

Untangling the Jungle of Corporate Social Responsibility Theories

In the article "Corporate Social Responsibility Theories: Mapping the Territory," PhD student Elisabet Garriga and Professor Domènec Melé of IESE Business School try to put some order in the field by classifying the main CSR theories and related approaches in four groups: instrumental theories, political theories, integrative theories, and ethical theories.



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The Corporate Social Responsibility (CSR) field presents not only a landscape of theories but also a proliferation of approaches that are controversial, complex and unclear. In the article "[Corporate Social Responsibility Theories: Mapping the Territory](#)," PhD student Elisabet Garriga and Professor [Domènec Melé](#) of IESE Business School try to shed some light on the debate by offering a taxonomy of the main CSR theories and approaches. As the starting point for their classification, the authors assume as a hypothesis that the most important CSR theories and approaches have four dimensions, relating to profits, political performance, social demands, and ethical values. This hypothesis allows the authors to categorize the CSR theories in four groups:

1. **Instrumental theories**, in which the corporation is seen merely as an instrument of wealth creation, and its social activities as a means to achieve economic results. This group of theories includes:

- **Maximization of shareholder value** as the supreme criterion for evaluating specific corporate social activities.
- **Strategies for achieving competitive advantages.** This group of theories includes three approaches:
 - *Social investments in a competitive context.* The supporters of this approach argue that investing in philanthropic activities may be a way to improve the context of competitive advantage for a firm and usually creates greater social value than individual donors or governments can.
 - *Natural resource-based view of the firm and dynamic capabilities.* This approach maintains that the ability of a firm to perform better than its competitors depends on the unique interplay of human, organizational, and physical resources over time and on the organizational and strategic routines by which managers acquire, modify, integrate, and recombine those resources to generate new value-creating strategies.
 - *Strategies for the bottom of the economic pyramid,* which some authors suggest should be seen as an opportunity to innovate rather than as a problem. A specific means for tackling the issue is disruptive innovation - products or services that do not have the same capabilities and qualities as those being used by customers in the mainstream markets and thus can be introduced only for new or less demanding applications among non-traditional customers, with low-cost production and adapted to local needs.

- **Cause-related marketing**, aimed principally at boosting company revenues and sales or enhancing customer relationships by associating the brand with the ethical or social responsibility dimension.

2. **Political theories**, referring to the power of corporations in society and the responsible use of this power in the political arena. Among the most important, Garriga and Melé mention:

- **Corporate constitutionalism**, built on the idea that business is a social institution and must use power responsibly, subject to "the social power equation" ("The social responsibilities of business owners arise from the amount of social power that they have") and "the iron law of responsibility" ("Whoever does not use his social power responsibly will lose it").
- **Integrative social contract theory**, derived from Locke's philosophical thought, considers that social responsibilities come from consent, at two levels: a theoretical macrosocial contract appealing to all rational contractors, and a real microsocial contract by members of numerous localized communities.
- **Corporate citizenship**, a revived concept with three different meanings: a limited view, comprising corporate philanthropy, social investment, and certain acknowledged responsibilities toward the local community; a view equivalent to CSR; and an extended view, of corporations entering the arena of citizenship at the point where governments fail to protect citizens, even in a global context. In spite of important differences within this group of theories, the authors point out the convergence on some points: a strong sense of business responsibility toward the local community; partnerships; and consideration for the environment. As companies become global, the concern for the local community has gradually become a global concern.

3. **Integrative theories**, in which the corporation is focused on detecting, scanning for, and responding to social demands in a way that generates social legitimacy, greater social acceptance, and prestige. This group of theories comprises:

- **Issues management**, defined as the processes by which the corporation identifies, evaluates, and responds to social and political issues that may impact significantly upon it.
- **The principle of public responsibility**, whose theoreticians consider that appropriate managerial behavior is found within relevant public policy, which includes the broad pattern of social direction reflected in public opinion, emerging

issues, formal legal requirements, and enforcement or implementation practices.

- **Stakeholder management**, an approach oriented toward people who affect or are affected by corporate policies and practices. Its advantage is the company's increased sensitiveness to its environment, but also stakeholders' better understanding of the dilemmas the organization faces.
- **Corporate social performance (CSP)**, a set of theories that includes a search for social legitimacy, with processes for giving appropriate responses.

4. **Ethical theories**, based on ethical responsibilities of corporations to society. They are based on principles that express the right thing to do or the necessity to achieve a good society. As the main approaches, Garriga and Melé distinguish the following:

- **Normative stakeholder theory**, which considers fiduciary duties toward all stakeholders of the firm - suppliers, customers, employees, stockholders, and the local community. Its application requires reference to some moral theory (Kantian, Utilitarianism, theories of justice, etc.).
- **Universal rights**, based on human rights, labor rights, and respect for the environment.
- **Sustainable development**, aimed at achieving human development, while taking into account both present and future generations. To evaluate its own sustainability, the business should adopt a "triple bottom line", which would include not only economic, but also social and environmental aspects of performance.
- **The common good approach**, which maintains that business must contribute to the common good, because it is a part of society. The corporation has many means to achieve this: by creating wealth and providing goods and services efficiently and fairly, while at the same time respecting the dignity and the inalienable and fundamental rights of the individual. It may also contribute to social well-being and a harmonious way of living together in just, peaceful and friendly conditions, now and in the future.

To sum up, Garriga and Melé state the necessity to develop a new theory on the relationship between business and society, a theory that would require an accurate knowledge of reality and a sound ethical foundation.

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