

A Corporation's Social Responsibility

What is an organization's responsibility to society? Organizational social responsibility, a topic generally studied for public corporations and thus termed *corporate social responsibility*, seeks to provide answers as to whom the corporation primarily seeks to serve and to what ends. If you are a leader, at any level of an organization, or are considering a career in a twenty-first century organization, you need to consider your own position and the stance of the organization where you work. This article offers some differing views to help frame your moral stance.

The traditional or classical *Stockholder View*, the one presented by Milton Friedman, is that the corporation seeks to maximize profits in the interest of increasing the wealth of its owners, the shareholders. Raider Boone Pickens more straightforwardly says that the purpose of the corporation is "to make money." The late European investor and raider James Goldsmith said, "Everybody really is in business for the money—or they are making a mistake" and "doing business is not the same as doing good—don't mix them." Traditionally, the Stockholder View has not merely been an option, but one required by corporate by-laws. However, this is increasingly no longer the case due to the growing importance of the corporation as a critically significant institution in the global economy.

Another paradigm for corporate social responsibility is the *Stakeholder View*, essentially a balanced accountability approach. The corporation is obligated to seek balance in striving to serve justly the particular demands of each of its stakeholder groups. The key is finding the correct balance of returns provided and contributions expected for each stakeholder group, including owners, management, employees, customers, suppliers, government, the community, and society as a whole. This involves trade-offs. This view may sound good, but how do you achieve the most just balance?

The *Public View*, according to which the business corporation is considered a servant of the public or society at large, is still another approach. Business is viewed as a partner with government and other public institutions for solving society's problems (such as unemployment, discrimination against minorities, illiteracy) and improving the quality of life for everyone. Profits are necessary, but not sufficient, for a corporation to be socially responsible. "Business has a deep relationship and responsibility to the community; there are a variety of values (other than profits) involved." At the extreme, the Public View can be socialistic. However, it more typically can be illustrated by the mother who, before leaving the picnic grounds, tells her children to clean up, assuring that the grounds are cleaner even than the way they found them before the picnic. This attitude seeks to make the world, starting with the picnic grounds, a little better for all.

In a competitive market economy, any view of corporate social responsibility (whether primarily Stockholder, Stakeholder, or Public View) must recognize the corporate organization's responsibility to serve each of its stakeholders. A firm applying a

Stockholder View needs to compensate its employees fairly, serve its customers well, and promote justice in the community by obeying laws and social customs. A firm espousing the Public View has to remain profitable, otherwise it will disappear. The distinction between the views is the priority placed on the potentially competing stakeholder groups. The Stockholder View involves assigning highest priority to serving the corporation's shareholders whereas the Public View stresses as highest priority making the world a better place for all. A corporation with a Stakeholder approach first of all seeks to achieve a just balance among stakeholders.

In the case of a corporation's environmental responsibility, a Stockholder view may be to follow all laws requiring clean-up, but not necessarily anything more beyond public relations benefits. A Stakeholder view suggests the corporation clean up and operate in a neutral way so as leave the environment as clean as it found it, perhaps by supporting conservation or planting trees to compensate for the pollution created by its manufacturing process. The Public View is that the corporation actually promotes conservation to leave the world even cleaner than it found it.

Archie Carroll of the University of Georgia offers a four-part definition of corporate social responsibility, attempting to place the economic and legal responsibilities of business in perspective by relating them to more socially oriented concerns. According to Carroll, the total social responsibility of business encompasses the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time. These components are not mutually exclusive, but can be in dynamic tension with one another; the economic can seem to conflict with the philanthropic and with the ethical in many circumstances. In summary, a business's total social responsibility involves the simultaneous fulfillment of the organization's economic, legal, ethical, and philanthropic responsibilities to its various stakeholders. That is, the socially responsible organization should strive to: (1) make a profit (if a for-profit firm), (2) obey the law, (3) be ethical, and (4) be a good corporate citizen in its broader community.

Some scholars distinguish between *corporate social responsibility* and *corporate social responsiveness*. Corporate social responsiveness refers to the capacity of a corporation to respond to social pressures. The literal act of responding, or of achieving a generally responsive posture, to society is where the rubber meets the road. This requires searching the organization for mechanisms, procedures, arrangements, and behavioral patterns that, taken collectively, will enable the organization to respond to reasonable social pressures. The focus should be on performance, what the corporate actually does.

You, as a contemporary business leader, or future leader, may see a moral obligation to be socially responsible. This includes establishing and maintaining a sound position as to social responsibility for the organization which you serve. For this, you need to understand and compare the various views, whether you are a top manager of a corporation or someone considering which firm to join as a new employee.

J. Thomas Whetstone, D.Phil.
Chair, Organizational Leadership
Regent School of Undergraduate Studies