In recent years the term corporate social responsibility (CSR) has gained prominence, both in business and in the press to such an extent that it seems to have become ubiquitous. There are probably many reasons for the attention given to this phenomenon not least of which is the corporate excesses witnessed in recent years. For many people the various examples of this kind of behaviour – ranging from BCCI to Enron to Union Carbide to the collapse of Arthur Andersen – will have left an indelible impression among people that all is not well with the corporate world and that there are problems which need to be addressed (Crowther & Rayman-Bacchus 2004a).

One of the implications of this current concern however is that this is a new phenomenon – one which has not been of concern previously. Issues of socially responsible behaviour are not of course new and examples can be found from throughout the world and at least from the earliest days of the Industrial Revolution and the concomitant founding of large business entities (Crowther 2002) and the divorce between ownership and management – or the divorcing of risk from rewards (Crowther 2004a). Thus, for example in the UK (where the Industrial Revolution started), Robert Owen (1816, 1991) demonstrated dissatisfaction with the assumption that only the internal effects of actions need be considered and the external environment was a free resource to be exploited at will. Furthermore he put his beliefs into practice through the inclusion within his sphere of industrial operations the provision of housing for his workers at New Lanark, Scotland. Others went further still and Jedediah Strutt and his sons of Belper¹, for example, provided farms to ensure that their workers received an adequate supply of milk, as well as building accommodation for their workforce which was of such high standard that these dwellings remain highly desirable in the present. Similarly the Gregs of Quarry Bank² provided education as well as housing for their workforce. Indeed Salt went further and attempted to provide a complete ecosphere for his workers. Thus there is evidence from throughout the history of modernity that the self-centred approach towards organisational activity was not universally acceptable and was unable to satisfactorily provide a basis for human activity.

Since that time there has been a concern for the socially responsible behaviour of organisations which has gained prominence at certain times while being considered of minor importance at others. Thus during the 1970s for example there was a resurgence of interest in socially responsible behaviour. This concern was encapsulated by Ackerman (1975) who argued that big business was recognising the need to adapt to a new social climate of community accountability but that the orientation of business to financial results was inhibiting social responsiveness. McDonald and Puxty (1979) on the other hand maintained that companies are no longer the instruments of shareholders alone but exist within society and so therefore have responsibilities to that society, and that there is therefore a shift towards the greater accountability of companies to all participants.

¹ Belper is a small town in the centre of England.
² Quarry Bank is another industrial location near the centre of the UK.
Recognition of the rights of all stakeholders and the duty of a business to be accountable in this wider context therefore has been a recurrent phenomenon. The economic view of accountability only to owners has only recently been subject to debate to any considerable extent. Indeed the desirability of considering the social performance of a business has not always however been accepted and has been the subject of extensive debate. Thus Hetherington (1973: 37) stated:

"There is no reason to think that shareholders are willing to tolerate an amount of corporate non-profit activity which appreciably reduces either dividends or the market performance of the stock."

Conversely, writing at a similar time, Dahl (1972: 18) stated:

"....every large corporation should be thought of as a social enterprise; that is an entity whose existence and decisions can be justified insofar as they serve public or social purposes"

While the discourse of business management and organisational activity was developing the notion of greater accountability to stakeholders during the 1970s, other developments were also taking place in parallel. Thus in 1979 Lovelock produced his Gaia Hypothesis in which he posited a different model of the planet Earth; in his model the whole of the ecosphere, and all living matter therein, was co-dependant upon its various facets and formed a complete system. According to this hypothesis, this complete system, and all components of the system, was interdependent and equally necessary for maintaining the Earth as a planet capable of sustaining life. This Gaia hypothesis was a radical departure from the norion that nature was a free resource and also from the dominant philosophy of classical liberal theory which maintained that each entity was independent and could therefore concentrate upon seeking satisfaction for its own wants, without regard to other entities. This classical liberal view of the world forms the basis of economic organisation, provides a justification for the existence of firms as organs of economic activity and provides the rationale behind the model of accounting adopted by society. The Gaia hypothesis however implied that interdependence, and a consequent recognition of the effect of ones actions upon others, was a facet of life. This consequently necessitates a different interpretation of accountability in terms of individual and organisational behaviour and reporting.

The basic assumption of economic activity was that it should be organised into profit seeking firms, each acting in isolation and concerned solely with profit maximisation, and justified according to classical liberalism. This inevitably resulted in management which was organisation-centric, seeking merely to measure and report upon the activities of the firm insofar as they affected the firm. Any actions of the firm which had consequences external to the firm were held not to be the concern of the firm. Indeed enshrined within classical liberalism, alongside the sanctity of the individual to pursue his own course of action, was the notion that the operation of the free market mechanism would mediate between these individuals to allow for an equilibrium based upon the interaction of these freely acting individuals and that this equilibrium was an inevitable consequence of this interaction. As a consequence any concern by the firm with the effect of its actions upon externalities was irrelevant and not therefore a proper concern for its management.

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3 This assumption of course ignores the imbalances in power between the various parties seeking to enact transaction through the market.
The Gaia hypothesis (see Lovelock 1979, 1988) stated that organisms were interdependent and that it was necessary to recognise that the actions of one organism affected other organisms and hence inevitably affected itself in ways which were not necessarily directly related. Thus the actions of an organism upon its environment and upon externalities was a matter of consequence for every organism. This is true for humans as much as for any other living matter upon the planet. It is possible to extend this analogy to a consideration of the organisation of economic activity taking place in modern society and to consider the implications both for the organisation of that activity and the accounting for that activity. As far as profit seeking organisation are concerned therefore the logical conclusion from this is that the effect of the organisation’s activities upon externalities is a matter of concern to the organisation, and hence a proper subject for the management of organisational activity. Indeed soon after the development of the Gaia hypothesis the concerned for all stakeholders became manifest (Freeman 1984) and entered mainstream management knowledge.

Recently the selfish indulgence of the 1990s has again been replaced by a concern for socially responsible and corporate social responsibility is again back on the agenda of corporations, governments and individual citizens throughout the world. Previously this concern has been known by such terms as environmental responsibility, stakeholder involvement or some similar term. In is only in its current manifestation that it has become generally known as corporate social responsibility or CSR. Thus the term ‘corporate social responsibility’ is in vogue at the moment but as a concept it is vague and means different things to different people. There is no agreed definition of CSR so this raises the question as to what exactly can be considered to be corporate social responsibility. According to the EU Commission [(2002) 347 final: 5],

…CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

The broadest definition of corporate social responsibility is concerned with what is – or should be – the relationship between the global corporation, governments of countries and individual citizens. More locally the definition is concerned with the relationship between a corporation and the local society in which it resides or operates. Another definition is concerned with the relationship between a corporation and its stakeholders. For us all of these definitions are pertinent and represent a dimension of the issue. A parallel debate is taking place in the arena of ethics – should corporations be controlled through increased regulation or has the ethical base of citizenship been lost and needs replacing before socially responsible behaviour will ensue? However this debate is represented it seems that it is concerned with some sort of social contract between corporations and society.

This social contract implies some form of altruistic behaviour – the converse of selfishness (Crowther & Caliyurt 2004b) whereas self-interest connotes selfishness. And classical liberalism. Self-interest is central to the utilitarian perspective championed by such people as Bentham, Locke and J. S. Mill. The latter for example advocated as morally right the pursuit

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4 In actual fact Lovelock claimed in his hypothesis that the earth and all its constituent parts were interdependent. It is merely an extension of this hypothesis to claim the interrelationship of human activity whether enacted through organisations or not.

5 This work is very often referred to as the seminal work in the area of stakeholder management.

6 See Crowther & Rayman Bacchus (2004b) or Crowther & Caliyurt (2004a), and the contributions in each, for a wide variety of definitions and concerns.
of the greatest happiness for the greatest number. Similarly Adam Smith’s free-market economics, is predicated on competing self-interest. These influential ideas put interest of the individual above interest of the collective. The central tenet of social responsibility however is the social contract between all the stakeholders to society, which is an essential requirement of civil society. This is alternatively described as citizenship but for either term it is important to remember that the social responsibility needs to extend beyond present members of society. Social responsibility also requires a responsibility towards the future and towards future members of society. Subsumed within this is of course a responsibility towards the environment because of implications for other members of society both now and in the future.

CSR therefore involves a concern with the various stakeholders to a business but there are several problems in identifying socially responsible behaviour:

- Research shows that the concern is primarily with those stakeholders who have power to influence the organisation. Thus organisations are most concerned with shareholders, less so with customers and employees and very little with society and the environment. CSR would imply that they are all of equal importance.
- The definitions imply that CSR is a voluntary activity rather than enforced though regulation whereas in actual fact it is an approach and the voluntary – regulated debate is irrelevant.
- Claiming a concern is very different to actually exhibiting that concern through actions taken (Crowther 2004b).

Because of the uncertainty surrounding the nature of CSR activity it is difficult to evaluate any such activity. It is therefore imperative to be able to identify such activity and we argue that there are three basic principles which together comprise all CSR activity. These are:

- sustainability;
- accountability;
- transparency.

Each needs to be considered in detail.

Sustainability is concerned with the effect which action taken in the present has upon the options available in the future. If resources are utilised in the present then they are no longer available for use in the future, and this is of particular concern if the resources are finite in quantity. Thus raw materials of an extractive nature, such as coal, iron or oil, are finite in quantity and once used are not available for future use. At some point in the future therefore alternatives will be needed to fulfil the functions currently provided by these resources. This may be at some point in the relatively distant future but of more immediate concern is the fact that as resources become depleted then the cost of acquiring the remaining resources tends to increase, and hence the operational costs of organisations tend to increase. Sustainability therefore implies that society must use no more of a resource than can be regenerated. This can be defined in terms of the carrying capacity of the ecosystem (Hawken

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7 See Crowther (2002) and Schaltegger et al (1996) for the development of these principles.
8 Similarly once an animal or plant species becomes extinct then the benefits of that species to the environment can no longer be accrued. In view of the fact that many pharmaceuticals are currently being developed from plant species still being discovered this may be significant for the future.
1993) and described with input–output models of resource consumption. Thus the paper industry for example has a policy of replanting trees to replace those harvested and this has the effect of retaining costs in the present rather than temporally externalising them. Viewing an organisation as part of a wider social and economic system implies that these effects must be taken into account, not just for the measurement of costs and value created in the present but also for the future of the business itself. Measures of sustainability would consider the rate at which resources are consumed by the organisation in relation to the rate at which resources can be regenerated. Unsustainable operations can be accommodated for either by developing sustainable operations or by planning for a future lacking in resources currently required. In practice organisations mostly tend to aim towards less unsustainability by increasing efficiency in the way in which resources are utilised. An example would be an energy efficiency programme.

Accountability is concerned with an organisation recognising that its actions affect the external environment, and therefore assuming responsibility for the effects of its actions. This concept therefore implies a quantification of the effects of actions taken, both internal to the organisation and externally. More specifically the concept implies a reporting of those quantifications to all parties affected by those actions. This implies a reporting to external stakeholders of the effects of actions taken by the organisation and how they are affecting those stakeholders. This concept therefore implies a recognition that the organisation is part of a wider societal network and has responsibilities to all of that network rather than just to the owners of the organisation. Alongside this acceptance of responsibility therefore must be a recognition that those external stakeholders have the power to affect the way in which those actions of the organisation are taken and a role in deciding whether or not such actions can be justified, and if so at what cost to the organisation and to other stakeholders. Accountability therefore necessitates the development of appropriate measures of environmental performance and the reporting of the actions of the firm. This necessitates costs on the part of the organisation in developing, recording and reporting such performance and to be of value the benefits must exceed the costs. Benefits must be determined by the usefulness of the measures selected to the decision-making process and by the way in which they facilitate resource allocation, both within the organisation and between it and other stakeholders. Such reporting needs to be based upon the following characteristics:

- understandability to all parties concerned;
- relevance to the users of the information provided;
- reliability in terms of accuracy of measurement, representation of impact and freedom from bias;
- comparability, which implies consistency, both over time and between different organisations.

Inevitably however such reporting will involve qualitative facts and judgements as well as quantifications. This qualitativenss will inhibit comparability over time and will tend to mean that such impacts are assessed differently by different users of the information, reflecting their individual values and priorities. A lack of precise understanding of effects, coupled with the necessarily judgmental nature of relative impacts, means that few standard measures exist. This in itself restricts the inter-organisation comparison of such information. Although this limitation is problematic for the development of environmental accounting it

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9 This is of course in accordance with the Gaia hypothesis.
is in fact useful to the managers of organisations as this limitation of comparability alleviates the need to demonstrate good performance as anything other than a semiotic.

Transparency, as a principle, means that the external impact of the actions of the organisation can be ascertained from that organisation’s reporting and pertinent facts are not disguised within that reporting. Thus all the effects of the actions of the organisation, including external impacts, should be apparent to all from using the information provided by the organisation’s reporting mechanisms. Transparency is of particular importance to external users of such information as these users lack the background details and knowledge available to internal users of such information. Transparency therefore can be seen to follow from the other two principles and equally can be seen to be a part of the process of recognition of responsibility on the part of the organisation for the external effects of its actions and equally part of the process of transferring power to external stakeholders.

We argue that these three principles together encapsulate CSR and enable the identification and evaluations of all such socially responsible activity. The critical comments which follow are written by a wide range of eminent authorities and explore many of the key issues from this essay in greater detail, particularly in terms of their practical applications.

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