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Submissions should be sent as an email attachment and as RTF format to:

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Editorial objectives

Electronic Journal of Business Ethics and Organization Studies EJBO aims to provide an avenue for the presentation and discussion of topics related to ethical issues in business and organizations worldwide. The journal publishes articles of empirical research as well as theoretical and philosophical discussion. Innovative papers and practical applications to enhance the field of business ethics are welcome. The journal aims to provide an international web-based communication medium for all those working in the field of business ethics whether from academic institutions, industry or consulting.

The important aim of the journal is to provide an international medium which is available free of charge for readers. The journal is supported by Business and Ethics Network BON, which is an officially registered non-profit organization in Finland. EJBO is published by the School of Business and Economics at the University of Jyväskylä in Finland.

Reviewing process

Each paper is reviewed by the Editor in Chief and, if it is judged suitable for publication, it is then sent to at least one referee for blind review. Based on the recommendations, the Editor in Chief decides whether the paper should be accepted as is, revised or rejected.

Manuscript requirements

The manuscript should be submitted in double line spacing with wide margins as an email attachment to the editor. The text should not involve any particular formulations. All authors should be shown and author's details must be printed on a first sheet and the author should not be identified anywhere else in the article. The manuscript will be considered to be a definitive version of the article. The author must ensure that it is grammatically correct, complete and without spelling or typographical errors.

As a guide, articles should be between 3000 and 8000 words in length. A title of not more than eight words should be provided. A brief autobiographical note should be supplied including full name, affiliation, e-mail address and full international contact details as well as a short description of previous achievements. Authors must supply an abstract which should be limited to 200 words in total. In addition, maximum six keywords which encapsulate the principal topics of the paper should be included.

Notes or Endnotes should be not be used. Figures, charts and diagrams should be kept to a minimum. They must be black and white with minimum shading and numbered consecutively using arabic numerals. They must be refereed explicitly in the text using numbers.

References to other publications should be complete and in Harvard style. They should contain full bibliographical details and journal titles should not be abbreviated. References should be shown within the text by giving the author's last name followed by a comma and year of publication all in round brackets, e.g. (Jones, 2004). At the end of the article should be a reference list in alphabetical order as follows

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Pace, L.A. (1999), "The Ethical Implications of Quality", Electronic Journal of Business Ethics and Organization Studies EJBO, Vol. 4 No. 1. Available http://ejbo.jyu.fi/index.cgi?page=articles/0401_2.

Towards More Radicalized Business Ethics Studies

EDITORIAL

Tuomo Takala, editor-in-chief

Every day we read in the papers about the impacts of globalization on the social and economic development of nation states around the world. The structural change in business which started centuries ago has gained increasing momentum since the 1800s. It appears that some nations benefit more while others seem to lose in this battle, whose direction is governed by late-capitalist processes. We are witnessing an elimination game – a game which the most unscrupulous companies, often but not always, seem to be winning. A very recent case is the corruption scandal around Siemens.

What might business ethics research do in this kind of context? One possible move is to take a more radical, a more critical approach to research. We need studies and conceptualizations which consider society in its entirety and take into account not only the interests of business but those of the global village as a whole. The new form of critical theory offers a fruitful basis on which to investigate our ever more complex empirical reality.

Over the past 15 years critical theory has gradually won its place as an approved research method, or philosophy, also in leadership and management studies and is now a paradigmatic and legitimate branch of management studies. While we do have this research option, critical researchers nevertheless have remained in a marginal role. For example, the United States – the model land of business management theories – does not provide fertile ground for this type of research.

Business ethics scholars too often tend to drift into a kind of "silent functionalism". The business management perspective is taken as a given without much thought to other potential alternatives. It might be advisable to steer research into areas relating to themes that are closer to the revised critical paradigm, such as:

- Research on power
- Organizational conflicts and co-operation
- Women in working life
- Inherent structural juxtapositions in the economy
- Racism, sexism and diversity
- Emigration of business firms and capital
- New rhetoric – responsibilities and ethics as mere talk
- Subordinating people to the "altar of profit making"

Such themes can – and hopefully will – be studied from a perspective which incorporates both critical and ethical aspects. These are offered as suggestions to future EJBO authors.

In 2008 we are planning to publish a special issue of EJBO with a critical focus.

Call for papers, page 50

Positioning Stakeholder Theory within the Debate on Corporate Social Responsibility

Manuel Castelo Branco
Lúcia Lima Rodrigues

Abstract

Companies engage in corporate social responsibility (CSR) mainly because they can reap some kind of benefits from such engagement. It is thus necessary to have a CSR notion which is able to address this important feature. The differing views regarding the role of business in society are often presented as being placed within the stakeholder-shareholder debate. This article tries to show that a useful notion of CSR should be based on a stakeholder view and should be capable of addressing both its normative and instrumental aspects. Companies are seen as having an obligation to consider society's long-run needs and wants, which implies that they engage in activities that promote benefits for society and minimize the negative effects of their actions, so long as the company is not prejudiced by engaging in such activities.

Keywords

Corporate social responsibility; shareholder perspective; stakeholder perspective

Introduction

The present-day conception of corporate social responsibility (CSR) implies that companies voluntarily integrate social and environmental concerns in their operations and interaction with stakeholders. The European Commission defines it as "a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment." (European Commission, 2001, p. 5) It is related to complex issues such as environmental protection, human resources management, health and safety at work, relations with local communities, relations with suppliers and consumers.

The notion of CSR is one of ethical and moral issues surrounding corporate decision making and behaviour. Knowing if a company should undertake certain activities or refrain from doing so because they are beneficial or harmful to society is a central question. Social issues deserve moral consideration of their own and should lead managers to consider the social impacts of corporate activities in decision making. Regardless of any stakeholders' pressures, actions which lead to things such as the conservation of the Earth's natural resources or bio-diversity preservation, are morally praiseworthy.

However, some argue that the contribution of concepts such as CSR is just a reminder that the search for profit should be constrained by social considerations (Valor, 2005, p. 199). Increasingly CSR is analysed as a source of competitive advantage and not as an end in itself (Branco and Rodrigues, 2006). In effect, the concept of CSR has evolved from being regarded as detrimental to a company's profitability, to being considered as somehow benefiting the company as a whole, at least in the long run (see, for example, Hess et al., 2002; Porter and Kramer, 2002; Smith, 2003).

CSR has been conceptualised in a number of different ways which are related clearly to differing views regarding the role of business in society (see, for example, Clarke, 1998; Lantos, 2001). These views are often presented within the stakeholder-shareholder debate. The idea which underlies the "shareholder perspective" is that the only responsibility of managers is to serve the interests of shareholders in the best possible way, using corporate resources to increase the wealth of the latter by seeking profits (see, for example, Friedman, 1998; Jensen, 2001). In contrast, the "stakeholder perspective" suggests that besides shareholders, other groups or constituents are affected by a company's activities (such as employees or the local community), and have to be considered in managers' decisions, possibly equally with shareholders (see, for example, Freeman, 1998; Werhane and Freeman, 1999).

The purpose of this article is to give an account of the concept of CSR and its evolution, based on the notion that nowadays companies engage in CSR because they can reap benefits from such engagement. Thus, it is necessary to have a CSR notion which is able to address this important feature. The argument is that such notion should be based on a stakeholder view and should be capable of addressing both normative and instrumental aspects of CSR.

This article argues that the stakeholder perspective has become something which is inescapable if one wants to discuss and analyse CSR. Stakeholder theory is considered as "a necessary process in the operationalisation of corporate social responsibility, as a complimentary rather than conflicting body of literature." (Matten et al., 2003, p. 111) Furthermore, it can be said to exist a "stakeholder metanarrative" (Campbell et al., 2003, p. 559) which underlies the CSR debate. In fact, recent analysis of the extensive body of research on ethics and social responsibility issues show (see, for example, Garriga and Melé, 2004; Margolis and Walsh, 2003) that an important number of the authors who devote themselves to these areas of study have mostly drawn on stakeholder theory.

In the following section, the different perspectives of CSR are analysed and the argument that a stakeholder view of the role of business in society is more adequate, is presented. Thereafter, follow sections on the evolution of the concept of CSR based on the stakeholder perspective, and a discussion of the debate on business and society relationships.

Perspectives on corporate social responsibility

Based on Clarke (1998) and Lantos (2001) two viewpoints on the role of business in society (which lead to different views on CSR) will be distinguished (Table 1). The "classical view", based on neoclassical economic theory, defines it in purely economic profit making terms, focusing on the profit of the shareholders. In contrast, the "stakeholder view", based on stakeholder theory, holds that companies have a social responsibility that requires them to consider the interests of all parties affected by their actions.

Table 1 – Spectrum of viewpoints on the role of business in society

View	Position on Business' Role in Society
Classical	Pure profit-making view: business has lower standards of ethics than society and no social responsibility other than obedience to the law.
	Constrained profit-making view: business should maximize shareholder wealth, obey the law, and be ethical.
Stakeholder	Socially aware view: business should be sensitive to potential harms of its actions on various stakeholder groups.
	Social activism: business must use its vast resources for social good.

Source: Adapted from Lantos (2001, p. 602).

Classical view

Lantos (2001) has identified two perspectives in the classical view: the "pure profit-making view"; and the "constrained profit-making view". The "pure profit-making view" is exemplified by Carr's (1968) position. The distinctive feature of this author's perspective is that some degree of dishonesty is acceptable because business people have a lower set of moral standards than those in the rest of society. He compared the ethics of business to those of the poker game. The lower set of moral standards permits what he calls "business bluffing" which includes things like conscious misstatements, concealment of pertinent facts, or exaggeration. Deception is probably a necessary component of a strategy to be successful in business, and thus business people can not afford to be guided by ethics as conceived in private life. Thus, for Carr, a company has the legal right to shape its strategy without reference to anything but its profits, so long as it stays within the rules of the game legally set out by law.

The major proponent of the "constrained profit-making view" is Friedman (1998), who believed companies should behave honestly: that is, they do not engage in deception and fraud. This economist argues that the purpose of the company is to make profits for shareholders. The only responsibility of business is to use its resources to engage in activities designed to increase its profits so long as it stays within the rules of the game. Because managers are agents of the shareholders they have a responsibility to conduct business in accordance with their interest. This is generally to make as much money as possible and maximise their wealth. Under this view, because shareholders are the owners of the company and therefore the profits belong to them, requiring managers to pursue socially responsible objectives may be unethical, since it requires managers to spend money that belongs to other individuals. Asking companies to engage in social responsibility activities is considered to be harmful to the foundations of a free society with a free-enterprise and private-property system. Social problems should be left for the state to address.

Although Friedman's ideas are better known, his view had a conspicuous predecessor in Levitt (1958). The latter also believed that companies should be concerned with improving production and increasing profits while abiding by the rules of the game, which include acting honestly and in good faith, and that social problems should be left for the state to address.

The classical view also has contemporary adherents. Their arguments, which can be associated with the "constrained profit-making view", have arisen mainly in debate with stakeholder perspective proponents (see, for example, Barry, 2000, 2002; Coelho et al., 2003; Henderson, 2005; Jensen, 2001; Sternberg, 1997; Sundaram and Inkpen, 2004). However, it is important to note that not all of these authors can be shown as opposing social responsibility actions by companies.

Barry (2000) argues that companies can only engage in social responsibility activities the less competitive the markets in which they operate are, and that such engagement is a form of rent-seeking by managers. However, the central argument is that the use of companies' resources to further social goals amounts to managers' usurpation of the political function. The difficulty in making appropriate decisions when the predominant authority of shareholders is removed and the purpose of maximizing shareholder wealth is disregarded in order to take into account a variety of interests, is stressed by Barry when he argues that in such conditions decision-making in a company "would resemble that of a parliamentary assembly." (op. cit., p. 105) Barry (2002, p. 545) claims that it leads "to the politicization of the company in that many groups and a number of almost certainly competing purposes must now be considered." Therefore, Barry's assessment of the stakeholder perspective is that it "tries to make the business system operate like the political system." (op. cit., p. 552) This is not advisable because it will "bring all the disadvantages of voting, as well as the enervating effect of pressure groups to an activity that depends on personal freedom and individual initiative to fulfil its promise." (ibid.)

The ex-OECD Chief Economist David Henderson (Henderson, 2005) is another of the modern critics of CSR. Whereas Friedman focused his concern in managers adopting misguided objectives, Henderson's focus is on outside interferences with efficient resource allocation. Henderson contends that CSR adversely affects a company's performance. However, his case against CSR rests primarily on the contention that it impairs the performance of business enterprises in their primary role, and would make people in general poorer. He is an adamant opponent of over-regulation, and views increased legislation in this matter to be harmful, and lead to decreased business activity. CSR is seen as leading to ineffective markets, reduced wealth generation and increased social inequity and poverty. He does not attribute any social responsibility related function to companies.

Other contemporary authors defend shareholder value maximization as the one objective function to all companies but are not necessarily against the social responsibility actions by companies (Jensen, 2001; Coelho et al., 2003; Sternberg, 1997; Sundaram and Inkpen, 2004). Basically these authors argue that having more than one objective creates difficulties for managers and some confusion in their decision making. On the other hand, having shareholder value maximization as objective is believed to lead managers to decisions that enhance outcomes for

multiple stakeholders. Jensen (2001, p. 11), for example, considers that "200 years' worth of work in economics and finance indicate that social welfare is maximized when all companies in an economy maximize total company value." However, their basic point is that value seeking should be a company's only objective function and having as only objective making money for shareholders implies that managers should not be allowed to pursue moral goals at the expense of profitability.

These authors repeat several of their predecessors' arguments, but they are not necessarily against the social responsibility actions by companies. In the words of Sternberg (1997, p. 9), a company "cannot afford to ignore any stakeholder concern that might affect its ability to generate long-term owner value." A company's interactions with its stakeholders are recognized as affecting profitability, and "ethical executives should consider this as part of their fiduciary duties to shareholders." (Coelho et al., 2003, p. 18) Social responsibility actions might even be used strategically by companies in seeking value maximization of the company. These authors seem to defend what Jensen (2001) calls "enlightened shareholder maximization" view, according to which a company cannot maximize value if any important stakeholder is ignored or mistreated, but the criterion for making the requisite tradeoffs among its stakeholders is long-term value maximization.

Even Carr (1968, p. 149), in spite of defending the pure profit-making view recognized that if a company wishes to take a long-term view of its profits, "it will need to preserve amicable relations with whom it deals. A wise businessman will not seek advantage to the point where he generates dangerous hostility among employees, competitors, customers, government, or the public at large." However, he thought that "decisions in this area are, in the final test, decisions of strategy, not of ethics." (ibid.)

The classical view is justified mainly on the basis of neoclassical economic theory arguments using notions such as the free market, economic efficiency, and profit maximisation. This view might be grounded in three different, but complementary, ways:

- first, shareholders are the owners of the corporation, and managers have no right to act on their own preferences, to make discretionary decisions or to use company's resources to further social goals which cannot be shown to be directly related to profits;
- second, companies' role is to produce wealth, and pursue socially responsible objectives may impair their performance in that role interfering with efficient resource allocation;
- finally, other organizations exist to deal with the kind of function requested by socially responsible actions, such as government, and companies and managers are not equipped to perform such role.

However, some authors believe that CSR is often useful in generating long-term owner value. For some time the arguments that have been presented for strategic CSR arise, at least in part, from the classical idea that the sole objective of business is to maximise shareholder wealth and that a company should engage in CSR activities only if it allows value to be created. This approach is synthesized by McWilliams and Siegel (2001, p. 125). They argue that decisions regarding CSR should be treated by managers "precisely as they treat all investment decisions." Some authors argue that CSR "should be considered as a form of strategic investment." (McWilliams et al., 2006, p. 4)

Stakeholder view

Stakeholder theory is based on the notion that beyond shareholders there are several agents with an interest in the actions and decisions of companies. Stakeholders are "groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions." (Freeman, 1998, p. 174) In addition to shareholders, stakeholders include creditors, employees, customers, suppliers, and the communities at large. Stakeholder theory asserts that companies have a social responsibility that requires them to consider the interests of all parties affected by their actions. Management should not only consider its shareholders in the decision making process, but also anyone who is affected by business decisions. In contrast to the classical view, the stakeholder view holds that "the goal of any company is or should be the flourishing of the company and all its principal stakeholders." (Werhane and Freeman, 1999, p. 8) It is important to stress that shareholders are stakeholders and that dividing the world into the concerns of the two is "the logical equivalent of contrasting 'apples' with 'fruit'." (Freeman et al., 2004, p. 365)

Many interesting typologies of stakeholders have been proposed. Clarkson's typology of stakeholders is the most widely cited and accepted. Clarkson (1995) distinguishes primary and secondary stakeholders. Primary stakeholders are those "without whose continuing participation the corporation cannot survive as a going concern" (shareholders and investors, employees, customers and suppliers, and also governments and communities "that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and other obligations may be due") (op. cit., p. 106), whereas secondary stakeholders are "those who influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival." (op. cit., p. 107)

Some of the problems with stakeholder theory lie in the difficulty of considering "mute" stakeholders (the natural environment) and "absent" stakeholders (such as future generations or potential victims) (Capron, 2003, p. 15). The difficulty of considering the natural environment as a stakeholder is real because the majority of the definitions of stakeholders usually treat them as groups or individuals, thereby excluding the natural environment as a matter of definition because it is not a human group or community as are, for example, employees or consumers (Buchholz, 2004, p. 130). Phillips and Reichart (2000) argue that only humans can be considered as organizational stakeholders and criticize attempts to give the natural environment stakeholder status. The authors of this article agree with this assertion.

One way of seeing the environment as a stakeholder is through the interests of future generations (Jacobs, 1997). However, it is impossible to ask the opinion of the natural environment or of future generations, and they cannot be members of a consultative committee (ibid.). Thus, the problem is that only humans are capable of generating the necessary obligations for establishing stakeholder status and of the necessary volition in the acceptance of benefits of a mutually beneficial cooperative scheme (Phillips and Reichart, 2000, p. 191). However, if among the interests of legitimate stakeholders is a concern for the natural environment, it has to be taken into account. Moreover, the interests of the environment and future generations should contemplated by "being represented in decision-making structures, whether of companies or of society as a whole." (Jacobs, 1997, p. 26)

Regarding stakeholder theory, Donaldson and Preston (1995) argue that it can be used in three different ways:

1. the descriptive/empirical, when it is used to "describe, and sometimes to explain, specific corporate characteristics and

behaviors" (op. cit., p. 70);

2. the instrumental, when it is used to "identify the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives (e.g., profitability, growth)" (op. cit., p. 71); and

3. the normative, when it is used to "interpret the function" of companies and identify "moral or philosophical guidelines" that should be followed with regard to their "operation and management" (ibid.).

The empirical and the instrumental uses are interrelated inextricably. This suggests a difficulty in relating empirical and normative endeavours. Whereas the former is descriptive in nature and attempts to analyse the way things are, the latter is prescriptive and aims to prescribe how things should to be. The normative and instrumental uses probably entail the existence of two conflicting approaches to stakeholder theory. The normative approach to stakeholder theory views stakeholders as "end". The instrumental approach is interested in how stakeholders can be considered in a way that enhances financial performance and efficiency, and thus regards stakeholders as "means".

The instrumental approach to stakeholder theory views stakeholders' interests as factors to be taken into account and managed while the company is engaged in maximization of shareholders wealth. The underlying argument is that stakeholders' interests are considered as means for higher level goals, such as profit maximization, survival and growth. Referring to the instrumental use, Jawahar and McLaughlin (2001, p. 399) consider that a "fundamental assumption is that the ultimate objective of corporate decisions is marketplace success, and stakeholder management is a means to that end."

Having established the importance of stakeholder management, a question that remains is which stakeholders managers view as most significant. This question has been addressed by Mitchell et al. (1997). They offered a theory of stakeholder identification and salience that suggests that managers' perceptions of three key stakeholder attributes (power to influence the company, legitimacy of the relationship with the company and urgency of the claim on the company) affect the degree to which managers give priority to competing stakeholder claims. A stakeholder "may have a legitimate claim on the company, but unless it has either power to enforce its will in the relationship or a perception that its claim is urgent, it will not achieve salience for the company's managers." (op. cit., p. 866)

Power is a stakeholder attribute that has been used to identify and prioritize stakeholders, with some authors suggesting that companies respond to the most powerful stakeholder issues. For example, Nasi et al. (1997) found that forestry companies in Canada and Sweden focused on issues that were relevant to the most powerful stakeholders rather than on those issues that were relevant from an ethical or socially responsible point of view.

The "social activist" perspective shares with stakeholder theory the notion that companies are accountable to all other stakeholders beyond shareholders. Hence, they should behave to actively promote social interests, even when it is not expected or demanded by society. Companies should be involved actively "in programs which can ameliorate various social ills, such as by providing employment opportunities for everyone, improving the environment, and promoting worldwide justice, even if it costs the shareholders money." (Lantos, 2001, p. 602)

Enlightened value maximization versus enlightened stakeholder theory

The question that one can legitimately pose is: in what way is the use of some kind of stakeholder management as a means to achieve marketplace success different from the classical view? If stakeholder theory does not give any primacy to one stakeholder over another, there will be times when some groups will benefit at the expense of others. The problem that then arises is which groups would be given preferential treatment? One can say that the classical view is purely economic in nature, and presents a clear differentiation between economic and social aspects, whereas stakeholder management perspective brings together social and economic aspects.

Jensen (2001) argues that what he calls "enlightened value maximization" and "enlightened stakeholder theory" may be thought of as identical. Enlightened value maximization uses stakeholder theory to consider that a company cannot maximize value if any important stakeholder is ignored or mistreated. However, it maintains as the criterion for making the requisite tradeoffs among its stakeholders long-term value maximization. Enlightened stakeholder theory considers long-term value maximization or value as the objective function of the company, thereby solving the problems that arise from considering multiple objectives, as in traditional stakeholder theory.

Proponents of stakeholder theory, such as Freeman et al. (2004, p. 366), question the alternatives available for managers to create shareholder value other than "by creating products and services that customers are willing to buy, offering jobs that employees are willing to fill, building relationships with suppliers that companies are eager to have, and being good citizens in the community".

What is it then that differentiates stakeholder theory from this enlightened value maximization. Freeman et al. (2004, p. 364) argue that the former "begins with the assumption that values are necessarily and explicitly a part of doing business, and rejects the separation thesis", according to which ethics and economics can be separated clearly. Stakeholder theory proponents reject the separation thesis. They see a moral dimension to business activity, because economics "is clearly infused or embedded with ethical assumptions, implications, and overtones." (Carroll, 2000, p. 35) On the other hand, many proponents of the shareholder, single-objective view distinguish between economic and ethical consequences and values and see business as an amoral economic activity.

According to Porter and Kramer (2002, p. 58), Friedman's argument has two implicit assumptions: social and economic objectives are separate and distinct; and by addressing social objectives companies do not provide greater benefit than is provided by individual donors. The enlightened shareholder maximization view also has such assumptions. But the dichotomy between economic and social objectives is a false one because companies do not function in isolation from the society in which they operate (op. cit., p. 59). For these authors, "in the long run, then, social and economic goals are not inherently conflicting but integrally connected." (ibid.) Therefore, contrary to Friedman's ideas, managers who undertake social responsibility activities do not necessarily misuse financial resources that legitimately belong to shareholders.

Freeman et al. (2004, p. 364) correctly consider that the shareholder, single-objective view "is a narrow view that cannot possibly do justice to the panoply of human activity that is value creation and trade, i.e., business." Whereas the shareholder view sees a unique answer, and attributes one objective function to all companies, stakeholder theory admits a wide range of answers. Freeman et al. (2004) also believe that these theories should not be considered as opposed, in the sense that even shareholder theory can be regarded as a version of stakeholder theory, be-

cause stakeholder theory admits many possible normative cores (op. cit., p. 368). As a particular version of stakeholder theory, shareholder view's moral presuppositions can be seen as including "respect for property rights, voluntary cooperation, and individual initiative to improve everyone's circumstances. These presuppositions provide a good starting point, but not a complete vision of value creation." (ibid.)

Sundaram and Inkpen (2004, p. 356) recognize that decisions to enhance efficiency are made to increase shareholder value and impose costs on other stakeholders, and imply that it is an acceptable trade-off. According to stakeholder theory as perceived in this article, such costs are unacceptable unless it can be proven that benefits for the society outweigh them. It is important to note that existent deviations between short run impacts of business activities and the long run alignment of business and social interests in wealth creation leave ample scope for abuse or market power and irresponsible conduct (Windsor, 2001, p. 250). Furthermore, "the leitmotif of wealth creation can easily lead to both moral misconduct and financial manipulation ultimately destructive of social purposes and stakeholders' welfare." (ibid.)

The evolution of the corporate social responsibility concept from a stakeholder perspective

Frederick (1994) referred to the distinction between social responsibility and social responsiveness when he identified two stages of development in the thinking about CSR. The first stage, which he labelled CSR1, focused on CSR as an examination of companies' "obligation to work for social betterment" (op. cit., p. 151). Around 1970, there was a shift to corporate social responsiveness, labelled as CSR2, which is "the capacity of a corporation to respond to social pressures" (op. cit., p. 151). Frederick (1986) further developed this analysis by adding a third stage, that of corporate social rectitude (CSR3), to include "the notion of moral correctness in actions taken and policies formulated" (op. cit., p. 135). In a more recent work, Frederick (1998) refers to the need to enter a new stage (CSR4) "enriched by natural sciences insights" (op. cit., p. 41). In this article, the distinction between social responsibility and social responsiveness is of interest and will be developed.

The term "social responsibility" has been challenged as early as the 1970's. Sethi (1975, 1979) distinguishes between social obligation, social responsibility, and social responsiveness. He argues that, like all other social institutions, companies are an integral part of society and must depend on acceptance of their role and activities for their existence, continuity and growth. When a difference between corporate performance and social expectations for such performance occurs, a legitimacy gap is said to exist. The crucial issues in the concept of CSR are the search for legitimacy by companies and the doubts by critics about the legitimacy of companies' actions. Corporate behaviour in response to market forces or legal constraints is defined as social obligation, and is proscriptive in nature. Social responsibility implies congruence of corporate behaviour with prevailing social norms, values and expectations of performance, and it is a concept which is prescriptive in nature. The concept of social responsiveness suggests that what is important is not how a company should respond to social pressures, but what should be their long-term role in a dynamic social system. The idea is that business orientation in any social dimension must be anticipatory and preventive.

Although Sethi implied that social responsiveness could be seen as a replacement for social responsibility, later writers reject such a view (Carroll, 1979; Wartick and Cochran, 1985; Wood, 1991). For example, Carroll (1979, p. 502) holds that social responsiveness is not an alternative to social responsibility but rather "the action phase of management responding in the social sphere." Wartick and Cochran (1985, p. 765) hold that both "are equally valid concepts and that both should be included as separate dimensions of corporate social involvement." The concepts of social responsiveness and of corporate social performance can be seen as the evolution of the concept of social responsibility. In this article, the concept of CSR is seen as including the other two concepts.

Carroll's "Three-dimensional Conceptual Model" (Carroll, 1979, 1991) was the initial model of corporate social performance. It consisted of an integration of three aspects: first, a definition of social responsibility; second, an identification of the social issues to which these responsibilities are tied, such as consumerism, environment, employment discrimination, product safety, occupational safety and health; and third, the philosophy of responsiveness, that is the philosophy, mode, or strategy behind companies' response to social responsibility and social issues (reaction, defense, accommodation, and proaction).

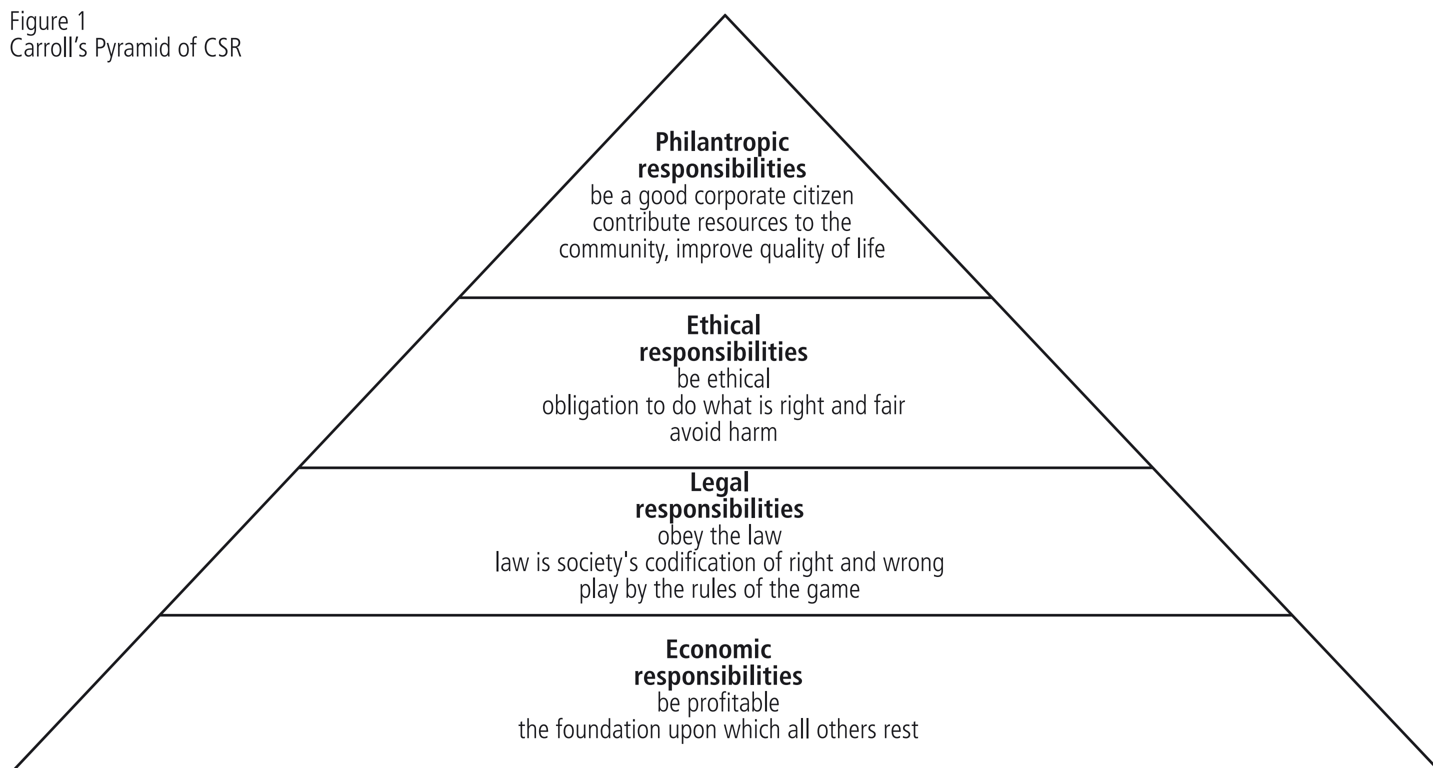
Building on previous definitions of CSR which refer to the responsibility to make a profit, obey the law, and "go beyond" these activities, Carroll (1979, 1991) argues that CSR encompasses four categories of social responsibilities: economic, legal, ethical, and discretionary (or philanthropic). Economic responsibilities reflect the belief that companies have an obligation to produce goods and services that consumers need and want, and to be profitable in the process. Legal responsibilities indicate that companies are expected to pursue economic responsibilities within the confines of written law. Ethical and discretionary responsibilities encompass the more general responsibilities to do what is right and avoid harm. Ethical responsibilities indicate a concern that companies meet society's expectations of business conduct that are not codified into law, but rather are reflected in unwritten standards, norms, and values implicitly derived from society. Companies' discretionary responsibilities are volitional or philanthropic in nature, in the sense that they represent voluntary roles assumed by companies for which society's expectations are not as clear-cut as in the ethical responsibilities.

Carroll (1991) argues that these four categories of corporate social responsibilities can be depicted as a pyramid, in which economic responsibilities are the foundation upon which all other responsibilities are predicated and without which they can not be achieved, and discretionary responsibilities are the apex (Figure 1). Notwithstanding, companies are expected to fulfil these four social responsibilities simultaneously. An important consideration regarding this perspective is that, contrary to the common belief that economic responsibility is related to what the companies do for themselves, and the other responsibilities are related to what they do for others, "economic viability is something business does for society as well." (Carroll, 1999, p. 284)

Matten et al. (2003, p. 110) underline the centrality of the ethical and philanthropical areas of responsibility to the study of CSR because of the differentiation they allow to establish between voluntary corporate behaviour and mere compliance. The CSR debate has focused on the moral and philanthropic responsibilities, giving little attention to economic and legal responsibilities. In this article, the term CSR will also be used to refer to ethical and philantropical responsibilities of business.

An important and recent addition to the discussion of Carroll's model was offered by Carroll himself in Schwartz and Carroll (2003). These authors develop a three-domain approach, in

Figure 1
Carroll's Pyramid of CSR



Source: Carroll (1991, p. 42).

which they propose the subsumption of the philanthropic or discretionary component under the ethical and/or economic components. The reasons for such proposal are related, on the one hand, to the difficulty in distinguishing between "philanthropic" and "ethical" activities on both the theoretical and practical levels, and, on the other hand, to the observation that philanthropic activities are often explained by underlying economic interests (op. cit., p. 506). As the authors argue, a company can engage in philanthropical activities for ethical or economic reasons or a combination of the two. When economic motives, such as increased sales, enhanced public image or improved employee morale, underlie a company's actions in the form of strategic philanthropy, this does not constitute a distinct philanthropic obligation (op. cit., p. 507).

Carroll (1991, p. 43) provided a linkage to stakeholder theory by noting the "natural fit between the idea of CSR and an organization's stakeholders." Furthermore, the concept of stakeholder personalizes social responsibilities by specifying groups or persons to whom companies are responsible and should be responsive (ibid.).

Carroll's model was later extended and modified by Wartick and Cochran (1985) and Wood (1991). Wartick and Cochran (1985) presented a "Corporate Social Performance Model" which also integrates three areas: the principles of CSR (using Carroll's four categories of social responsibilities as "principles"); the processes of corporate social responsiveness (reactive, defensive, accommodative, and proactive); and the policies developed to address social issues (social issues management). A summary of the model is presented in Table 2.

Wood (1991, p. 695) considers that the basic idea of CSR "is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes." She retained Carroll's four categories and identified how they relate to the CSR principles (the principle of legitimacy, the principle of public responsibility, and the principle of managerial discretion), considering that the first can be viewed as domains within which the latter are enacted (ibid.). The principle of legitimacy operates on an institutional level and is based on a company's overall responsibilities to the society in which it operates, specifying what is

Table 2 – The corporate social performance model of Wartick and Cochran

Principles	Processes	Policies
Corporate Social Responsibilities (1) Economic (2) Legal (3) Ethical (4) Discretionary	Corporate Social Responsiveness (1) Reactive (2) Defensive (3) Accomodative (4) Proactive	Social Issues Management (1) Issues Identification (2) Issues Analysis (3) Response Development
Directed at: (1) The social contract of business (2) Business as a moral agent	Directed at: (1) The capacity to respond to changing societal conditions (2) Managerial approaches to developing responses	Directed at: (1) Minimising 'surprises' (2) Determining effective Corporate Social Policies
Philosophical Orientation	Institutional Orientation	Organisational Orientation

Source: Wartick and Cochran (1985, p. 767).

expected of all companies. It is a proscriptive principle, "and it implies that society has available sanctions that can be used when these obligations are not met." (op. cit., p. 699) The principle of public responsibility functions on an organizational level, stating that companies are "responsible for solving problems they have caused, and they are responsible for helping to solve problems and social issues related to their business operations and interests." (op. cit., p. 697) Finally, the principle of managerial discretion functions on an individual level and emphasizes managers' responsibilities to behave as moral actors and make choices about activities designed to achieve socially responsible outcomes.

Wood (1991) also suggests that companies use three main kinds of processes to bring these principles into practice: environmental assessment, issues management, and stakeholder management. She then presents the outcomes of bringing principles into practice within the economic, legal, ethical, and discretionary domains, categorizing them in terms of social impacts (beneficial or negative), social programs (which refer to the actions companies take to manage their social impacts in a favourable manner), and social policies (which emerge to guide decision making).

Wood and Jones (1995) use a stakeholder framework to modify Wood's definition of corporate social performance as principles, processes, and outcomes. They redefine the outcomes as internal stakeholder effects, external stakeholder effects, and external institutional effects. They argue that stakeholders have three roles: they are the sources of expectations about what constitutes desirable and undesirable company performance, defining the norms for corporate behaviour; they experience the effects of corporate behaviour; and they evaluate the outcomes of companies' behaviours in terms of how they have met expectations and have affected the groups and organizations in their environment (op. cit., p. 231).

From a stakeholder theory perspective, corporate social performance can thus be assessed in terms of a company meeting the demands of its multiple stakeholder groups, and companies must seek to satisfy their demands "as an unavoidable cost of doing business." (Ruf et al., 2001, p. 143) Corporate social performance is considered to refer to "the ability of the company to meet or exceed stakeholder expectations regarding social issues." (Husted, 2000, p. 27)

Clarkson (1995) holds that a stakeholder management framework is more useful to the analysis and evaluation of corporate social performance than models and methodologies based on concepts of social responsibilities and responsiveness. He contends that it is necessary to distinguish "between stakeholder issues and social issues because corporations and their managers manage relationships with their stakeholders and not with society." (op. cit., p. 100)

However, it is vital to understand that being responsive to stakeholders' expectations implies the need to consider prevailing social norms and dominant views of corporate responsibilities. Stakeholders' expectations of companies are intertwined inextricably with society's views or expectations of business performance which evolve over time. Thus, the distinction between stakeholder issues and social issues may not be as straightforward as it seems.

Nonetheless, Hillman and Keim (2001) argue that to analyse the relationship between social performance and financial performance, it is useful to distinguish between two components of corporate social performance: stakeholder management and social issue participation. They believe that these two components of social performance have opposing relationships to financial performance. Building good relations with primary stakeholders is susceptible of leading to increased financial returns. On the one hand, it assists companies in developing valuable intangible assets (resources and capabilities) which can be sources of competitive advantage because such assets can differentiate a company from its competitors. On the other hand, pursuing social issues that are not related directly to the relationship with primary stakeholders may not create such advantages, because participating in social issues is something which can be easily copied by competitors. Thus, one can infer that social responsibility activities can pay off, as long as they are in the interest of a company's primary stakeholders. Hillman and Keim's (2001) conclude that whereas stakeholder management can lead to shareholder wealth creation, participation in social issues does not have the same kind of result.

The conception of CSR adopted in this article is based clearly on the perspective put forward by Carroll (1979, 1991, 1999, 2000) and Schwartz and Carroll (2003), and extended by Wartick and Cochran (1995), Wood (1991), and Wood and Jones (1995). This perspective has evolved to incorporate stakeholder theory concepts, already present in Carroll (1991) and Wood (1991), but particularly developed by Wood and Jones (1995) and Clarkson (1995).

Carroll's model is adopted in this article, although the focus will be on ethical and philanthropic components. A distinctive feature of Carroll's model is that it draws attention to the importance of economic responsibilities as a fundamental concern of managers. In this article this is considered as an important concern for three reasons. First, the economic responsibilities of companies are also fundamental from a social point of view, as the notion of sustainable development also stresses. Second, shareholders are stakeholders whose interests must be considered by managers. This is not only because those interests are protected by law but also because the managers' livelihood is dependent upon how shareholders evaluate their performance. Finally, the other responsibilities depend on the fulfilment of economic responsibilities in the sense that the survival of the company and availability of sufficient resources to devote to other responsibilities depends on such fulfilment.

Another important aspect to consider is that the existence, survival and profitability of a company depend on the fulfilment of legal responsibilities. If a company does not comply with the law either it will be subject to things such as fines, which impair its profitability, or it will be impeded of functioning.

Therefore, CSR, as the subject of analysis of this article, is seen as an "obligation" to constituent groups in society other than shareholders, which extends beyond that prescribed by law and union contract and is voluntarily adopted (Jones, 1980, pp. 59-60). Thus, although economic and legal responsibilities of companies are part of their social responsibilities, they are not included in corporate social responsibilities as a subject of analysis.

In this article, CSR is understood as a two-way relationship which involves recognition on the part of "society" both of its significance and of the efforts made by companies to gain "society's" approval of its behaviour. Therefore, CSR relates to society's constituent groups' expectations about corporate behaviour that companies have to identify and try to behave in conformity with.

CSR is the concept used most widely to address the relationships between business and society. However, some concepts, such as corporate sustainability and corporate citizenship, have been proposed recently to conceptualize these relations. Some authors view these three concepts as synonymous (see, for exam-

ple, Andriof and McIntosh, 2001) whereas others propose some distinctions between them (see, for example, Marrewijk, 2003, for distinctions between CSR and corporate sustainability, and Matten et al., 2003, Matten and Crane, 2005; and Valor, 2005, for distinctions between CSR and corporate citizenship).

In this article such concepts are considered to address the same basic issues as CSR. They all are about companies' impacts on, relationships with, and responsibilities to, society. These three concepts also integrate the perspectives which have been discussed so far. For example, the definition of corporate citizenship "as the extent to which businesses meet the economic, legal, ethical, and discretionary responsibilities imposed on them by their stakeholders" proposed by Maignan and Ferrell (2000, p. 284) incorporates Carroll's classification of four main corporate social responsibilities and acknowledges the conceptual contributions of stakeholder management literature. CSR is used in a loose sense to embrace similar concepts such as corporate citizenship and corporate sustainability, and integrating elements of stakeholder management.

However, the typology of corporate social responsibilities proposed by Lantos (2001, 2002) is considered to be a useful development of Carroll's model, because it addresses the problem of distinguishing the ethical and philanthropic components that Schwartz and Carroll (2003) stressed, and because it considers the purpose with which companies engage in social responsibility activities. Based on their nature (required versus optional) and purpose (for stakeholders' good, the company's good, or both), Lantos considers three different types of responsibilities (see Table 3): ethical, altruistic, and strategic.

Ethical responsibilities are regarded as morally mandatory. They involve preventing or rectifying harm or social injuries, even if the company might not appear to have benefited from such endeavours. It is important to note that ethical responsibilities are required even if their fulfilment is detrimental to the company's profitability. From this point of view, companies are considered as "morally responsible to any individuals or groups where it might inflict actual or potential injury (physical, mental, economic, spiritual, and emotional) from a particular course of action. Even when the two parties to a transaction aren't harmed other parties (stakeholders) might be." (Lantos, 2001, p. 606) Thus, managers of a company "do not have an obligation to maximize profits for the shareholders without regard to the means used." (ibid.)

Lantos (2001, p. 606) argues that harm cannot always be avoided, but should be minimized where feasible. He offers, as an example, the decision to close or relocate a plant because the product is no longer selling or the source of raw materials has changed. Although it seems sound from a financial point of view, it entails difficulties (wishfully temporary) for some employees and their community. Notwithstanding, if it also implies a more efficient use of resources and therefore benefits society as a whole, "it is the socially responsible thing to do so long as injuries to workers are minimized as much as reasonably possible via means such as advance notification and severance pay." (ibid.) Another example is the money spent by a company on product safety or pollution control that might reduce shareholders profit, but have as alternative to threaten unethically the welfare of others in society (ibid.).

Altruistic responsibilities involve going beyond ethical responsibilities to address social problems that the company has not caused and regarding which it has no responsibilities for. It can thus be said that altruistic responsibilities involve the assumption of some kind of responsibility for public welfare deficiencies that have not been caused by the company. It involves actions which are not morally mandatory but are beneficial for the company's stakeholders even at "at the possible, probable, or even definite expense of the business." (op. cit., p. 605)

Finally, strategic responsibilities imply engaging in socially responsibility activities only when they are expected to benefit both one or more stakeholder groups and the company. In the case of altruistic responsibilities, the motive is not to reap financial benefits for the company as a consequence of their fulfilment (although that could happen as a by-product). In contrast, with strategic responsibilities, companies contribute to their stakeholders because they believe it is in their best financial interests to do so, thereby fulfilling their responsibilities to the shareholders. Lantos argues altruistic responsibilities are only legitimate when they are strategic: that is, when they also further the objectives of the company.

Discussion and concluding comments

From the perspective of the authors of this article, rather than offering a definition of CSR it seems more worthwhile to agree on the following five key elements identified by Buchholz (1991, p. 19):

- companies have responsibilities beyond the production of goods and services at a profit;
- these responsibilities involve helping to solve important social problems, especially those they have helped create;
- companies have a broader constituency than shareholders;
- companies have impacts that go beyond simple marketplace transactions;
- companies serve a wider range of human values than can be captured by a sole focus on economic values.

Views on CSR are often distinguished between those who oppose it and those who favour it. It is possible to have within the same perspective those who stand for CSR and those who reject it. Following Jones (1999), the arguments in favour and against social responsibility engagement by companies are sum-

Table 3 – Types of CSR

Carroll's classification	Lantos' corresponding classification
1. Economic responsibilities: be profitable for shareholders, provide good jobs for employees, produce quality products for customers.	1. Ethical CSR: morally mandatory fulfilment of a company's economic responsibilities, legal responsibilities, and ethical responsibilities.
2. Legal responsibilities: comply with laws and play by rules of the game.	2. Altruistic CSR: Fulfilment of an organization's philanthropic responsibilities, going beyond preventing possible harm (ethical CSR) to helping alleviate public welfare deficiencies regardless of whether or not this will benefit the business itself.
3. Ethical responsibilities: conduct business morally, doing what is right, just and fair, and avoiding harm.	3. Strategic CSR: fulfilling those philanthropic responsibilities which will benefit the company through positive publicity and goodwill.
4. Philanthropic responsibilities: make voluntary contributions to society, giving time and money to good works.	

Source: Lantos (2002, p. 206).

marized in the following two paragraphs.

Arguments against social responsibility are based on the institutional function of companies or on property rights perspectives. The institutional function argument can be held from three perspectives: first, other organizations, such as government, exist to deal with the kind of function requested by social responsible actions; second, managers are not seen as having the abilities and/or time to implement such kind of public actions; finally, unlike politicians, who are democratically elected, managers should not be held accountable for their social responsibility actions. The argument based on the property rights perspective has its roots in neoclassical economic analysis, and maintains that managers' only obligation is to maximize the shareholder value.

Arguments in favour of companies engaging in social responsibility activities can be ethical or instrumental. Ethical arguments are derived from religious principles, philosophical references or prevailing social norms. They suggest that a company should behave in a socially responsible manner because it is morally correct to do so. These arguments have a strong normative flavour. The instrumental arguments in favour of social responsibility rely on calculative assumptions that it will somehow benefit the company as a whole, at least in the long run.

It is possible to distinguish two contrasting cases for CSR: the normative case which searches for motivations in the desire to do good; and the business case which focuses on the notion of enlightened self-interest. Although there is a clear difference between these two perspectives, the reasons for a company engaging in CSR activities might reflect a mixture of the two (Smith, 2003, p. 53).

Based on Swanson (1995), who refers to the economic and the duty-aligned perspectives as the two dominant approaches in the business and society field, Maignan and Ralston (2002, p. 498) distinguish three main types of motivations to engage in social responsibility activities. First, following the economic or utilitarian perspective, CSR can be viewed as an additional instrument used by companies to achieve traditional corporate objectives. Second, according to the negative duty view, companies engage in social responsibility activities to conform to stakeholder norms and expectations about how their operations should be conducted, thus constituting mainly a legitimacy instrument used by a company to demonstrate its adherence to such norms and expectations. Third, according to the positive duty approach, companies may be self-motivated to engage in social responsibility initiatives and actively promote social interests, even when they are not expected or demanded by society. As Maignan and Ralston (ibid.) state, "both the negative duty and the utilitarian approaches suggest that CSR can be used as an impression management tool employed to influence stakeholders' perceptions of the company."

Whilst the utilitarian arguments can be associated easily with the classical view of social responsibility and the negative-duty arguments with the instrumental use of stakeholder theory, the positive-duty arguments can be associated with the normative use of stakeholder theory and with the activist view of social responsibility. The first two perspectives hold that companies engage in social responsibility activities for strategic reasons. Such motivation is different to the one envisaged by the two latter perspectives.

CSR is understood as a two-way relationship which involves recognition on the part of "society" both of its significance and of the efforts of companies to gain "society's" approval of its behaviour. Therefore, CSR relates to society's constituent groups' expectations about corporate behaviour that companies have to identify and try to conform with. Stakeholders are considered to have three roles: they are the sources of expectations about what constitutes desirable and undesirable company performance, defining the norms for corporate behaviour; they experience the effects of corporate behaviour; and they evaluate the outcomes of companies' behaviours in terms of how they have met expectations and have affected the groups and organizations in their environment (Wood and Jones, 1995, p. 231).

Trying to meet stakeholders' expectations implies the need to consider prevailing social norms and dominant views of corporate responsibilities. There have always been widely spread assumptions about what a modern company should be and how it should behave. Then it becomes important for companies that are expected to (or want to) appear to be modern to incorporate such assumptions into their operations, or at least into their presentations. The growing social awareness about CSR issues has come to place substantial pressures on companies to manage the social and environmental impact of their activities and to become accountable to a wider audience than shareholders. All these aspects have an ethical dimension and it is probably true that, in many cases, engaging in CSR for strategic reasons will have some ethical and moral motivations and will lead to social benefits.

As argued by Post et al. (2002), the interdependencies that exist among the company and its stakeholders cannot be described in terms of simple contractual exchanges. Furthermore, it is relationships rather than transactions that are the ultimate sources of a company's wealth and it is the ability to establish and maintain such relationships within its entire network of stakeholders that determines its long-term survival and success. Relationships imply continuity and involve on-going conflict as well as collaborative elements.

Post et al. (2002, p. 8) define the stakeholders of a company as the "individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers." A company's stakeholders are seen as those who supply critical resources, place something of value "at risk," and have sufficient power to affect its performance. For example, company's competitors are not considered as stakeholders when they are competing for resources and markets but may be considered as such when they have common interests and may gain or lose status and wealth as a result of competitors' actions.

The principal means of sustaining and enhancing a company's wealth-creating capacity are the linkages between the company and its multiple constituencies. Because of their linkage with the company, these constituents have a "stake" in its operations. As a result of the companies' operations, they have the possibility either of gaining greater or lesser benefits or experiencing greater or lesser harm. The stakeholders who engage in voluntary relationships with a company and contribute directly to its operations, such as investors, employees, customers, market partners, expect to be better off as a result of the relationship. Involuntary stakeholders, on the other hand, "particularly those who may be negatively affected by externalities such as pollution or congestion, the guiding principle has to be reduction or avoidance or harm and/or the creation of offsetting benefits. These stakeholders expect that they will be at least as well off as they would be if the company did not exist." (Post et al., 2002, p. 22)

Lantos' (2001, p. 600) conception of CSR as good stewardship of society's economic and human resources is a reasonable and particularly appropriate one nowadays. Companies are seen as having an obligation to consider society's long-run needs

and wants, which implies that they engage in activities which promote benefits for society and minimize the negative effects of their actions. However, the company should not be prejudiced by engaging in such activities. The mission of a company should not be restricted to the creation of profit for shareholders. Rather, it should be acknowledged as that of identifying opportunities that are beneficial both for the company and for society (Rodriguez et al., 2002, p. 142). Managers are not mere shareholders' agents. They are "builders of stakeholder relations" (ibid.).

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A Critical Review of Relations between Corporate Responsibility Research and Practice

Matthew Haigh
Marc T. Jones

Abstract

This essay identifies epistemological, theoretical and methodological problems in a potentially influential subset of the interdisciplinary corporate responsibility literature, that which appears in the management literature. The received conceptualization of stakeholder analysis is criticised by identifying six sets of factors conventionally considered as promoting social responsibilities in the firm: inter-organizational factors, economic competitors, institutional investors, end-consumers, government regulators and non-governmental organizations. Each is addressed on conceptual grounds, its empirical salience in terms of the latest relevant research and prospects to be a significant factor in promoting outcomes consistent with social welfare. Despite obvious antagonistic relations between organization-centred economic objectives and extra-organizational-directed social considerations, the huge body of research we address drifts in a disengaged Sargasso Sea. The essay argues for appropriate directions for continuing business ethics/responsibility/corporate citizenship research, suggesting certain sociological works on moral leadership, moral courage, and academic leadership.

Keywords

Stakeholder management, corporate responsibility, ethical investment, ethical consumerism, non-governmental organizations.

1. Introduction

The original corporate charter's ideal relations of propriety between corporate and non-corporate forms of organization were always regaled as quaint. A century later, Berle and Means (1932) had wedded corporate social responsiveness to the economic interests of stockholders. By the end of the twentieth century, hegemonic market interests had sidelined social responsibilities to the distant argot of business ethics. Most of the corporate responsibility research appearing in the management literature has only reified the Cartesian wedge between economic interests of the firm and wider concerns of social welfare.

This essay claims to make a contribution by noting significant epistemological, theoretical and methodological problems stemming from this unhelpful hierarchy between business and society. Our purpose is to suggest a need for CSR researchers to rediscover fresh meanings in their work. As researchers working in accounting and organizational strategy, we are drawn together by our doubts that joining a search for mechanisms and changes to authentic practice is a worthwhile project. What we offer is a critical narrative of the theoretical arguments in support of corporate social responsibilities.

Common publishing avenues for the management studies we address are large-circulation journals such as California Management Review, Harvard Business Review (boasting 240,000 subscribers in late 2005), European Management Journal, Corporate Governance, Academy of Management Journal, Academy of Management Review, Business and Society, Business and Society Review, Business Ethics Quarterly, and Journal of Business Ethics. Despite obvious antagonisms between economic and social concerns at the level of the firm, this research addresses, in the main, superficial expressions of CSR.

The article divides into three main Sections. The next Section outlines the received exposition of corporate social responsibilities (CSR), the arguments for and against the business assumption of social responsibilities, and common deployments of stakeholder management.

A following Section addresses the call from O'Dwyer, Unerman and Bradley (2005) for work identifying the influence of stakeholder groups on social responsibility practice.

A final Section addresses whether the combined force of these influences is sufficient to invest capitalism with genuine responsibility credentials or whether attention directed at the level of the firm ultimately amounts to an ideological distraction from capitalist pathologies, a palliative for the 'chardonnay socialist' set, a rearranging of deck chairs on a liner lost in the Sargasso Sea. We conclude by suggesting directions for business ethics/responsibility/corporate citizenship research in such as the work of Foucault on moral leadership, of Freire on moral courage, and of Bourdieu on academic leadership.

2. Corporate responsibility and stakeholder management

Gray, Kouhy and Lavers (1995) contend that most of the corporate responsibility research coalesces around an underspecified form of stakeholder theory that concerns itself only with self-reporting. Such tendencies persist a decade later in both the accounting and management literatures. The discourse of corporate social responsibility (CSR) is taken up by discussions of voluntary, impliedly obligatory, corporate responses to observed serious damage, or likely serious damage, to ecological and social systems. According to Wood (1991, p. 692), the basic idea of CSR is that "business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes." Such expectations are motivated primarily by economic externalities.

We define CSR in terms of organizational actions that promote a greater internalization of negative economic externalities or a greater generation of positive economic externalities. We add to Abelson's definition of externalities (2002, p. 159): "any positive (beneficial) or negative (harmful) effect that market exchanges have on firms or individuals

[or ecological systems or human communities] who do not participate directly in [or benefit from] those exchanges".

Business ethicists borrow from the works of such as Thomas Hobbes, John Locke and Jean-Jacques Rousseau to assert that normative obligations on the firm imposed by the social contract require constructive responses to the needs of owner and non-owner groups (Palmer, 2001; Dunfee and Donaldson, 1995). Ethics and responsibility are most often unreflexively presented as atomised problems for individual decision-makers in the firm, solvable through straightforward application of logical rules and codes of conduct (see, Adams, Tashchian and Shore, 2001; Marks and Mayo, 1991; Marnburg, 2000; Pater and van Gils, 2003).

Relevant definitions of responsibility have been narrow: "issues of corporate responsibility are of smaller scope than the ethical foundations of capitalism" (Goodpaster, 1983, p. 3). Ethical questions are restricted to external corporate effects such as the means of production, in which relevant questions are held to arise in places such as stockholder and consumer protection and occupational health and safety. Exemplary behaviour is encoded in governance guidelines emanating from such as stock exchanges. The CSR-related research that we address flags moral justification with one hand as it defers to the mechanics of capital on the other.

Four aspects describe conventional approaches.

1. One, corporate entities are assumed responsible only for their own (acquisitive) behaviour and not for capitalism itself. This assumption would explain why most CSR researchers leave undefined categories of obligation and forms that the social contract should take and rarely consider alternatives to neo-liberalism (Lehman, 1999).
2. Two, a related assumption is that self-regulation is a proper normative ideal for corporate entities (Gray, Owen and Maunders, 1988). Voluntary CSR reporting is assumed, without examination, to sufficiently acquit the firm of extra-legal responsibilities.
3. Three, economics is not identified as a matter of choice. Institutional and legal status qua, market forces and the legality of corporations to accumulate private property are reified as part of the "fundamental legitimacy of capitalism" (Goodpaster, 1983, p. 3), in accordance with its neo-liberal underpinnings (Lehman, 1999). Moral agency is received with as little critical reflection.
4. Finally, inherent contradictions between the pursuit of economic growth and goals of ecological maintenance and social justice are considered, if at all, as trivial. In their own reviews of the business ethics literature, Bowie and Dunfee (2002) and Shaw (1996) and Solomon (1993) note that the CSR-related management-focused research (the subject of this essay) tends to avoid reflecting on conflicts between ethical and profit motives.

We note that standard expositions overlook three differences between privately held and corporate social responsibilities.

One, contracting relationships do not automatically exhibit the characteristics of moral agency possible in non-contracting relations. In business, one party represents a cost to the other, which is not the case in intersubjectively shifting relations such as those between friends and family (Attfield, 2000; Noreen, 1988).

Two, legal limited liability protects managers and corporations from the moral implications of a corporation's actions/non-actions (Graham, 2001). Individuals seeking protection from consequences arising out of their capacities as individuals can only seek partial insurance and with no guarantee of success.

Three, corporate managers and directors need only be concerned with circumstances impacting on the execution of business plans. In contrast, economic incentives and moral concerns are co-extensive in the professional business manager, even if the former often outweighs the latter (O'Dwyer, 2003).

The remainder of this Section divides into two. Section 2.1 outlines the received normative arguments for and against CSR initiatives at the level of the firm. Section 2.2 appraises the epistemological limitations of stakeholder management as a continuing paradigm for CSR research.

2.1 Pro and con CSR practice

Arguments for CSR

Normative arguments acknowledging a need for CSR are based on ethical or instrumental rationales, while those against are based on institutional function or property rights perspectives (Jones, 1996). Ethical rationales are derived from religious principles, philosophical frameworks or prevailing social norms. Ethicists argue that firms are compelled to behave in a socially responsible manner because it is the morally correct thing to do. In its extreme, ethics-based advocates of CSR would support such behaviour even in instances in which it involves an unproductive resource expenditure for the firm.

The more commonly invoked instrumental arguments in favour of social responsibility are based on a rational calculation that CSR actions will benefit the individual firm over time. Such arguments rely on organizational legitimation. By appearing responsible, a firm can proactively anticipate and avoid government regulations, exploit opportunities arising from increasing levels of cultural, environmental and sexual awareness, differentiate its products from those of less proactive competitors, and continue to privilege economic pursuits.

In effect, the market orientation of CSR guarantees that widespread changes to corporate practices will not appear. Although the instrumental argument might allow the CSR concept to be promoted, it is underpinned by the legal obligation of a firm to maximise economic benefits accruing to its owners. Business managers are likely to entertain the involvement of a promotional NGO in corporate policy only if they can expect some type of economic benefit. Opportunity for super-normal profit fades to the extent that other firms practise CSR. Accordingly, the instrumental argument dictates that firms 'protect' their CSR initiatives.

The perspective is illustrated by T. Jones (1995, p. 422): "[B]ehavior that is trusting, trustworthy, and cooperative, not opportunistic, will give the firm a competitive advantage. In the process it may help explain why certain "irrational" or altruistic behaviours turn out to be productive and why firms that engage in these behaviours survive and often thrive."

Contra arguments to CSR

The case against social responsibility is based on concepts of institutional function and property rights.

The institutional function argument asserts that non-corporate institutions such as governments, labour unions, civic and religious organizations are the proper vehicles to perform the types of functions required by social responsibility; that business managers have neither the skills nor the time to implement public policy; and that an empowered business sector would not be accountable for its actions, unlike governmental bodies held accountable through electoral mechanisms. Allowing or encouraging business to expand its institutional role according to

the tenets of social responsibility is dangerous in that it allocates tremendous authority without accountability (Levitt, 1958).

The property rights argument against social responsibility has its roots in neoclassical capitalism and continues to be influential due to its simplicity and resonance with the views of many in the business community, particularly those in financial services. By financial services we refer to public banking institutions, pension funds, insurance corporations, stock exchanges, brokerage corporations, managed investment corporations, investment trusts, personal investment planners, advisers and brokers. The property rights perspective maintains that management has no right to do anything other than act in ways which increase stockholder value (Benston, 1982; Friedman, 1970). To do otherwise constitutes a violation of management's legal, moral and fiduciary responsibilities.

Although the property rights perspective has gained a deal of notoriety, its continuing salience was readily observable in the wave of leveraged buyouts in the corporate sector during the 1960s and 1980s (and on current indications, the 2000s). The rationale for these transactions was (is) the primacy of stockholder rights over those of auxiliary stakeholders and management's corresponding duty to maximise economic performance.

2.2 Stakeholder management

Freeman functionally defines an organizational stakeholder (1984, p. 46) as "any group or individual who can affect or is affected by the achievement of the [relevant] organization's objectives". The managerial CSR-related literature, which places the organization's 'interests' squarely in the centre, defines stakeholder groups not by consensus on what might constitute an organizational stakeholder, but by frequency of mention. An organizational stakeholder can be classified on proximity or on influence.

Groups external to the operations of organizations include retail and institutional stockholders, asset analysts, business media, public regulatory agencies, non-governmental organizations, business schools and urban/non-urban environments. Groups closer to organizations include suppliers, customers, employees and communities (or societies) local to the operations of organizations.

Dominant stakeholders describe groups with direct and well-established legal claims on organizational resources. Auxiliary stakeholders ('diffuse': Antonacopoulou and Méric, 2005) refer to those parties whose claims on organizational resources are less well-established in law or custom (Clarkson, 1991). Stockholders are conventionally considered functionally separate from other stakeholders as stockholders' legal claims on the firm (and relative control on allocative capacity) are prioritised over those of others. Most analyses draw a simplistic mutual exclusion between stockholders and other claimants on the firm. The complexities that would be introduced by, for example, stock options granted to executive management are rarely considered.

The technique of stakeholder analysis involves identifying relevant stakeholders in a specific situation. Their relevance depends on the relative force of their claims and the familiarity of the organization with stakeholders' expectations and information requirements (Dawkins, 2005). The 'hub and spoke' conceptualization of organizational stakeholders justifies prioritising stakeholders' concerns according to their influence on the status of the organization. The organization is not portrayed, for example, as a stakeholder itself with 'social interests' at the centre of the relevant situation.

Stakeholder management might be distinguished from stakeholder analysis by a normative (reifying) interest to introduce the interests and anticipated reactions of relevant stakeholders into decision-making processes of the organization at the centre of the situation (Freeman, 1991). Stakeholder management, not necessarily associated with a particular normative position, can be useful for firms following ethically or instrumentally based notions of CSR as much as for firms simply acting within legal and ethical constraints germane to their business system (Jones and Fleming, 2003).

This aspect of stakeholder management would justify its location within the domain of strategic management. Its most integrative doctrine directs management to pursue outcomes that optimise ('balance': Lépineux, 2005) the results for all stakeholders rather than maximise the results for the stockholder group. Thus, management's role assumes aspects of public policy-making in addition to economic analysis. Policy and operational decisions are made through a process of political negotiation among dominant stakeholders.

Our criticism of stakeholder management rests on its imprecise relegation of civil society as a distant stakeholder, implicitly promoting the infiltration of business into the political state. As the purportedly ideal mechanism for identifying the spectrum of corporate responsibilities, stakeholder management is remarkably limited. The technique, having regard to its superficial regard for social or ecological welfare, would appear somewhat brutal in a 'caring organization', the mantra of responsibility reporting (Calton and Kurland, 1996, p. 164).

Rather than ensure that a society's members are fairly represented and that social resources are fairly distributed, stakeholder management guarantees that smaller voices (such as minor stockholders, marginalised communities in cities in which firms might operate, and oppressed communities in non-urban areas where they do not) are reduced to irrelevancies. Turning to environmental considerations, the import of ecological systems is assessed from the perspective of threats to the firm (Gray and Milne, 2004) rather than from what we would see as the more obvious perspective of the firm's threat to ecological systems.

3. Determinants of corporate responsibility practice

Influences on CSR practice tend to overlap or interact in quite complex ways; e.g., when investment firms spend media dollars to educate potential financial consumers as to the advantages of social investment funds. Yet, they are analytically distinct in terms of their internal logics and immediate empirical referents. We proceed by identifying six sets of influences that might promote social responsibility actions within the firm: internal pressures on business managers, pressures from business competitors, investors and consumers, and regulatory pressures coming from governments and non-governmental organizations.

We address each sequentially with respect to:

(i) its internal logic (the conceptual arguments for and against it);

(ii) its empirical salience in terms of the latest relevant research, and

(iii) our considered opinion regarding its prospects to be a significant factor in promoting outcomes consistent with social welfare.

The justification for depicting these forces and not others is threefold: their close relation to the capital accumulation process generates the externalization dynamic; the nature of consumer identity in capitalist social formations impacts whether 'enlightened consumption' can be a substantial force promoting

CSR; and the direct access to firms demanded and sought by the state and popular mobilizations.

Other voices would include the media, 'ecosystem' consultants, business schools and the general public. For the sake of cogency, we note their potential influence and point to the work of others (Freeman and Gilbert, 1992; Neimark, 1995).

3.1 Internal pressures for CSR

Instrumental arguments for CSR centre on market efficiency and risk management. By adopting a set of practices whose expected initial benefits are directed away from stockholders (while, at the same time, following those that are) the firm is arguably positioned to take advantages of previously unforeseen business opportunities, counter the risk of losing presence in existing markets and establish a presence in emerging ones.

Such arguments ignore that managers are not provided compelling incentive to do so (Jones, 1996). Assuming (bounded) economic rationality, a firm can only be expected to undertake and sustain so-called social responsibility activities and initiatives under certain conditions. If the governance structure of a European-American firm (or that of another firm seeking exposure to developed markets) is functioning properly with respect to prioritising the interests of stockholders/owners, then management should pursue only those strategies/projects designed to enhance or protect the firm's position across its relevant markets (Jensen and Meckling, 1976; McWilliams and Siegal, 2001).

A problematic aspect of firm- or competitive-driven CSR concerns the wide variety of definitions and orientations. Definitions are declarative and based on experience, convenience and observed practice. Priorities of firms vary with respect to determining which stakeholders benefit and to what extent. For example, the Body Shop's CSR activities famously focus on promoting human rights and environmental sustainability of its wholesalers, while those of Starbucks more narrowly target employee welfare. A firm can be responsive towards one stakeholder group and simultaneously exploitative of another, making somewhat of a mockery of the ethical lineage of the CSR concept.

Unhelpfully, the bulk of the corporate responsibility research has left unquestioned the definitions of responsibility and sustainability adopted by an organization based on the appropriation of surplus value, cost minimization (and thus the maximum generation of negative economic externalities) and the production of unnecessary products and services. By overlooking the basic dynamic of business, such research encourages its reader base to engage in responsibility actions that do not alter the relation of Business first, Society second.

In sum, CSR momentum operationalised within the firm, sector, or even the nation-state is unlikely to promote more than superficiality of expression. Structural and legal environments admit only instrumental forms of CSR. Unless and until managers' remuneration packages to force them to recognise negative economic externalities generated by their firms, accounting models will not be modified to take into account such 'environmental' and 'social' costs.

Fundamentally, while some CSR initiatives might generate positive or mitigating effects on externalities, they cannot fundamentally alter the externalising engine that powers every business firm and is the primary source of capitalist pathologies.

We consider two main pre-requisites to the effective deployment of any CSR strategy.

1. Senior management must have an awareness of the content and potential instrumental value of CSR. Operating in accordance with instrumental principles would sanction any motivations leading to CSR actions. Porter and van der Linde (2000, p. 131) consider CSR as a competitive driver that requires appropriate resources. However, for business managers, business is first. Social considerations come second and providing only that such considerations would not open an exploitable weakness (Bansal and Roth, 2000).

The paradigm simply prevents widespread improvements consistent with social welfare. Problematics here include the intersection of CSR with managers' personal values attached to remuneration packages based solely on economic performance; the need to estimate the net economic impact of a proposed CSR strategy even in the absence of clear and transparent metrics, and the resources, capabilities and leadership to fund and administer CSR strategies (Adams, 2002; Jones, 1996).

Moreover, CSR practice is shaped by legal frameworks mandating that corporations focus on economic performance and managers' remuneration being tied to that performance. The separation of CSR from core business operations has been commented in wide contexts (see, Adams, 2002; Dick-Forde, 2005; O'Dwyer, 2003). Despite the widespread promotion of the 'business case' for CSR, the line of research linking CSR disclosures to practice has produced inconsistent results, and it cannot be said that the choice and amount of disclosure reflects the extent of performance (Herremans, Akathaporn and McInnes, 1993; King and Lenox, 2003). Business managers are faced with the performative equation of maximising the gap between revenues and relevant costs. Managers might give CSR more attention if they could expect CSR actions to help maximise that gap.

2. Firms may be compelled to react to the first-mover CSR strategies of their competitors where they believe that failing to do so would disadvantage them vis à vis market positioning. Strong isomorphic effects are observable across industry and strategic group levels where a particular first-mover's CSR efforts gain wide positive publicity among dominant stakeholders (Bansal and Roth, 2000). In these cases, even where the CSR strategy has not been proven a 'winner' (in terms of net payback), other firms will imitate it because they perceive the costs of not doing so are prohibitive. An entire industry sector can thus behaviourally migrate to the position where it adopts non-rational responsibilities that transfer wealth to non-vested stakeholders. For example, in Australia during the 1970s, most employers in the waste collection industry held generous family leave provisions significantly in excess of statutory mandates and irrespective of labour market conditions (Brooks, 2005).

3.2 External pressures from investors and consumers

Practitioners use various terms to describe managed investment products offering portfolios screened against social considerations. We use the term social mutual fund to denote a unit trust that markets its use of self-selected social and environmental policies in portfolio construction. At first blush, the concept of social investment widens the customary conception of stockholder value by expressing retail investors' ethical values in terms of arguments advanced by the deep ecology movement (Gray, 1992).

In practice, social mutual funds use the instrumental argument as a marketing tool. The line is that by incorporating all externalities and pricing goods and services accordingly, invested corporations will benefit by positioning themselves to take advantage of market opportunities and avoid imposts from the

state. Such benefits are expected to flow through to the investor in the form of increased capital gains and strong dividend policies (Statman, 2000): a win-win-win result for investors, invested corporations and stakeholder groups.

While belief in the potency of this argument appears in such as Bruyn (1987) and Cowton (2004), the evidence at hand suggests that most institutional investors do not exert direct or indirect pressure on invested corporations to practise CSR. Some large pension funds and their agents - the California Public Employees' Retirement System, TIAA-CREF, Innovest and Hermes are examples - have on occasion exercised or threatened to exercise proxy voting rights to force management to discontinue or adopt certain actions (see, Aguilera et. al, 2006; Becht and Roell, 1999; Carleton et. al, 1998; Claessens et. al, 2002). Such practices, while not trite, are isolated.

To judge from investment mandates, most institutional investors are yet to be convinced that social responsibility is an instrumental argument for wealth generation. (In this context, it is unsurprising that social mutual funds accept unaudited corporate self-reports as evidence of practised CSR (Haigh, 2006; Mays Report, 2003). Moreover, mutual and pension funds claiming social mandates have accounted for a very small proportion of funds under management (no more than four-tenths of one percent [0.4%]) (Haigh and Hazelton, 2004). Small market shares limit the abilities of social funds to directly exert pressure on share prices or to gain access to executive managers (and so influence corporate behaviour).

The second part of this line of argument contends that social funds will outperform managed investments that do not explicitly take into account social considerations. Studies neither confirm nor disconfirm systematic differences between social and mainstream investment products. More recent performance studies of social funds in various national contexts include Ali and Gold (2002), Bauer et al. (forthcoming, 2003, 2006), Cummings (2000), DiBartolomeo and Kurtz (1999), King and Lenox (2001), Kreander (2001), Kreander, Gray, Power and Sinclair (2002), Kurtz (2002) and Statman (2000). A summary of performance studies of managed social investment products is available from the authors.

Any other expectation, as it did Gray, Owen and Maunders (1988), strikes us as ludicrous. Most social fund portfolios are modeled on mainstream stock market indexes or tailored variants. The longest-established socially tailored market indexes are Domini (North America), FTSE4Good (UK) and the Dow Jones Sustainability Group Indexes (based in Zurich). Obviously, social mutual funds are constrained by pressures to maintain economically competitive portfolios. To survive, institutional investors must sustain a focus on continuously maximising economic performance earned on investments in large corporations.

Studies of retail investors find mixed levels of commitment. Milne and Chan (1999) used an experiment to measure the positive impact of corporate social disclosures on subjects' purchasing decisions, finding limited support. The survey studies of Haigh (2007) and Mackenzie and Lewis (1999) note that social investors had invested most of their discretionary investable wealth in mainstream investment products. Studies of institutional investor demand for CSR reports present mixed and inconclusive results (Freedman and Stagliano, 1991; Patten, 1990; Freedman and Jaggi, 1988; Shane and Spicer, 1983).

Ultimately, the contention that social funds might produce CSR-type outcomes across industrial sectors is questionable. The outperformance argument relies on a social fund distinguishing itself in the pack. Most mainstream financial institutions have offered social investment products for a number of years; as such, managers of social funds compete for market share and view investment criteria as providing a competitive advantage, much as might any fund manager. Manufacturing differences between portfolio screens negate the potential that social funds might exert collective pressure on invested corporations and produce observable outcomes in industrial sectors.

From a perspective of market share, the influence that publicly mandated social funds might exert over the operations of industrial sectors would be negligible (Haigh and Hazelton, 2004). Such a conundrum is closed to solution: CSR only becomes operationalisable within financial services if presenting itself as an instrumental argument. In sum, research and practice suggests that corporations with stock held by social funds are more likely to ignore than to heed calls for social responsibility actions.

A stream of consumer studies from the 1970s has focused on demand characteristics of consumers of products and services to which are attached green characteristics: 'natural' cosmetics, recycled paper, eco-vacations and such like (Crane, 2001; Davis, 1994; Drumwright, 1994; Fisk, 1973; Kinnear, Taylor and Ahmed, 1974; Marks and Mayo, 1991; Shrum, McCarty and Lowrey, 1995). Prothero (1990) considers eco-consumerism as a strategy to capture new markets. Smith (1990, p. 88) argues for the place of ethical purchase behaviour alongside legislation, market forces and individual moral obligation.

Conceptually, consumers are held to promote CSR practice through their purchase decisions in product-markets. If consumers are consistently willing to pay some form of premium for CSR-affiliated products (or brands or reputations), producing firms will gain competitive advantage, thus forcing non-CSR firms to migrate to similar positions. This is an extension of the basic concept of consumer sovereignty, which has been applied elsewhere in modeling citizenry behaviour in political 'markets' (cf., Jones, 1993).

The conceptual argument that eco-consumerism can promote social welfare is flawed in three respects.

1. One, the practice of purchasing consumer goods and services to pursue social and environmental goals necessarily accepts the assumptions of neoclassical economics (Smith, 1990, p. 185). The inability of that model to address allocative equity within and without economic markets is evident.
2. Treating social and environmental questions as ancillary to the purchasing act valorises consumption and reifies the legitimating myth of consumer sovereignty, when an informed assessment of retail industries would show that consumers have very little say over what they buy and even less over means of production. Dugger describes processes by which monetarist economic policies in the late 20th century, and corporate mergers that took advantage of such policies, created rather than responded to markets. Such behaviour suggests that corporations do not adjust operations to meet the demands of consumers (Dugger, 1989, p. xi).
3. The proposition of capitalist pathologies being addressed by the pathogen, as it were, is problematic. As Heilbroner (1985) notes, capitalism is not only about producing goods and services, but also about producing people, in the sense of certain and particular forms of dominant consciousness. The contemporary individual may be inconsistent, alienated, and so forth, but he or she still contributes to the reproduction of capitalist institutional structures and social relations through obligatory acts of consumption and labor.

We observe problematic empirical relationships between firms' CSR behaviour, consumers' perceptions of that behaviour, and consumers' purchasing behaviour. A recent study by

Bhattacharya and Sankar (2004) found that despite indications that eight in ten Fortune 500 corporations address CSR issues and that eight in ten survey respondents stated they considered CSR when making purchasing decisions, robust linkages between corporate CSR initiatives and actual consumer purchasing patterns did not appear. Most subjects in the study were unaware of claimed corporate CSR activity and those that were aware were unwilling to pay premium prices for CSR-embedded goods.

To sum up this discussion on investors and consumers, the notion that a moneyed echelon treating itself to ethical luxury will somehow serve to alter basic capitalist dynamics seems absurd. The literature on consumer boycotts does little to contest our perception (John and Klein, 2003; Tyran and Engelmann, 2005). From the perspective of encouraging corporations to practise CSR, both eco-products and social investment products offer little promise of radical change except to act as a palliative to individuals' consciences (see, Haigh, 2007). We do not believe consumers can be counted on to promote CSR outcomes. Indeterminate associations between consumers' perceptions, attitudes, values and behaviours would bar CSR from the cost/benefit deliberations of most manufacturing firms. As firms' overall competitive approaches and differentiation strategies increasingly integrate CSR initiatives, the quality of information transmitted to consumers becomes captured by the marketing function, leading to confusion, cynicism and exit choices (Biddle, 2000) - the adverse selection of neoclassical agency theory (Kulkarni, 2000). Such perceptions, if held, might account for relatively muted consumer demand for such products and services (Mason and Bequette, 1998; Schwartz, 2003).

3.3 Regulatory pressure

Jurisdictions are yet to require substantive legislation requiring sustainability reporting of all large organizations (Gray and Milne, 2002) and a benchmark of government responsiveness to CSR has not emerged. Governments have tended to tax externalities since the 1970s by using shifting mixes of tradeable permits, direct regulations and corrective market mechanisms such as emission standards (Abelson, 2002, p. 155).

In the United States, the Toxics Release Inventory and other environmental legislation is administered through the Environmental Protection Agency and supplemented through a much decentralised state-by-state process. Several European Union governments have introduced legislation to make environmental reporting mandatory for corporations. Since 1995, the Netherlands has offered personal income taxation exemptions to retail purchasers of debentures in a reportedly successful attempt (in terms of fund-inflows) to stimulate environmentally sensitive energy, agriculture and technology projects. The proviso of the concession is that proceeds of debentures are used to fund projects certified by the government environmental agency (Richardson, 2002).

Other governmental environmental initiatives emanate at the EU level.

- The Restriction of Hazardous Substances (ROHS) legislation has applied throughout the EU from July 2006, banning products containing any more than trace amounts of dangerous substances such as lead or mercury.
- The Waste Electrical and Electronic Equipment Act commenced in the EU zone in 2004, mandating that electronics manufacturers accept and recycle used electrical products.
- The Registration, Evaluation, Authorization and Restriction of Chemicals directive requires that EU-registered firms register chemicals used in manufacturing processes. The EU rules are generating global repercussions as component suppliers must ensure compliance if their parts end up in products sold in Europe. China's Ministry of Information Industry, for example, has announced that it is basing its rules on ROHS.

Lehman argues that critical evaluation of the state is necessary if reformist research agendas are to "tackle the entrenched interests of corporate power and prestige" (1999, p. 236). Popular books claim weaknesses in government policies and reluctance of governments to be branded as anti-free trade, as prominent CSR researchers consider regulation as a natural adjunct to improving the social performance of business, contingent only on the correct design of market incentives (see a description in Porter and van der Linde, 2000, p. 156).

It is unlikely that governmental regulatory pressures can be counted upon to promote CSR outcomes at the industry and firm levels, for four basic reasons.

1. A fundamental problematic relates to the costs of ensuring compliance, which may prove prohibitive either for large firms employing high levels of outsourcing, such as Dell, or with respect to new layers of governmental inspectors, adding to what many observers already perceive as a bloated EU central bureaucracy. Imposing regulatory compliance costs on the business sector increases firms' non-productive overheads and negatively impacts competitiveness in international markets wherever such regulations are not in force.
2. Lobbying activities of business groups and the reluctance of business to recognise the costs of generated externalities leads to superficial treatments of environmental reporting legislation, both by regulators and the regulated. To illustrate, the Australian and British governments require investment managers to disclose environmental and social considerations used in consumer investment products. In both jurisdictional areas, reporters have been permitted to define the scope, terms and content of relevant disclosures. Studies have noted minimal information disclosures (Berger, 2004; Coles and Green, 2003; Friends of the Earth, 2001; Just Pensions, 2004, 2002; Mathieu, 2000).
3. The hegemony of economic rationality (Gorz, 1987) and its colonization of non-corporate institutions (Deetz, 1991) means that capital has already won the discursive battle, although not necessarily through the Trojan horse of CSR itself. The extent to which governments have adopted national economic competitiveness as their raison d'être has led to capital and the state becoming almost indistinguishable from each other with respect to public policymaking: e.g., environmental taxation (Chomsky, 1999).
4. Finally, to impose more aggressive environmental and social regulations on business would require that states enjoy a significant degree of autonomy from corporate and finance capital. In recent decades, globalization has empowered capital as the level of institutional pluralism has decreased. Individual states are currently much more dependent on capital than is capital on any individual state. Bourdieu (2001, p. 14) notes that states promote market hegemony by endorsing the very policies that tend to consign them to the sidelines. To expect that the "left hand of the state" (Bourdieu, 2001, p. 34) would price itself out of markets through application of aggressive regulations attacking negative externalities is unrealistic.

3.4 Pressures from popular mobilizations

Organizations formed from popular mobilizations, hereafter referred to as promotional NGOs, coalesce in various formal

and informal alliances with other organizations located in institutional capital. Our categorization of NGOs follows Smith's (1990, p. 108) distinctions between sectional, promotional and anchored pressure groups. Sectionals protect the interests of a particular component of social systems; promotionals seek to address what they consider as pressing ecological or humanitarian problems; anchoreds present as promotionals but are grounded in sectionals.

Ethicists posit promotional NGOs as the natural facilitators of CSR based on their minority membership of corporations (Guay, Doh and Sinclair, 2004). Promotionals are known to purchase stock in corporations so as to call special meetings to put voting resolutions on single issues, or to attend general meetings to vote on matters such as those affecting board composition. As examples:

- The Australian Wilderness Society placed shareholder resolutions at the annual general meetings in 2002 of two national Australian banks. The resolutions were drafted as a response to the banks' holdings in a corporation engaged in old-growth forestry operations and sought to change the banks' articles of association so as to prohibit those specific investments.
- In the 1990s, Greenpeace New Zealand mounted a minority resolution in a forestry corporation, seeking to change the environmental effects of the said corporation's wood-chipping processes. More often, shareholder activists threaten a special meeting to gain access to management (Whincop, 2003).

Promotional and anchored NGOs have also sought occasional collaborations with public corporations and institutional investors. As examples, the Interfaith Center on Corporate Responsibility, constituted by churches and investment managers, organizes and documents stockholder resolutions to be put to US corporations, while the US Friends of the Earth targets many of its publications and activities at mutual funds.

The Global Reporting Initiative illustrates institutional capture of promotional NGOs. The GRI was formed in Boston in 1997 after the Coalition for Environmentally Responsible Economies secured a financial grant from the United Nations Foundation and is designated as a UN Environment Program Collaborating Center. The GRI issued its Sustainability Reporting Guidelines in 2002, followed by a second edition, known as G2, in 2004, and G3 in 2006. G2 lists hundreds of measures that signatories can choose. Purportedly, all are derived from a 'triple bottom line' approach: the management doctrine that presents accounting profits by reference to impacts on employees and urban/non-urban environments.

The conflation of sustainability reporting and triple bottom line reporting in the GRI is noted by Gray and Milne (2002). Sustainability reporting, centred on a resource base rather than on the firm, attempts to account for the fairness of resources generated to produce accounting profits by reference to cumulative social and environmental change. The challenge that sustainability reports put to business, managers and regulators possibly explains their scarcity. In contrast, triple bottom line reporting refers to attempts to account for an organization's economic, social and environmental performance over a short period of time.

It is not our intention to address the dubious contribution a triple bottom line report might make to environmental and social welfare (see, Brown, Dillard and Marshall, 2005; Gray and Milne, 2004). However, it is worth noting that the industrial sectors represented by GRI reporters point to legitimating and reputational benefits.

363 of the total of 429 GRI signatories, or 84 percent (December 2004), were in politically visible industrial sectors: retail products, financial services, health care, telecommunications, construction, mining and energy. The tobacco manufacturing industry was particularly prominent, with 17 subsidiary companies of the British American Tobacco Group counted as GRI reporters. Corporations engaged in politically sensitive operations are noted as quick to report their status as GRI reporters (Moermann and van der Laan, forthcoming,a). Legitimation as a motivating factor in CSR disclosures is not new (Gelb and Strawser, 2001; Wilmshurst and Frost, 2000; Neu, Warsame and Pedwell, 1998; Guthrie and Parker, 1989).

In a sense that the motivations of promotional NGOs are replaced with those originating in the business sector (see, Dugger, 1989, p. 144), large corporate signatories to G2/G3 potentially contaminate GRI memberships of less dominant signatories. The GRI markets its reports as bringing an increased financial bottom line and providing avenues for new markets (see, www.globalreporting.org). Against this line of argument, small promotional NGOs would struggle for their agendas to be recognised in other than an economic discourse. In terms of achieving outcomes consistent with social responsibility, promotional NGOs concern themselves only with reforms likely to be accepted by business; that is, with those that can be expressed through the discourse of governance guidelines emanating from vested interests (examples in ASFA, 2003; IFSA, 2003), not with those that would question the role of business in directing social progress towards its own ends (see, Daly, 1996; Hajer, 1997, p. 34).

4. Fresh imagings of the responsibility discourse

We have argued that potential influences on the firm for integrative CSR practice have been and are likely to continue to be ignored. To summarize:

- Legally backed economic pressures, perceived threats from competitors and perceived expectations of institutional investors restrict managerial responsibilities to a demonstration that known business opportunities have been exploited at the limit of regulatory compliance.
- Regulated social disclosures have been shown as having little effect on the operating methods of institutional investors and industrial corporations (UvA, 2005), despite changes in the content of social reports and types of reporters (Kolk, 2005).
- The privileging of the owner stakeholder group in Western jurisdictions affords corporations impunity over many economic externalities, a vital requirement for the continued success of capitalism. Considered along with private donations to states and complexities introduced by state-private sector commercial activity, non-onerous corporate legislation can be expected to continue.
- The most visible promotion of corporate social reporting practices involving the third sector to date, the Global Reporting Initiative, presents as a litany of co-optation and legitimation.

The bulk of the CSR-related management literature suggests a limited future for current conceptualizations of CSR. Initiatives leave historical organizational structures intact, are designed without stakeholder consultation and are unlikely to lead to observable industry-wide outcomes. Organizational diffusion of sustainability is blocked by practitioner reluctance to move away from stockholder primacy and the same of researchers to challenge the social performance of their subjects.

As the world faces social catastrophe from armed conflicts, widespread poverty and ecological degradation traceable to the unchecked pursuit of economic markets (Dowbor, 1997, p. viii;

Millennium Ecosystem Assessment, 2005; Moermann and van der Laan, forthcoming,b), CSR research is paralysed, unable to offer solutions. The conflict between sustainability (aiming to minimise ecological footprints) and the growth of capitalist organizations is obvious to any informed researcher (Banerjee, 2003; Gray and Milne, 2002).

Paradoxically, the timidity of the studies we address is co-extensive with an avowed aim of CSR researchers to engage with practice. Caught in a rudderless Sargossian drift, this ostensibly critical line of research is taken up with atomistic analyses of corporate governance guidelines, immediate stakeholder relationships, descriptions of social problems in the language of finance and compendiums of social disclosures.

Acquiring "the quiet force of the taken-for-granted" (Bourdieu, 2001, p. 80), the perspective uncritically defaults to an organization-centred perspective. The perspective provides neither a theoretical rudder nor a catalyst for the normative foundations of social change, and precludes inquiry into the dynamics of stakeholder relations (Berman, Wicks, Kotha, and Jones, 1999; Ullman, 1985).

It is not as if ethicists are unaware of the deficiencies; the inadequacies of the literature reflect "the conceptual apparatus [stakeholder management] … pushed beyond its limits" (Freeman and Gilbert, 1992, p. 12). Liberal democracies and 'free' capitalist enterprise rely for their continuing legitimation on the advocacy of Adam Smith in The Theory of Moral Sentiments (1969, p. 264); namely, that unceasing capital accumulation, consumption and market expansion will provide for the welfare of market participants. Business ethicists ignoring the social effects of capitalism and the moral injunctions that contextualised Smith's work (Jones, 1993) are prevented from "rethinking the social agents capable of bringing about transformation [in the] dynamics of social reproduction" (Dowbor, 1997, p. x).

The resuscitation of CSR's epistemic origins in a radical agenda (Tinker, Lehman and Neimark, 1991) will require fresh imaginings commensurate with a program for social change. If ostensibly socially progressive researchers are to progress the corpus of their research, fundamental antagonisms such as the primacy of economic interests, that social responsibility actions have come to mean only that which can be expressed in market discourse, and the going concern assumption of business, all need to be questioned.

Apprehending constructions that allow social responsibility as an option would be to the point and reflecting on the social inequities produced by market-based economies would be a first step. Researchers and practitioners rarely admit that trade-offs might be necessary if business is to comprehensively address social needs (Livesey, 2002; Milne, Tregidga and Walton, 2003). The arrogance of the assumption that the corporate structure is appropriate for producing conditions of social welfare receives as little attention. Priorities of capital accumulation are exercised through economic systems privileging benefits to stockholders, corporate limited liability and tying managers' remuneration to financial performance targets. Against such questions (remaining for the most part unasked) it cannot be the case that all management discourses deserve being "made sense of and given meaning to" (cf. Freeman and Gilbert, 1992, p. 16).

This is not to say that calls for radical change have not been made. We point out that such calls are rarely heard in the business ethics research appearing in management sciences. Much is taken up with descriptions of social reports and compliance with environmental regulations (see, Guthrie and Parker, 1989; Gray, Kouhy and Lavers, 1995; Gray, Owen and Maunders, 1988; Harte, Lewis and Owen, 1991). A criticism leveled at this body of work is that the provision of information to stakeholders has not in itself yielded insights into the actual relationship of business to urban/non-urban environments (Lehman, 1999).

Moreover, the technical mantra most commonly heard in management journals (and promoted by consulting companies) is that a globalising corporation mitigates its political and reputational risks by adopting CSR actions. Rarely is CSR analysed in terms of strategic risks that might arise following shifts in the bargaining powers of a corporation's stakeholders.

More reflective studies from the accounting literature include Everett and Neu (2000), noting that the research on environmental regulation ignores the effects of regulation on environmental management; they respond by reflexively engaging with Enlightenment research conducted in a manifestly exploitative world. Birkin, Edwards and Woodward (2005) consider possibilities for received notions (such as maximal stockholder value) to evolve to an integrative awareness of sustainability issues. Milne, Kearins and Walton (2004) show how reporters appropriate the language of sustainability to avoid addressing the possibility that radical change to operations (cessation) may be required. Hanlon and Harney (2005) identify the processes by which the discourse of responsibility infiltrates social life.

In organization studies, epistemological criticisms raised by Shrivastava (1994) with respect to responsibility-related research have been met by theorising which moves away from privileging an organization-centred management-serving epistemology. Departing from the deference conventional approaches to CSR show toward corporate interests, Daly (1996) calls for systems thinking on sustainable economic development as a tenable approach to reconfiguring the capitalist apparatus.

Kornberger, Carter and Clegg (2004) address the possibilities of inter-organizational relationships in corporate hierarchies. Crowther, Cooper and Carter (2004) adopt a post-structuralist approach to critically evaluate the role of the state and the nature of state-business relationships. Perrow (1997) identifies corporate responsibility as a mechanism whose net effect, ironically or otherwise, is to position an organization to better exploit its environment. Newton (2005) and Prasad and Elmes (2005) provide isolated calls for radical change, both identifying ideological purposes explaining corporate responses to matters related to wider social responsibilities.

From philosophy, Graham (2001) directs attention to the moral status of the corporate organizational form, while Attfield (2000) considers the metaphysical credibility of an organizational risk position from which a corporation might justify (and so account for) the preservation of ecological-economic systems.

Such references are suggestive only. See Milne, Kearins and Walton (2004) for a list of references to critical studies in organization studies which address moral responsibilities. The point we make is that critical engagement with the dynamics of CSR practice is found on research fields other than business ethics. The works we have cited immediately above can be distinguished from much of the CSR-related management literature for recognising that extra-legal definitions of organizational responsibility are likely to carry strategic dislocations with unintended organizational consequences.

Praxis in research

If scholars are also to participate meaningfully in processes of social change, appropriately radical approaches need to be adopted. Tinker (2005) reminds that the call to critical research is a progressive one, requiring passion and commitment

if theory and practice are to condition and inform each other. The observation that "analysis that begins from unreflective beginnings is likely to lead to voluntaristic proposals for reform while failing to detail the exact political steps needed to enact change" (Tinker, 2005, p. 110) resonates in the CSR-related literature we address.

The effectiveness of much of the CSR-related work, at least in terms of contribution to practice, is weakened from inadequate and diffuse theoretical underpinnings. Consequently, underlying values appear incoherent and irrelevant, and even if well-intentioned, default to the economically instrumental argument, which by privileging the economic interests of the corporation, avoids mounting a challenge to socio-economic status qua.

Approaches need to be synthesised from organization studies, accounting and philosophy if the "present crises of capitalism" (namely, mass unemployment stemming from the generation of surplus value: Tinker and Carter, 2003, p. 578) are to be progressively addressed on political grounds. Certain perspectives developed by Foucault, Freire and Bourdieu justify the need to search for appropriately critical epistemologies for CSR research and provide suitable directions. These are considered in turn below and close the essay.

Foucauldian, Freirian and activist perspectives

A certain Foucauldian perspective on ethical development is relevant to analysing the prioritising processes of corporate managers. Forming part of his development of an ethics of care, Foucault draws from and develops two sources: one, Nietzsche's work on morality, which looked towards the origin of the 'free spirit' in ethics as practised by the rulers of ancient Greece; and two, Schopenhauer's work on moral empowerment of the individual agent.

The outcome for Foucault (2001) is to offer Socratic parrhesia (moral courage) as a critical device for studies of modernity. Socratic parrhesia refers to a type of relationship between the speaker and what he or she says, free of rhetorical form and carrying personal risk to the speaker (Foucault, 2001, p. 12). Socrates used parrhesia when daring to speak freely to his superiors "because what he says accords exactly with what he thinks, and what he thinks accords exactly with what he does" (Foucault, 2001, p. 101).

These behavioural aspects would contribute to a game of truth-telling in which business is encouraged to disclose the truth of claims that they recognise extra-legal responsibilities. The positioning of the researcher in a parrhesiastic stance, we contend, is apposite to the purposes of responsibility-related research: namely, to disseminate the adoption of CSR initiatives and act as agent for social and organizational change.

Many researchers/universities would risk losing consultancies/funding if challenging the commitments of their clients/benefactors to advancing social welfare, or if they were to measure and publish the (limited) influence their own studies had on promoting CSR practice. Yet, challenges and self-criticisms are needed if CSR research is to promote praxis (changes to the orthodoxies of business), even if carrying a risk of economic loss or professional isolation. Only if academe and business are willing to take on such risks will stakeholder management advance beyond the neo-liberal promise as reflected in the instrumental line of argument, as described above. To this end, progress is possible only if researchers are prepared to adopt a courageous position from which to contest corporate activity; in other words, if researchers justify, in terms of social and environmental welfare, the epistemological and ideological bases underlying their research.

(Note is made of the criticism of ahistoricism leveled at many Foucauldian studies. Also see Tinker (2005) for an objection to Foucault's implicit endorsement of the ethics of personhood and, by extension, of neo-liberalism.)

Calling for researchers to make a simultaneous "reflection and action upon the world in order to transform it" (1972, p. 28), Freire has challenged educationalists to question such as disintegrating human relations, unbridled consumerism, deference accorded to the pursuit of economic markets, ideological purposes of neo-liberalism and the appropriateness of accepted forms of social governance (Dowbor, 1997, p. vi). At some risk to their business models, business schools might consider the usefulness of introducing such questions into corporate responsibility curricula. Of course, Freire's ideas would challenge guarded management consultancies as much as narrowly focussed university business ethics courses. This intimacy of danger provides a compelling reason for academic researchers moonlighting as part-time consultants to argue for political change, rather than, as is now the case, making superficial examinations of isolated CSR actions.

Before any of this, however, CSR researchers need to complete three preliminary steps.

First, interconnections between corporate and non-corporate forms of organization need examination. The extent to which lobby groups curtail the force of the state as a potential agent for corporate change cannot be ignored (Tinker and Carter, 2003).

Second, researchers need to radicalise the dividing practice ("symbolic domination": Bourdieu, 2001, p. 20) of ranking Business first, Society second. The agendas of many CSR researchers, to judge from their published work, indicate a championing rather than a questioning of the corporate form of organization, and of its economic interests.

Third, CSR researchers must reconsider their own commitment to progressive research. Progress depends on mobilizing the "organizational means to encourage all competent researchers to unite their efforts with those of [...] responsible activists" (Bourdieu, 2001, p. 15). A personal risk to business scholars is that by being associated with the activism of groups such as Corpwatch or Christian Aid (as examples) scholars put themselves at risk of being professionally marginalised in their business schools.

Activism, however, takes many forms, some of which are more direct than others. The choice of research approach is demanded by its context. For the committed responsibility researcher, the co-opting forces of capitalism demand an unflinchingly critical epistemology. The courageousness of such a position is that by challenging structures that reward only those that participate in the market, scholars risk their own positions of privilege.

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Socially Responsible Investing in "High-Net-Worth" Asset Management Firms in Canada: An Exploratory Study

Andrea Robson
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Abstract

Socially responsible investing (SRI) is an increasingly well-known investment strategy. However, in most nations, SRI is not mainstream practice. This paper investigates perceptions of SRI amongst investment professionals from "high-net-worth" investment firms in Toronto, Canada. Existing corporate practices in relation to stock selection and client relations are documented, in order to assess how these practices might facilitate or prevent SRI. Views of SRI, and its current and potential future role in investment practice, were also explored. Results suggest that, while awareness of SRI has increased in recent years, it has not become accepted practice in high-net-worth investment firms. This lack of adoption stems from the perceived additional burden of researching the ethical (and not just financial) performance of companies, rather than any fundamental disagreement with the principles of SRI. In addition, interview participants pointed to low levels of client demand. Increased awareness of SRI among both professionals and clients was seen as the most effective way of increasing its adoption. The paper concludes by discussing the implications of this research for social responsible investing in Canada's high-net-worth investment firms as well as in the broader investment world.

Keywords

Socially responsible investing, ethical investing, investment practice, screening, corporate social responsibility.

Introduction

Socially responsible investing (SRI) is a method of investing that aims at being environmentally friendly and ethically and morally responsible, while at the same time generating wealth (Boutin-Dufresne and Savaria 2004; Basso and Funari 2003). There has been a great deal of controversy in the financial world around SRI since its introduction in the early 1990s. SRI invokes principles that have not been traditionally of importance to those who chose to invest. That is, most investing is done with wealth enhancement in mind, and so investors have not generally concerned themselves with the details of investments beyond their profitability. SRI, on the other hand, requires that investors concern themselves not only with financial return, but also with the social and environmental consequences of the investment decision.

While interest in SRI has grown considerably in recent years (Waring and Lewer 2004; Michelson et al 2004), SRI funds still appear as a mere footnote in today's financial world. If incorporated into the daily investment practices of professional financial analysts, SRI could become a central element of today's investment landscape. The purpose of this paper is not to explore whether such a change would in fact lead to meaningful beneficial social and environmental outcomes, as many would suggest. Rather, this paper investigates how SRI is currently incorporated into the daily practices of "high-net-worth" investment firms in Canada, and explores the facilitators and barriers that affect the use of SRI in this context. The paper therefore proposes to answer the following questions:

1. Is socially responsible investing a part of the investment strategy of "high-net-wealth" investment firms in Canada?
2. What are the barriers to, and possible facilitators of, socially responsible investing within these and similar firms?

In answering these questions, the paper hopes to add to the literature in two ways: first, by adding to our knowledge of this small but important sector of the investment community; and second, by identifying how the potential of socially responsible investing could be enhanced in ways that are consistent with existing practice within these (and other) firms.

The paper begins by briefly summarizing the existing literature in relation to SRI, in particular how this relates to the investment practices of financial analysts. The focus of this study on 'high-net-worth' asset management first is also described. Next, the methods used in this paper to investigate investment choices made by financial professionals in several "high-net-wealth" investment firms in Canada are elucidated. The data used in this investigation are then explored, followed by a discussion of the implications of the findings for socially responsible investing both within these firms and more generally.

Socially responsible investing and financial management

Socially Responsible Investing is a relatively new term. In the past, socially responsible investments were referred to as "ethical stocks" (Entine 2003). The purchase of "ethical stocks" was often based in religious beliefs, and investors supported funds endorsed by religious organizations (Domin 2001). SRI has since expanded to incorporate a wide variety of social and environmental concerns, including environmental protection, animal rights, and workforce diversity and relations (and often purposely excluding military involvement, the production of tobacco, and nuclear power – Entine 2003). It is believed by many that SRI helps direct capital to companies that generate economic growth while at the same time protecting the environment and promoting social welfare (e.g., Yach et al. 2001). To quote Boutin-Dufresne and Savaria (2004), SRI "reflects a broader philosophical movement committed to sustainable development and the advancement of human rights".

Four main approaches to ethical investment have been identified in the literature: screening, shareholder advocacy,

community investing, and the provision of social venture capital (Harrington 2003). In this paper, the focus is on the first method – screening – which involves the selection of investment opportunities in relation to the ethical performance of the companies being investigated. That is, stocks are selected for purchase (or not) based on their performance in relation to a number of ethical indicators, in addition to the usual performance assessment criteria (Thompson 2004; Basso and Funari 2003; Harrington 2003). In this way, investors both satisfy their own ethical requirements (i.e., by not investing in products or practices they find morally repugnant) and attempt to influence corporate behavior by rewarding companies that support their values.

In the last 10 years, Socially Responsible Investing has emerged in the financial world as an increasingly popular tool (Waring and Lewer 2004; Sparkes and Cowton 2004; Parris 2001). The amount of "socially responsible" investment being undertaken has increased considerably in recent years. In the United States, the Social Investment Forum (2003) reported that:

From 1995 to 2003… assets involved in social investing, through screening of retail and institutional funds, shareholder advocacy, and community investing, have grown 40 percent faster than all professionally managed investment assets in the U.S. Investment portfolios involved in SRI grew by more than 240 percent from 1995 to 2003, compared with the 174 percent growth of the overall universe of assets under professional management over the same time period.

A similar trend is also seen in Canada (Boutin-Dufresne and Savaria, 2004). SRI has also 'matured' in the sense that more people are beginning to believe that social responsibility should be incorporated into investment practice (Sparkes and Cowton 2004). Still, SRI accounts for only a small percentage of investing. In the United States – by far the global leader in this sector – only 11.3% of professionally managed funds were invested in SRI stocks in 2003 (Social Investment Forum 2003). In Canada, socially responsible investment assets represent 3.3 % of the institutional investment market and the retail mutual fund market (Social Investment Organization 2003). Thus, while the growth of the sector has been considerable, SRI has a long way to go before becoming truly "mainstream".

SRI is subject to a couple of criticisms that could be limiting its adoption. One critique is that the definition of "socially responsible" somewhat subjective; there is no universal standard for determining what is, or is not, a socially responsible investment, and criteria – and the ways in which criteria are applied – are quite varied (Entine 2003; Hayes, 2005). A second and perhaps more fundamental criticism of SRI is that it is inherently less profitable than traditional investing. That is, SRI is assumed to automatically lower the overall performance of a client's portfolio, and therefore the investor will lose money on SRI investments in comparison to conventional investments (Thompson 2004; Basso and Funari 2003; Tippet 2001; Johnsen, 2003). There is no reason to believe, then, that socially responsible investments are inherent underperformers. Indeed, recent analyses suggest that social responsible investments perform comparably to traditional investments (Bauer et al, 2006; Barnett and Salomon, 2006; Kreander et al, 2005; Thompson 2004; Basso and Funari 2003). Thompson (2004) asserts that corporations with "sound environmental practices and diverse work forces are outperforming companies that do not emphasize those goals", and that this is likely to result in increased returns for SRI. If this is the case, why are investors failing to adopt SRI practices? This paper explores this issue in relation to a limited case study of "high-net-worth" investment firms in Canada.

The choice to focus only on high-net-worth firms has a three-point rationale. First, these firms for the most part do not invest in mutual funds or other compiled stocks. The fact that these firms rarely invest in mutual funds removes an additional level of complexity from the investment process. Second, these firms focus on personal service. Among "high-net-worth" firms, however, the investment philosophy is to select stocks and bonds based on the individual needs of clients. Since these firms pride themselves on giving focused attention to individual client needs, it was thought that they would provide an interesting picture of how investment professionals interpret their commitments to investors, and how SRI fits in to this picture. Finally, given the large minimum investment that these firms require (ranging from $850,000 to $1,000,000), it was thought that the clients of these firms might be better informed about investment strategies and potential investments, and also might take more active role in directing their investments, than most investors.

Methods

As an initial step in the research process, The Toronto Society of Financial Analysts (TSFA) was contacted, to gather information about the designation and the process of accreditation for Chartered Financial Analysts (CFAs). While there are a number of respected designations among the financial world, the CFA designation is one of the most sought after. CFAs have passed exams administered by the U.S.-based Association for Investment Management and Research (Financial Planners Standards Council 2004). They provide guidance to businesses and individuals to help them make investment decisions, by gathering financial information, analyzing it, and making recommendations to their clients (Bureau of Labour Statistics 2004). CFAs are empowered with the potential to invest and help grow their clients' money; they do so while following a set of guidelines outlined by members of the CFA board (CFA Institute 2004). As these guidelines form the basis of ethical practice in the investment field, it was considered important to evaluate the potential implications of these codes of conduct for the adoption of socially responsible investing.

Next, preliminary interviews were conducted with ten financial professionals in Toronto, Canada. Among them, they held various educational designations, including Certified Financial Analyst (CFAs), Masters of Business Administration (MBA), Chartered Accountant, and financial lawyer. In these interviews, participants were asked questions according to their position and place of employment. Questions pertaining to what SRI funds meant to the interviewee and how they were employed in the industry were important in every interview, as well as questions on where each interviewee believed the SRI market was going in the future. Those involved with non-profit organizations were asked questions about what their organizations are doing to promote the awareness of SRI funds and how they are working to develop educational programs to educate the industry leaders. In addition to building an initial data set, these interviews – along with the literature review and industry publications – served as the basis for selecting "reputable" high-net-worth investment firms for investigation the final stage of the project.

On the basis of preliminary interviews, six highly reputable Canadian "high-net-worth" wealth management firms were contacted for further involvement in the research. Interviews with financial advisors from each of the six companies were held,

either over the phone or in person, over a two month period. These financial advisors were from various departments and were responsible for different tasks within their selected fields, including research, analysis, investment, and client relations (that is, acquiring prospective clients). In these interviews, participants were asked about the everyday practices of the companies at which they worked. In particular, attention was focused on the process of stock selection and how it varied from firm to firm. Participants were also asked if SRI was entertained as an option for their clients and if they promoted the selection of stocks based on ethical criteria. They were questioned about their and their company's views on corporate governance and how informed clients are (or should be) about the particulars of their investments. Finally, participants were asked specific questions about educational designations they held and their views on continuing professional education, as well as what it meant to be a high-net worth company and what type of clients this type of firm usually handles.

All interviews lasted between 30 and 90 minutes. Detailed written notes of all interviews were taken by the principal researcher to record the conversations for subsequent analysis. Interview notes were reviewed to identify key themes, in three specific areas: current investment practice, existing use of SRI, and perceptions of the future potential of SRI in relation to their firm. Results are admittedly based on the researchers' interpretations of the interviews, and the sample size is too small to draw any broad generalizations about investment practice, particularly beyond Canadian "high-net-worth" firms. However, they do provide a small snapshot of views of SRI within one segment of the investment world, and allow insight into the factors at play that might hinder or facilitate the incorporation of socially responsible investment techniques into mainstream investment practice.

Findings

Codes of Conduct

In order to understand the role that SRI plays in professional investing practices, it is important to understand the roots of, and the strategies used in, current practice. The roots of current investment practice lie in existing codes of conduct for the industry. In this paper, we focus on the code of conduct for chartered financial analysts (CFAs). While "there are a number of reputable and helpful credentials that financial professionals in different disciplines may hold", none is "as rigorously focused on investment knowledge as the Chartered Financial Analyst" (CFA Institute 2004).

The CFA designation includes many guidelines of practice for those who hold the title. The CFA Institute publishes a Standards of Practice Handbook which includes a section on the Code of Ethics and The Standards of Professional Conduct. The Standards of Professional Conduct states that members shall:

a)Exercise diligence and thoroughness in making investment recommendations or in taking investment actions.

b)Have a reasonable and adequate basis, supported by appropriate research and investigation, for such recommendations or actions.

c)Make reasonable and diligent efforts to avoid any material misrepresentation in any research report or investment recommendation

d)Maintain appropriate records to support the reasonableness of such recommendations or actions. (Association for Investment Management and Research, 1999)

As the handbook for conduct illustrates, those who are members of the CFA Institute are responsible for investing with their clients' best interests in mind. Regardless of what a portfolio manager believes about a certain investment, no investment should be made where the investor has not executed due diligence. However, the strategies used to meet these ethical and practical requirements differ somewhat by firm. Results from the in-depth interviews are used to provide a sense of these day-to-day practices.

Current investment practices

The investment process within the high-net-wealth investment firms under study began once an individual decided to become a client. At that point, the client was asked about their investment needs (e.g., their need for a steady income, their desire to increase their capital as much as possible, etc.) in order to determine how able they were to tolerate market volatility. New clients are also generally asked about their existing investments and whether they want to keep them intact, to ensure that the portfolio created is sufficiently diverse once existing assets are taken into account.

The general process of stock selection and the basic investment strategies of the six high-net-worth firms contacted were similar. Interview participants highlighted four basic steps involved in the investigation of a particular corporation's stock. The first step involves determining what type of industry the company in question is involved in, and where the company does most of its business. Once this is complete, the second step is to screen companies to make sure their debt is manageable and that they are in good standing. It is also important to talk to others in the financial world to see how they view the company and if they have information of importance for the screening process. The third step involves reading through all publicly available information about the company (including annual reports), in order to understand the attributes of the company involved. Finally, the corporate governance of the company is researched and documented. It is important to know who is on the Board of Directors of the company (because the Board of Directors is the most direct representative of the shareholders' interests) and if the share-holders are able to vote on key issues affecting governance and policy. Interview participants noted that, while it is commonly assumed that corporate decisions are made with the investors' best interests in mind, this may not always be the case, particularly if members of the Board of Directors are also the senior executive officers of the company. After a stock passes all the screening processes listed above, it is then brought to the attention of the partners (or executives) in the particular firm and they collectively decide whether or not to incorporate it into their clients' portfolios.

Interview participants noted that choosing the correct stocks to hold in a portfolio is a very difficult task. When researching stocks, it is important to know how an addition or deletion of stock will affect an overall portfolio. To do this, the researcher must know the structure and diversification of each company within the portfolio. It is therefore essential to investigate the attributes of each corporation involved, a lengthy and time consuming process. Participants therefore highlighted the fact that they wanted to determine reasons why they should not buy the stock of a particular company (vividly described as "killing" a stock) as quickly as possible in the screening process. Once they have determined that the company is not right for the investment firm they can move on to another potential stock, without wasting valuable time on further investigation.

The stock selection process, while lengthy and tedious, must be completed to satisfy the due diligence that every portfolio manager owes to their clients. Interviewees confirmed the importance of this process as a fundamental principle of the work they do, and all agreed that investment firms are responsible for ensuring that their clients invest in sound and well- researched funds. This was considered true whether or not the investment professionals undertook the research themselves (or in-house), or outsourced their research to other firms (a practice which is fairly common among these firms, on the assumption that specialists in particular areas are likely to make the wisest investment decisions).

The inclusion of Socially Responsible Investing in current practice

Each interviewee was asked to discuss whether and how clients are introduced to socially responsible investing, and if SRI is promoted (or even mentioned as an option) to clients. Results from this line of questioning indicated that the majority of companies involved in this research do not offer a SRI option for their clients. Of the six firms contacted, only one had an option for their clients to invest in SRI funds. In this case, the research was outsourced and not done in-house. The reason given when asked why they outsourced was that there is not enough demand currently amongst their clients for an onsite SRI division.

Out of the remaining five firms contacted, two consistently asked their clients in initial contract discussions whether there are any stocks that the client was averse to holding, or alternatively was determined to see in their portfolio. However, interviewees stated that clients rarely instructed their investment advisors even when asked about preferences, choosing instead to rely entirely on their advisors' professional expertise. Stock selections, therefore, were almost exclusively made in the "traditional" manner, without taking into account SRI principles.

The lack of SRI seen here may result from the limited attention paid to SRI within the investing mainstream. According to interview participants, the topic of socially responsible investing was not a common one within the financial community until recently. Participants noted that it was usually assumed that clients were not interested in constraining their potential returns in any way, ethical or not. While most interview participants reported having heard information suggesting socially responsible investments and positive monetary returns can go hand in hand, they felt that the extra work involved in researching stock using an SRI approach was not worthwhile.

The potential for increasing SRI within high-net-wealth investment firms

As mentioned earlier, very few of the firms contacted currently encourage investment in SRI funds. It was clear from these interviews that these investment professionals would not endorse 'green' or 'ethical' investment as a separate category, as there was a sense that this would limit investor returns.

Interview participants also found it difficult to reconcile an even more comprehensive stock selection process (i.e., one that took into account ethical concerns in addition to the current screening) with existing practices, particularly in terms of providing resources for extra research by staff. It was not clear who would be expected to invest the extra time or cover the cost of purchasing the research if outsourcing was necessary. Given that taking social responsibility into account was not standard practice, interviewees could not see an immediate or pressing need to take on this extra burden, particularly in the absence of pressure from clients. However, despite this lack of enthusiasm about SRI per se, it was clear that all of the interviewees believed that there was a need for better research into company's environmental and social policies and the way in which the leaders governed the companies.

One potentially important factor that was considered by interviewees to be lacking from the current stock selection process is the impact of a company's image (current or projected) on its future success. It was mentioned in several (but not all) interviews that researchers should add a component to their stock selection process which took into account the future or anticipated trends of the company, and that one way of anticipating the future (and particularly long-term) success of a company would be to investigate its environmental and social responsibility. One interview participant highlighted the ongoing disinvestment in tobacco stocks as example of how social and environmental issues (broadly speaking) can impact on a stock's potential investment return (see Yach et al. 2001 for further discussion of this issue). This interviewee emphasized the difference between laypersons' reasons for avoiding tobacco stocks (i.e., it is ethically wrong to support tobacco companies) and the financial professionals' rationale (the profitability of these stocks will be negatively impacted by ongoing lawsuits, corporate image problems, and a decreasing market, and so they are not a good investment). Another participant suggested that the ethical and social performance of companies should be investigated as part of reviewing corporate governance, which is already a key component of a duly diligent stock selection process.

A few interview participants (in particular, those interviewees most directly involved in stock selection) were aware of SRI indices that could be used to evaluate companies based on their performance on social and ethical issues (using indicators such as the company's position on the Kyoto Protocol, energy efficiency/green energy, and labor issues such as child labor, employment equity and unionization). These published indices, as well as specialized investment firms such as Michael Jantzi Research Associates (MJRA), make it possible for companies who may not have the time or the expertise to attain all the necessary information to outsource some of the necessary research. This tactic was already being used by one of the investment firms in the study, but the practice was expensive.

Interview participants all agreed that for SRI funds to become part of everyday practice within their firms, more attention needs to be brought to them both inside and outside the financial establishment. Interviewees felt that both clients and professionals needed to be more aware of SRI in order to better inform their practice. Not very surprisingly, while interviewees currently involved in SRI highlighted the importance of continuing education for investment professionals in relation to SRI, other interviewees were not interested in seeing mandatory continuing education in this area. Interestingly, representatives of the CFA Institute highlighted SRI as an important and emerging issue in the financial world, and noted that the CFA Institute has been working to provide courses to CFAs on the subject of SRI funds. There are also seminars held through the CFA Institute with guest speakers who specialize in SRI management.

Discussion of findings

Socially Responsible Investing is on the rise worldwide. However, it is not clear whether SRI is likely to become more than a niche market in Canada and elsewhere. The results of this research suggest that, while awareness of SRI as an investment practice has increased in recent years, it has not become part of mainstream practice in high-net-worth investment firms in

Canada. While these firms cannot be considered representative of all investing in Canada, their focus on personal service and the potential for highly engaged clients provides an interesting case study of the facilitators and barriers to socially responsible investing.

Among the financial professionals surveyed in this research, SRI was not particularly popular, not because the participants disagreed with its principles, but rather because of the amount of extra research involved in assessing the ethical (and not just financial) performance of companies. Research was considered time-consuming and difficult, and interview participants were therefore reluctant to add what is seen as an additional level of complexity to the existing screening process.

However, there was also a sense among the financial managers interviewed that certain elements of SRI practice could or should be incorporated into day-to-day investment practice (e.g., screening for corporate ethical lapses likely to impact on future profitability). The desire for some SRI screening had more to do with compliance to the standards of due diligence and reporting than it had to do with personal ethical beliefs or environmental concerns. Financial professionals' codes of ethics (including the CFA standards of practice) demand comprehensive research into potential investments, in order to ensure that investments made are in the client's best interest. Therefore, if the social responsibility of a company is likely to have a meaningful impact on corporations' profitability (in the short and long term), then it is important for financial professionals to incorporate these issues into their stock selection process, regardless of the work involved. There was a tension, then, between a sense of responsibility to the client and to their own code of practice on the one hand, and an unwillingness to "make work" on the other.

Central to this tension is uncertainty amongst the interview participants as to whether social responsibility really does make a difference to corporate profitability. While the current literature is increasingly suggesting that social responsibility can have long term positive impacts on the bottom line, investors are unwilling to take on extra work if there is no compelling financial reason to do so. That is, equivalent performance is not enough: SRI must perform better than conventional investments in order to be seen as worth the additional effort.

The results also point to a fairly low level of client engagement in the investment process overall, and in relation to ethical concerns more specifically. Despite the relatively large investments being made by the clients of the "high-net-worth" wealth management firms investigated here, clients remained relatively passive, allowing their portfolio managers to make decisions about the specific assets in their portfolio. In addition, interview participants pointed to low levels of client demand as part of the reason that SRI was not adopted in their firms.

Interview participants highlighted the need for better promotion of SRI as an investment strategy, and some pointed to opportunities for improving education around SRI through continuing education. Participants saw increased awareness of SRI among both professionals and clients as the most effective way of increasing its adoption and moving it towards the mainstream.

Conclusion

There is still considerable debate in the literature about the importance (both morally and financially) of socially responsible investing (for example, see the January 20th 2005 edition of The Economist). However, assuming that the incorporation of ethical principles into mainstream investment practices would have noticeable environmental and social benefits, this paper points to several ways that the potential of socially responsible investing could be enhanced (at least in Canadian "high-net-worth" wealth management firms). First, financial professionals need to be convinced that environmental and social responsibility can – and indeed often does – go hand in hand with profitability. Education, as well as further confirmatory research, would be helpful in this regard.

Second, an ethic amongst financial professionals that broadens the conception of "responsibility" to recognize clients' moral as well as financial interests needs to be developed. This is not to say that financial professionals need to become a kind of "social police", or that they should be investing according to their own social mores, but rather that they should go further in ascertaining their clients' values than the typical "level of risk tolerance" conversation.

Finally, financial professionals should be encouraged to incorporate at least a basic assessment of corporations' social and environmental responsibility into the routine stock selection process. This could be achieved by following a set of stock selection guidelines supplemented through increased background research on the companies under review. If the firm is unable to go into the detail necessary to find out all the information about a given company, outsourcing the research to a specialized firm is also a possibility. Investment firms owe it to their clients to ensure that the best possible investments are made.

This is not to suggest that SRI is a panacea for current social and environmental problems, or that SRI is not without flaws. There are many potential problems with the current SRI practice, and it is not the purpose of this paper to downplay these issues. Rather, the paper attempts to highlight areas where investment strategies could be improved, at least within one small segment of the Canadian investment arena. In rapidly evolving world markets, it becomes more and more important to know everything possible about the companies one plans to invest in – in this context, social responsible investing should not be seen as a niche market outside of the investing mainstream, but rather as a fundamental component of a modern investment strategy. If SRI is going to have a significant impact on investing in Canada and the rest of the world, it cannot remain as a separate practice, but rather needs to be integrated into the everyday practices of investment professionals. This paper attempts to engage with this process by providing a more detailed, on the ground understanding of the institutional/practice-based barriers to socially responsible investing within one type of investment firm. It also provides new insight into the practices of "high net worth" investment firms, illuminating this small but important segment of the investment world.

List of Abbreviations

SRI – Socially Responsible Investing
CFA – Chartered Financial Analyst

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Social Responsibility as Displacement of Capitalism: Evidences from Banks in Brazil

Elvira Cruvinel Ferreira Ventura
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Abstract

The purpose of the study is to understand the dynamics of institutionalizing Corporate Social Responsibility (CSR) in the Field of Banking Organizations in Brazil. By means of a social analytical model proposed by Boltanski & Chiapello (1999), and retrieving the conceptual bases of the institutional approach and using the notion of interest in Bourdieu (1996), we arrived at an analytical model that enabled us to understand CSR as part of a movement to displace capitalism. We defend the theory that when institutionalizing CSR, the actions are justifiable in terms of the common good, legitimizing it by tests and structural arrangements while at the same time serving interests inherent to the Field. The field research considered around thirty organizations, including documentary analysis and interviews. We find that, from being an isolated marginal action, CSR in the past ten years is now a structured action in banking organizations, while at the same time becoming a social value that may contribute toward the legitimacy of the Field. Along these lines, the study demonstrated that retail banks are those most involved in the CSR movement, which confirms the theory of the phenomenon as displacement of capitalism.

Keywords

Corporate Social Responsibility, Arrangements, Justification, Banks

Introduction

The banks' advertising campaigns in recent years, especially television commercials, call our attention, emphasizing a new kind of performance: banks that dream, that do more than possible (ABN Amro Real), that make the client conscious of the proper use of credit (Itaú), that teach him not to pay charges, and do not even seem like a bank (Unibanco), are some examples. In other communication media also it is possible to observe a shift in focus on the bank result publications. To illustrate this, in March 2005, when announcing its financial statements for 2004 in a major newspaper, Santander gives the following title at the top of the page to this publication: "Santander Banespa – Growth and social responsibility. This is what keeps our flame burning" (SANTANDER, 2005a, p.8-9), thereby placing its link with social responsibility at the core. Numerous other examples could be listed, showing a shift in position of banking organizations, which makes us investigate the meaning of this.

With regard to the specific structural and conjunctural status of the Field of Banking Organizations, we notice a movement in the same direction as Brazilian organizations in general. Corporate Social Responsibility (CSR) is a phenomenon that has arisen in Brazil mostly in the last ten years (ASHLEY, 2005). When a social practice is institutionalized, in a certain context, it becomes part of the life of that community, taking its own shape and is like a rule in social action and thought (MEYER & ROWAN, 1983). In this way, institutionalization is linked to the idea of permanence (SELZNICK, 1996).

The theoretical model

Justifications and the new spirit of capitalism

The explanatory model of the transformation of capitalism in the past thirty years, presented by Boltanski & Chiapello (1999), is based on three interwoven concepts, considered macro-players: capitalism, the spirit of capitalism and criticism. Unlike Max Weber, they do not consider a subject or collective player in their model.

The first point is that capitalism needs a spirit in order to involve people necessary for producing and developing business, since the use of physical force to make people work for somebody else, as in the slavocrat periods of history, is outside the scope and ideology of capitalism. So capitalism needs a positive implication of the workers, a motive, reason why they all want to work. This reason is found in the spirit of capitalism.

In order for this spirit to be really able to mobilize people, it must incorporate a moral dimension. Both the spirit and criticism of capitalism are connected to this "key part", moral dimension, successfully keeping the capitalist order and values in a privileged position in relation to the other "worlds" and people's spheres of life – whether because people live other dimensions outside the productive sphere, or because people, who can satisfy their needs and desires, need justifications to be part of this insatiable process that is capitalism.

So, a third derives from the second point. To be self-perpetuating, capitalism therefore needs to encourage while at the same time restrain its insatiability, its process of boundless accumulation. It is in these dynamics, this constant stress, that the spirit of capitalism equates the capitalist tendency of self-destruction with the moral requirements of the common good.

For the study, a relevant point is that the main agent for creating and transforming the spirit of capitalism is criticism. The authors believe that the leading role of criticism lies in building the spirit that accompanies capitalism in different forms at different times. Criticism seeks to understand the origins of the facts that cause it indignation and question the directors, obliging them to produce interpretations and justifications, categorizing the world and relations. The convergence under the stress points between different players, taking institutionalized tests, leads to dispute settlement, since devices will be established to make the test more or less fair.

In order to survive criticism, capitalism needs a more mobilizing ideological kit, and must incorporate resources

that it does not have, that are beyond the material/economic dimension, but cultural productions contemporary to it, even if developed for other purposes. The spirit of capitalism is transformed to respond to the need of justification by people under the obligation, at a certain time, of the process of capitalistic accumulation. And when the values and representations are associated with earlier forms of accumulation, the new forms of accumulation need to be attractive and based on the reference to the common good, justifying itself, in addition to having to defend itself from those people who understand the new devices as threats to their social identity.

The model by Boltanski & Chiapello (1999) gave us subsidies for a broader understanding of the phenomenon of institutionalization, in addition to institutional theory. Once it becomes an institution, social practice is now part of that reality, having undergone social control (BERGER & LUCKMANN, 2001). This is a de facto process of social construction that transforms the particular values generally of those in command into universal values (BOURDIEU, 1996).

Dynamics of institutionalizing social practices

Figure 1 shows a diagram of the summary of our arguments and ideas about the dynamics of institutionalizing a social practice. According to the proposed model, understanding the organizational field, knowing who the players are, their forces and interests, is essential for the analysis. We must know the selected field so that we can determine who the players are that create the new categorization, which interests are involved, and what tests are produced by them, that is, which steps are required, that must be reproduced to justify CSR as a process for the common good, in the sense attributed by Boltanski & Chiapello (1999).

At the top of Figure 1 we provide the conjunction of capitalism with its criticism, configuring the spirit of an era. Based on the model of Boltanski & Chiapello (1999), adapted to the organizational studies, we understand how displacement occurs, considering macro-players that act with a view to perpetuating capitalism rather than the action of a specific player. Criticism functions like a motor to displace capitalism, alerting it that something is going badly and that it is necessary to change. To "escape" criticism, capitalism now re-categorizes the model, producing justifications in terms of the common good, thereby feeding the spirit of capitalism. The displacements of capitalism and transformations in the devices accompanying them contribute to dismantling criticism, giving it another possibility of accumulation and profits. This occurs by re-categorizing the model, universalizing new values and standards.

Under the box "Institutionalizing Social Practice" in Figure 1, we attempt to represent "how" the process occurs in a specific organizational field, based on the theoretical referential presented. When institutionalizing a social practice, tests and devices are (re)created and, therefore, when operating such a displacement, criticism is dismantled. A set of rules and conventions, devices for categorizing and classifying companies in relation to the practice are created, where aspects are required and valorized that, ultimately, the capitalists themselves choose. Who creates the tests are those that can take them, multiplying their forces, transforming them into greatnesses (VENTURA, 2003). Under this logic, the great ones (BOLTANSKI & CHIAPELLO, 1999) are the first to understand the transformation that is in progress, and are always ready to criticize the rules and moralist attitudes, since they are in search of new opportunities, justifying and creating tests for society that will fulfill the social aspirations. Such tests are able to legitimize the choice before society, making the practice useful in the relations of power. An important point is that the players involved do not always have this awareness, since these ideas are incorporated in their day-to-day life, in their organizational and social field – they go with the game. And in this game, the interests involved are evident. Interest is an important element for understanding the dynamics of institutionalization, passing by the other elements through the process. We should mention that we now begin to understand them during the field study, where we found its relevance for analysis.

In imitation, competitors began to copy the practice; scholars were now disseminating it as a differential. A study process begins on the subject and attempts to define and adapt it to local reality. Criticism, then, is now appropriated as a differential for the company that adopts the discourse and especially disseminates this kind of behavior. The practice is institutionalized as something conducive to the common good, therefore, acceptable and legitimized,

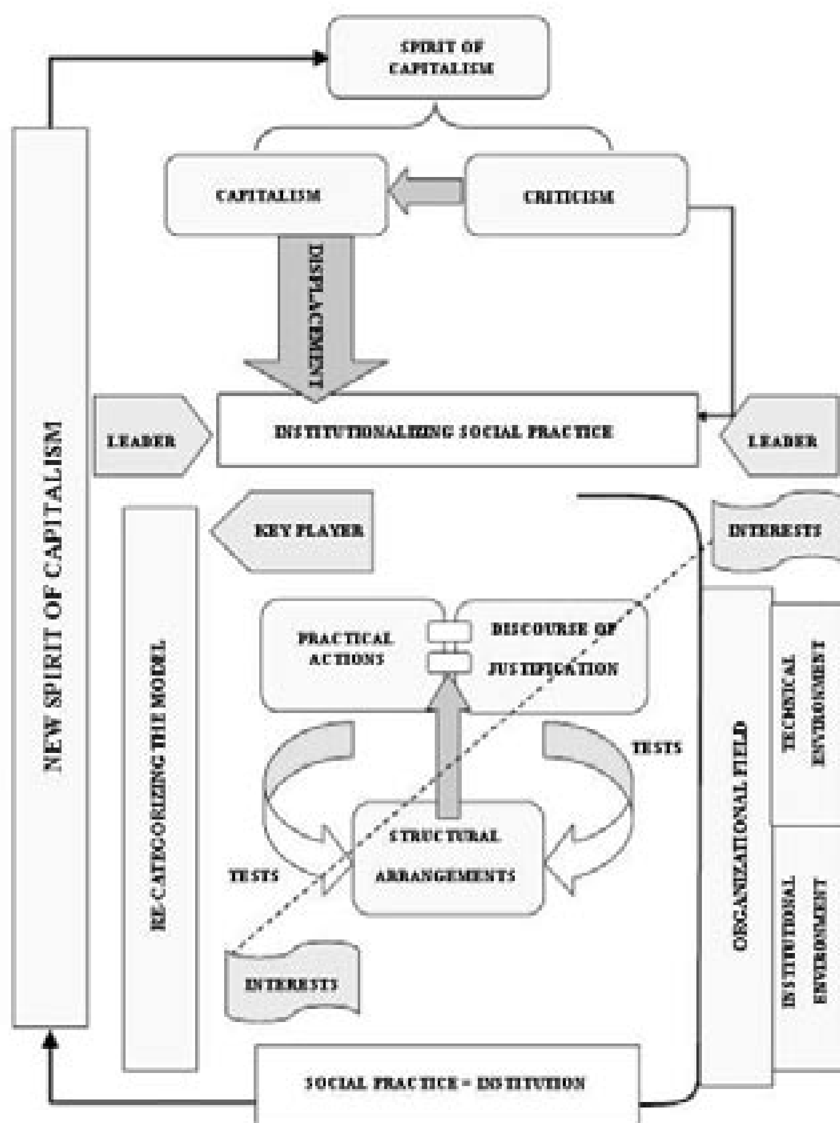

Figure 1. Dynamics of institutionalizing social practice

which will become a natural basis for future generations.

The model is re-categorized then by institutionalizing social practices. Based on the premise that practices that are institutionalized – namely, become universal, accepted and generalizable – are practices that function in the sense that they are useful to the relations of power and, once institutionalized, fulfill the symbolic function of legitimization, which gives it a greater probability of existence and perpetuation. When the practice becomes an institution, this means that it was controlled by society, which then legitimized the relation of domination. And such social control is made by using the tests, which blend with the structures, to that they are included in the social dynamics by means of interiorized regulations – thereby serving the interests of capitalism, in general, and the organizational field, in particular.

The phenomenon of CSR can then be considered a practice that contributes to the displacement of capitalism.

Methodology

In addition to the bibliographic research relating to the field under study, the work also entailed documentary analysis and interviews. Correspondence was sent to the organizations asking them, in the first stage, to send information about their CSR-related actions and structures. In the second stage, around 50 interviews were carried out during 2004 in 22 organizations and with approximately 60 people, resulting in a total 37 hours of recordings, later transcribed – with banks that had sent in material or not. CEOs, chief operating officers and directors of the banks were interviewed, as well as managers and specialists/analysts from different technical or specific areas of CSR. In the third stage, phone and email contacts were made with some organizations that had failed to answer and with others that still had to be contacted. In the fourth stage, to update the 2005 data specific contacts by email or telephone were made to some of the organizations until the first quarter of 2005.

We intend to understand the overall Field rather than undertake various case studies. The data obtained was intended to subsidize a cross analysis of the phenomenon in question in the organizations in the Field. The largest banks deserved special attention since it is presumed that they undertake the process in the Field. Studies showed that when large and centralized organizations are groundbreaking and immediately adopt a structure, this structure is more likely to become fully institutionalized than others (TOLBERT & ZUCKER, 1999). We considered the twenty largest banks in Brazil on 12.21.2004 to select the organizations. Other banks/conglomerates were also included in the selection, in order to obtain differentiated profiles and levels of involvement in the CSR movement of the largest groups, with 29 banks, totaling 72% of the National Finance System (SFN) net equity. The Brazilian Federation of Banks (Febraban) was also included in the analysis since it has been considered a key player in the movement. Other organizations in the Field were selected for field research, not for the purpose of addressing their own CSR but as a source of information about the Field in general, as in the case of the Brazilian Banks' Association (ABBC), National Association of Securities Dealers (Adeval) and the Central Bank of Brazil (Bacen). Outside the Field of Banking Organizations, but belonging to the SFN, the Brazilian Association of Closed Private Pension Entities (Abrapp) and São Paulo Stock Exchange (Bovespa) were included in the study, since they are related, on one hand, to the banking activity and, on the other, to the CSR movement in Brazil. The Brazilian Institute of Economic and Social Analyses (Ibase) and the Ethos Institute of Business and Social Responsibility, as leaders in the CSR movement in Brazil, a premise confirmed from the survey, were also part of the field study.

We chose to develop the analyses by segmenting the organizations under study into three types: state-owned banks (state or federal), private national banks (with or without foreign interest) and foreign-owned banks, in order to check the existence of some pattern in function of the origin of the control stock and nature of the organization – in this sense, the number of agencies reflects roughly if the bank also focuses on retail or only wholesale.

To understand the proposed model, it is necessary to define the categories involved. The first category are the Institutions, defined by Berger & Luckmann as "a typification of actions that become commonplace due to specific kinds of players" (BERGER & LUCKMANN, 2001, p.79). The second category is Institutionalization. In the opinion of Meyer & Rowan, "institutionalization involves the process by which social processes, obligations, or actualities take on a rule-like status in social thought and action" (MEYER & ROWAN, 1983, p.341).

The operational definition of these two categories is made jointly, since an Institution is the result of the institutionalization process. Thus, the operationalization of categories is mistaken for the actual objective of the theory, which is to understand the dynamics of institutionalization. The question, then, is to ascertain why and how CSR has been or is being transformed into an institution, in the sense attributed by the Institutional Theory. Therefore, it is necessary to identify critical factors and events – another category of analysis –, for the Field, in relation to CSR. Critical factors and events can be defined as important moments for institutionalizing social practice, in the sense that these happenings/events guide the process, gathering different players and interests as it progresses.

Another analytical category is called leaders and key players in the process of institutionalizing social practice. The leaders are players that have material interest in the structure created or to be created when institutionalizing social practice, guiding the process toward society in order to meet their objectives – and were identified based mainly on the bibliographic research. The key players are leaders in the organizational field under study, identified during the field study.

One way to operationalize the institutionalized category in an attempt to understand its dynamics was primarily to analyze the elements identified in the analytical model, and which may also be considered analytical categories:

Tests – they can be defined as devices created in the process of institutionalization in order to categorize social practice in terms of social justice, and be acceptable as a valid, fair and unquestionable criterion. Thus, tests are also institutions, by which the end social practice is operationalized.

Interests – "Interest is 'belonging', participating, admitting, therefore, that the game deserves to be played and that the targets engendered in and by the fact of playing deserve to be pursued; it is recognizing the game and recognizing targets [...]" (BOURDIEU, 1996, p.139). Operationalizing the category is not an easy matter, since it entails penetrating the Field, its values and working logic, in an attempt to attract interests other than the apparent, material interest.

Practical actions – effective actions that fit within the process of institutionalizing the social practice under study while at the same time attend to interests of the field;

Justification/discourse of justification – its constituent definition must be found and understood according to the work by Boltanski & Chiapello (1999). The category Justification is

operationalized at two levels. At the macro level, Justification is understood to be a response to society of the roads of capitalism. In the study, then, justification refers to discourses on the Field's involvement in the CSR movement – which the players claim they are seeking with these actions. At the micro level, according to the analytical model, justification is a discourse inseparable from practical action. It is operationalized by analyzing the construction and categorization of actions that fit into the sphere of institutionalizing social practice – we will attempt to demonstrate which discourse seeks to legitimize practical action as socially responsible. As already mentioned, a premise of the study is that this justification is given in terms of the common good. And in this process of transforming "force" into "greatness", which is the actual institutionalization of social practice, serving interests, we must test the "exteriority" of the practice in the Field selected, analyzing the structural arrangements.

Structural Arrangements, defined as the way to operationalize social practice in the organization through structures. In its operationalization, we endeavor to: (1) identify specific areas, for example, working groups, sectors or departments created or directed to addressing the CSR phenomenon; (2) the perpetuity of the arrangements, whether they are temporary or permanent; (3) form and degree of disseminating the structure; (4) value/status attributed to the structure; (5) the need to – including attempts to – demonstrate the positive results arising from the new structures; and lastly, (6) possible disputes arising from defending and from attacking the new arrangements.

Given the purpose of the study, the important aspect was not to identify all actions called socially responsible or assess the quality and depth of the actions themselves, but to understand the form in which they are constructed and disseminated within the CSR movement. More important, then, than an assessment of what is effectively being done under the spectrum of CSR in the field under study was to understand the election, construction and dissemination of the phenomenon.

The Institutional Theory contributed toward understanding the dynamics of institutionalization from various angles. Isomorphism is one of the answers to the spread of the concept and dissemination of the CSR phenomenon. Through the regulatory pillar, legal requirements force the players to take certain actions and conducts. Through the normative pillar, values and social rules cause the practice to be assumed as a social obligation, vital for organizational credibility and now there is social pressure for the organization to take a stance in relation to social practice. Considering the cognitive pillar of the theory, subjective interpretations of the actions, namely, symbols and meanings, are important elements in the social construction of reality.

Results of the survey

On the formation of the CSR movement

We analyzed the academic production on the topic, confirming that, despite the different existing perspectives and approaches, they adopt the normative function of capitalism, informing those who reproduce the discourse which is the best way to go – in a process of reconstructing the spirit of capitalism. The survey demonstrated that many dimensions of CSR are discarded in the existing analyses, and that the movement is undeniably accepted as positive for the common good by most people as well as by scholars on the matter. Today, a company that is not involved in the CSR movement is therefore criticized and punished by its consumers, given the penetration and acceptance of the phenomenon in society.

We see that the emergence of the CSR phenomenon at home and abroad is, among other reasons, in response to criticism against business conduct, bearing in mind the deterioration of the social situation. Numerous players, an expression of the criticism, inform capitalism that it must change the form of appropriation, leading to the creation of the CSR phenomenon. Accordingly, we identified critical factors and events for institutionalizing the phenomenon, in general, such as the Rio-92 Conference, and in the case of Brazil specifically, the Campaign against Hunger and Lula government's taking office, for example.

We identify two players as leaders in the CSR institutionalizing process in Brazil - Ibase and the Ethos Institute. The former represents actual criticism, a non-government organization aware of social and business movements. The latter, a association of entrepreneurs who took over criticism, in order to incorporate their demands and "co-opt it" into the movement, outlining the directions of the practice by defining and disseminating it in society, highlighting the question in different forums. They are therefore responsible for transforming CSR into a subject of public discussion. Both Ibase and Ethos are also considered benchmarks for the organizations in the Field that wish to join the movement or are already there. Through the performance of the leaders, at the end of the 1990s CSR was now a subject of public discussion and fast becoming a value for Brazilian society.

We identified internationally institutionalized tests in the CSR movement, in society as a whole, which were included in the field under study, such as, for example, the social balance sheet, socio-environmental certificates, Equator Principles, Global Compact, Sustainability Indices, and so on. These tests are guides, benchmarks and directions that steered the movement, imprinting on it a model to be adopted by companies that wish "to be" socially responsible.

On the discourse of justifying involvement in the CSR movement

The role of villain in society attributed to the banks (AGUIAR, 1960) does not seem to have been a conditioning factor for their involvement in the CSR movement. The changes in the Field, due to mergers and especially new information technologies seem to have been major factors in the need to justify the Field before society.

The Field's justification for its involvement in the CSR movement is based on principles of the common good, with emphasis on the commitment that the organizations should have toward society. It also reflects an incorporation of the idea of joint-accountability of the company with the State and other layers, namely the Third Sector. This discourse began by occupying more space and depth in the actions and structural arrangements of the banks, principally in social actions, increasing the number and coverage of projects in partnerships. On the other hand, the discourse also reflects to some degree a movement of senior administration consciousness on matters of citizenship and social justice, advocated in Brazil mainly since the 1980s. A reflection from the analysis arose precisely due to this "confusion" that then appeared among the notions of public and private assets and obligation and rights of citizenship. Society loses sight of the fact that it is public and private (PAOLI, 2002), and began justifying its position in terms of social responsibilities, of "doing good", as a humanitarian and depoliticized action, an obligation of the organizations.

Specifically in relation to the involvement of the Field of Banking Organizations in the CSR movement, we analyzed critical factors and events for the Field over the past ten years,

which favor the dissemination of the phenomenon, in addition to factors pertaining to the Field, such as the fact that historically it presents high profits and for centuries has been considered a public villain. Among relevant recent facts for understanding the Field's involvement in the movement is the new reality of monetary stability in Brazil that leads to changes in operation and structure of the banking organizations and the overall Field. The Real Plan and process of mergers and takeovers occurring in the Field, which concentrates the system further, exposes organizations to public opinion even more, considering lay-offs and consequent disturbances. On the other hand, foreign capital was injected into the Field as a result of this process, changing the profile of the organizations and making them more susceptible to international movements. These transformations caused the organizations to rethink their model of action to adapt to the new reality. By now, many have invested in the CSR movement, which already was a feature in other organizational fields and other countries. We are not talking about the causal relation but about conditioning factors in the process.

We ratified the analytical model when we confirmed that the justification for involvement of the banking organizations in the CSR movement is anchored in the discourse in terms of the common good, preaching as a rule the social role that banks should play within the discourse of joint responsibility between market, State and society. On the other hand, those reproducing the discourse are the senior administration of the organizations, bankers or otherwise, and the employees. In the field study, at all levels, from CEOs to analysts, it was possible to see the reproduction of the discourse justifying CSR as a duty/obligation of the company, conducive to the common good.

In relation to the terms used during the process of institutionalization, we find that the name given to the social practice has changed over the years, noticeable mainly from the analysis of the Social Balance Sheets of the Banks /Febraban (VENTURA & VIEIRA, 2004). The terms used seek to reflect the modernity of the organizations and adaptation to world standards and tests. Accordingly, what is institutionalized are not the terms but the actions and structures. The discourses change, being a flexible element in the dynamics of institutionalization, adapting business agendas to social demands. For example, many banks now talk about business sustainability, seeking to indicate a widening of the CSR concept. The analysis of the Social Balance sheets of the banks reveal that CSR in the Field is moving toward a structured action integrated in the business, contrary to what was happening a decade ago.

On socially responsible actions and their justifications

We identify two key players for the CSR movement in the Field of Banking Organizations: Febraban and ABN Amro Real Bank. These players are a benchmark for the Field in relation to CSR and, alongside the leaders, lead the movement to that group of organizations. Analysis of each role model is important to the extent that it signals/identifies the benchmark used in the Field. We found that there are also key figures for the movement in the Field, which leverage it and characterize it according to their convictions. We also find that the CSR concept most adopted in the Field of Banking Organizations is moving toward the definition disseminated by the Ethos Institute, confirming its position as leader in the movement (VENTURA, 2005).

We investigated the construction and justification of actions in the sphere of the CSR movement, identifying two main groups in the field under study: (1) Organizational, includes actions that attend stakeholders in general – community, suppliers, clients, employees and environment, with actions focusing on eco-efficiency –; and (2) Products, actions relating to the banking business, such as microfinance, financing with socio-environmental criteria and socially responsible investment funds. We identified and categorized practical actions that are described as socially responsible by the players in the Field, forming a set of these actions according to the analytical model – and identifying the discourse of justification that consubstantiates the action, beneficiary public, associated test within the movement and interests involved. We find that, when building and categorizing socially responsible actions, there are always justifications in terms of the common good, on one hand, and on the other the serving of interests inherent to the Field to a greater or lesser degree. These interests, along the lines of Bourdieu (1996), are not restricted to immediate material interests. Very often, the interest combined with action does not refer to a monetary return but the dispute is beyond it to capital/symbolic profit (BOURDIEU, 2000).

The Products Group is being prepared by the organizations, and the most common among the banks are actions within the Organizational Group. The CSR movement in the banks, then, has not yet perhaps made a substantial change in the form of working, since the group of actions addressing the banking business is not systematically found in a large number of the organizations under study. However, disclosure is widespread, demonstrating to society that the Field is involved in the movement. The major test associated with the Organizational Group is the publication of the social balance sheet. Other tests also exist, such as affiliation to institutes addressing CSR, such as Ethos, Gife, etc., participation in seminars, discussion forums, receiving awards for related topics, hallmarks, etc. We do, however, consider that the social balance sheet is the test most considered in the Field.

The Field of Banking Organizations has created a specific CSR model. Given its skill in reconciling factors derived from the technical and institutional spheres, combining efficiency with the desired credibility, both important for the Field, the banking organizations demonstrate the rare fact of succeeding in creating actions and products that serve the interests of both the institutional and technical environments to boost the CSR movement.

In the case of actions relating to banking products, the tests are taken to consubstantiate the legitimization, assuring the character of justice required to construct the action. At the same time, the actions serve the interests inherent to the Field. The question that the organization's image before society is associated with all products analyzed, which confirms our premise that the Field is involved in the CSR movement as a way to obtain legitimacy, within our theoretical referential. And this set of actions/products is what will comprise the CSR status in the course and not project of its institutionalization.

On incorporating CSR in organizational structures

We analyzed the dissemination and sedimentation of structural arrangements relating to CSR institutionalization, which exteriorize and consolidate social practice. We find that at the moment when it materializes in organizational structures, CSR institutionalization gains force, since new interests around it are created. Its permanence and status, however, are now a new game, a new challenge for those involved/interested. The striving for awards and space in the media is one way to legitimize the structure created before the company, on one hand, and on the other, the company before society.

We identify that the Field of Banking Organizations increas-

ingly take the institutionalized tests in the movement, some at a global and others at a local level – such as joining the Ethos Institute, Ibase model, government programs and other institutes and programs, for example.

We found that structural arrangements relating to the CSR movement – for example, the social balance sheet, CSR-specific areas and the inclusion of a link on the topic in the organizational websites – were created recently (VENTURA, 2005b).

On checking that the largest banks take the tests studied, that they created/made the related structural arrangements, and that the banks with more focus on wholesale have not yet done the same, this confirms our argument that the purpose of the process is legitimacy.

The CSR analysis in the Field in this study is first and foremost directed to the banks, in detriment to other types of organizations that comprise it, such as associations and/or regulatory agencies, for example. Three bank-related arrangements were then elected for analysis: the specific area/framework for addressing CSR, social balance sheet and the icons/links on the topic in the organizational websites. These arrangements represent a congregation of efforts, resources and interests, so that the stakeholders work towards perpetuating and valorizing the social practice in question – they are, accordingly, a fundamental element in the dynamics of institutionalization.

In Table 1 we present a summary of the three arrangements analyzed in the banks under study.

Areas and/or specific frameworks for addressing CSR in the organizations

In the specific areas/frameworks for addressing CSR-related issues, the organizations have at least two alternatives, when they decide on their implementation (CAPPELLIN & GIULIANI, 2002). The first is the insertion in its framework of a component to address CSR – varying the location in the structure, status and size of the area, which ranges from large departments to merely one group or person appointed to deal with the question.

The areas created at director level or similar – which are not

Table 1.Structural frameworks relating to CSR in the banks

Ranking (1)	Banks (2)	CT (3)	No. of Branches (1)	CSR framework/area		Social Balance Sheet (4)			Specific Internet icon/link (7)
				Type	Year	If it has (since)	Ibase model (5)	Download available (6)	
1	Banco do Brasil	1	3.783	A C	2003 1985	1997	yes	yes	yes
2	CEF	1	2.135	B	2004	1998	yes	yes	yes
3	Bradesco	2	3.011	B C	2005 1956	2002	yes	yes	yes
4	Itaú	2	2.205	C	2000	1999	yes	yes	yes
5	Unibanco	2	918	C	1982	2000	yes	yes	yes
6	Santander B.	3	1.028	A	2002	2002	yes	yes	yes
7	ABN Amro Real	3	1.111	A	2001	2003	no	yes	yes
8	Safra	2	86	E	-	no	-	-	no
9	HSBC	3	926	N/i	N/i	N/i	-	-	yes
10	Nossa Caixa	1	506	B	2003	no	-	-	yes
11	Votorantim	2	4	C	2001	no	-	-	yes
12	Citibank	3	53	D	-	2002	no	no	yes
13	BankBoston	3	60	C	1999	1997	yes	N/i	yes
14	BNB	1	181	B	2003	1997	yes	yes	yes
15	Banrisul	1	386	D	-	1999	yes	yes	yes
16	Credit Suisse	3	2	E	-	no	-	-	no
17	Alfa	2	9	E	-	no	-	-	no
18	JP Morgan C.	3	5	B	2003	2003	no	no	no
19	Pactual	2	4	E	-	no	-	-	no
22	BBM	2	6	E	-	no	-	-	no
23	Rural	2	85	C	2002	2003	yes	yes	yes
26	Banco Amazônia	1	92	D	-	1999	no	no	no
38	Bancoob	2	2	E	-	no	-	-	no
43	WestLb	3	1	D	2004	no	-	-	no
47	Sofisa	2	5	E	-	no	-	-	no
49	ING	3	1	B	2000	no	-	-	no
51	Bansicred	2	4	E	-	no	-	-	no
59	Triângulo	2	2	E	-	no	-	-	yes
66	BGN	2	3	E	-	no	-	-	no

(A) CSR director or similar;
(B) Advisors or committee or working group and/or person devoted to the matter.
(C) Institute or foundation or philanthropic association.
(D) CSR program or project. Informal groups or committees.
(E) Actions and donations for sports, cultural or social events and projects (one-off or ongoing).
N/d – unavailable information; N/a – not applicable information; N/i – unidentified information.

Notes referring to Table 1

(1)Ranking in accordance with the Central Bank of Brazil's Top 50 Report – 50 largest banks and the merger of SFN on 12.31.2004, available on www.bcb.gov.br, accessed on 04.12.2005.
(2)Banks: They are for the purpose equal to the concepts of Banking Conglomerates (a group of financial institutions that consolidate their financial statements) and Independent Institutions (CEF, Nossa Caixa and BNB, Basa, Bancoob and WestLb, for example).
(3)CT = Control type: Identifies the origin of the capital control of the banking conglomerates or independent institutions: 1-Federal or State Public; 2-National Private (with or without foreign participation); 3-Private Foreign Control;
(4)the same but with a different name (Social Report, for example).
(5)if the latest published social balance sheet adopted the Ibase model, even if partially, or a model similar to Ibase.
(6)if, at least, the latest publication of the social balance sheet is available for downloading from Internet.
(7)if there is a link on the website expressly for CSR, or to some of its variants, social action, for example.

called that but have the same status as directorship – are shown in Table 1 under the letter A. The areas created at a managerial or advisory level are indicated by the letter B. Also included under letter B are the formalized Working Groups or Committees, namely, within the formal framework of the organization – with people specifically directed to the matter -, since there are also committees and/or working groups operating informally, with voluntary participation of employees and executives – the latter indicated by letter D.

There are cases where the organization structures a CSR program or project but does not create an area to address the issue – also under letter D. Letter E includes organizations that state that they help some actions by means of various types of specific or ongoing donations. In these two cases – D and E – in most organizations it was not possible to identify the starting year, since philanthropic and welfare practices have always existed in the organizations, as the IPEA study confirms (2001).

In the second alternative the organizations decide to create a framework to deal with the question, in the form of an institute or foundation, separate then from its administration. Normally these new organizations are set up specifically to address questions linked to the company's social investment, but in some cases they may also include the coordination of other CSR aspects in the company. They are indicated in Table 1 under letter C.

Since we consider the specific areas/frameworks an exteriorization of the way in which the organization understands CSR and in the way that it intends to address it – if marginally or as a policy centrally related to the business or the organization –, therefore, a sign of the routes of the movement in the field, we seek to characterize them, as follows, in the organizations investigated, segmented them by type of control holding.

State-owned Banks

In state-owned banks, namely Banco do Brasil (BB), the drive to create an area dealing with the bank's CSR on a broad basis, not only social investment, came with the change in government in 2003. When the new directorate took over in 2003, and within the defined institutional objectives – "To strengthen the role as a socially responsible company and to strengthen the link between the Bank and the employees" –, as well as explicitly include socio-environmental responsibility (SER) in its corporate strategy, BB created a special unit to address employee and CSR relations. The result was the Vice-Presidency of People Management and Socio-environmental Relations.

It should be emphasized that BB has been relying on the Banco do Brasil Foundation (FBB) since 1984 to specifically address its social investment. The re-adaptation of objectives and modus operandi of the FBB may be understood as a transformation aligned with the CSR movement that is on the increase in Brazil. Another sign of the movement by CSR in the BB structure was the creation in 2004 of the People's Bank of Brazil (Banco Popular do Brasil), a wholly-owned subsidiary of the Bank, specifically to attend the low-income population.

In the national savings bank Caixa Econômica Federal (CEF), a working cell specifically for Social Responsibility was created as late as May 2004, within the National Management of Strategic Planning. According to interviewees, the inclusion of the CEF in the movement, and adhesion to the Global Compact at the end of 2003, to the Millennium Development Goals (MDG), the Ethos Institute and the publication of the 2003 social balance sheet based on the Ibase model (Institute Brasileiro de Análises Sociais e Econômicas), is included as a result of social demand and international organizations that call for this stance.

In Nossa Caixa, the São Paulo state bank, the Social Responsibility Advisory Service was created in 2003 – with a streamlined structured, but willing to expand its activities. It is linked to the Bank's Presidency and aims to integrate all in-bank projects and processes already undertaken. Another motivation is found, then, to include it in the CSR movement, explained by the fact that it is a state bank.

National Private Banks

Concerning national private banks, Bradesco has its own dynamics in institutionalizing the practice, deriving from its strong retail focus. One interviewee, on the subject of the Bradesco background, said that this is a bank with a domestic and retail vocation, in national terms, and its relationship with the public has always been a strong point. The interviewee, a vice-president of the bank, makes it clear that, despite the population-focused policies, there is also the underlying commercial interest. These practices and Bradesco's own culture, in his opinion, derive from the values of Amador Aguiar, who founded Bradesco. Another project of the Bradesco founder on the social side is Bradesco Foundation, which exists since 1956[2]. With regard to disclosure of the actions, considering the scope of the Foundation's work and other social and cultural projects of the bank, the interviewees explain that this kind of disclosure is not part of the organization's culture.

Therefore, an area designed to address the Bradesco CSR would be but has not yet been created as a result of social demand and expectations, although the interviewees considered that the CSR concept is already deep-rooted in the bank's practices, thereby making no practical difference if an area exists or not.

There is here clearly an isomorphic action – of the coercive type –, which aims to fulfill a social expectation. This decision is identified in the phase called objectification, by Tolbert & Zucker (1999), in which there occurs the diffusion of the framework, with a certain degree of consensus between the organization's decision-makers regarding its value and growing adoption. Thus, the creation of a framework to specifically address the CSR is the outcome of a social demand, although the whole organization already seems to be involved in the theme in the aspects under analysis.

On the other hand, the view of Itaú administration is that of an integrated CSR, incorporated in the company's values and business. The justification given for the decision to create the Itaú Social Foundation in 2000 was the desire to assure continuity of the Program, which is already consolidated, so that it no longer depended on the annual confirmation of funds. Also in relation to the Itaú Social Foundation, it has a Superintendent status within the bank's organization chart, in order to integrate it with the business, unlike other foundations and institutes in the Field.

Along the same line as Bradesco and Itaú, Unibanco attributes its values to the organization's founders, referring them to a socially responsible attitude. In this matter, the Unibanco mission is included in the CSR context, considering the stakeholders and the country's development. On the other hand, Unibanco Institute was created in 1982 to coordinate the social activities of Unibanco Corporation. In 2002, the Institute underwent a reconfiguration, concentrating its focus on education. The other CSR-related issues are diluted in the organization.

In Banco Rural, the question of its CSR was first discussed in 2002, when the bank was undergoing a business administration training process. The bank administrators explain in an e-mail

that there is no specific committee in its structure to address the CSR issue and its different aspects. The aspects of social responsibility are administrated partly by the Chief Human Resources Officer, Marketing, Communication and People Management Directorate and the Junia Rabello Institute. Decisions on actions are taken by the Bank president and her advisors. In order to centralize the actions relating to the social question, to improve investment of resources allocated to them and encourage employee involvement in voluntary actions of a social and environmental impact, Banco Rural created the Junia Rabello Institute in November 2002. Its mission is to support, invest and participate in projects focusing on education and culture.

Bancoob and Bansicred are banks comprising credit cooperatives. They argue that their own activities are in themselves socially responsible. In a letter of reply from the Bancoob president, he assures that the very existence of the credit cooperatives, in function of some of their intrinsic characteristics, characterize the social responsibility of the entire System.

Banco Triângulo, belonging to the Martins Group in Minas Gerais, informs in its answer that it supports a reforestation project, using the business card, and a project to remove carbon from the air. It also takes specific actions, such as support given to a shelter home. In its reply we find that the bank seeks to advance not only in relation to CSR but also social investment.

Banco Votorantim, with regard to the existence of an Association created by executives to attend underprivileged communities, informs that the Group to which it belongs is included in a more structured form in the CSR movement.

Along these same lines, the only bank that states that it has not yet joined the movement is BGN. Nevertheless, BGN tells us that inclusion in the CSR movement is part of its plans. The other national private banks under study – Safra, Alfa, Pactual, BBM, and Sofisa – stated that they have specific or ongoing social actions managed by different departments or specific groups, mostly voluntary, but no specific framework around these actions worth mentioning was presented/identified.

The following table summarizes the information about the specific CSR areas found in the national private banks under study.

Since Banco do Nordeste (BNB) and Banco da Amazônia (Basa) are regional banks, their role is to focus on social and environmental development. Therefore, with regard to the existence of some specific areas, such as the Environment and Social Responsibility Management[1] of the BNB, created in 2003, projects of this kind already exist for many years.

Banrisul explained that it does not have a specific area for this issue and that the socially responsible actions are administrated on a decentralized basis, in accordance with the area of affinity of the project. Projects focusing on the internal public are managed by the people management area; environment-related projects, such as waste disposal, for example, are administrated by the infrastructure area; and community-related projects, principally in education and culture, are managed by the marketing department.

In Table 2 we summarize the identification of specific areas in public banks under study.

National Private Banks

Concerning national private banks, Bradesco has its own dynamics in institutionalizing the practice, deriving from its strong retail focus. One interviewee, on the subject of the Bradesco background, said that this is a bank with a domestic and retail vocation, in national terms, and its relationship with the public has always been a strong point. The interviewee, a vice-president of the bank, makes it clear that, despite the population-focused policies, there is also the underlying commercial interest. These practices and Bradesco's own culture, in his opinion, derive from the values of Amador Aguiar, who founded Bradesco. Another project of the Bradesco founder on the social side is Bradesco Foundation, which exists since 19561. With regard to disclosure of the actions, considering the scope of the Foundation's work and other social and cultural projects of the bank, the interviewees explain that this kind of disclosure is not part of the organization's culture.

Table 2 – CSR areas or specific frameworks in public banks

Banco do Brasil
- Framework created in 2003.
- Vice-Presidency for People Management and Socio-environmental Relations, divided in two Directorships: 1) People Management; and 2) Employee Relations and Socio-environmental Responsibility.
- Banco do Brasil Foundation created in 1985.

Caixa Econômica Federal
- Project approved in May 2004.
- With the approval of the Corporate Social Responsibility Project, a working group/cell was created for Social Responsibility, in the National Strategic Planning Management.

Nossa Caixa
- Framework created in October 2003.
- Advisory services on Social Responsibility linked to the Bank's Presidency in order to integrate all in-bank projects and processes already undertaken.

BNB
- Framework created in 2003.
- Environment Management and Social Responsibility (on the website it states Management of Infrastructure, Environment and Social Responsibility) relating to the area of Development Policies. The Thematic Environmental Project (BNB), which originated the area, was created based on the Green Protocol in 1995.

Banrisul
- No specific area. Actions taken on a decentralized basis.

BASA
- No specific area. All its actions are considered like that of Social Responsibility.

Therefore, an area designed to address the Bradesco CSR would be but has not yet been created as a result of social demand and expectations, although the interviewees considered that the CSR concept is already deep-rooted in the bank's practices, thereby making no practical difference if an area exists or not.

There is here clearly an isomorphic action – of the coercive type –, which aims to fulfill a social expectation. This decision is identified in the phase called objectification, by Tolbert & Zucker (1999), in which there occurs the diffusion of the framework, with a certain degree of consensus between the organization's decision-makers regarding its value and growing adoption. Thus, the creation of a framework to specifically address the CSR is the outcome of a social demand, although the whole organization already seems to be involved in the theme in the aspects under analysis.

On the other hand, the view of Itaú administration is that of an integrated CSR, incorporated in the company's values and business. The justification given for the decision to create the Itaú Social Foundation in 2000 was the desire to assure continuity of the Program, which is already consolidated, so that it no longer depended on the annual confirmation of funds. Also in relation to the Itaú Social Foundation, it has a Superintendent status within the bank's organization chart, in order to integrate it with the business, unlike other foundations and institutes in the Field.

Along the same line as Bradesco and Itaú, Unibanco attributes its values to the organization's founders, referring them to a socially responsible attitude. In this matter, the Unibanco mission is included in the CSR context, considering the stakeholders and the country's development. On the other hand, Unibanco Institute was created in 1982 to coordinate the social activities of Unibanco Corporation. In 2002, the Institute underwent a reconfiguration, concentrating its focus on education. The other CSR-related issues are diluted in the organization.

In Banco Rural, the question of its CSR was first discussed in 2002, when the bank was undergoing a business administration training process. The bank administrators explain in an e-mail that there is no specific committee in its structure to address the CSR issue and its different aspects. The aspects of social responsibility are administrated partly by the Chief Human Resources Officer, Marketing, Communication and People Management Directorate and the Junia Rabello Institute. Decisions on actions are taken by the Bank president and her advisors. In order to centralize the actions relating to the social question, to improve investment of resources allocated to them and encourage employee involvement in voluntary actions of a social and environmental impact, Banco Rural created the Junia Rabello Institute in November 2002. Its mission is to support, invest and participate in projects focusing on education and culture.

Bancoob and Bansicred are banks comprising credit cooperatives. They argue that their own activities are in themselves socially responsible. In a letter of reply from the Bancoob president, he assures that the very existence of the credit cooperatives, in function of some of their intrinsic characteristics, characterize the social responsibility of the entire System.

Banco Triângulo, belonging to the Martins Group in Minas Gerais, informs in its answer that it supports a reforestation project, using the business card, and a project to remove carbon from the air. It also takes specific actions, such as support given to a shelter home. In its reply we find that the bank seeks to advance not only in relation to CSR but also social investment.

Banco Votorantim, with regard to the existence of an Association created by executives to attend underprivileged communities, informs that the Group to which it belongs is included in a more structured form in the CSR movement.

Along these same lines, the only bank that states that it has not yet joined the movement is BGN. Nevertheless, BGN tells us that inclusion in the CSR movement is part of its plans. The other national private banks under study – Safra, Alfa, Pactual, BBM, and Sofisa – stated that they have specific or ongoing social actions managed by different departments or specific groups, mostly voluntary, but no specific framework around these actions worth mentioning was presented/identified.

Table 3 table summarizes the information about the specific CSR areas found in the national private banks under study.

Foreign-owned Banks

Concerning foreign-owned banks, Santander of European origin, restructuring after a series of takeovers, one of which was Banespa in 2002, created the Chief Social Responsibility Office, designed "to create and develop instruments, projects and programs with which Santander Banespa can contribute toward socioeconomic and environmental development to improve the quality of life in the community where it operates and in society as a whole" (SANTANDER, 2004).

In addition to the importance of the social balance sheet, it is clear how relevant CSR now is for different players, forming a chain that feeds and reinforces the institutionalization of social practice. Society now controls and therefore drives its own life toward the movement and institutionalizes it. Moreover, on justifying the existence of the social responsibility area in the organizational structure, the interviewee mentions that the awards received are a way to legitimize the organization before society and legitimize the area before the organization – which corroborates the earlier argument.

In ABN Amro Real, after a period of takeovers, in December 2001 the Executive Directorate of Social Responsibility was created within the new model of the bank. It was the first framework to be created at director level in a bank in Brazil, which acts as leverage for creating similar areas in other organizations. The Directorate was created, however, considering that in a few years it would be extinct – this attitude was found only in ABN. The premise was that the area would no longer be necessary when the new mentality is disseminated in the organization.

ABN is considered in the study as a key-player in institutionalizing CSR in the Field, among other reasons, for having been mentioned for "better or worse" in almost all the interviews –showing that it is a "role model" for the other organizations in the Field.

HSBC, justifying that the social responsibility department was undergoing a restructuring process, did not participate in the survey. Its answers shows that CSR is a practice already incorporated in the organizational frameworks and interests, since for unidentified reasons, the area was already being remodeled.

In Citibank, of North American origin, there is no specific department but the issue is addressed in the Corporate Events area, linked to the Human Resources department. Emphasis is on social action, highlighting a volunteer program called CitiEsperança.

In BankBoston, also of North American origin, the Foundation was created to agglutinate the bank's social actions, which have already existed for over ten years. According to the interviewees, the Foundation was thus created to work on consolidating the actions taken.

Besides developing the social work after its creation, anything that recalled or indicated a "social" question in the bank was forwarded to the Foundation. The interviewees justify this route

because of the lack of knowledge about the CSR concept or even the lack of concept.

In Credit Suisse First Boston, of European origin, there is no area allocated to address the issue. There is an informal working group that handles specific actions/donations, with funds from the parent company's Foundation – CS Foundation. In reply to the survey, they reported the partnership between the bank and a Brazilian NGO.

Since 2003, an employee in the North American bank JP Morgan Chase, was allocated to Human Resources solely to address the issue. The Social Responsibility Committee, created also in 2003, has 16 volunteer members, and is divided into two sub-committees: Social Investment and Quality of Life. The emphasis is also on social projects and voluntary work.

In WestLb, another of European origin, the WestLB Envolve Program was created in the second half of 2004, as a result of an informal working group mediated by a marketing and also Human Resources administration, in an attempt to develop its own concept in the organization. In a mimetic movement, while at the same time seeking to mirror other organizations, it wants to give the Project its "own image". Accordingly, the WestLB Envolve Program represents the WetLB initiative in Brazil of being more closely involved with social activities.

In ING, also of European origin, a committee was created in 2000 called Business Community Investment Programme (BCIP), in order to make ING a socially responsible group to contribute toward Brazilian communities that are socially excluded. Its answering letter says:

A focus on action is, then, apparent in the ING discourse, on a par with the other major banks, as well as discourse on social transformation.

Table 4 summarizes the specific structural arrangements of CSR found in the foreign-owned banks.

Table 3 – Specific CSR areas or frameworks in private Brazilian banks

Bradesco
- Framework created in February 2005.
- Executive Committee of Socio-environmental Responsibility.
- Bradesco Foundation created in 1956.
- There are also other sources of social investment of the organization (for example, Finasa Esportes).

Itaú
- Framework created in 2000.
- Itaú Social Foundation, created in 2000, handles the organization's social investment. It has superintendent status, with a view to its integration with the business. It originated in the Community Support Program (PROAC) created in 1993, later the Itaú Social Program. Other issues concerning CSR are diluted inside the organization.
- Itaú Cultural Institute, created in 1987.

Unibanco
- Institute created in 1982.
- Created in order to coordinate the social activities of Unibanco Corporation.
- Moreira Salles Institute, created in 1990.

Safra
- No specific area to address CSR.
- Contributions and donations to projects and investment in culture since 1981.

Votorantim
- Association focusing on attending underprivileged communities, created in 2001.

Alfa
- Social actions and occasional donations.

Pactual
- Social actions and occasional donations.

BBM
- Project to catalogue plant species in Rio de Janeiro Botanical Garden.

Rural
- Junia Rabello Institute, created in 2002.

Bancoob
- No specific area.

Sofisa
- No specific area.

Bansicred
- No specific area.

Triângulo
- No specific area.

BGN
- No specific area. The Group has been contributing to projects for some years.

Conclusion

In the attempt to understand the institutionalization of CSR at the level of an organizational field, we encountered a much broader question, which is the transformation of this social practice in a new social value, capable of contributing to the legitimacy of the organizations. We defend the theory that in the process of institutionalizing CSR, the actions are justifiable in terms of the common good, being legitimized by tests and

Table 4 – Specific CSR areas or frameworks in private Brazilian banks

Santander Banespa
- Framework created in 2002.
- Chief Corporate Social Responsibility Office.

ABN Amro Real
- Framework created in December 2001.
- Executive Social Responsibility Directorate transformed in 2004 in Directorate for Education and Sustainable Development.

HSBC
- Did not participate in the survey, arguing that the Social Responsibility department is being restructured.

Citibank
- No specific department, but the matter is address by some people in the Corporate Events area, linked to Human Resources.

BankBoston
- Foundation created in 1999.

Credit Suisse First Boston
- No area allocated to handling the question.

JP Morgan Chase
- Social Responsibility Committee created in 2003.

WestLB
- WestLB Envolve Program began in September 2004.

ING
- Brazilian Community Investment Program created in 2000.

structural arrangements and serving interests inherent to the Field. This process occurs as part of a movement of capitalism displacement, which means re-categorizing the model, feeding the construction of a new spirit for capitalism – necessary to mobilize people beyond the material dimension. The displacements are, therefore, the expression of the dynamics of capitalism, which subverts the existing order, in order to reproduce itself.

We find that CSR is on its way to being institutionalized in the organizational Field under study. We cannot state that the practice is fully institutionalized since the study demonstrated that, among the banking organizations, focusing on the analysis within the Field, two groups stand out, at different stages of the process. We understand, nevertheless, that there is no going back for the Field, if we consider the force of the organizations that have already incorporated social practice.

On one hand, large retail banks – exposed, therefore, to public opinion –, are at the sedimentation stage in social practice. The challenge at this moment is to expand and/or conserve the structures created. Some of these banks have, on this matter, increased the size and importance of the CSR areas by incorporating other functions, such as training and/or personnel development, for example. Others seek to achieve larger budgets and more personnel.

On the other hand, wholesale banks, primarily investment banks, are still at the earlier stage, possibly adopting some actions, imitating the large banks in the first group. There is a consensus in this second group that the adoption of socially responsible practices is a social requirement to be fulfilled, starting by showing signs of their involvement in the CSR movement, but still a long way to go to be on a par with the large conglomerates.

We noticed the fact that the organizations very often can launch into the CSR discourse without questioning what it really means, without reviewing values or beliefs, solely to be legitimate before society – which, although this was not the purpose of the study, it was confirmed when analyzing the interests involved in the practical actions. Accordingly, a conclusion of the study is that one of the major catalysts of the process is the striving for legitimacy by the organizations and Field at a time when their profit and modus operandi need to be justified.

We also found that the CSR movement in the Field of Banking Organizations in Brazil is a phenomenon of the past ten years, mostly consolidated since 2001, when the discussion gains new disciples and when the specific structures to address the theme were first created.

Figure 2 is an attempt to synthesize the analysis undertaken, representing the elements and players identified in the study. Its purpose is to demonstrate that CSR institutionalization at the level of the Field of Banking Organizations, as part of the process of capitalism displacement, causes to some extent a re-categorization of the model, transforming the spirit of capitalism with the new institution (CSR) into a process of social construction of reality.

In the CSR sphere, the business discourse has been com-

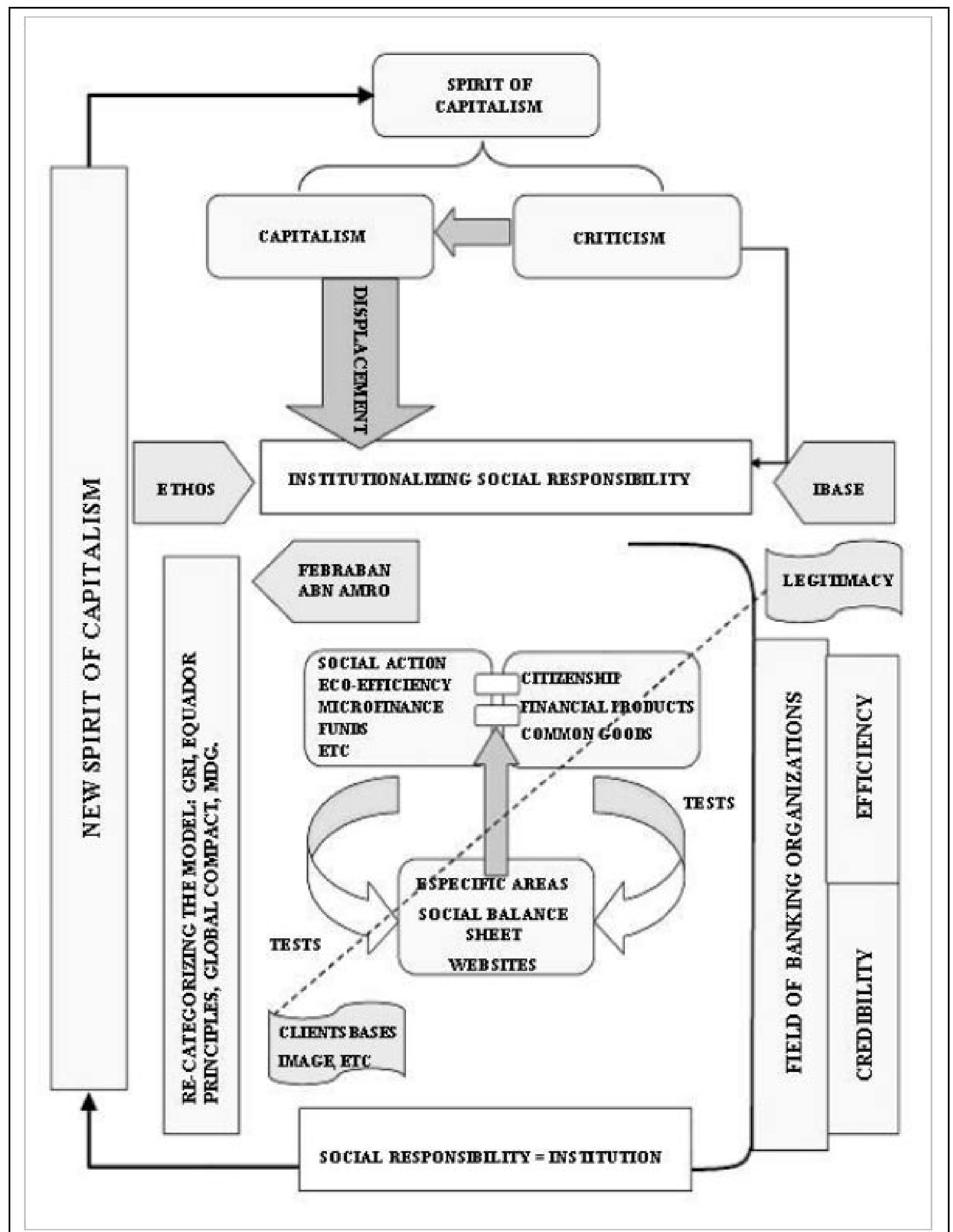

Figure 2 – Dynamics of institutionalizing social responsibility in the Field of Banking Organizations

pared to the discourse of criticism, indicating that capitalism has already taken it over, with a view to displacement in order to perpetuate itself. It is necessary, therefore, to be attentive to the directions of this movement in society, which leads the business sector to a larger role, compatible with it, reinforcing its social power. Social Responsibility is in fact becoming a test and "good business" for capitalism, when it supports dispute settlement while, at the same time, establishes devices to enhance it. In a country like Brazil, where the notion of citizenship is not yet consolidated (PAOLI, 2002), when exploring the dynamics of CSR institutionalization, the study looked to contribute to a possible reflection about the practice, invariably valorized as a kind of solution for social issues.

[1] The origin of this management may be found in the Environment Thematic Project, which was the outcome of BNB's participation in the Green Protocol. The Project, which undertakes actions since 1996, is responsible for systematizing BNB procedures on environmental matters. Other objectives of the Project are to practice groundbreaking actions and give support to the various areas of the Bank on environmental aspects referring to the policies, programs, credit process, capacity building actions and inter-institutional relations. Project actions are based on coordination with the various areas of the Bank and through partnerships with government institutions, NGOs, companies, associations and productive agents in general.

[2] The Foundation offers comprehensive free educational work, comprising infant schooling, basic education, middle school and professional training to more than 107,000 students free of charge in 40 schools in 26 States and Federal District. In its almost fifty years of existence, it has already graduated more than 500,000 pupils. Bradesco Foundation also offers basic professional training, fast specialization, and information technology courses for the visually impaired and adult literacy classes. The Foundation's work has already been recognized by various institutions at home and abroad, such as Harvard University, for example, which considered its project a worldwide benchmark in the Third Sector (BRADESCO, 2005). The Foundation's 2004 budget was around 150 million reais, which is the largest social investment ever in the Field. The Foundation is then the social arm of the bank, although there are also projects outside the Foundation, such as Finasa Esportes, for example.

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Reframing Organizations: Artistry, Choice, and Leadership

BOOK REVIEW

Christian T. K.-H. Stadtländer

Reframing Organizations: Artistry, Choice, and Leadership

Lee G. Bolman and Terrence E. Deal

(Jossey-Bass, San Francisco, California, U.S.A.; 2003;ISBN 0-7879-6427-1) U.S. $38.00

Organizations are complex entities, often difficult to understand. Many factors make organizational life complicated, ambiguous, and unpredictable. The biggest challenge for managers and leaders is to find the right way to frame our organizations in a world that has become more global, competitive, and turbulent. The book by Bolman and Deal is a marvelous work on understanding how organizations function. It also provides practical suggestions for reframing organizations in order to adapt them better to current business realities.

Bolman and Deal focus on both management and leadership. The authors believe that organizations face several dangers. If, for example, an organization is overmanaged but underled, it will eventually lose any kind of sense of purpose and spirit. On the other hand, a poorly managed organization with a strong and charismatic leader may soar briefly only to experience a significant downfall shortly thereafter. Bolman and Deal suggest that we need today more people in managerial roles who can deal with organizational confusion and chaos by establishing order and finding simplicity; we need managers who love their work and organizations, and respect the people whose lives they affect. Leaders should be both artists and analysts, who are flexible and versatile enough to reframe their experience, as well as constantly seek new issues and discover possibilities. The authors also suggest that leaders and managers should view management more as a moral and ethical undertaking and should attempt to combine business realism with a passionate commitment to larger values and purposes.

In Reframing Organizations, Bolman and Deal concentrate mainly on organization theory's implications for practice. This makes their book not only extremely valuable for managers and future leaders of organizations but also for management consultants who advice managers and leaders on a variety of organizational issues. The authors use a four-frame model (structural, human resource, political, and symbolic), indicating that the same situation can be viewed in at least four different ways. Each of these frames is distinctive, coherent, and powerful, yet when taken together, they help capture a comprehensive picture of an organization's situation. These frames can be used to identify what is wrong in organizations and what can be done to correct it.

The four frames have their own image of reality. Each frame can be characterized as follows: (1) The Structural Frame (metaphors: Factory or machine) emphasizes goals, specialized roles, and formal relationships; this frame can be used to organize and structure groups and teams to get results and fit an organization's environment and technology. (2) The Human Resource Frame (metaphor: Family) sees the organization through the lens of human needs, emotions, skills, and relationships; the goal is to align organizational and human needs to build positive interpersonal and group dynamics. (3) The Political Frame (metaphor: Jungle) has to do with power, conflict, competition, and organizational politics; this frame can be used to cope with power and conflict, build suitable coalitions and hone political connections, and deal with both internal and external politics. (4) The Symbolic Frame (metaphors: Carnival, temple, or theater) sees organizations as cultures, propelled more by rituals, ceremonies, stories, heroes, and myths than by rules, policies, and managerial authorities; the goal of this frame is to shape a culture that gives a purpose and meaning to workers, provides organizational drama for internal and external audiences, and build team spirit through ceremony and story.

The theories presented in this book were derived from research conducted with a variety of organizations from different sectors around the globe. Bolman and Deal analyzed organizations such as McDonald's in India, Citibank, Enron, Kodak, Harley-Davidson, Volvo France, NASA, the U.S. Air Force, Nordstrom, Harvard University, and the U.S. Congress in regard to individual aspects of the organizational frames. This approach makes the four-frame model relevant and applicable to any type of domestic and international organization.

Bolman and Deal believe that multiframe thinking requires elastic movement that lies beyond narrow and mechanical approaches for understanding

organizations. When managers and leaders apply the holistic model, they view organizations through all four frames (people, power, structure, and symbols); this gives them an array of options and development opportunities. For example, people in organizations will improve on bargaining, become more open to training, learn how to celebrate success, and lose fear of reorganizing and reframing; they suddenly see the need to develop creativity, risk-taking, and playfulness; they will find the right questions and answers, and search for a deeper meaning and faith despite chaos and confusion; this eventually leads to the development of passionate, committed, flexible, and ethical, as well as understanding and responding managers and leaders who move the organization forward in a constantly changing business environment.

The book also provides the reader with information about important articles and books published in this field. A series called "Greatest Hits from Organization Studies" is displayed as sidebars throughout the book and represent valuable summaries of key ideas from the most influential works in the scholarly literature as well as summaries of management best-sellers. For this, the authors developed two lists: (1) The "greatest hits" as rated by scholars and (2) Best-sellers as represented in the list of Business Week. A summary of these lists is provided in the Appendix.

The book concludes with a section on improving leadership practice by applying the four-frame model. More specifically, various issues related to the challenges of leadership are discussed, including integration issues, opportunities and perils, the distinct image of leaders and leadership, creating change, as well as ethics and spirit. Bolman and Deal then illustrate the process, art, and choice of reframing an organization by following a new principal through his first week in an urban high school. This high school is used as an example for an organization in trouble, similar to a corporation in crisis, a struggling hospital, or an embattled public agency. This case study essentially demonstrates how Bolman and Deal's theories would play out in practice by applying the four-frame model to a real world problem.

All in all, I found this book to be superbly written and well illustrated. It provides the reader with a 19-page list of cited references useful for further in-depth study of management topics related to organizational issues. This book is a useful text for managers and leaders who want to learn more about the functioning of organizations. It is also a superb guide for consultants who advice in organizations junior and senior managers, section leaders, and executives. Finally, this book is an excellent text for graduate students and scholars in business and education schools who are interested in learning how organizations function by studying the basics, cases, and applications of organizational theory and behavior.

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