Abstract
By whatever name it is labeled—corporate social responsibility, corporate responsibility and sustainability, or social responsibilities of business—businesses, especially corporations, are adopting the concept and operationalizing it through a variety of programs and policies. While corporate social performance reporting is becoming a basic expectation of both society and the corporation, it is rare that a consensus regarding related performance is reached. One of the many reasons for disparate perceptions of performance lies with the different understandings of corporate social responsibility. To help position these understandings this article considers a new typology of corporate social responsibility based on the independent works of Klonoski (1991) and Bakan (2004). Understanding corporate social responsibility starts with the questions of whether corporations are social institutions and the sincerity with which corporations adopt corporate social responsibility.

Keywords
Corporate social responsibility, Conceptualisation, Social corporatism, Social Institutionalism, Fundamentalism, Moralism, Criticalism

Introduction
Corporate social responsibility (CSR) is a significant and expanding area of interest in business, management and commerce literature (Garriga & Mele, 2004, p. 51; Brown & Fraser, 2006, p. 103; Amaeshi & Adi, 2007, p. 3). Defining CSR is repeatedly at issue (de Bakker, Groenewegen & Den Hond, 2005, p. 283) and it has been described as both a ‘tortured’ (Godfrey & Hatch, 2007, p. 87) and a ‘fuzzy’ (Lantos, 2001, p. 595) concept. CSR is a complex term and like globalization or sustainability, is an example of a ‘dense’ term (Shanahan, 2001). Dense terms have many layers of meaning and as the layers are peeled away, new understandings of the concept emerge, shaped by what has already been revealed, as well as that yet to be uncovered.

Authors have used different strategies to provide definitions and explorations of the complex construct of CSR and the scope of such responsibilities. Carroll (1999) uses a simple chronological framework to highlight the evolutionary nature of CSR. More recently, Dahlsrud (2006, in press) uses content analysis to develop five dimensions in existing CSR definitions. Husted (2000), Lantos (2001) and Schwartz and Carroll (2003) create models of CSR using domains, pyramids and similar devices, to identify relevant issues. However to provide a comprehensive examination of such models and frameworks within the context of this article is not the intent.

Klonoski (1991, p. 9) creates a framework that identifies camps, referred to hereafter as approaches, based on the question of whether corporations are social institutions. Klonoski’s work is used here as a foundation as the central research question addresses the basic arguments about business-society relationships, a core theme in CSR literature.
Bakan’s (2004) sincerity divide provides a simpler method of classification, but its interaction with Klonoski’s framework provides additional depth to the analysis of the approaches. Thus, Klonoski’s (1991) original typology of CSR is updated and modified by incorporating the work of Bakan (2005) to encompass five approaches: fundamentalism, social corporatism, social institutionalism, moralism and criticalism. The different approaches provide the foundation for perceptions and expectations of different parties in the CSR debate including corporations, regulators and various stakeholders. The result is that while it appears that all parties are looking at the same landscape, their perception of the landscape is shaped by different positions in the terrain.

Klonoski’s approaches to CSR

Klonoski (1991, p. 9) identifies four approaches to CSR: fundamentalism, moral personhood and moral agency (moralism), social institutions (social institutionalism), and ‘other’, a collection of approaches based on religion, politics and culture. It is argued below that since Klonoski’s (1991) contribution, the ‘other’ approach has been subsumed into moralism and two new approaches have evolved—social corporatism and criticalism.

It is common to associate approaches to CSR with a left-right political spectrum (Friedman, 1970; Brown & Fraser, 2006). Figure 1 (page 26) provides a simple political spectrum, with fascism on the extreme right and socialism on the extreme left. The continuum is curved to convey the similarities between the extreme right and left. There appears to be no correlation between the approaches identified with these extremes. Fundamentalism is located in the middle right reflecting strong conservatism, whereas criticalism, being as critical of capitalism as it is of CSR, is located in the middle-left near strong liberalism. It should be noted that each approach occupies a range of the spectrum and may well overlap with other approaches.

Approach 1: Fundamentalism

Fundamentalism or neo-classicism (Moir, 2001, p. 17) holds that corporations do not have social responsibilities, or where these do exist, are limited to the payment of taxes and provision of employment (Klonoski, 1991, p. 9; Moir, 2001, p. 17). This approach is typified by Friedman (1970). Friedman (1970, p. 32) states that

...[social] responsibility is to conduct the business in accordance with their [owners or shareholders] desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom.

The basic rules of society are those of the general economic environment(s) in which the business operates: free-market, geographical regions, and relevant legislation (Klonoski, 1991, p. 9). Friedman (1970, p. 32) argues that any ethical or social responsibilities are implicit in these environment(s) and special consideration of social responsibilities is neither needed nor warranted; the free-market will punish corporations not adhering to its rules (Klonoski, 1991, p. 9). Friedman (1970, p. 32) views CSR as a tool for intellectual-socialists to undermine free society. In this respect, the fundamentalist approach is in direct opposition to criticalism, which sees reformation of capitalist society and the free-market as a necessary requirement for real accountability of business (Brown & Fraser, 2006, p. 110).

Prior to Friedman (1970), Carr (1968, p. 145) highlights the rules of the business game which, like poker, includes ‘the bluff’. Carr (1968, p. 148) is adamant that the idea of business being guided by the ethical position adopted in private life was unaffordable. Indeed, he notes the adoption of any ethical position is a ‘self-serving calculation in disguise’ (Carr, 1968, p. 148). Ultimately, the adoption of an openly-stated ethical position is about profit and, like Friedman (1970), the business’s responsibility is to create profit.

The pivotal element in the fundamentalist approach is the portrayal of the corporation...
as a purely legal creation and not as a social institution. The purpose of corporations is solely economic with no associated moral imperative or social obligation (Klonoski, 1991, p. 9). Only a natural person is capable of having social responsibilities (Friedman, 1970, p. 32). Friedman is not alone in supporting the fundamentalist approach, with Levitt (1983) and Den Uyl (1984) as strong proponents. However, since 1991 the fundamentalist approach has received little attention, except as a method for contrasting with other approaches. For those resisting the voluntary adoption of CSR or the imposition of regulation requiring recognition of non-shareholder stakeholder interests, fundamentalism is an attractive and persuasive approach (see for example, Bostock, 2005). The fundamentalist approach has of late become embedded in social corporatism, which will be discussed next.

**Approach 2: Social corporatism**

A new approach is the hybrid social corporatism and is popularised as the Business Case. This approach is borne from an overlap between fundamentalism and social institutionalism (to be discussed later) and has become a prominent approach in its own right. Social corporatism builds on the foundations of fundamentalism—that is, the purpose of business and corporations is the creation of profit—but it also recognises and accepts a social aspect to corporate existence and action. An early proponent of social corporatism is Drucker (1973), who holds that Friedman’s (1970, p. 32) fundamentalist approach is untenable, owing to a ‘sickness of government’ that essentially rendered it unable to perform its traditional duties. Instead, he argues that through pursuing their own self-interest, corporations need to concern themselves with society and should assume some of the responsibility that extends beyond traditional business areas (Drucker, 1973, p. 349).

A range of business councils and corporations such as the World Business Council for Sustainable Development (WBCSD), Business in the Community (BITC), the Business Council of Australia (BCA), and highly proactive multi-national companies now lead this approach. Social corporatism rests upon a position that is embedded firmly within fundamentalism and social contract theory: when business prospers, so does society.

Business remains the most potent force for wealth creation, countries do not have low incidences of poverty because of their welfare programs, but largely because they have created frameworks that encourage business enterprise (WBCSD, 2002, p. 3).

Stakeholder accountability is incorporated into the approach and blended with fundamentalism to promote CSR as an effective policy to manage stakeholders and organisational legitimacy alike (Brown & Fraser 2006, p. 105). Social corporatism sees concepts such as sustainable development and CSR as a business strategy, with the potential to make corporations and other business structures, more responsive to rapid changes in their environments (WBCSD, 2002, p. 2; Dentchev, 2005; Brown & Fraser, 2006, p. 104).

In terms of CSR, the World Business Council for Sustainable Development (2002, p. 6) considers the issue to be how rather than what. It assists corporations to determine to whom, and how, CSR should apply. It recognises that the existence of stakeholders such as employees are of long-term benefit to corporations rather than an expense, dialogue should be transparent and open, and performance measured and reported externally (WBCSD, 2002, p. 6). Social corporatism’s acceptance of stakeholders opens this approach to being a compelling argument for the adoption of a CSR policy (BITC, 2003, p. 1).

**Approach 3: Social institutionalism**

Social institutionalism assumes that corporations are social institutions with associated social responsibilities (Klonoski, 1991, p. 12). This approach has the concept of a social contract deeply embedded within it and represents something of a middle ground between fundamentalism and
criticalism (Gray, Owen & Maunders, 1988, p. 8-9).

The social contract emerges from the philosophy of Hobbes, Locke, Rousseau, Kant and others, and provides a rationale for relationships between persons, society and its members, as well as between society and institutions (Gauthier, 1977, p. 135; Moir, 2001, p. 19). The social contract sees relations between business and society, the rights and duties of individuals, as well as institutions and practices, as contractual in nature. This social contract is implicitly agreed to by members of society and evidenced by the acceptance and submission to laws and customs (Gauthier, 1977, p. 135; Klonoski, 1991, p. 12).

The social contract is fundamentally different from a legal contract (Klonoski, 1991, p. 12). The social contract is not a written document that can be brought before the courts in the case of a breach. However, it is argued that law, both common and statutory, represents the rules of society and the elements of the social contract (Gray et al., 1988, p. 13). In exploring CSR, it is generally agreed that the law represents a starting point, a foundation upon which practice is extended (Buhman, 2006, p. 188). The law however, is not a comprehensive set of rules, and society’s culture with its norms and values, will provide additional elements to these basic and legally enforceable rules.

With a social contract operating, interaction between society and business is such that when business prospers, society prospers. However, business must be ever-mindful of the needs and desires of the society in which it operates, and be responsive in meeting those needs and desires (Klonoski, 1991, p. 12; Gray, Kouhy & Lavers, 1995, p. 53).

A breach of the social contract by a corporation results in society withdrawing its support, and in this sense the social contract is the cornerstone of organisational legitimacy theory. Dowling and Pfeffer (1975, p. 122) describe organisational legitimacy as

...a condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity’s legitimacy.

Implicit in this position, is that where society withdraws its bestowed legitimacy, the tacit permission for the existence and continuing operation of a business or corporation, the organisation ceases to operate effectively until legitimacy is restored or the organisation dies (Moir, 2001, p. 19; Hamilton, 2006, p. 333). Legitimacy is bestowed and withdrawn by society, but it is acknowledged that corporations often control this process (O’Donovan, 2002, p. 346; McMurtrie, 2005, p. 132). Legitimacy can be regained by a corporation, either by altering its own values and expectations or by altering the perceptions held by society, of its values and expectations (O’Donovan, 2002, p. 345).

Perception is critical in CSR, as it is often society’s (or stakeholder’s) perceptions of a corporation’s acts that influence their responses. These perceptions are created through the information available to society or stakeholders, information which is predominantly provided by the corporation itself, prepared by highly skilled communicators and utilising jargonised language. Lindblom (1994, cited in Gray, Owen & Adams, 1994, p. 46; Gray et al., 1995; and McMurtrie, 2005) offered four methods for achieving such an alteration of society’s perceptions:

- educate stakeholders about the business’s intentions, expectations and efforts to improve performance;
- change stakeholder perceptions (or explanations) of their performance;
- divert attention from any issues of concern by concentrating on positive rather than negative performance; and,
- change external stakeholder expectations about business performance.

While there is some criticism of social contract theory (Klonoski, 1991, p. 13), both legitimacy theory and stakeholder theory
emerge from its traditions, and are strongly interlinked both with one another and with social institutionalism (Mitchell, Agle & Wood, 1997, p. 866). While social institutionalism is the most dominant amongst academics in the current debate about CSR, the stakeholder theory sub-strain clearly has the favoured position, evidenced by the volume of literature adopting a stakeholder perspective (see Owen, Swift & Hunt, 2001; Belal, 2002; Norris & O’Dwyer, 2004; and Steurer, 2006 as a sample). This sub-strain also causes the most vociferous response from fundamentalism and social corporatism.

Stakeholder theory considers the question of who amongst broader society should receive a corporation’s attention (Mitchell et al., 1997, p. 855; Moir, 2001, p. 19). From a fundamentalist approach there is only one possible answer, shareholders; whereas a criticalist may well answer all of society. From the stakeholder perspective, there is a recognition that corporations need to be accountable, but, for purely pragmatic reasons, they cannot be accountable to all of society. For this reason, stakeholder theory seeks to provide a systematic method or model for the identification of stakeholders, those sub-groups of society to whom a corporation will be accountable (Mitchell et al., 1997, p. 855).

Social institutionalism, as well as the stakeholder sub-strain, view corporations as quasi-public institutions, necessary for the creation or promotion of open and transparent democratic societies (Brown & Fraser, 2006, p. 106). However, it is also an essential element of this approach that corporations serve society, fulfilling many functions that governments are unable to (Drucker, 1973, p. 318). Corporations are responsible therefore for not only the generation of profit but also for the accomplishment of a variety of social objectives (Brown & Fraser, 2006, p. 106).

**Approach 4: Moralism**

*Moralism* moves the discussion of CSR to a philosophical basis, incorporating ethics, morals and virtue. The primary position of this approach holds that to understand the social responsibilities of corporations, the corporation itself and its nature must be understood (Klonoski, 1991, p. 10). The basic notion of the corporation as a legal ‘person’ causes much of the debate in this approach; is a legal person, compared with a natural person, to be held accountable and responsible for its actions (Klonoski, 1991, p. 10)? Implicit in this approach is the understanding that a corporation is not a person in any tangible sense of the word. Within the context of CSR, an important question that arises is whether corporations are moral agents and whether the moral principals in this relationship, the shareholders, should be held accountable for the actions of their moral agents (Klonoski, 1991, p. 10).

A typical recommendation of this approach is that corporations should be treated as a natural person and hence, are able to be held responsible for their actions and to the same, if not higher, standards of responsibility (Klonoski, 1991, p. 10). In some respects the moralist agrees with the fundamentalist - only people have responsibilities - but moralists acknowledge that decisions are not made by individuals for personal reasons, or at least not for purely personal reasons, they are made ‘for and in the name of the corporation’ (Goodpaster, 1983, p. 3). Desjardins (1990) bases the approach firmly within an ethical framework, looking not at ethics based on any contractual notion of relationships between people and institutions, but founded upon ‘the development of good or morally virtuous people’. Little is written in CSR literature about the virtues (but see Francis, 1990 and Carroll & Buchholtz, 2006), rather it is moralism (including ethics), which is evident.

The moralist approach has been pursued by authors such as Suchman (1995, p. 579) and most recently Palazzo and Scherer (2006) in discussing moral legitimacy. Palazzo and Scherer (2006) advocate a move towards adopting moral legitimacy as a
foundation for CSR. Legitimacy is ‘vital for organisational survival as it is a precondition for the continuous flow of resources and the sustained support by the organisation’s constituents’ (Palazzo & Scherer, 2006, p. 71’). Behavioural theorists also utilise moralism, holding that the moral imperative to address social problems stems necessarily from a business’s use of resources which might otherwise be used to address these problems (Moir, 2001, p. 17). In this respect, the moralist has features in common with social institutionalism.

**Approach 5: Criticalism**

*Criticalism* (also called critical theorists by Brown & Fraser, 2006, p. 100) represents the opposite end of the CSR spectrum from fundamentalism and is a new approach. As discussed earlier, criticalists are prone to finding fault with others, particularly fundamentalists and social institutionalists. Where fundamentalists see CSR as a threat to capitalism and the free-market, criticalists see it as a threat to accountability and likely to maintain current inequities and power asymmetries (Maunders & Burritt, 1991; Bakan, 2004; Brown & Fraser, 2006, p. 110.). For criticalists, CSR is a potential victim of the business agenda, a mystery couched in jargonised terms and where understanding is lost to the majority of society’s members (Springbett, 2003; Brown & Fraser, 2006, p. 110).

Criticalists have led the debate on specialised social, ethical and environmental reporting, characterising reports as disinformation or ‘greenwash’ (Freeman & Liedtka, 1991; Brown & Fraser, 2006, p. 111). In this approach, CSR is an ideologically weapon, which is as equally useful to other approaches. Criticalists see work such as the preparation of ‘anti-reports’ or ‘silent or shadow’ accounts (O’Dwyer, 2005, p. 34) as a way of highlighting social conflicts and failures of accountability (Brown & Fraser, 2006, p. 111). In some respects, the work of Deegan and Rankin (1996) and Adams (2004) are also reflective of these perceptions. The reviewed literatures are summarized in Table 1 (page 27).

**Bakan’s sincerity divide**

Klonoski’s (1991) framework is a useful starting point for analysing CSR. However, this can be cross-referenced to Bakan (2004). Bakan (2004, p. 34) uses Friedman as inspiration for dividing CSR into a simple dual classification based on sincerity of adoption. This sincerity divide, concerns the ends achieved by the adoption of CSR. Friedman holds that where adoption of CSR is used to maximise shareholder wealth (the traditional measure of business success), adoption is acceptable, but where CSR is an end in itself, adoption is not only unacceptable but immoral (Bakan, 2004, p. 34). Friedman, consistent with the fundamentalist approach, believes therefore that only one circumstance permits CSR to be tolerable, when it is insincerely adopted (Bakan, 2004, p. 34).

Reviewing the modified Klonoski approaches in light of Bakan’s sincerity divide, it is possible to show a correlation between placement on the political spectrum and sincerity of adoption (Figure 2, on page 26). Those approaches closer to the extremes of the political spectrum are likely to be insincere adopters, whilst those nearer to the middle are likely to be sincere adopters. Bakan’s (2004) sincerity divide adds a new dimension to Klonoski’s (1991) framework and it is evident that the Klonoski approaches are divided in their sincerity. Fundamentalism and criticalism provide examples of insincere adopters of CSR.

**Conclusion**

Understanding CSR requires an examination of the questions that underpin the construct: are corporations social institutions? If so, what is the extent of their responsibilities to society and how should such responsibilities be discharged? To whom are corporations responsible and how should they be held accountable? The article shows that each party in this debate is likely to hold their own perceptions of corporate social performance.
as their understanding and conception of CSR may differ from other stakeholders and especially the corporation. Five approaches to CSR are identified each with their own unique perspective on corporations, their social responsibilities, and the sincerity with which CSR is adopted. Understanding the perspectives towards CSR is a necessary first step in the debate on business-society relations, and may enhance accountability between corporations and stakeholders.

References


Figure 1: Klonoski (1991) framework with political spectrum

Figure 2: Modified Klonoski framework
Table 1: Klonoski framework

<table>
<thead>
<tr>
<th>Approach</th>
<th>Are corporations social institutions?</th>
<th>Sincere or Insincere Adoption</th>
<th>Referenced Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundamentalism</td>
<td>No</td>
<td>Insincere</td>
<td>Carr, 1968; Friedman, 1970; Levitt, 1983; Den Uyl, 1984; Bostock, 2005</td>
</tr>
<tr>
<td>Criticalism (aka Critical theorists)</td>
<td>No</td>
<td>Insincere</td>
<td>Freeman and Liedtka, 1991; Maunder and Burritt, 1991; Lindblom, 1994; Springbett, 2001; Collison 2003; Korhonen, 2003; Bakan, 2004; O'Dwyer, 2005</td>
</tr>
<tr>
<td>Social corporatism</td>
<td>Incidentally</td>
<td>Sincere</td>
<td>Drucker, 1973; WBCSD, 2002; BITC, 2003</td>
</tr>
<tr>
<td>Social institutionalism</td>
<td>Yes</td>
<td>Sincere</td>
<td>Gauthier, 1977; Gray, Owens and Maunder, 1988; Gray, Kouhy and Lavers, 1995; Deegon and Rankin, 1996; Mitchell, Agle and Wood, 1997; Belal, 2002; O'Donovan, 2002; Adams, 2004; Norris and O'Dwyer, 2004; McMurtrie, 2005; Hamilton, 2006; Steurer, 2006</td>
</tr>
<tr>
<td>Morality</td>
<td>Yes</td>
<td>Sincere</td>
<td>Goodpaster, 1983; Suchman, 1995; Zsolnai, 1997; Hoffman, Frederick and Schwartz, 2001; Robertson and Crittenden, 2003; Goodpaster, Nash and Bettignes, 2006; Levis, 2006; Palazzo and Scherer, 2006 Desjardins, 1990; Francis, 1990; Vogel, 2005; Carroll and Buchholtz, 2006</td>
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PHD COMPLETED – DR SUMIT LODHIA

Congratulations to Dr Sumit Lodhia who in September was awarded this PhD at The Australian National University. His thesis was entitled ‘The world wide web and environmental communication: A study into current practices in the Australian minerals industry’.

Sumit is a Lecturer at the School of Accounting and Business Information Systems, The Australian National University and he makes the following comments about his work.

“This thesis explored the factors that influence the extent to which the World Wide Web (henceforth web) is utilised by corporations in an environmentally sensitive industry to communicate with their stakeholders in relation to environmental issues. The study initially established, in theory, the communication potential of the web and possible factors which can impact on the extent to which this potential is utilised for environmental communication. Subsequently, it examined the use of the web by specific companies in the Australian minerals industry for communicating environmental issues to their stakeholders over time. Explanations for current practices were established through an analysis of the impact of the factors established in theory on web based environmental communication in the Australian minerals industry.

A model was established to guide the research process for this study. Drawing upon media richness theory (Daft & Lengel, 1984, 1986; Sproull, 1991; Valacich et al., 1993), the Media Richness Framework was developed to provide criteria for assessing the communication potential of the web. It was also posited that the extent to which this potential is utilised in practice is dependent on management’s web based communication needs. These needs incorporate timeliness, accessibility, presentation and organisation, and interaction. Contextual factors, which include limitations of web based technologies, economic, internal organisational and external stakeholder issues, influence these needs.

Case study research (Hagg & Hedlund, 1979; Yin, 2003a, 2003b; Scapens, 2004) was used as the methodological approach for this thesis in order to obtain an in-depth understanding of current web based