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**Analyzing The Concept of Corporate Social
Responsibility**
with the monetary and ethical approach

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This paper is intended to be a bachelor thesis in business administration at Uppsala University.

The topic that is chosen, is something that I find very interesting and significant to know more about. However, I have just been able to scratch the surface, and it fulfills my initial expectations of how exiting this area is.

While I have been solely responsible for writing this paper, I would like to extend my gratitude to the following people for their valuable contributions to the process in general.

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Abstract

This paper is focusing on the responsibility corporations have toward society and what role stakeholders play in this responsibility. By providing a historical background of how corporations have used their responsibility toward society, it is clear that corporations have been responsible. Before, this responsibility was focused toward the shareholders of the corporation but with time it changed to include more actors within the society. By focusing on what kind of responsibility the corporation has towards the society it is active in, this paper will explain the notion of a corporation that has a social responsibility in terms of being morally responsibility for its actions. This is why the concentration of the this paper will be on the concept of corporate social responsibility (CSR).

The notion of CSR has became more significant with time. In today's society corporations are expected to take more responsibility. A reason for this increased expectations from society on corporations could have to do with the fact that stakeholders have gained greater transparency through technological development, mainly the development of information technology.

The aim of this paper will be to show what role CSR plays for a corporation in today's society and why a corporation should work more with its different stakeholders and not as before with almost solely its shareholders. To be able to conduct this aim, the notion of CSR will be described and put into perspective by the two main theories behind the concept of CSR: the monetary and ethical theories. This is done by first describing the development of CSR abroad and in Sweden, with a focus on "Den Svenska Modellen". Second to show the different perspectives of the monetary and ethical approach in connection to the concept of CSR. Thereafter, the theories will be analyzed and discussed solely, in connection to each other and the development of CSR through time.

The analysis and discussion about the concept of CSR indicates that the monetary and ethical theories can not be considered to have the only impact on the concept of CSR but they have affected each other. Another conclusion is that the corporation's actions can lead to a responsible behavior that would benefit the whole society which the corporation is active in.

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1 Introduction

Are corporations purely profit maximizing or do they have a social responsibility towards the society they are active in and their stakeholders. According to the United Kingdom government's Department of Trade and Industry, a business that have a social responsibility (a so called social enterprise) is: "a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit..". Therefore, social and profit motives do not contradict each other, but rather have complementary outcomes, and constitute a 'double bottom line'. Due to this fact, for today's corporations, the issue of how to be competitive has changed with the increased awareness of its stakeholders view toward its business: where issues such as environmental awareness and other ethical problems, such as making people work under strong conditions that are not considered morally right, has made corporations being forced to take responsibility toward the societies that they are active in, if they want to survive. Therefore, it has been more and more important for today's active corporations to try to combine their profit ambitions with a social responsibility, hence the notion of Corporate Social Responsibility (CSR). CSR can be viewed as the responsibilities the corporation has to its different stakeholders or the community.

The notion of CSR is not something new. For centuries corporations have been a "natural" part of society. However, with time as societies have changed, the development and accessibility of information has changed. This has lead to increasing the focus on corporations and their act of responsibility, by the society. Therefore in most cases, corporations have adapted to the situation or become demanded by its surrounding to work with CSR, which has made corporations take the different actors of society into consideration as compared to before.

This paper will have a qualitative approach towards the concept of CSR, and therefore the theoretical part would be based on a literature study concerning the main theories in the subject.

1.1 Problem Background

The connection between the corporation and the rest of the society in other than only economic terms, is quite complex and unexplored. Hopefully this paper would bring some clarity in this area . The role that corporations played has changed since the past four decades. Corporations that were regarded as taking responsibility, may be seen with other eyes nowadays. The notion of CSR is something that tries to explain this connection.

1.2 Aim

This study will have the purpose to show what role CSR plays for a corporation in today's society and why a corporation should work more with its different stakeholders and not as before with almost solely its shareholders. To be able to conduct this aim, the notion of CSR will be described and put into perspective from the two main theories behind this concept: the monetary and ethical theories.

1.3 Objective

The objective of this paper is to consider how each of the two theoretical approaches toward the concept of CSR works in connection between the corporation and the society it is active in. This is done by first describing the development of CSR abroad and in Sweden¹ and second to show the different perspectives of the monetary and ethical approach in connection to the concept of CSR. Thereafter, the theories will be analyzed and discussed solely, in connection to each other and the development of CSR through time.

This paper will have a qualitative approach towards the concept of CSR. Therefore the theoretical part would be based on a literature study concerning the main theories in the subject.

1.4 Outline

The outline of the paper would be the following: first a brief historical description is given of the concept of CSR. The next section would describe the present day trends of CSR and how CSR has developed in Sweden through time .Thereafter, there is a method and theory section, which would concentrate on the two main theories of CSR. This would be followed by an analysis and discussion section, which will be completed by an conclusion.

¹ The reason for describing the concept of CSR in Sweden, is due to the fact that it would be interesting to have a comparison base to the rest of the theoretical foundation and description of CSR, which is mainly European or American.

2 Historical Background

CSR as a concept within the field of business administration may be a concept developed during the last century, but the discussions have been older than that in all societies about corporations or different forms of corporate institutions taking responsibility in the society they are active in. If it was not the business managers that were in focus, politicians and other institutions (such as the Church and religion) had the role that managers play nowadays in the responsibility that the corporation should have toward the society.

The responsibility of the corporation toward the society became more significant with the growth of corporations during the industrial revolution. Because, due to the industrial revolution the social structure of the feudal society vanished and so did the social comfort that institutions such as the Church, the neighborhood and the core family provided. The loss of this social comfort was for example replaced with different worker associations that were built up against the newly created corporations. The workers were seen as a pair of hands in creating output for the corporation to be able to maximize the profit. However, there were some early forms of CSR, in the sense that some corporations took responsibility toward their workers by providing welfare funds, education for the children of its employees and other various social actions. This act of responsibility, even though it was conducted in the manners of social support, had its motives mainly in the fear of radicalism and unrest among the workers, not providing more reasons for trade unions to grow bigger, attracting more workers but also due to religious beliefs such as you should treat others as you want to be treated ([Internet, A](#)).

However, these acts of responsibility were not nationwide and corporations conducted them by own choice and not by any regulations imposed from the political authorities. The corporations acted more on its own self-interest in deciding whether or not to be socially responsible. This had its roots from the thoughts of Adam Smith concerning economic self-interest. According to Smith, economic self-interest is a more trustworthy way to reach welfare improvements than acting in a socially responsible manner (Smith, 1776). Therefore, corporations were considered as a separate part of society but had to act within the legal framework (Wood et al, 2006, pp. 5). However, with time, a change was conducted in the political thinking and also in the power structure of the early worker association's (trade unions), which meant that more and more societies imposed different welfare reforms at the same time as the trade unions grew bigger. This created debate concerning working hours, wages and other social security issues provided by the corporations. Therefore with time, the notion of corporate responsibility toward the society changed. Nevertheless, one of the most fundamental changes came after the Great Depression and the World Wars that took place during

the first decades of the 20th century. These changes imposed a greater concentration on corporate responsibility in a wider perspective where the whole society should be in focus. The reason for this change was because of major social security matters that had to be dealt with in the weak after war economies (Windsor, 2001, pp 229).

The issue of CSR continued to change and during the 1970's the concept came to be related to fundamental and kind of universal standards relating to stronger labour security matters and environmental issues. The reason for relating environmental issues to CSR was due to the fact that more emphasize was put on the correlation of greater environmental damage and the corporation's production and distribution system. This connection was clearly highlighted at the UN conference on the environment at Stockholm in 1972 (Internet, B). The main conclusion that was reached at this conference was the fact that it was necessarily to create some common principles to follow in the goal of creating a sustainable environment. One of these principles was that it should be an acceptance of responsibility by corporations at every level together with other parts of the society to commonly reach the goal of a sustainable environment. But, with the occurrence of the oil crises shortly after the UN conference of 1972, the connection between the environment and CSR became less significant as most of the world concentrated on energy efficiency matters.

However, once again the focus shifted to the environment and the concept of CSR in the 1980s mainly through the UN provided Brundtland report. The main objective of the report was that the present needs should be fulfilled without reducing the ability for future generations to meet the same wealth (Report: World Commission on Environment and Development, 1987). Even though the Brundtland report did not make any clear indications on the concept of CSR, the notion of sustainable development² that was emphasized in the report became connected to the notion of CSR. In the sense that to be able to save the environment we must create solutions for problems such as poverty. These solutions would come from creating economic incentives for development in areas where social problems are deeply rooted. Therefore, it is in the role as an economic incentive developer that the corporation would play a major part in providing the necessarily tools and working with the whole community (Report: World Commission on Environment and Development, 1987, Chap.2). Another UN initiative that connected CSR to the notion of development and environment was the concept of "Global Compact". According to the this concept, CSR should in the same manners as the Brundtland report be connected to sustainable development. However, what the "Global Compact" provided was a more detailed description of what the corporation should actually do to take responsibility toward the society it is active in (Internet, C).

² The notion of sustainable development is similar to the overall aim of the Brundtland report, that we should use our resources so that it would not affect future generations in a negative way.

3 Present Day CSR

In today's society corporations are expected to take more responsibility. This view is among others shown in a survey conducted by Environics International in 2001, which states the same facts about corporations expectations to take more responsibility³. The majority of the respondents in the survey demands that corporations see beyond the profit maximizing view and take more responsibility toward its stakeholders. Some of the key findings in the survey were the following: a significant number of investors take a corporation's social responsibility into consideration when making investment decisions, corporations that do not take CSR issue under consideration will lose consumers and that consumers are becoming more and more aware of whether or not the corporation takes social responsibility (Environics International, 2001).

What the survey by Environics International shows is that the concept of CSR has received greater legitimacy in society and among corporations, as a way to conduct business today. This fact demands corporations to invest in stakeholders needs and contribute to socially acceptable goals.

A reason for the increased expectations of society on corporations to take more responsibility could have to do with the fact that stakeholders have gained greater transparency through technological development, mainly the development of information technology (IT). What IT has made more transparent is the flow of information. Stakeholders have never before been able to access information concerning a corporation so quickly through different media as today. This access to information has increased the expectations from stakeholders on the corporation to take responsibility, especially when markets are growing faster and stakeholders can more easily jump between different corporations (Löhman & Steinholz, 2003, pp. 163).

The concept of CSR has changed today to being more relevant in the decision making of corporations, due to factors such as information development that has made the stakeholders more aware of how the corporation behaves and takes responsibility. This in turn is what creates wealth for the corporation and therefore is a part of the corporate strategy, which does not totally contradict the fact of profit maximization. In fact CSR is a significant part of profit maximization, in the long run.

3 The survey was conducted by Environics International and consisted of a sample of 20 000 people in 20 countries. The interviews were made with around 1 000 people in each country that consisted of questions concerning how consumers and society regard social and environmental responsibility of corporations, nationwide or in the urban area. The countries that were in the survey included Western/European countries (such as the U.S, Germany and Sweden), South American countries (such as Brazil) and Asian countries (such as Indonesia and China).

4 CSR in Sweden

The concept of CSR has been different in a country as Sweden compared to other countries and continents. This is due to the fact that the economic and corporate environment in Sweden became early dominated by a form of thinking called “Den Svenska Modellen”. According to this way of thinking, which grew strong after the first world war, a political unity formed a welfare thinking concerning the society and corporation. The corporation's role in society was to be productive but the surplus from this productivity should be transferred to the public sector, which provided education, health and social security. Therefore, the corporation's act of responsibility was integrated with the society and the concept of CSR was not that widely discussed in Sweden relative to other countries. Because, it already in an indirect way was incorporated by “Den Svenska Modellen”. When the notion of CSR was discussed in Sweden, it was more in connection to issues such as wage setting (Borglund et al, 2009, p 16).

Due to “Den Svenska Modellen” the public sector in Sweden has during long periods been the largest among all other OECD countries. However, with the economic crises and reforms of the early 1990's the situation changed. Even though the public sector was and is relatively large, the private sector has gained greater responsibility and influence during the past decades. This has increased the role played by corporations in the Swedish society, which also in Sweden's case has implied increased responsibility due to the awareness and demands from different stakeholders as a consequence of “Den Svenska Modellen”. Therefore, the concept of CSR has increased even in Sweden (Löhman & Steinholz, 2003, p 33). By for example that many Swedish corporations have stated rules that describes the responsibilities they have and how they are going to deal with these responsibilities (Brytting 1998, p 78). However, the rise of the notion of CSR is not only something that could be referred to the political legacy of “Den Svenska Modellen”. An equally significant factor even in Sweden is the development of information technology and transparency, which in the Swedish case could be said to not only apply to the increased information received by different stakeholders regarding the corporation. But also that corporations obtain information regarding other corporations outside of Sweden. This information obtained from the corporation concerning other corporations, could have to do with the fact that Swedish corporations explore new markets and norms outside of Sweden and Europe where maybe the notion of CSR and political thinking is not as widespread and similar as “Den Svenska Modellen”. Therefore, the corporation has been put in a situation it has not experienced before due to information technology at the same time as the expectations from the Swedish stakeholders on CSR are increasing (Löhman & Steinholz, 2003, p

34). This is why several Swedish international corporations, such as IKEA, H&M and SKF have leading CSR strategies among other international corporations ([Internet, D](#)).

5 Method

The reason for a paper to have a method is to make it possible for the reader to comprehend the process and value the results derived in the paper. Therefore, the method is a mode of a research process, which contains and provides information concerning the procedure and interpretation of the paper. (Saunders et al, 2007). In this section the method used in this paper will be described.

There are several methods to choose between for answering the aim and objective of the paper. In general these methods can be put into two main categories: qualitative and quantitative methods. The qualitative methods are based more on specific cases and examples, as compared to the quantitative methods that are based more on data in a systematic manners and can be quantified into statistics (Saunders et al, 2007).

There are two main ways when it comes to collecting information, the deductive and inductive approach. Within the deductive research approach, the researcher starts from theories and already defined models, and thereafter forms hypotheses of the reality. The actual procedure is to find out if the hypotheses is significant or not. However, the inductive approach starts with examining the outside reality by collecting observations and then comparing it with theories and models to reach conclusions. (Lundahl & Skärvad, 1999).

This paper will use an approach that is more close to the deductive approach and the qualitative method. The base of this paper is a literature study, and therefore it will concentrate on using the techniques usually found in literature studies in describing the most traditional way of regarding the connection between the corporation and the rest of the society (Beurden & Gössling, 2008), namely one of the main CSR theories: the monetary theories. And making comparison to another more ethical way of regarding the connection between the corporation and society.

A literature study and comparison between two different views of the traditional CSR theory is suitable due to the fact that the CSR area is still quite complex and unexplored. Due to the large amount of literature dealing with these theories, an analysis based on certain criteria has to be used

in collecting the literature. In this process, factors that emphasize on the connection between the main chosen theories and CSR will be leading the choice of literature⁴. The approach will be to use and explain already defined theories in an deductive way and comparing them to each other and reaching conclusions in a qualitative manner. Therefore, the unit of analyses will be the chosen literature in the theory part.

This paper is more focused on the organizational level concerning the issue of CSR, meaning in what way the corporations should be put in connection to the society it is active in.

5.1 Literature study and limitations

There is no clear way to search for literature concerning the concept of CSR, given the significant amount of material written in this area. The literature search would be following the same pattern as suggested by Beurden & Gössling (2008). In practice the search of literature for this paper was conducted in two main ways. First, a literature search was conducted in relevant search engines provided by the Internet (such as Ebsco, Emerald Insight and Google) and the university library website⁵. In this literature search the main search criteria were CSR, monetary theories and ethical corporate thinking, which were searched for solely and combined. Second, the reference list of the founded literature was searched through for more literature on the connection between the chosen theories and the concept of CSR as stated in the search criteria. Thereafter the chosen articles were judged according to the following criteria: that they have a clear definition on the concept of CSR which should suit the purpose of this paper, they should be published material in academic journal and working papers or for the Internet literature be from sites and institutions that have an acceptable legitimacy and reputation in society (such as the UN) and also that the chosen literature should have a clear time relationship to the subject of this paper by choosing relevant papers related to relevant theories in time.

The articles were derived after focusing on the above given factors, especially in finding connection between the concept of CSR, the monetary and ethical approach.

Even though the search for literature followed a systematic procedure, the issue of objectivity in the chosen literature is difficult to obtain on a total basis, especially concerning the Internet sources

⁴ These factors will be those that have been acknowledged by the literature as having an influence on the relationship between the chosen theory and CSR.

⁵ Also provided literature on the concept of CSR concerning Swedish conditions by my tutor, Robert Joachimsson.

used in this paper. These Internet sources comes from various institutions with different agendas to represent, therefore it is of high significant when using these sources to also highlight the counter argument or try to show the reader that these sources do not hold the only answer to the question. In the appendix there is a more comprehensive discussion of the chosen Internet sources.

This paper will chose to compare the monetary and ethical approach toward the concept of CSR. However, there are also other theories that focus on the concept of CSR. One of these theories, the political approach, focus on the social ability of corporations to use its power in connection to the politics that govern the society the corporation is active in. This usage of power should follow social norms and practices (Davis, 1960). Another approach toward the concept of CSR also emphasizes that the corporation should be morally good. But, within this approach, the corporation does not set the agenda as in the political theories, but rather depend on society for its survival (Sethi, 1975).

The reason for choosing to compare the monetary and ethical approach toward the concept of CSR is due to the fact that they are two of the most dominating theories within the field of CSR (Carroll, 1979, p 499 and Crane et al, 2008, pp. 47). This is also shown from the historical description of CSR, where the emphasis is on one of the following aspects (in broad terms) of social reality: either monetary or ethical. However, these two main approaches would not be explained in detail, due to large amount of information and different perspectives that they constitute. Rather, the ideas and thoughts that are considered relevant for the aim of this paper would be put into focus.

This paper will focus the concept of CSR related to developed economies but will briefly highlighted the concept in connection to more developing countries.

6 Theory

This section provides insight about the chosen theories for the paper. The first part of the section starts with defining the concept of CSR. The two remaining parts concentrate on the main CSR theory that the paper aims to describe (the monetary theory) and the theory that it is going to be compared to (the ethical approach).

6.1 Defining CSR

There are different terminology used when discussing the concept of CSR. The paper aims in using CSR in the sense that the notion is to describe a corporation's behavior when dealing with being responsible. This responsibility can take different roles, such as if the corporation is responsible in solely a financial manner or if it has more of a stakeholder perspective. Because traditionally, the corporation has put more effort on being responsible toward its shareholders (or owners) and thereby focused more on the financial side of the responsibility issue. However, with time other important groups have come to play a bigger role in the responsibility of the firm. These stakeholders, can either be external, such as consumers, investors and suppliers, or internal, such as workers and managers within the corporation (Kotler, 2000). Therefore the corporation must act towards its surrounding.

There is no so called "true" definition of CSR. The definition of the notion varies and different papers and textbooks define it differently, depending on the time the literatures were written and the ideological belief behind it. In general you could define CSR as how the corporation deals and communicates with its stakeholders.

Nevertheless, when defining CSR there is also a limitation involved. Because, when concentrating on one definition of CSR, you also limit yourself from all other usages of the concept. Therefore, the study would limit itself to the definition of the European Commission's Directorate-General for Enterprise and Industry ([Internet,E](#)). According to this definition, CSR is "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".

6.2 Main theories on CSR

This paper will focus on two main approaches or theories of viewing CSR. Monetary theories that views the corporation as pure profit oriented with the main aim of maximizing profit and ethical approaches which emphasizes the fact that the corporation has a moral responsibility.

6.2.1 Monetary theories

Within the group of monetary theories, the use of CSR is a way for the corporation to reach its main aim, maximizing its wealth, which is also considered its responsibility in society.

As stated above, monetary theories emphasize the point that the only reason the corporation take stakeholders under consideration is for it to maximize its profits, however within the framework of the norms in the country they operate (Friedman, 1970). Therefore, this monetary approach does not necessarily mean that the corporation should not have any responsibility towards stakeholders. In fact it should, but this responsibility should only be active if it leads to creating wealth for the corporation (Friedman, 1970 and McWilliams & Siegel, 2001).

According to a pure profit oriented view, the more the corporation is involved in the society the better is the outcome for the corporation. Due to the fact that if the corporation would make itself responsible towards its society to the degree that the corporation would affect the regime of that society. Then the corporation could use this for maximizing profit, in the sense of for example affecting the infrastructure of that society, so it would benefit the corporation in its overall aim to create wealth (Friedman, 1970). In this pure profit oriented view, the cost of taking responsibility should be lower than the profits obtained from it, especially without breaking the legal framework within the society. However, the profit oriented approach within the concept of CSR is not only something that Friedman stated in the beginning of the 1970's, it has also been tested for later on. For example in a paper by Beurden and Gössling (2008), the correlation between more responsibility from the corporation towards the society that it is active in and higher profits is positive. This means that the corporation would increase its profits by taking responsibility. This view could also be related to Jensen's notion of an economic approach, which emphasize that the corporation no more can make profit for its shareholders without concentrating on making long term profits by taking responsibility toward the stakeholders. Jensen also argues that the corporation would maximize the wealth for all its stakeholders by maximizing its own profits (Jensen, 2001, p 12). However, for the corporation to maximize its wealth in the long run, it can not use the framework of the pure profit oriented view. Because this framework describes a short term maximization. Instead it has to concentrate on a more modified approach that includes the notion of

the corporations relative advantages.

There are different ways for the corporation to obtain relative advantage towards its competitors. One approach could be to make a basic shift in how and where the corporation allocates its responsibility. For example by targeting different economic groups, such as approaching the lower economic class in society instead of the higher ones. This would create a situation where the corporation would target more in amount and thereby maximize profits. This may also give the opportunity of creating a stakeholder base for the corporation that can turn into potential middle class and thereby consume even more products or service from the corporation (Prahalad, 2002). An example that Prahalad (2002) refers to are ice-cream cons in India. Due to the fact that ice-creams are luxury goods in India, an ice-cream during the summer would be welcomed by everybody, especially if it is affordable. Therefore, if corporations would target the ice-cream market in India, especially cheap ice-creams during the summer. It would create incentives which in the long run would benefit the corporation by being able to sell ice-creams to more and earn more (Prahalad, 2002, p 9).

Another model for the corporation to create relative advantage is the Porter-Kramer-model on competitive advantage. In this model, the corporation strive for competitive advantage has to take four main components under consideration. One of these components is related to Prahalad's above mentioned view, in this case the fact that the corporation can affect its market by for example creating education for those that did not have it before. Another component is related to production factors, such as that the corporation should concentrate not only on education but also on developing institutions, infrastructure and trying to obtain the natural resources. Also, the corporation should focus on creating an environment for growth for other corporations as well, which would make itself benefit from it. Furthermore, according to the Porter-Kramer-model the corporation could also focus on supporting claims that creates an atmosphere where everyone acts according to certain agreed ethical and legal frameworks (Porter & Kramer, 2002). Porter and Kramer (2002) claims that if the corporation acts according to these four components and most importantly creates an interplay between them, it will increase its relative advantage and thereby secure its long term profit maximization.

By corporations acting according to the Porter and Kramer model, they may be considered as institutions with *honest* and *true* opinions about the society they are active in. If this would be the case then the corporation would benefit from its reputation within the society and thereby increase its profits, by making its products and service more attractable (MacWilliams & Siegel, 2001). However, it is not necessary that a corporation with a high reputation would benefit in terms of

more transactions. In some cases the price that the corporation takes for its products and/or services could be more important (Doane, 2005).

6.2.2 The Ethical approach

As mentioned earlier, ethical approaches toward the concept of CSR emphasize the point that the corporation has an moral responsibility toward its stakeholders. As total opposite toward the more profit oriented theories, the ethical perspectives toward the concept of CSR emphasizes the fact that the corporation should have responsibility towards its stakeholders, not with the overall aim of making profit but rather with the purpose of creating a better society. Therefore the relationship between the corporation and society should be based according to the ethical responsibility the corporations has as its overall aim.

One of the main focuses of the corporation within the ethical perspective is that it should think beyond its profit goal and create an atmosphere where the profit the corporation makes today does not make another corporation worse tomorrow. This means that even though the corporation would maximize the wealth for all its stakeholders by maximizing its own profit, it should not do something that would jeopardize the maximization of profit for future stakeholders. Therefore, with the ethical perspective the corporation's short term aim should not contradict the long term goal of being a part of society, which by maximizing its own profit would maximize the profit of the whole society. The corporation is in this case not only working within the legal framework of the society it is active in, it is much more by acting as a serious corporation that is a partner of the society. This focus is mainly the one provided by the World Business Council for sustainable development towards the concept of CSR, which states: “ Corporates’ social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” ([Internet, F](#)).

Another main focus within the ethical perspective is the issue of making a basic shift in the corporation's responsibility towards its stakeholders. This shift should not only be in terms of economic incentives, such as approaching another economic class. But also that the corporation should approach the society in a broader sense and think about securing the wealth of future generations, with the main aim of providing the optimal solution for the society. This focus is mainly the one provide by the United Nations (UN) when developing the concept of “Global Compact” in connection to CSR. The reason is to create an ethical perspective toward the issue of

CSR in the sense that the corporation understand the wider perspective of CSR, which is to focus on three main areas: acceptable human rights, labour conditions and environmental developments ([Internet, G](#)).

The UN's concept of “Global Compact” have definitely found inspiration in another approach that emphasizes the ethical perspective regarding CSR, namely the so called stakeholder management approach that was among others connected to CSR by Rhenman (1964). As has been mentioned earlier, stakeholders are those groups in society that are connected to the corporation's activities, but not necessarily owns the corporation. Within the concept of stakeholder management the main aim is to maximize the benefits of the corporation and the stakeholders. This is done by the corporation including the stakeholders benefits and wealth within its own decision making process, thereby a management for its stakeholders. According to the earlier forms of stakeholder management that followed the thoughts of Rhenman, the corporation was dependent on its stakeholders to be able to achieve its goals. Thereby, the corporation was seen as an arena for the different stakeholders to interact and achieve their own goals. The main role the corporation had was to induce a optimal balance between the different stakeholders goal. This implied that the primary aim for the corporation was not necessarily profit maximization.

The concept of stakeholder management by Rhenman was future developed by Freeman (1984). According to Freeman the corporation should on a voluntary basis act as an arena for the different stakeholders, which would be optimal for the corporation in the long run. This implied that the corporation should have an moral responsibility toward the society it is active in, treat its stakeholders as important and not just use them as a tool to reach its own profit maximizing ambitions (Borglund et al, 2009, pp 64). For example, that the corporation should support and provide a workplace for its employees even in times of recession. Therefore, within the concept of stakeholder management, the issue of ethics and the moral responsibility of the corporation towards its stakeholders has a central role.

What the ethical perspective delivers to the concept of CSR is that the corporation has a major part in creating the society and providing a stable future for coming generations, at the same time as they create wealth. Because, if the corporation does not take an active role and moral responsibility in society, by for example reducing different stabilizing factors for its employees (such as less pension in the future), putting pressure on its suppliers for providing (to less cost) and other factors that affect stakeholder loyalty. Then the corporation would lose it legitimacy towards its stakeholders in the same manner as Kennedy (2000) claimed, which would give the corporation a bad reputation in

the society it is active and create an atmosphere of distrust by the stakeholders toward the corporation. This distrust would affect the corporation brand in a negative way, which thereby would affect the profit maximization of the corporation. This view is also something shared by the UN, not just in its concept of “Global Compact” but also in their initiative to investors for taking more responsibly in the corporations they are active in, the issue of “Principles for Responsible Investments” (PRI). The overall goal of the PRI is to create morally responsible corporations by helping those that invest in the corporations to integrate consideration of environmental, social and governance issues into investment decision-making and ownership practices, and thereby improve long-term return for the corporation and all the stakeholders involved ([Internet, H](#)).

Furthermore, the ethical perspective within the concept of CSR is not only something that has been stated by organizations such as the UN, it has also been tested for. For example in a study conducted by the Institute of Business Ethics in United Kingdom, a positive correlation between more responsibility on ethical and environmental issues and higher profits has been indicated ([Internet, I](#)).

From what has been stated above, the concept of CSR has been highly influenced by the ethical and monetary approaches. Even though these approaches have been described separately in this theory section, there has been overall theories that combines them in relation to the concept of CSR. One of these overall theories is the “theory of values” by Swanson (1999), which emphasizes the impact of stakeholders imposing ethical considerations on the corporation.

7 Analysis and Discussion

This section will focus on analyzing the aim of the paper, when it comes to discussing the theory part of this paper in terms of comparing and connecting the two main theories, the monetary and ethical approach toward CSR.

What history has taught us about CSR is that the corporation must be aware of the fact that it is surrounded by active stakeholders. The corporation can interact with these stakeholders in different ways depending on the approach it wants to follow, monetary or ethical. Therefore, to be able to understand the concept of CSR, you have to understand the fact that actors inside and outside of the corporation have different influence on the corporation and its act of taking responsibility. This is also what the main definition of CSR (the EU definition) that this paper relies on states: mainly that CSR and the way the corporation wants to portray itself depends on its interaction with its stakeholders, on a voluntary basis. However, the notion of voluntary is not that straight forward as it sounds because corporations of today must relate to other actors than solely the shareholders if they want to survive. Otherwise they will vanish from the market, but on a voluntary basis.

In some cases the corporation tends to regard the consumer of its products as the main actor to take responsibility towards, which has also historically been the case. However, actors such as employees, political authorities, the environment and other social institutions have proven to have a more active role, especially with long term goals such as the ones set by the Brundtland report and “Global Compact”. This would not only widen the perspective of the corporation but also sustain its long term profit maximizing aim (Maignan & Ferrell, 2004, pp. 14). This is among other reasons why a traditionally pure profit maximizing corporation such as Shell in its advertising campaign “Profits and Principles. Is there a choice?” states its concern for the environment by the following statement: “our commitment to sustainable development: balancing economic progress with environmental care and social responsibility” ([Internet, J](#)).

Another reason why corporations have to take all its stakeholders into consideration is the increasing development of information technology. This creates a transparency throughout the corporation that does not allow it to neglect different stakeholders. For example even though the corporation may attract by providing low price products, the stakeholders would just turn to another more responsible corporation, especially if the low price is a consequence of lack in CSR. As compared to earlier the lack of information and transparency would not allow the stakeholders to

find out any shortcomings in responsibility, such as using low paid labour under inhuman conditions. This kind of stakeholder action toward the corporation could be seen in practice in situations such as the earlier mentioned Shell. In Shell's case, the corporation may not attract with a lower price. But, a more ethical behavior by it being the morally good corporation that acts in an environmental friendly manner, as its campaign states. However, as many stakeholders know from information received to them from others than Shell, oil exploitation has in many cases resulted in high unemployment, poverty and environmental devastation for the local population where oil is found ([Internet, K](#)).

Therefore, a lot of activities that takes place in the corporation have a moral ground. In the sense that it morally could be right to maximize profit, due to the Adam Smith way of thinking concerning economic self-interest. But it could also be morally wrong to only claim economic self-interest as the overall aim and not take other considerations into perspective. This implies that corporations way of taking responsibility is highly affected by what is considered acceptable by its stakeholders, and not only by itself.

7.1 Relationship between the Monetary and Ethical approach

The relationship between maximizing profit and following ethical principals is not straightforward. In the literature different ways are presented for an optimal solution concerning the responsibility of the corporation. What is a fact, is that corporations have to be aware of the ethical way of thinking when wanting to maximize its profit. But, should this awareness be in the form of more ethical thinking as proposed under the theory part concerning the ethical approach. Or should the corporation take less consideration to the ethical approaches. Because, even Friedman proposed that the corporation in its aim to maximize profit should do it within the legal framework of the society it is active in.

7.1.1 The Monetary approach

What the monetary approach with one of its main supporters (Friedman) stated, is that the main concern for the corporation is to make profit. However, this drive for profit should be conducted according to certain norms which everyone in society should follow, such as the notion of a free market and legal constraints concerning property rights. What Friedman believed (as Adam Smith and his economic self-interest approach) was that if the corporation maximized profit according to society's legal framework, it would be in the overall interest of the society and create wealth. This

means that even in Friedman's profit maximizing approach there are some traces of ethical thinking, but what differs it from the ethical approach is that the main aim is for the corporation to make profit and how it does this in the most optimal way is to function in a free market society with certain norms⁶. Furthermore, this optimal way would imply to maximize the benefits of the corporation without making things worse for others, which has also been the view of more modern theories supporting the monetary approach. According to these theories, they follow in the footsteps of Friedman and conclude that the corporation would maximize the wealth for all its actors by maximizing its own profit, which would benefit the corporation in the long run. This would even more include norms and responsibility for the corporation to take into account if it wants to continue to make profits. However, the corporation is still seen as an actor in society with the main purpose to make profit.

A main critique against the monetary approach is in questioning its fundamental assumption, the notion of a free market. Because what if the market is not as free as Friedman stated, then the corporation would not be able to maximize its profit without making it worse for others. Instead, due to the scarcity of resources the corporation would in its aim to maximize its wealth create a situation where it makes it worse for some of its stakeholders. For example assume that a corporation produce soap and that it is located within a community habituated by others that either work for the corporation or just live their. If, for example the corporation would not function in a free market, then the pollution from the soap production would affect this community in a negative way. This community is also regarded as two of the corporation's stakeholders, consumers and employees, that would be worse off at the same time as the corporation maximizes its profit. However, with a free market in place and free exit and entry of corporations, there would come other corporation that would produce soap with less pollution if so demanded by the market. These kind of market imperfections would directly or indirectly affect issues of CSR in the monetary approach, with the environment being one of those factors that does affect the notion of the free market, as described in the example above.

Another issue that affects the notion of free market and thereby CSR taken by the corporation, is the uneven distribution of information between the corporation and its actors. Because, even though information technology and transparency is something that has formed the present day view on CSR, in many place around the world this is still not the case. Therefore, in these places wealth

⁶ The reason for Friedman to emphasize the free market is due to the fact that the resources used by corporations are scarce and for the corporation to function in a optimal manners and maximize its profit it has to allocate these scarce resources in an efficient way. This efficient allocation of resources is provided by the free market.

maximization by the corporation does not necessarily mean the same for all its stakeholders. Also for many individuals in the part of the world that has increased transparency and information technology, it does not automatically mean that they would increase their wealth by being more active against responsibility acts by the corporation. This also depends on opportunities and time available for each individual ([Internet, L](#)).

7.1.2 The Ethical approach

The ethical approach toward the concept of CSR is more soft than the monetary approach. In the sense that it does not have any already made assumptions (such as a free market, how to maximize profit and so on) about what and how the corporation should act to take responsibility. What ethical theories propose is the overall aim of what the corporation should reach for in the long run, such as that wealth maximizing corporations have a major part in creating the society and providing a stable future for coming generations through for example taking the environment under consideration. But how this consideration should be done is not as straightforward compared to how a corporation should maximize its profit. This could be due to that corporations have been considered historically as a separate part of society with their own assumptions and responsibilities that does not affect the society in a negative manner as long as the corporation acts according to certain norms (Wood et al, 2006, pp. 5). Therefore, concepts such as “Global Compact” or sustainable development, which goes beyond the short term norms that earlier was stated by societies and spans over generations, had difficulties to grow among corporations in the beginning.

What the ethical concepts started to do was (and still is) to challenge the main underlying assumption of monetary theories: profit maximization, by being an alternative approach to the notion of economic self-interest. The ethical concepts show that the corporations decision making and responsibility taking perspectives can be understood on other factors than just profit maximization. This is also what the notion of stakeholder management indicates, by showing that the corporation have more than just one stakeholder's (as before the owner or management) wealth to maximize and that these preferences would come into conflict if the corporation does not take all of them under consideration when maximizing its profit. Therefore the corporation does not just base its profit maximization on its own economic self-interest but rather take the norms and interest of the whole society into perspective.

By questioning the profit maximizing view, the ethical approaches see the corporation in a greater social context and not just within monetary terms. Therefore, the corporation is viewed as a kind of

social corporation. It would also act as one when taking responsibility by standing for values that would benefit the whole society, in the same manners as was founded by the Brundtland report. In this sense a responsible and efficient corporation is one that in an ethical way “makes the world a livable place” by working towards a more sustainable development with the environment as its main aim. This strive of being environment friendly is also related to the Porter-Kramer model on competitive advantage, with the focus on environment as one of its significant components for success.

What the ethical approach does in a way is to set an institutional framework for the corporation to act within, by for example emphasizing concepts such as stakeholder management. In the same fashion as the monetary approach made it logical for corporations to have an economic self-interest, the ethical approach makes it rational for corporations, in the long run, to maximize the benefits for itself and its stakeholders. By doing so the corporation would include the stakeholders wealth within its own decision making process and thereby making it a rational part of its management decision. The reason this is considered a rational part, is due to the fact that the corporation acts responsible on a voluntary basis. If it would not, then the corporation would not take a moral responsibility toward the society it is active in and therefore its stakeholders would not be treated equally important. A side effect would be products and/or services produced by corporations under immoral conditions with its obvious consequences, which would decrease the corporation's legitimacy in society and towards its stakeholders. This would result in the corporation obtaining a bad reputation and not be trusted on, instead of acting responsible in the same manner as the concept of PRI. Therefore, the corporation would by acting morally responsible not just by itself but also for its investors and other stakeholders (such as consideration for the environment), create a moral reputation through its acts of responsibility. However, as the ethical approach indirectly emphasizes, it is not what the corporation morally does on its own that creates the reputation, but rather how the corporation tries to widen its moral responsibility to include its stakeholders.

From the theories and thoughts behind the ethical approach it seems that a common way in which these moral responsibilities are established and committed to by the corporation is for international organisations to put some kind of universal guidelines for corporations to follow, such as in the case of UN:s different programs concerning CSR. But, the corporation could also take own initiative to foster its long term profit maximization, for example by providing employment benefits as Kennedy (2000) claimed there was a lack of. These benefits would in the long run lead to greater commitment and trust from the employees toward the corporation, which tends to create a stability in terms of profit for the corporation.

7.1.3 Combining The Monetary and Ethical approach

The purposes of this paper is not to find a new theory that is a combination of the monetary and ethical approach. But rather to highlight the relationships between them and how it affects CSR. From what has been said so far it is possible to claim that the corporation's responsibility in society takes some form of these two main approaches. Even though the corporation may think more instrumental it is not restrained from taking ethical considerations to reach its profit maximizing aim. This is also why models and theories have evolved which suggest interactions of the ethical and monetary approach, as a way to maximize the profit of the corporation.

One of these overall theories is the earlier mentioned “theory of values”, which emphasize an connection between the monetary and ethical approach (Swanson, 1999, p 516). The “theory of values” propose that the ethical approach should be imposed by other stakeholders (such as global institutions) rather than the corporation itself. Because it is in the nature of the corporation to consider economic self-interest as the overall aim even though it may not be the optimal option in the long run. An example to illustrate this is Nestle's sales of infant formula (or baby milk), especially in developing countries: A part of Nestle's profit maximizing behaviour, as a global corporation, has been to promote and sell its product in less developing countries. In this case according to the World Health Organization (WHO) Nestle had a pure monetary approach towards it CSR and sold its product without considering the awareness of unsanitary water and low rates of literacy in the region where its product was sold. These issues could be life threatening but the consumers continued to buy the products. In this case, due to the fact that the corporation does not take ethical considerations because of a lack of incentives to do so, global institutions such as WHO has to show corporations the right way, according to the theory of values. This was also what happened in Nestle's case by WHO, Save the Children and other global institutions pressured it to follow internationally acceptable ethical thinking and reducing its global sales of infant formula ([Internet, M](#)).

What the theory of values claims is that there should be an integration of the monetary and ethical thinking in the corporation's pursuit for CSR, but that the ethical aspect of it should not necessarily be taken by the economically self-interested corporation but instead by a profound national and international legal framework. This would make the “theory of values” a theory that takes the interest of the whole society and contributes to a situation that is not only beneficial from a monetary perspective but also from a moral standpoint. This view can still be related to Friedman's concept of monetary CSR⁷, where the corporation should maximize its profit but according to the legal frameworks of the society it is active in.

7 In the sense that Friedman too emphasized the notion of taking an ethical responsibility.

7.1.4 The Value of Price and “Den Svenska Modellen”

The present trend among the more developed countries is that the concept of CSR has changed from the monetary view toward a more ethical perspective. This change has been possible by for example the development of information technology, which has provided society with the tool of more actively being aware of how the corporation behaves and takes responsibility. However, the present day economy works with the help of its main tool, money. What this money does is to provide information to all its actors by setting a price on all the products and services that govern the economic system.

Furthermore, the transactions of buying and selling products and services, which are the main activities of the corporation, are governed mainly through the price. In this case, the concept that is provided by the ethical approach toward CSR, is not effective. In the sense that corporations who rely too much on the ethical perspective, may tend to lose the monetary information provided by the price. This would result in the corporation being affected by not being able to sell and buy products and services, which would make the corporation exit the market.

Also seeing the price contra ethical approach issue from the other side, meaning those that use and purchase the products and services of the corporation (the stakeholders). It is shown that they are not totally devoted to ethical issues such as for example the “theory of value” wants corporations to be. According to Doane (2005), consumers do not regard the more ethical CSR corporation as the main corporation to have a transaction with. In fact, the price seems to be more important for consumers than ethics. Even though consumers are not the only stakeholder that can put pressure on the corporation to act according to more ethical approaches, consumers are considered to be one of the main stakeholders.

This phenomenon of price contra ethics could also be referred to a country as Sweden, with its long tradition of “Den Svenska Modellen”. This way of acting in corporate Sweden, with its political unity of welfare thinking, is in fact a form of ethical thinking, with the same interactions between society and corporations that supporters of the ethical approach have been claiming. However, with the economic crises of the 1990's the situation changed to some extent even for Sweden but not necessarily in the way that Doane (2005) describes above. Instead, many corporations have stated clear ethical rules that describe the responsibility they have and how they are going to deal with it. So even if consumers would prefer price in front of ethics, the corporation can choose to emphasize ethics more.

8 Conclusion

The aim of this paper has been to show what role CSR plays for a corporation in today's society and why a corporation should work more with its different stakeholders and not as before with almost solely its shareholders.

What has been a significant factor in the historical development of CSR seems to be the development of information. By the increased transparency that the development of information provided, the corporation could be put into more focus concerning its CSR issues by its stakeholders. Therefore, stakeholders can with a higher pace choose the corporation they prefer the most within their preferences of CSR and put more pressure on corporations that do not have a strong ethical consideration. However, the development of information has also been used by corporations to widen their own perspective of CSR to other corporations. But also other groups of stakeholders, such as more focus on environmental groups compared to before when the corporations main and probably only stakeholder was the shareholder.

The concept of CSR has not only developed as societies have changed but also with the help of information technology (IT). The impact of IT on the concept of CSR is obvious in countries where the accessibility and transparency of IT is not highly developed, where CSR issues may have less significance. Therefore, the development of IT has made it important for the corporation to be able to conduct a clear and balanced stakeholder management in the sense that all its stakeholders are more aware of the corporations actions.

As the the present day responsibility taken by corporations have widen to include more stakeholders, the corporation have grown to be more global than before. This has created more power for the corporation to affect the societies it is active in. However, with the notion of power comes the concept of responsibility, which for the sake of corporations has been CSR in this paper. This concept of CSR has lead to the fact that corporations in their strive to survive and make profit have to think in a long term perspective and not use their power in a unethical way to in the short term maximize its profit to the cost of minimizing its stakeholders wealth. This behavior seems to contradict the concept of a sound CSR and would lead to weaken the relationship between the corporation and its stakeholder, which would also give the corporation a bad reputation.

Within this paper two main approaches concerning CSR have been described, analyzed and discussed. One of the main conclusions is that these theories can not be considered to have the only impact on the concept of CSR and they also affect each other. Of course, during the present time,

the ethical approach has been more influential but not solely on its own toward the concept of CSR. It is still influenced by the monetary approach and there are theories that try to combine these two approaches.

Another conclusion is the fundamental point in the discussions about the concept of CSR and the two approaches: that the corporation's actions can lead to responsible behaviors that would benefit the whole society which the corporation is active in.

One of the drives behind the monetary approach toward the concept of CSR has been Adam Smith's notion of economic self-interest, which has to do with the corporation maximizing its own profit and putting itself first. This would work perfectly in a perfect market. However, reality is far from perfect and a market consists of corporations with different size and power. When corporations are so big that they can affect the society they are active in, more responsibility is demanded from the corporation than just to have economic self interest. This is why the notion of CSR has changed and approaches such as the ethical approach has grown to significance.

One of the oldest questions in moral philosophy is whether it pays to be morally good. What the analysis of CSR in this paper discusses is if the social responsibility taken by the corporation would pay off even if it is good for the society. What history has shown is that the corporation is no more acting in a two way transaction, meaning either between its owner and itself. The reality has changed and the corporation's social responsibility has increased to include all its stakeholders in a morally acceptable way.

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D: (<http://www.webranking.eu/>), H&H Webranking

E: (http://ec.europa.eu/enterprise/csr/index_en.htm)

F: (www.wbcsd.org)

G: (<http://un.org/Pubs/chronicle/2000/issue2/0200p39.htm>)

H: (www.unpri.org)

I: (www.ibe.org.uk)

J: (www.shell.com)

K: (<http://www.wrm.org.uy/bulletin/40/Nigeria.html>)

L: (http://www.economist.com/finance/PrinterFriendly.cfm?Story_ID=1648873)

M: (www.who.int & www.savethechildren.org)

Appendix: Description of the Internet sources

In this section the chosen Internet sources would be described. These Internet sources comes from various institutions with different agendas to represent. The description of the Internet sources would follow the same alphabetic code as in the reference list above.

- UN sources: The Internet sources of B, C, G and H are all different institutions within the UN umbrella. And therefore its legitimacy is dependent on all the member states that have been involved in forming the UN. Source M is also related to UN and international organizations with its broad legitimacy world wide.
- EU sources: The Internet source E is where the definition of the CSR is taken from. This definition is something decided on by the European commission and its member states. Therefore, the definition may be more related to European and more developed countries standard, which is also what this paper focus on when discussion the concept of CSR. The Internet source D is also related to the EU and is a ranking homepage for CSR among all European corporations. Due to it being recommended as standard within the EU and European commission, the sources is considered to have legitimacy.
- Government sources: The Internet source I is from the UK government department homepage for trade and industry. This source as the EU sources above, is highly affected by it being more for developed and industrialized countries. However, due to the fact that it is a government source in a relative democratic area such as the UK, one may consider it having a high legitimacy and transparency in the issue it concerns.
- News publish sources: The Internet source K is from a human right organization homepage that discuss the issue of Shell's responsibility in the area (in this case Nigeria) that it is involved. The reason of choosing K as a source has to do with the fact that it is a counter balance to Internet source J, which is from Shell itself, that is a world wide international organization. Internet source L is from the news paper “The Economist” , which is a highly acceptable liberal news media concerning economic issues world wide. The Internet source A, is from a organization that actively promote responsible corporations. The source seem to be serious and established within the area that it tries to work, however to some extent biased toward the issue of more responsibility.
- Finally the Internet source F, is from the homepage of world business council, that is a highly prominent organization on business and ethical issues