.

4) There is another reason why the moral case for CSR does not appeal to some authors. Because it is voluntary, they say, managers will have no incentives to put it into practice, unlike the legal case (imposed by law and the coercive power of the State), the social case (society demands it, either by quasi-coercive means or through economic incentives such as those relating to corporate reputation or legitimacy) or the business case (through the positive incentives arising from the goal of profit maximization and the fact that CSR is expected to contribute to that goal).

If, however, as we saw earlier, managerial virtuous behavior is a requirement for carrying out actions that are effective, attractive and consistent, then the moral case, which is necessary for all three criteria for good decision making to be met, will be capable of autonomously generating self-enforceable norms which do not depend on the existence of a law or the coercive power of the State, nor “on social regulation and [...] retributive and compensatory justice” (Watson, 1996, p. 243),20 exercised through a pattern of rewards and punishments.

Is being an ethical manager the same as being a socially responsible manager? 21 We think not, although the two are closely related. A person cannot be an excellent manager unless he takes into account not only the effectiveness and attractiveness of his decisions but also their consistency, that is, how they affect his own ability to make good decisions now and in the future; and how they affect the ability of other people to make good decisions now and in the future, insofar as those other people’s decisions also affect the company (e.g., insofar as they are a response to the manager’s decisions). As noted, that ability is obtained by acquiring and fostering moral virtues.22 A manager who wishes to be an excellent manager must therefore also be an ethical manager, 23 and the practice of CSR is part of a manager’s ethical

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20 Quoted by Fischer (1999), p. 97.
21 Managerial ethics does not coincide with corporate ethics insofar as the latter must also include the culture, rules, routines, structure, organization and so on that allow a company to foster, or at least not undermine, the ability of the various agents to make ethically correct decisions.
22 And we must not forget that ethics is not confined to the practice of the virtues, but also includes goods and rules (Abbà, 1992; Aranzadi, 2011; Polo, 1996). On the one hand, a manager must always seek what is good for the company, for other people and for himself, with a holistic criterion and in the long term (that is to say, not only what increases profits, or calms tensions, or develops innovation capacity, etc.). On the other, the rules he must observe include both negative rules (prohibiting actions that damage the manager’s capacity to manage consistently better) and positive rules (essentially showing the manager his duty to always seek what is best for the company, for other people, and for himself).
23 An excellent manager is not one who has made a few excellent decisions but one who has developed the ability to always make consistently better decisions. The fact that he makes mistakes does not contradict this, so long as he is capable of recognizing and correcting them.
duties. Therefore, a good manager must be socially responsible. Yet the practice of CSR is not a manager’s only moral duty. Elsewhere I have suggested that CSR is the range of responsibilities a manager assumes in relation to society, in dialogue with stakeholders and offering to give account of those responsibilities (Argandoña, 2008a; Argandoña and Hoivik, 2009).

Like CSR, management has other dimensions (economic, strategic, social, communicative, instrumental, etc.) that are not subsumed under the ethical one, although they should not contradict it either. In other words, an excellent manager needs to be excellent in the ethical dimension and also in other dimensions.

**The management case**

All the above suggests that there is another reason why companies should be socially responsible, namely what we might call the management case. Being socially responsible is a good way to manage a company. Or rather, it is the only way to manage a company well. An ethical and socially responsible company is a well managed company, and a well managed company must be an ethical and socially responsible company (Argandoña, 2008b). But how does this come about? How does ethics come into good management?

As we already explained, an ethical manager tries to achieve the best results in the three dimensions mentioned earlier: effectiveness (roughly, financial performance), attractiveness (personal satisfaction and development of people’s operational capabilities), and consistency (improvement of people’s ability to make the right decisions, now and in the future). His excellence as a manager will therefore depend on how well he takes into account the impact his decisions, in all their dimensions will have on himself and others, without confining himself to profitability but without neglecting it either; or rather, on how well he is learning to take all these dimensions into account. He will achieve this by living the virtues.

The virtues are the fruit of purposeful, effortful actions aimed at determining what is best, evaluating it, and acting accordingly. The acquisition of the virtues therefore has a rational dimension (seeking what is best in each case and finding the means to know it) and a dimension rooted in the will, which moves the agent to make an effort to achieve what he sees as good, resisting the temptation to give in to short-term extrinsic or intrinsic satisfactions. “Every time a person freely chooses something that he knows is better, even though it is less attractive than another thing that is worse, he is training and building up the strength that will free him of any pressure that might deflect him” (Pérez López, 1977b, p. 10).

What we have called the rational dimension will enable a manager to perceive reality in all its facets, including the effects his actions have on others and on himself. Before, let’s say, ordering a subordinate to tell a lie for the benefit of the company, he will be able to appreciate all the consequences of that action for the employee (the manager is effectively teaching the employee to lie, thus undermining his self-esteem, and possibly causing indignation, giving a

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24 Elsewhere I have suggested that CSR is the range of responsibilities a manager assumes in relation to society, in dialogue with stakeholders and offering to give account of those responsibilities (Argandoña, 2008a; Argandoña and Hoivik, 2009).

25 “The manager’s task is largely projective, that is, targeted to action and its outcome, to calculating the consequences, and to thinking his project through step by step (how each step leads to the next). It is normal that this should be the case, but [...] it is important to realize that [the manager] himself is involved in all this, and to notice what happens to the manager precisely when he acts, or how he must prepare for action” (Polo and Llano, 1997, p. 103).

26 He will naturally also need knowledge, capabilities and skills, and an appropriate organization and structure, and a favorable environment, and many other things we shall not discuss here (although we may consider that taking care of these other requirements is also part of a manager’s ethical duties).
had example to other employees, etc.) and for himself (he is learning to lie and to treat his employees unjustly). Similarly, his approach to the action alternatives will be different; he will value them differently and will probably have more incentive to look for solutions that do not require the employee to lie.

Then he will be able to choose the best option in each case, because he will have learned not to give in to short-term satisfactions, so that his natural tendencies will be increasingly stable and firm. This ability to forgo short-term outcomes in order to achieve better long-term outcomes further implies that a good manager acts with a view to the long term, not only in the sense of desirable future outcomes but also in the sense of the foreseeable consequences of present decisions.

Now, reason and the will reinforce one another. A person who has never concerned himself with the good of others is unlikely to understand why he should be respectful of others. Once he has stopped to think about the good of others, however, he will be in a position to understand it and show an interest in it. In other words, knowing what constitutes an excellent action, finding it attractive and having an interest in it require an ‘education’, which the virtues make possible. A person who does not have that ‘education’ will develop other attractions and interests and to some extent will become closed to the possibility of acting in accordance with the virtues.

An ethical manager is thus able to ‘see’ other realities (based on the possible effects of his actions on others and, above all, himself, i.e., evaluative learning) and value them differently; to discover other alternatives and also judge them differently (not only by their effectiveness or attractiveness but, above all, by their consistency); and to exercise self-control, so as to be able to make the decisions he considers appropriate, because he will have learned to resist the temptation of immediate results.

A person’s capacity to ‘see’ and act expands over time as virtues are acquired and developed, because “growing as a human being implies an increase in the capacity to act” (Polo and Llano, 1997, p. 109). For instance, a manager who has never done anything for his employees may

27 Including the necessary judgment, based on first or second-hand experience, as to whether what the manager wants to achieve is feasible.

28 “It is relatively easy to make a decision of principle. The problems start when a subject as complex and fragile as the human subject seeks a path of self-realization in the complexity and variety of specific situations. There are problems for reason, which must seek out, anticipate, remember, invent, and take account of so many relevant circumstances and, even before that, discern those circumstances, judge them, and prepare a precise plan. There are problems for the will, which must issue desires and interests, overcoming impediments, pre-existing inclinations, and indifference. And there are problems for the passional appetites, which have great influence in this context: docility to respond to incentives and deterrents, to amend his own objectives, and to defer to the demands of higher criteria” (Abbà, 1992, pp. 127-128).


30 “He perceives as relevant circumstances that he would otherwise have overlooked; he chooses opportunities for action that others fail to notice; he considers relevant rules that others ignore; he sets himself goals that others fail to see” (Abbà, 1992, p. 260).

31 “From situation A, objective D may be utopian because in that situation a person lacks the capacity to get to D. But if the person practices certain actions, then A becomes A’, i.e., it changes intrinsically. If from A a person can reach B, from A’ he can reach C; and as a result, A’ changes again intrinsically, becoming A”. From A’ a person can reach D [...], which is a realistic objective from A’ but not from A [...] This modification of the initial conditions is a strictly human characteristic” (Polo and Llano, 1997, p. 109).
consider it utopian to imagine that they would ever put any initiative or enthusiasm into a new project unless they were offered a financial reward; yet if he changes his attitude toward them and starts to take an interest in them, give them responsibility for their tasks and show them trust, that outcome may be possible (Polo and Llano, 1997, 109).  

All the above leads us to the conclusion that ethics, understood as the practice of the virtues, becomes a possibility of excellence. Applied to CSR, the possibilities multiply. For example, the virtues are in the service of relations between people; so when we talk about virtues, we are talking about communication and dialogue. A good manager will be open to dialogue with others, because he will be aware of his limitations, the capabilities of others, and the opportunities for personal development that arise from dialogue. Through the practice of stakeholder dialogue, he will know what kind of interest each stakeholder has in the company, how each can contribute to the company's goals, what each expects of the company, and thus also why each collaborates with the company and how to build on that collaboration. He will no longer see them as stakeholder 'groups' but as people with 'names and faces' (McVea and Freeman, 2005), thus building trust.

Furthermore, participation will flourish, because everybody has a common task to carry out. CSR will be a shared responsibility (Argandoña, 2008a), which implies giving responsibility to the different stakeholders and, with it, the means to exercise that responsibility (Bhattacharya et al., 2008), so that they also feel responsible for developing and applying their own capabilities to achieve their own objectives or motivations, within the framework of the common goals of the company.  

This implies that CSR must focus more on relationships than on outcomes (Bowles and Gintis, 1998; Donati, 2008; Zamagni, 2008), because the transforming potential of the management case for CSR lies above all in interpersonal relations and the development of non strictly economic motivations (Andreu and Rosanas, 2010).  

Conclusions  

The literature on the ethical behavior of socially responsible companies points to a set of duties of managers who wish to act ethically with respect to their owners, employees, customers, suppliers, environment, government, regulators and local community. Where the aim is to define companies' duties to customers, for example, we find mention of truthfulness in information and advertising, product safety, the matching of product or service quality to customer expectations, suitable packaging, a fair price, and so on (Kujala, 2001). This way of addressing issues is attractive because it specifies companies' responsibility to their stakeholders. However, it confines itself to CSR defined as a responsibility or obligation.

What we have tried to do here is present CSR as an opportunity. For management, acting in a socially responsible way – responsibility understood as moral responsibility – offers new possibilities. It makes it possible to capture aspects of reality that without this ethical view would remain undetected. It introduces an interest in people, starting with the manager himself,
which facilitates the manager’s involvement in the company’s goals and allows him to develop his operational and evaluative capabilities, which, in turn, allows him to establish and improve the organization’s core competencies and so contribute to long-term results, including economic results.  

By understanding CSR as an ethical responsibility, we are able to propose a ‘management case’ for CSR, namely that being ethical and socially responsible is a way – the only way – to be an excellent, manager. Beyond the business case, the social case or the moral case, this is, I believe, the best case can that can be made to persuade managers that they must be ethical and socially responsible.

35 But motivations are very important in ethics. A manager must be socially responsible not because it makes the company more profitable but because it is what is best for the company, for the manager himself, and for his stakeholders. Otherwise, when he has the opportunity to obtain an extraordinary financial return at the cost of acting in a socially irresponsible way, the manager will not have the capacity, based on reason and will, to do the right thing.
References


