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WORKING PAPER

TO WHAT EXTENT IS BUSINESS AND SOCIETY LITERATURE IDEALISTIC?

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ABSTRACT

This paper focuses on the general concern that theories on the social responsibility of business have not much practical value. We discuss the central theses of mainstream themes in the business and society literature – corporate social responsibility, corporate social responsiveness, social issues, corporate social performance, stakeholder management, corporate citizenship, business ethics, sustainable development, and corporate sustainability – and evaluate their descriptive accuracy, normative validity and instrumental power. A great deal of the literature views corporate contribution to social and environmental issues from a moral perspective. Such moral prescription widens the expectational gap between theories and practice. If business and society literature is to have any practical value, our theorizing should make sense to businesses. It therefore needs to reflect, at least partially, the practitioners' concerns with social responsibility. Hence research questions with practical relevance should be posed, and methods adopted from empirical inquiry, focusing on well-defined problems. Although the empirical method is advocated here, we do not plead for its enforcement on colleagues who might consider it inappropriate. Yet, we do appeal to normative theorists to ponder whether their prescriptions to business can be realistically implemented.

Key words: business and society, corporate social responsibility, corporate social performance, integrated approach, theory building.

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INTRODUCTION

The knowledge of corporate social responsibility (CSR_1) was advanced during the past 50 years within the “business and society” research tradition. The process of knowledge generation became accelerated thanks to a growing number of peer-reviewed journals (Paul, 2004), conferences, and the growing interest of business in the concepts we advocate. Despite this interest from practitioners, there are concerns about the idealistic orientation in this research field (Gioia, 1999). In the words of Donna Wood:

> The field has little of value to offer businesses, not much practical advice, not even a good rationale for why managers should pay attention. (Wood, 2000, pp. 361-362)

A critical reading of the numerous contributions to the field will clearly show its entangled conceptual landscape. We refer here to the scientific work on Corporate Social Responsibility (CSR_1), Corporate Social Responsiveness (CSR_2), Social Issues, Corporate Social Performance (CSP), Stakeholder Management, Corporate Citizenship, Business Ethics, Sustainable Development, and Corporate Sustainability. Except for the last two,[2] Carroll (1999) and Windsor (2001) have acknowledged that the above list represents alternative and/or interrelated themes.[3] The purpose of this paper is to analyze to what extent business and society literature is normative, instrumental, and/or descriptive. This tripartite distinction is known in the relevant literature as the Donaldson & Preston's (1995) typology. As a result of our analysis, we will show the potential that business and society theories have to realistically present how organizations operate. These failures constitute the grounds for the predominant idealism in this field. Our literature review contributes to the theoretical development by positioning the various themes in the entangled conceptual landscape, while extending the knowledge of what purposes – descriptive, normative, instrumental – any single theme shares.[4]

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[2] We mention and will elaborate on the sustainability tradition because it considers the simultaneous integration of the principles of economic welfare, social equity, and environmental preservation in organizational performance (Sharma, 2002).

[3] The word “themes” is meant to incorporate the various level of conceptualization that these terms offer.

[4] The normative, descriptive, and instrumental purposes were comprehensively described for the stakeholder theory in Donaldson & Preston (1995), to which Jones & Wicks (1999) have offered an alternative explanation (Treviño & Weaver, 1999). Swanson (1999) proposed a value-based approach to resolving the normative-descriptive dilemma in CSP. Wood (2000) regarded the three approaches as promissing and described the acomplishments *across themes*, i.e. for the overall business and society field. Most recently, Rodriguez, Richart, & Sanchez (2002) classified a limited number of articles devoted to CSR_1, CSR_2, CSP, Stakeholder Management and efficiency (referring to Friedman (1962, 1970)) with respect to the three theoretical approaches (normative, descriptive, instrumental).

Our contribution is organized in four sections. In the first, we explain the meaning and the limitations of the Donaldson & Preston's (1995) typology. Then, we devote two sections to the literature review of the above-mentioned themes, and separately evaluate their descriptive, instrumental, and normative advancements. As this literature review is rather stylized, its only ambition is to discuss the central thesis to mainstream concepts. Finally, this paper discusses the gap between scientific literature, a large part of which is idealistic, and the pragmatic needs of businesses.

THE DONALDSON AND PRESTON'S TYPOLOGY

Donaldson & Preston (1995) distinguish three approaches - descriptive, normative, and instrumental - to business and society:

> *Descriptive* justifications attempt to show that the concepts embedded in the theory *correspond to observed reality*. […] An *instrumental* approach is essentially *hypothetical*; it says, in effect, 'If you want to *achieve (avoid) results* X, Y, or Z, then adopt (don't adopt) principles and practices A, B, or C.' The *normative* approach, in contrast, is not hypothetical but *categorical*; it says, in effect, 'Do (Don't do) this because it is the right (wrong) thing to do.' (Donaldson & Preston, 1995, pp. 71-74, emphasis added)

The descriptive approach presents the "value-free" facts (Stephens & Shepard, 1997) of what companies do or can do (Swanson, 1999). It requires an accurate description of reality, i.e. the context in which organizations operate. By contrast, the normative approach is "value-loaded" and explicitly states what companies should do (Rodriguez et al., 2002). It requires an opinion or an advice on how companies should organize their operations. The instrumental approach presents a statement of relationships and requires the generation of hypotheses to predict certain causality. The latter approach is concerned with the way organizations can achieve their goals (Rodriguez et al., 2002).

We use the Donaldson & Preston's (1995) typology to analyze whether *the central thesis* of business and society concepts is *predominantly* descriptive, normative, and/or instrumental. "Predominantly" denotes the first caveat of our study. It would be incorrect to describe any concept as exclusively descriptive, i.e. "value-free" since it inevitably reflects the values of the researcher. Neither can it be exclusively normative since any concept is a reflection of reality. Exclusively instrumental is impossible because the hypothesis of certain causality requires a good (descriptive) knowledge of reality and the values of the researcher to "see" that particular relationship. In sum, the purity of distinction between descriptive, normative, and instrumental will forever remain imperfect (Freeman, 1999; Werhane, 1994). The second caveat is that our interpretation of the central thesis does not necessary imply that there might be no other valuable interpretations. Just as it similarly does not imply that if the central thesis of a particular topic is being judged, for example, "normative," that there are no "descriptive" or "instrumental" approaches to that topic.

Nevertheless, the absence of practical relevance (e.g. Gioia, 1999; Wood, 2000) and the entangled conceptual landscape of the field are legitimate concerns for the absorption of its knowledge. The descriptive/normative/instrumental typology is rooted in the "century-old philosophy of science" (Freeman, 1999) and well describes the building blocks of theory development (Whetten, 1989). In this context, the Donaldson & Preston's (1995) typology is useful to analyze to what extent business and society literature is idealistic.

RELATED CONCEPTS IN THE CORPORATE SOCIAL PERFORMANCE CONSTRUCT

The corporate social performance construct embraces the different aspects in the meaning of a 'socially responsible' business. Three interrelated concepts are embedded in this construct concerned with the way organizations operate in their environments. "Corporate social responsiveness" (actions) as a reflection of "corporate social responsibility" (principles) when dealing with "social issues" (problems) (e.g. Carroll, 1979; Swanson, 1995; Wartick & Cochran, 1985; Wood, 1991). As each of these concepts is characterized by its specific complexity, we analyze their central theses separately. The discussion of each concept will end with an evaluation of its descriptive accuracy, normative validity,[5] and instrumental power.

Corporate social responsibility

The concept "corporate social responsibility" has a philosophical orientation (Wartick & Cochran, 1985). CSR_1 refers to corporate performance that is *normatively correct* with respect to all constituents of the firm (Epstein, 1987). Such normative correctness implies a

[5] Normative validity implies that certain statements are correct and require no further justification. It should not be confused with the term "validity" as used in research methodology. The latter refers to whether a measurement procedure is properly measuring what it claims to measure.

correspondence between corporate action and societal expectations (Zanisek, 1979). According to Carroll (1979, 1991) social expectations can be translated into four characteristics of corporate social responsibility: economic, legal, ethical, and discretionary. Companies are thus expected to generate profit, to obey the law, to operate in harmony with the unwritten social rules, and to voluntarily support societal programs even if society does not expect such support. This view on the responsibility of businesses confronts the profit-driven corporate performance with its positive and the negative duties[6] to contribute to a better world. Organizations are thus regarded in the CSR_1 tradition not only as drivers of economic progress, but also as moral actors.

Attributing morality to organizations requires that corporate decision-making processes are based on responsibility principles (Swanson, 1995; Wartick & Cochran, 1985; Wood, 1991). According to the relevant literature, those principles should guide companies to promote 'social good' and to prevent 'social harm' (Fitch, 1976; Jones et al., 2000; Wells, 1998). The responsibility principles lead companies to consider a triple- (Elkington, 1997) or a multiple-bottom-line (Waddock, 2000) approach to decision-making instead of considering (exclusively) the economic bottom line. Hence, it is reasonable to note that CSR_1 advocates the development of organizational norms, when institutionalizing the organizational objective of contributing to a better world. These norms need to be integrated in the organization, adopted as a reference for decision-making, and shared by the organizational members. This view on integrating CSR_1 principles in business models is an acknowledgement of the dual description of organizations that either deems firms to be social actors themselves, or considers them an aggregation of social actors (groups or individuals).

Although the company as a legal entity is meant to distinguish the organization from the personality of those who compose it (Wells, 1998) (i.e. the firm as a social actor), the normative correctness of corporate performance is inevitably associated with the morality of its managers and employees (i.e. the firm as an aggregation of social actors). Therefore, managers and employees, as the agents of a company, should take organization related decisions from the perspective of their individual CSR_1 principles (Wood, 1991). Personal values and ethics determine the individual principles of CSR_1, and shape the organization-related decision-making of corporate agents (Swanson, 1995). However, organizations are

[6] Swanson (1995, p. 45) describes negative duties as restraining the action that can harm others, while positive duties are seen as supporting the commitment to help others.

more than a sum of their employees (Collins & Porras, 2002(1994)). They are distinct entities that share specific principles of responsibility. Moreover, the organizational principle of CSR_1 is helpful to unify the differences in individual responsibility interpretations. In other words, organizational CSR_1 principles attempt to accomplish congruency among the various individual CSR_1 principles (of its management and employees). This congruence is essential for ensuring the credibility of claims on the social responsibility of the company.

In sum, the central thesis of corporate social responsibility is predominantly prescriptive. In the words of Windsor (2001, p. 228), "responsibility must have a normative basis." CSR_1 is critical to the self-interested, profit driven view of the firm. Moreover, organizations are not only expected to obey the law, but proponents of corporate social responsibility believe that companies must contribute to social prosperity. Social prosperity is no longer seen in terms of economic welfare, but in the CSR_1 tradition it incorporates social aims, ecological goals, notions of morality and personal values. However, it would be too ambitious to claim that corporate actions have always corresponded to values and personal ideology (Zanisek, 1979) or that managers have always reasoned in terms of morality (Carroll & Meeks, 1999). The moral view on organizations fails to explain the contribution of self-interested but innovative companies to the social prosperity of the EU and the USA. Not to mention that a conception of organizations as initiators of social prosperity excludes the possibility of terrorist organizations. Nor is it consistent with the persistly illegitimate or illegal practices of criminal organizations, such as people trade, bank robberies, car- and home-jacking. We must therefore acknowledge the existence of multiple norms and principles of responsibility, some of which, unfortunately, fail to incorporate the highest human values.

Social issues

The "issues" literature is dominated by the life-cycle approaches (Lamertz, Martens, & Heugens, 2003), which explain the evolution of an issue from its emergence to its saturation phase (e.g. Bigelow, Fahey, & Mahon, 1993; Mahon & Waddock, 1992; Zyglidopoulos, 2003). A widely accepted definition in the life-cycle tradition describes social issues as:

> [*S*]*ocial problems* that may exist objectively but become "issues" requiring managerial attention when they are defined as being *problematic to society* or an institution within society by a group of actors or stakeholders capable of influencing either governmental action or company policy. (Mahon & Waddock, 1992, p. 20; emphasis added)

A critical reader will note that social issues are defined as *problems* and *not as opportunities*. This view on social issues describes the existence of a social problem, and the ability of stakeholders to put this problem on the agenda of policy makers or businesses. Talking about the solution of social issues, we refer to the definition of public issues, described by Buchholz (1988) as those "that involve multiple stakeholders with competing interests and involve some form of collective action" (quoted in Bigelow et al., 1993). In general, social issues are problems at the social level (not necessarily at the organizational level) that can only be solved through the collective action of groups with competing interests. This approach to social issues implies the necessity of interaction among social actors.

Recently, Lamertz et al. (2003) have adopted a symbolic interactionist perspective on social issues, stressing that social actors give meaning to social issues existing in the organizational environment. This perspective defines social issues as:

> [S]ocially constructed disruptions of an institutional order that structures purposeful exchanges between actors. (Lamertz et al., 2003, p. 82)

This implies that social issues have enough impact to make enacted structures fail, while such disorder constitutes the interaction between social actors, searching to resolve the problem of institutional disorder. This view clearly articulates that "stakeholders" and "social issues" are inevitably interrelated (Lamertz et al., 2003; Mahon, Heugens, & Lamertz, forthcoming). This means that issues are subjects of interpretation, as they derive from the stakeholders' perceptions on particular social developments. It also means that the solution of social issues requires a collaboration of all parties associated with the issue. This second implication refers to the inappropriateness of stressing corporate responsibility to the natural environment, for example, without stressing the responsibilities of others such as governments, consumers, and scientists.

The central thesis in the social issues concept is of a descriptive nature, as it is concerned with social problems that receive much attention. However, these social concerns remain relevant at the global level of analysis, i.e. society, as their definition appears to go beyond organizational affairs. Despite this, business and society scholars believe that organizations should contribute to addressing and resolving those problems. This belief is based on the tradition in this field to challenge the (exclusively) economic bottom-line of business with broader social considerations. But even if we assumed that organizations objectively observe their environments, it would be descriptively incorrect to think that companies are concerned with social issues only. We therefore need to acknowledge that organizations identify, in the first place, problems directly influencing their operations, i.e. the *corporate issues*. Wartick & Mahon (1994, p. 306) embrace the 'issues' literature and comprehensively define a corporate issue as:

> (a) a controversial inconsistency based on one or more expectational gaps (b) involving management perceptions of changing legitimacy and other stakeholder perceptions of changing cost/benefit positions (c) that occur within or between views of what is and/or what ought to be corporate performance or stakeholder perceptions of corporate performance and (d) imply an actual or anticipated resolution that creates significant, identifiable present or future impact on the organization.

In this definition, issues that have impact on the organization are conceptualized as discrepancies of expectations between the firm and its stakeholder(s). Corporate issues are thus a necessary extension of the identification and management of social issues. However, both social and corporate issues have a connotation of *problems*, which clearly limits the scope of corporate management.

Corporate management regards the internal and external environments in terms of "opportunities" and "threats." As the conception of social issues clearly neglects the opportunities of social development for businesses, it is necessary to consider the importance of strategic issues to managers. According to Ansoff (1980, p. 133), "a strategic issue is a forthcoming development, either inside, or outside the organization, which is likely to have an important impact on the ability of the enterprise to meet its objectives." Ansoff argues that an issue "may be a welcome issue, an external opportunity or internal strength" or it can be "unwelcome external threat, or an internal weakness."

Overall, the diversity in issues (social, public, corporate, and strategic) represents the variety of concerns that organizations need to identify in their internal and external environments. Approaching those numerous issues is also possible from a stakeholder perspective (Werhane & Freeman, 1999), when focusing on the social actors who construct the issue.

Corporate social responsiveness

Although corporate social responsiveness has been considered in the early years of theoretical development as an alternative to corporate social responsibility (Carroll, 1979), these two concepts are not substitutable. Ackerman (1973) discovered that the organizational response to social demands might involve major difficulties and was among the first to focus on CSR_2 (Frederick, 1994). In contrast to the moral considerations in CSR_1, CSR_2 is concerned with the "ability [of organizations] to manage the company's relations with various social groups" (Frederick, 1994, p. 156).

Corporate social responsiveness has a process orientation (Epstein, 1987; Wartick & Cochran, 1985; Wood, 1991) that refers to the measures a company takes to resolve problems, for which it is deemed accountable. According to Fitch (1976), a company can apply a utilitarian approach by doing nothing, or it can apply a humanitarian approach by doing much, such as preventing the mere occurrence of social problems. Based on the same scale (do nothing – do much), Carroll (1979) proposed four responsiveness strategies: reaction, defense, accommodation and proaction. A good explanation of these CSR_2 strategies is provided in Clarkson (1995, p. 109), where reactive responsiveness is described as doing less than required and as a denial of responsibility. Defensive responsiveness means doing the least required, while organizations do admit responsibility but tend to fight it. By contrast, an accommodative strategy of responsiveness constitutes doing all that is required as organizations accept the responsibility. And in the case of proactive responsiveness, companies tend to anticipate the claims others will make, i.e. doing more than is required.

The motivation for a prompt response to social issues appears quite pragmatic in the CSR_2 tradition. This pragmatism of social responsiveness consists of the proposition that "unless social issues can be processed with reasonable speed, they may pile up and ultimately put the company in a position where it cannot function effectively in its traditional role as a producer of goods and services" (Ackerman, 1973, p. 95). In this vein, Clarkson (1995) gives substance to the term responsiveness, arguing that companies need to distribute the wealth and value created by the corporation among their primary stakeholders,[7] conform the principles of

[7] "A primary stakeholder group is one without whose continuing participation the corporation cannot survive as going concern… Secondary stakeholder groups are defined as those who influence or affect, or are affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival." (Clarkson, 1995, pp. 106-107). This is a static distinction of the primary and secondary stakeholder, which does not consider the ways secondary stakeholders can become influential.

fairness and balance. Otherwise, Clarkson (1995, p. 112) notes, “the firm’s survival will be threatened.”

We can conclude that corporate social responsiveness advocates, at its core, an instrumental approach to social issues and corporate constituents. CSR_2 translates, in managerial language, the philosophically oriented rhetoric on the moral obligations of business to address and resolve issues spanning beyond the boundaries of the organization. Responding to issues other than those of strategic importance is motivated by an improved organizational performance. However, this rationale for addressing social issues is not fully supported by empirical research. Although the majority of studies on the link between social and financial performance report a *positive* link, some find *neutral* and *inconclusive/mixed*, even *negative* relationship (Margolis & Walsh, 2001). Therefore prominent scholars conclude that this relationship must be regarded as inconclusive, complex, and nuanced (e.g. Arlow & Gannon, 1982; Griffin & Mahon, 1997; McWillams & Siegel, 2000; Roman, Hayibor & Agle, 1999).

The central thesis of corporate social performance

From the above, we can conclude that in the corporate social performance construct the normative notions prevail. This might appear counterintuitive, since only one (viz. corporate social responsibility) of the three founding concepts is normative. Corporate social responsiveness contains predominantly instrumental notions and the conception of social issues is of a descriptive nature. However, one explanation for the normative orientation of the construct is the initial aim of CSP to challenge the exclusively profit-driven organizational performance with (positive and negative) duties to social prosperity. The CSP tradition criticizes organizations, which maximize their profit and do not consider any other consequences of their actions. As a result, corporate social performance prescribes a principle-problem-action framework to enrich the profit orientation of management with a broader attention to stakeholders and issues. The necessity of CSP frameworks was largely illustrated by industrial accidents, management misconduct, and corporate scandals. The normative orientation of CSP is thus a logical result of criticizing companies for the negative developments in societies and the natural environment.

An alternative explanation of the prevailing normative orientation in CSP is the definition of social issues as “meta-problems,” which do not necessarily affect the firm, and which do not in all cases result from organizational performance. Companies are thus deemed responsible for issues that reach beyond their scope of influence. Besides, responsibility literature rarely acknowledges that organizations have *positive* influences on society. Looking at companies from such a negativist perspective is disputable and emphasizes the normative orientation of CSP.

Moreover, the descriptive (issues) and the instrumental (responsiveness) orientations of CSP still appear underdeveloped and vague. The dynamic nature of issues (Carroll, 1979; Hoffman, 1999; Waddock & Boyle, 1995) undermines their exact description. Similar dynamics are observed with respect to the mode of responsiveness. Actually, if a specific corporate action is considered responsible now, it might not be considered as normatively correct in the future (Zanisek, 1979, p. 360). Moreover, the instrumental value of corporate social responsiveness is not in the differentiation between four strategies, but rather in the advice on when and how to adopt every one of them. Value distribution to stakeholders, the substance of CSR_2, has not received much attention in contemporary literature on business and society either. In sum, the flexibility in responsiveness and the underdeveloped knowledge of what value distribution is precisely, seem to weaken the instrumental power of CSP.

ALTERNATIVES TO (A DIMENSION OF) CORPORATE SOCIAL PERFORMANCE

In the research on corporate social responsibility, the attention of scholars became in the 1990s diverted "significantly to alternative themes such as stakeholder theory, business ethics, CSP and corporate citizenship" (Carroll, 1999, p. 292). Apart from these alternative themes, sustainable development (Brundtland, 1987) and corporate sustainability (Sharma, 2002; Starik & Marcus, 2000; Starik & Rands, 1995) advocate economic welfare, social equality, and environmental preservation with respect to current and future generations. As we have dedicated substantial attention to the corporate social performance construct and its founding concepts in the preceding pages, the subsequent pages will focus on business ethics, corporate citizenship, stakeholder management, sustainable development, and corporate sustainability.

Business ethics

Business ethics is rooted in the earliest history of mankind, since commercial practices (perhaps in various forms) have always existed (Mcmahon, 1997). Business ethics has been developed as a branch of general ethics, and is concerned with the moral adequacy of business action (Goodpaster, 1997). Fundamental to business ethics are the general ethical principles such as honesty, keeping promises, helping others, and respecting the rights of others (Post, Lawrence, & Weber, 2002).

Moral adequacy in business ethics refers to two levels of analysis – individual and corporate (Werhane & Freeman, 1999). At the organizational level, moral adequacy of business actions is evaluated with reference to four general principles (Goodpaster, 1997): (1) virtues, or a value system that takes decisions incorporating the principles prudence, justice, temperance, and courage; (2) duties, or obligations to fidelity in relationships and loyalty to the community; (3) rights, or respecting basic freedoms and equalities; (4) interest, or the morality of self-interest, group interest, or greatest (God or number) interest. These principles are established at the corporate level and denote the ethical norms that an organization should consider in its performance.

The question arises here of what constitutes a moral act of managers and employees, who in fact will or will not materialize the corporate principles of business ethics. Werhane & Freeman (1999) summarize the most important indications that justify the moral adequacy of organizational agents' acts. First, *role morality* suggests that "the well-being of any organization depends on the fulfillment of role obligations by its constituents." Yet this is a necessary, but not a sufficient condition, and in illustration Werhane and Freeman give the example of the deeds of Nazi Germany. Second, *shared morality* classifies acts of individuals as morally adequate if those are in the interest of the organizational agents (i.e. the commons). Again, the caveat to the previous example applies here. Third, Werhane and Freeman explain the morality of corporate agents using the "Integrated social contract theory" of Donaldson & Dunfee (1994), where humans (and thus also corporate agents) are part of communities that have their own moral "free space" and thus generate their own behavioral norms, i.e. *hypernorms*. And finally, a fourth way to evaluate moral adequacy of corporate agents are the so-called *moral minimums* (organizational, cultural, or ethnic norms) that attempt to make the abstraction of the hypernorm-notion more tangible. Common for these four indications of employees' and managers' moralities is that these evaluate individual actions within the context of a specific organization.

Business ethics, equally as CSR_1, consists of moral principles, ethical notions, and value-driven rules. In a sense, business ethics guide companies toward 'good' practices and ultimately oppose their 'bad' activities. Business ethics is thus prescriptive in nature, so we can conclude that its central thesis is predominantly normative. We can argue that business ethics and corporate social responsibility cover the same level of analysis. They both consider the dual conception of organizations (social actor vs. aggregation of social actors), and both have a philosophical orientation. However, some authors distinguish these concepts. Ferrell, Fraedrich, & Ferrell (2002) explain the difference, by arguing that social responsibility is a social obligation or contract with society, while business ethics are carefully thought-out rules of business organizational conduct that guide decision making.

Corporate citizenship

The term 'corporate citizenship' is used as a metaphor and underlines the membership of corporations in society (Waddock, 2002, p. 4). As multinationals operate in more than one country, global corporate citizenship denotes the organizational duties to these various societies. The emphasis in this stand in the literature falls on building bridges between companies and the communities in which they operate (Vidaver-Cohen & Altman, 2000). In other words, corporate citizenship illustrates that companies are embedded in their host societies.

The metaphor of corporate citizenship requires nothing less than 'good' corporate conduct. There are four general characteristics of 'good corporate citizens.' First, they are simultaneously profitable, obey the law, engage in ethical behavior, and make restitution through philanthropy (Carroll, 1998). Secondly, good corporate citizens build stakeholder relationships through mutually beneficial practices (Waddock, 2002; Waddock & Smith, 2000). Thirdly, they respond to society's expectations (Carroll, 1991). And finally, good corporate citizens carefully consider the influence of a company's actions on the community (Altman & Vidaver-Cohen, 2000). Overall, good corporate citizens operate in a model of collaboration that proves mutually beneficial for all parties.

Corporate citizenship is a synonym of corporate social performance (Dawkins, 2002, p. 272). Both are concerned with the effects of corporate performance on society, and advocate the contribution of companies to social prosperity. Similarity can be found in the level of analysis and the scope of corporate citizenship and CSP. However, they clearly have a different content. Corporate citizenship does not explicitly represent a composite of responsibility, issues, and responsiveness, as is the case of CSP. Corporate citizenship merely implies, yet fails to make explicit, the distinction between normative principles, description of problems, and instrumental actions. Hence, corporate citizenship is used as a metaphor and appears as a rhetoric on good corporate performance. It is, according to us, certainly not a good description of reality, as there are also bad citizens and bad corporate practices. The attention of corporate citizenship is directed towards the positive social effects of corporate actions rather than towards the rationale for being a good corporate citizen. In other words, 'good corporate citizens,' as a rule, have to opt for harmony with social rules and expectations. We therefore classify corporate citizenship as being predominantly normative.

Stakeholder management

The term "stakeholder," similarly to corporate citizenship, has much metaphorical value, as it is aimed at diverting attention (both managerial and scientific) from the term "stockholders" or from the general (at that time) neoclassical attention to profit-maximization. The stakeholder perspective conceptualized the firm as an aggregation of groups or individuals who affect or are affected by the firm's activities (Freeman, 1984). Without stakeholder support and stakeholder efforts, an organization cannot contribute to the value chain (Freeman & Liedtka, 1997), and as a result the achievement of its objectives will remain unrealized. Besides, the organizational performance is dependent on the *collaboration* between stakeholders. Therefore, managers need to adopt a holistic analysis of the determinants of stakeholder action, i.e. stakeholder interests and stakeholder identity (Rowley & Moldoveanu, 2003).

In effect, stakeholder management means value distribution to the corporate constituents (Clarkson, 1995). Given the scarcity of organizational wealth, the process of value distribution requires a development of priorities. Two classifications of stakeholders provide a useful framework for prioritizing when developing management strategies for value distribution. One focuses on the resource relationships of a firm with its constituents, assessing the relative power and dependency of stakeholders to that firm (Frooman, 1999). The other classification departs from a stakeholder claim and analyzes the characteristics of that claim. In this context, stakeholders differ in their salience to the firm by a combination of the attributes 'power, legitimacy, and urgency' (Agle, Mitchell, & Sonnenfeld, 1999; Mitchell, Agle, & Wood, 1997). The distribution of organizational wealth is instrumental, i.e. aims at improving the corporate performance, if that wealth is directed to silent stakeholders or stakeholders on which the firm is resource-dependent. Value distributed to secondary stakeholders is in general a discretionary act, unless its purpose is to minimize the uncertainty of stakeholder dynamics (when secondary stakeholders become primary, and vice versa) or to bridge information deficiencies (Dentchev, 2004).

However, stakeholder theory still lacks instrumental rigor, despite its attention to improved corporate performance. While its instrumental power needs to be discounted, descriptive accuracy and normative validity are irrefutable achievements of stakeholder theory (Donaldson & Preston, 1995). The stakeholder view of the firm correctly describes organizations as an aggregation of groups (or individuals) with specific interests. Considering these interests as legitimate (Phillips, 2003) and with intrinsic value is a valid normative assumption in stakeholder theory (Werhane & Freeman, 1999). Therefore, organizations ought to serve the legitimate interests of their stakeholders. We can agree that the stakeholder view of the firm has the potential to become a powerful instrumental theory (Jones, 1995), but such an instrumental theory cannot yet count on robust empirical support, as Donaldson and Preston acknowledge:

> It should come as no surprise that stakeholder theory cannot be fully justified by instrumental considerations. The empirical evidence is inadequate, and the analytical arguments, although of considerable substance, ultimately rest on more than purely instrumental grounds. (Donaldson & Preston, 1995, p. 81)

The breadth of stakeholder theory (Phillips, Freeman, & Wicks, 2003) and its complexity are a potential explanation for the lack of empirical support to the instrumental power of stakeholders. In his early work, Freeman (1984) presented the interaction between the corporation and its stakeholders from a dyadic perspective, where the firm is the hub of a wheel and the stakeholders are situated at the end of the spokes (cfr. Frooman, 1999, p. 191). This dyadic perspective on stakeholder interactions is too narrow a presentation of reality and hence requires revision. The stakeholder perspective on organizations is better represented as network interactions (Rowley, 1997): corporate constituents are no longer seen in a single relationship (stakeholder-organization), but in multiple relationships across the stakeholder space (stakeholder-stakeholder; stakeholder-organization). This network perspective implies a complex view on stakeholder relationships, which suggests a model of multiple moderating and mediating relationships. Therefore, a research-oriented simplification of the studied relationships – two or three stakeholder groups – may offer opportunities for better results in empirical research.

In general, stakeholder management and corporate social performance have much in common (Harrison & Freeman, 1999). Freeman & Liedtka (1991) have even suggested an abandonment of the responsibility concept in favor of "caring" for the stakeholders. However, stakeholder management and corporate social performance have their own focus on business and society. Where stakeholder management emphasizes the organization of the various stakeholder groups and their interests, corporate social performance is predominantly concerned with issues.

Sustainable development

The World Commission on Environment and Development proposed a generally accepted definition of sustainable development: "a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations" (Brundtland, 1987, p. 46). Sustainable development implies, at the macro-economic level, that over time economies can possess relatively stable natural resources and manufactured capital (Reinhardt, 2000). The necessity of theorizing on sustainable development emerged from the alarming developments in the natural environment and from inequalities of welfare distribution within and between societies.

The term 'sustainable development' embraces three major concerns: the alleviation of social inequalities, the ability to sustain current welfare, and the protection of the natural environment (Aguirre, 2002). The aspect of poverty reduction needs to be emphasized in this discussion. Many people still have a miserable standard of living today, being deprived from food, water, shelter or elementary medication. Efforts towards advancing sustainable development should be directed, in the first place, toward the considerable improvement of the situation of these people (Sen, Brundtland, & Johnson, 2002). Overall, sustainable development is concerned with everyone's quality of life.

The work of Gladwin, Kennelly, & Krause (1995) embraces the core notions of various conceptions of sustainable development. Scholars in sustainability advocate "human development […] in an inclusive, connected, equitable, prudent, and secure manner" (Gladwin, et al. 1995, p. 878). With inclusiveness, the authors talk about the attention to development over time and space, referring to both environmental and human systems. Connectivity denotes the ecological, social, and economic interdependence, so as to remind us that achieving a particular (e.g. economic) goal automatically implies interfering with the other two goals (social, or ecological). As to equity, Gladwin et al. (1995) explain that sustainable development urges fair distribution of resources across species (human or non-human), across generations (future or current), and across societies (within a generation). Prudence depicts the notion of political, technological, and scientific (1) care with respect to the caring capacity of our planet, and (2) prevention with respect to irreversibilities of destructive developments. Actually, prudence represents the means to an end – security. Security implies that our planet is a safe and healthy place to live in. Yet, these five principles – inclusiveness, connectivity, equity, prudence, and security – suggest the complexity of sustainability advancements. In other words, "sustainable development cannot be achieved by one nation alone." (Holliday, Schmidheiny, & Watts, 2002, p.13) Global cooperation is necessary to achieve sustainable development (Sen et al., 2002), where countries should favor the collective interest.

Overall, sustainable development as a principle refers to operations of economic systems, i.e. the focus falls on the national or supra national level. As such, sustainable development has a predominantly normative central thesis, describing how societies ought to develop. Although there is a clear difference in the level of analysis – global vs. organizational/individual – the sustainability principle has much in common with the corporate social responsibility principles and with the principles of business ethics.

Corporate sustainability

Corporate sustainability can be considered a translation of the global sustainability principle to the corporate level of analysis. Organizations are deemed to have significant impact on alarming social and environmental developments (Starik & Marcus, 2000). Consequently, companies are expected to significantly advance the sustainability of their actions. In other words, organizations need to be concerned with the "*social and human welfare* while *reducing the ecological footprint* and ensuring the *effective achievement of organizational objectives*" (Sharma, 2002, p. 13, emphasis added).

We will further explain these three aspects of corporate sustainability – environmental, social, and economic. Organizations can reduce their ecological footprint by continuously improving their waste- and energy-management, and engaging in partnerships to analyze the life-cycle impact of their products (product stewardship) (Bansal, 2002). The social aspect of corporate sustainability can be approached from a stakeholder perspective (Bansal, 2002), i.e. the interaction between companies and their constituents. Primary stakeholders influence the sustainability strategies of organizations directly, while secondary stakeholders are influential through indirect ways (Sharma & Hendriques, 2003). As to the economic aspect, i.e. the achievement of organizational success, an important nuance appears in the sustainability debate. Gladwin et al. (1995, p. 897) propose to replace the notion of “indefinite organizational growth” with “indefinite organizational development.” In this context, sustainable competitive advantage does not mean the generation of maximum economic rents in a particular period, but rather ensuring the longevity of rent generation.

Corporate sustainability denotes the contribution of business to the sustainable development of societies. A significant advancement of sustainability by companies requires business-to-business partnerships, for example, with customers, suppliers and even with competitors. Besides, a significant progress in sustainable development is unlikely without the effort of governments and consumers (citizens) (Bansal, 2002; Holliday et al., 2002). Organizations will find a challenge in the collaboration with all their stakeholders in order to establish sustainable relationships with them (Starik & Rands, 1995).

Corporate sustainability clearly integrates normative notions (with respect to organizational concerns to social and human welfare), descriptive notions (with respect to the ecological footprint), and instrumental notions (with respect to the achievement of the organizational objectives). Yet, corporate sustainability has both similarities and differences compared to the corporate social performance construct (and thus respectively to stakeholder management and to corporate citizenship). They share a level of analysis and a challenge to the exclusive, ego-centered economic bottom-line. They differ, however, in the strong association of corporate sustainability with the natural environment, while CSP is mainly concerned with the social performance of companies. Another distinction is the strategic orientation of the sustainability literature, demonstrating that corporate performance with a concern for people and the natural environment is consistent with building and sustaining competitive advantage (e.g. Aragón-Correa & Sharma, 2003; Lovins & Lovins, 2001; Porter & Linde, 1995). But how can the presence of strategic approaches to corporate sustainability and the absence of those in corporate social performance be explained?

We propose two explanations for this observation. One possible answer is that corporate sustainability is concerned with well-defined issues – environmental preservation and human welfare – and that brings the level of complexity to a "researchable" level. This allows a focus on a particular research problem and a rigorous description of it. Secondly, the environmental issue has been brought to the organizational agendas through regulation (Majumdar & Marcus, 2001) or other external institutional influences (Hoffman, 1999). In this context, organizations were in a sense "forced" to develop environmental strategies, which then have become an interesting subject of research. In the case of CSP, public policy regulation would have to be quite ambitious. Overall, corporate sustainability provides a good integration of descriptive, normative, and instrumental orientation, comparable to the stakeholder management tradition.

BUSINESS AND SOCIETY LITERATURE AND BUSINESS PRACTICE

The managerial attention to social issues and secondary stakeholders is advocated in business and society literature predominantly from a moral perspective. The advocates of such a perspective consider companies to enhance their positive effects and to reduce their negative effects on society and the natural environment. Overall, contemporary research appears rhetoric in its criticism of the way in which companies operate. Moreover, the multitude of concepts in business and society literature is confusing, not only to practitioners, but also to researchers. Table 1 summarizes our discussion on the normative validity, descriptive accuracy and instrumental power of the mainstream themes in business and society. It also summarizes their origin, level of analysis and comparability to the other themes in the field.

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insert table 1 about here

In essence, the idealistic orientation of the literature significantly differs from the pragmatic focus of businesses. The next subsection will elaborate on this gap, followed by recommendations for future research.

The gap between theory and practice

Prescribing what companies should (not) do from a moral perspective is insufficient to improve the social performance of businesses. A normative stance can only provide companies with a view of how their performance might be organized. Perspectives on the obligations of businesses, like any other opinion, are determined by the interest of a stakeholder in a particular issue (Dutton & Webster, 1988), by previous stakeholder experience (Daft & Weick, 1984; Simon, 1982), and by the quality of information that shapes stakeholders' perception of what companies should do (Stiglitz, 2000). In other words, practitioners may not necessarily agree with the tenets in scientific literature, as they may read the normative postulation on business practice from their managerial perspective (i.e. their experience, knowledge, information, and interests). Such possible lack of agreement suggests the existence of "expectational gaps of what should be" (Wartick & Mahon, 1994) between normative business and society theorists and managers.

Still, it is too ambitious to think that managers would agree completely with any theory of business performance. We refer here to the difference between 'organization theory' and 'organization practice', on which Astley (1985) expressed the radical view that theoretical knowledge cannot portray empiric reality. The reason for this, Astley explains, are the multitude of subjective worldviews of researchers that determine the development of knowledge. In this sense, gaps in thinking between theorists and practitioners are nothing extraordinary and should not surprise anyone. It also explains why business and society scholars may advocate different viewpoints than managers. However, such an explanation is insufficient to those in business and society, who think the field should reach beyond its current critical inquiry of moral philosophy and move towards a management theory of organization.

Such a theory is unlikely to become a panacea for managerial problems of responsibility. Instead, as Astley & Zammuto (1992, p. 455) state, it should provide "conceptual language that shapes managers' perceptions and thoughts, thereby enhancing their problem-solving capabilities." In other words, the gap between theory and practice can be bridged through business and society theory that "works" (Mahoney & Sanchez, 1997), i.e. that reflects practitioners' concerns about social responsibility in specific contexts and helps firms to achieve their goals. Besides, Argyris (1996, p.390) would describe business and society theories of organization as "theories of effectiveness because they purport to define the activities through which intended consequences can be achieved in such a way that these consequences persist." Theories with practical relevance thus provide *inspiration* for managers on how to improve the performance of their company. As a result, inspired practitioners will (partially) adapt this theory in their strategies.

Recommendations for future research

If the scientific work on business and society is to have any practical value, our theorizing should make sense to businesses. Such studies (either normative, instrumental or descriptive) with managerial relevance need to reflect, at least in part, some of practitioners' concerns. Well aware of the danger for a "naturalistic fallacy," i.e. claiming that the world "ought to be" what it "is" (Donaldson, 1994), we are also concerned about the "idealistic fallacy" of the responsibility theory. In this context, to offer practical advice to managers (a valid normative opinion), based on sound rationales (instrumental approaches), we need to rethink the basic goals in business and society. Our basic aim, as scientists, is to generate theory, and "not the betterment of mankind." (Kerlinger, 1973, p. 9) Theories are needed, not to please the stakeholders of our work, but to persuade them of its quality.

A fertile research avenue with practical relevance is the effect of value distribution on stakeholder motivation. A few of the questions that may be addressed are: What sorts of value motivate different stakeholders? What are the moderating factors of value distribution and stakeholder motivation? Are these moderating factors different in the context of different stakeholder groups? What sorts of competitive advantage are associated with corporate social responsibility? Under what conditions can we expect positive effect between social and financial performance? The answer to these questions will advance the practical value of business and society research.

Overall, empirical inquiry is being challenged by many propositions already generated in business and society literature. Although we should acknowledge the value of databases (e.g. KLD), it seems advisable to engage in projects that focus on more specific and well-defined research problems. Corporate social performance frameworks are very complex and hence difficult to test empirically. Therefore, it seems opportune to focus on specific aspects of these frameworks when conducting empirical studies. For example, scholars might be fascinated by the factors explaining convergence or divergence between individual and organizational principles of responsibility (or organizational vs. institutional, or organizational vs. global). Another interesting research question is: What is the effect of an employee's position in the organization on the perception of issue importance? Case studies and grounded theories can provide valuable answers to such exploratory questions. Yet, the real challenge for corporate social responsibility research will be to develop measures and questionnaires.

CONCLUSION

If business and society is to have practical relevance, we need to step away from its current stance, prescribing 'what companies should do,' toward advising practitioners 'how to integrate the norm of social responsibility in their business models.' Advocating an empirical method by no means implies enforcing its adoption, unless scholars are convinced of its contributive value. Throught, we stress the importance that business and society scholars being aware of two problems in one continuum – the 'naturalist fallacy' vs. the 'idealistic fallacy.' In attempting to suggest an organization that integrates – at least in part – the norms of social responsibility, scholars should always answer the question whether such theoretical advancement can be realistically implemented in practice.

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TABLE TO BE INSERTED

Table 1: Business and society literature

	Origin	Level of analysis	Comparable to	Donaldson and Preston's typology
CSP	A construct of CSR_1, CSR_2, and Social Issues	Organization	Corporate Citizenship, Stakeholder Management, Corporate Sustainability	Normative (Instrumental and Descriptive are not well developed)
- CSR_1	Criticism of the neo-classical theory of economics	Organization, Employees	Business Ethics, Sustainable Development	Normative
- CSR_2	A managerial approach to CSR_1	Organization, Employees		Instrumental*
- Social Issues	Description of social problems	Organization		Descriptive**
Business Ethics	Branch of general ethics	Organization, Employees	CSR_1, Sustainable Development	Normative
Corporate Citizenship	Metaphor of citizens – companies as members of society	Organization	CSP, Stakeholder Management, Corporate Sustainability	Normative
Stakeholder Management	Metaphor of stockholders– corporate attention to all constituents	Groups, Individuals, Organization	CSP, Corporate Citizenship, Corporate Sustainability	Normative, Instrumental*, and Descriptive
Sustainable Development	Alarming developments in the natural environment	Nation(s)	Business Ethics, CSR_1	Normative
Corporate Sustainability	Corporate impact on society and the natural environment	Organization	CSP, Corporate Citizenship, Stakeholder Management	Normative, Instrumental*, and Descriptive

* The instrumental approach to business and society lacks empirical verification.
** Social issues are descriptions of the problems companies (need to) consider. However, this description is not complete, unless complemented with "corporate issues" and "strategic issues".

02/159 **M. VANHOUCKE**, Optimal due date assignment in project scheduling, December 2002, 18 p.

02/160 **J. ANNAERT, M.J.K. DE CEUSTER, W. VANHYFTE**, The Value of Asset Allocation Advice. Evidence from the Economist's Quarterly Portfolio Poll, December 2002, 35p. (revised version forthcoming in *Journal of Banking and Finance*, 2004)

02/161 **M. GEUENS, P. DE PELSMACKER**, Developing a Short Affect Intensity Scale, December 2002, 20 p. (published in *Psychological Reports*, 2002).

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