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A Three-Dimensional Conceptual Model of Corporate Performance

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Offered here is a conceptual model that comprehensively describes essential aspects of corporate social performance. The three aspects of the model address major questions of concern to academics and managers alike: (1) What is included in corporate social responsibility? (2) What are the social issues the organization must address? and (3) What is the organization's philosophy or mode of social responsiveness?

Concepts of corporate social responsibility have been evolving for decades. As early as the 1930s, for example, Wendell Wilkie "helped educate the businessman to a new sense of social responsibility" [Cheit, 1964, p. 157, citing historian William Leuchtenburg]. The modern era of social responsibility, however, may be marked by Howard R. Bowen's 1953 publication of *Social Responsibilities of the Businessman*, considered by many to be the first definitive book on the subject. Following Bowen's book, a number of works played a role in developing the social responsibility concept [Berle & Means, 1932; Cheit, 1964; Davis & Blomstrom, 1966; Greenwood, 1964; Mason, 1960; McGuire, 1963]. By the mid-1950s, discussions of the social responsibilities of businesses had become so widespread that Peter Drucker chided businessmen: "You might wonder, if you were a conscientious newspaper reader, when the managers of American business had any time for business" [1954].

One of the factors contributing to the ambiguity that frequently shrouded discussions about social responsibility was the lack of a consensus on what the concept really meant. In 1960, Keith Davis suggested that social responsibility refers to "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" [p. 70]. Eells and Walton, in 1961, argued as follows:

> When people talk about corporate social responsibilities they are thinking in terms of the problems that arise when corporate enterprise casts its shadow on the social scene, and of the ethical principles that ought to govern the relationships between the corporation and society [pp. 457-458].

The real debate got underway in 1962 when Milton Friedman argued forcefully that the doctrine of social responsibility is "fundamentally subversive." He asserted: "Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible" [p. 133].

Joseph McGuire, in 1963, acknowledged the primacy of economic concerns, but also accommodated a broader view of the firm's social responsibilities. He posited that:

> The idea of social responsibilities supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations [p. 144].

Arguing in a similar vein, Jules Backman has suggested that "social responsibility usually refers

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to the *objectives* or *motives* that should be given weight by business *in addition to* [emphasis added] those dealing with economic performance (e.g., profits)" [1975, p. 2].

Though McGuire and Backman see social responsibility as not only including but also moving beyond economic and legal considerations, others see it as involving *only* pure voluntary acts, thus conceptualizing social responsibility as something a firm considers over and above economic and legal criteria. Representative of this view is Henry Manne, who has argued "Another aspect of any workable definition of corporate social responsibility is that the behavior of the firms must be *voluntary*" [Manne & Wallich, 1972, p. 5, emphasis added].

Another approach to the question of what social responsibility means involves a definition simply listing the areas in which business is viewed as having a responsibility. For example, Hay, Gray, and Gates suggest that one aspect of social responsibility requires the firm to "make decisions and actually commit resources of various kinds in some of the following areas: pollution problems . . . poverty and racial discrimination problems . . . consumerism . . . and other social problem areas" [1976, pp. 15-16].

One of the first approaches to encompass the spectrum of economic and non-economic concerns in defining social responsibility was the "three concentric circles" approach espoused by the Committee for Economic Development (CED) in 1971. The *inner circle* "includes the clear-cut basic responsibilities for the efficient execution of the economic function — products, jobs, and economic growth." The *intermediate circle* "encompasses a responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities: for example, with respect to environmental conservation, hiring, and relations with employees. . . . The *outer circle* "outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment" [Committee for Economic Development, 1971, p. 15]. The outer circle would refer to business helping with major social problems in society such as poverty and urban blight. This "widening circle" approach has also been adopted by Davis and Blomstrom [1975].

George Steiner's concept of corporate social responsibility is a continuum of responsibilities ranging from "traditional economic production" to "government dictated" to a "voluntary area" and lastly to "expectations beyond reality" [1975, p. 169]. It is thus similar to the Davis and Blomstrom and CED conceptualizations.

In recent years, several writers have suggested that our focus on the social "responsibility" of business indicates undue effort to pinpoint accountability or obligation and therefore is too narrow and too static to fully describe the social efforts or performance of business. For example, Robert Ackerman and Raymond Bauer criticize the expression "social responsibility," holding that "the connotation of 'responsibility' is that of the process of assuming an obligation. It places an emphasis on motivation rather than performance." They elaborate: "Responding to social demands is much more than deciding what to do. There remains the management task of doing what one has decided to do, and this task is far from trivial." They go on to argue that "social responsiveness" is a preferable orientation [1976, p. 6].

S. Prakash Sethi takes a slightly different, but related, path in getting from social responsibility to social responsiveness. He sets forth a three-state schema for classifying the adaptation of corporate behavior to social needs: (1) social obligation, (2) social responsibility, and (3) social responsiveness [1975, pp. 58-64]. Social obligation involves corporate behavior in response to market forces or legal constraints. Social responsibility "implies bringing corporate behavior up to a level where it is congruent with the prevailing social norms, values, and expectations." Social responsiveness, the third state in his schema, suggests that what is important is "not how corporations should respond to social pressures, but what should be their long-run role in a dynamic social system." Business, therefore, must be "anticipatory" and "preventive" [pp. 58-64].

In sum, social responsibility has been defined or conceptualized in a number of different ways, by writers of stature in business, and in its various definitions the term has encompassed a wide range of economic, legal, and voluntary activities. Indeed, it has been suggested that the term should give way to a new orientation referred to as social responsiveness. Below is a summary listing of some of these various views as to what social responsibility means:

1. Profit making only (Friedman)
2. Going beyond profit making (Davis, Backman)
3. Going beyond economic and legal requirements (McGuire)
4. Voluntary activities (Manne)
5. Economic, legal, voluntary activities (Steiner)
6. Concentric circles, ever widening (CED, Davis and Blomstrom)
7. Concern for the broader social system (Eells and Walton)
8. Responsibility in a number of social problem areas (Hay, Gray, and Gates)
9. Giving way to social responsiveness (Ackerman and Bauer, Sethi)

The Social Performance Model

Implicit in the various views of social responsibility are a number of different issues. Some definitions, for example, face the issue of what range of economic, legal, or voluntary matters fall under the purview of a firm's social responsibilities. Other definitions address the social issues (e.g., discrimination, product safety, and environment) for which business has a responsibility. A third group of definitions, suggesting social responsiveness, is more concerned with the manner or philosophy of response (e.g., reaction versus proaction) than with the kinds of issues that ought to be addressed.

Because all three of these views are important, I suggest the following three distinct aspects of corporate social performance that must somehow be articulated and interrelated:

1. A *basic definition* of social responsibility (i.e., Does our responsibility go beyond economic and legal concerns?)
2. An enumeration of the *issues* for which a social responsibility exists (i.e., What are the social areas — environment, product safety, discrimination, etc. — in which we have a responsibility?)
3. A specification of the *philosophy of response* (i.e., Do we react to the issues or proact?)

Each of these needs elaboration.

Definition of Social Responsibility

For a definition of social responsibility to fully address the entire range of obligations business has to society, it must embody the ***economic***, ***legal***, ***ethical***, and ***discretionary*** categories of business performance. These four basic expectations reflect a view of social responsibility that is related to some of the definitions offered earlier but that categorizes the social responsibilities of businesses in a more exhaustive manner. Figure 1 shows how the social responsibilities can be categorized into the four groups. (The proportions simply suggest the relative magnitude of each responsibility.)

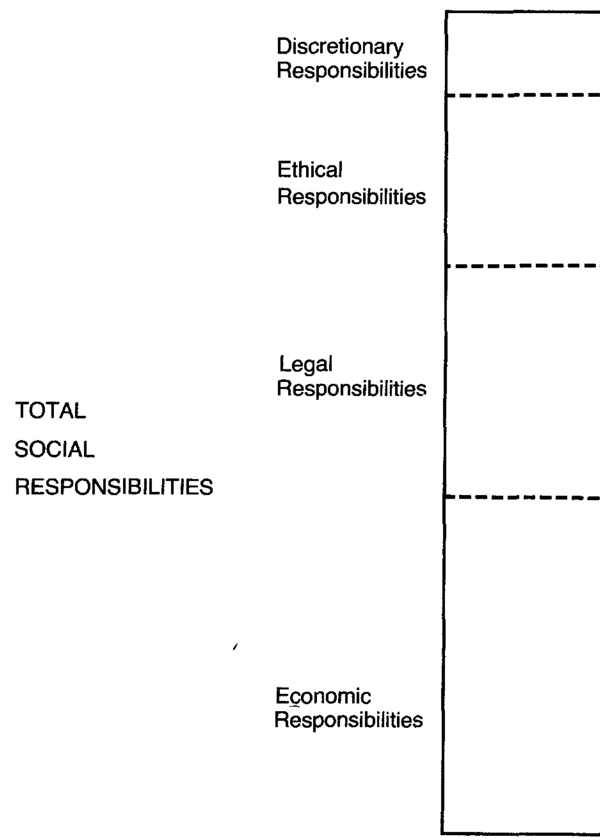

Figure 1
Social Responsibility Categories

These four categories are not mutually exclusive, nor are they intended to portray a continuum with economic concerns on one end and social concerns on the other. That is, they are neither cumulative nor additive. Rather, they are ordered in the

Figure only to suggest what might be termed their fundamental role in the evolution of importance. Though all of these kinds of responsibilities have always simultaneously existed for business organizations, the history of business suggests an early emphasis on the economic and then legal aspects and a later concern for the ethical and discretionary aspects. Furthermore, any given responsibility or action of business could have economic, legal, ethical, or discretionary motives embodied in it. The four classes are simply to remind us that motives or actions can be categorized as primarily one or another of these four kinds.

Economic responsibilities The first and foremost social responsibility of business is *economic* in nature. Before anything else, the business institution is the basic economic unit in our society. As such it has a responsibility to produce goods and services that society wants and to sell them at a profit. All other business roles are predicated on this fundamental assumption.

Legal responsibilities Just as society has sanctioned the economic system by permitting business to assume the productive role, as a partial fulfillment of the "social contract," it has also laid down the ground rules — the laws and regulations — under which business is expected to operate. Society expects business to fulfill its economic mission within the framework of legal requirements. The dotted lines in Figure 1 suggest that, although we have four kinds of responsibilities, they must be met simultaneously, as in the case of economic and legal responsibilities.

Ethical responsibilities Although the first two categories embody ethical norms, there are additional behaviors and activities that are not necessarily codified into law but nevertheless are expected of business by society's members. Ethical responsibilities are ill defined and consequently are among the most difficult for business to deal with. In recent years, however, ethical responsibilities have clearly been stressed — though debate continues as to what is and is not ethical. Suffice it to say that society has expectations of business over and above legal requirements.

Discretionary responsibilities Discretionary (or volitional) responsibilities are those about which society has no clear-cut message for business — even less so than in the case of ethical responsibilities. They are left to individual judgment and choice. Perhaps it is inaccurate to call these expectations *responsibilities* because they are at business's discretion; however, societal expectations do exist for businesses to assume social roles over and above those described thus far. These roles are purely voluntary, and the decision to assume them is guided only by a business's desire to engage in social roles not mandated, not required by law, and not even generally expected of businesses in an ethical sense. Examples of voluntary activities might be making philanthropic contributions, conducting in-house programs for drug abusers, training the hardcore unemployed, or providing day-care centers for working mothers. The essence of these activities is that if a business does not participate in them it is not considered unethical per se. These discretionary activities are analogous to Steiner's "voluntary" category and the CED's third circle (helping society).

This four-part framework provides us with categories for the various responsibilities that society expects businesses to assume. Each responsibility is but one part of the total social responsibility of business, giving us a definition that more completely describes what it is that society expects of business. This definition can therefore be stated:

> The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.

This definition is designed to bring into the fold those who have argued against social responsibility by presuming an economic emphasis to be separate and apart from a social emphasis. It requires a recognition of the possibility of movement from one category to the next, such as an ethical expectation (business should manufacture safe products) becoming a legal expectation (the requirements of the Consumer Product Safety Commission). Neil Churchhill has referred to this characteristic in asserting that "social responsibility is a moving target" [1974, p. 266]. The definition does not "nail down" the degree of specific responsibility in each category, but it was not meant to. It purports only to provide a classification scheme for the kinds of social responsibilities business has.

The reader should note, too, that a given business action may simultaneously involve several of these kinds of social responsibilities. For example, if a manufacturer of toys decided it should make toys that are safe, it would be (at the same time) economically, legally, and ethically responsible, given today's laws and expectations. The four-part framework can thus be used to help identify the reasons for business actions as well as to call attention to the ethical and discretionary considerations that are sometimes forgotten by managers.

The Social Issues Involved

In developing a conceptual framework for corporate social performance, we not only have to specify the nature (economic, legal, ethical, discretionary) of social responsibility but we also have to identify the social issues or topical areas to which these responsibilities are tied.

No effort will be made here to exhaustively identify the social issues that business must address. The major problem is that the *issues change* and they *differ* for different industries. It is partly for this reason that the "issues" approach to examining business and society relationships gave way to managerial approaches that are more concerned with developing or specifying generalized modes of response to all social issues that become significant to a firm.

One need not ponder the social issues that have evolved under the rubric of social responsibility to recognize how they have changed over time. For example, product safety, occupational safety and health, and business ethics were not of major interest as recently as a decade ago; similarly, preoccupation with the environment, consumerism, and employment discrimination was not as intense. The issues, and especially the degree of organizational interest in the issues, are always in a state of flux. As the times change, so does emphasis on the range of social issues business must address.

Also of interest is the fact that particular social issues are of varying concern to businesses, depending on the industry in which they exist as well as other factors. A bank, for example, is not as pressed on environmental issues as a manufacturer. Likewise, a manufacturer is considerably more absorbed with the issue of recycling than is an insurance company.

Many factors come into play as a manager attempts to get a fix on what social issues should be of most interest to the organization. A recent survey by Sandra Holmes illustrates this point quite well. In her survey of managers of large firms, she asked what factors are prominent in selecting areas of social involvement by their firms [1976, p. 87]. The top five factors were:

1. Matching a social need to corporate need or ability to help.
2. Seriousness of social need
3. Interest of top executives
4. Public relations value of social action
5. Government pressure

That these disparate factors should show up in a response to a question of this kind suggests clearly that business executives do not have a consensus on what social issues should be addressed.

Thus, we are left with a recognition that social issues must be identified as an important aspect of corporate social performance, but there is by no means agreement as to what these issues should be.

Philosophy of Responsiveness

To complete our conceptual model it is necessary that a third component be identified and discussed. The third aspect of the model addresses the philosophy, mode, or strategy behind business (managerial) response to social responsibility and social issues. The term generally used to describe this aspect is "social responsiveness."

Social responsiveness can range on a continuum from no response (do nothing) to a proactive response (do much). The assumption is made here that business does have a social responsibility and that the prime focus is not on management accepting a moral obligation but on the degree and kind of managerial *action*. In this connection, William Frederick has articulated the responsiveness view, which he terms CSR_2:

> Corporate social responsiveness refers to the capacity of a corporation to respond to social pressures. The literal act of responding, or of achieving a generally responsive posture, to society is the focus. . . . One searches the organization for mechanisms, procedures, arrangements, and behavioral patterns that, taken collectively, would mark the organization as more or less capable of responding to social pressures [1978, p. 6].

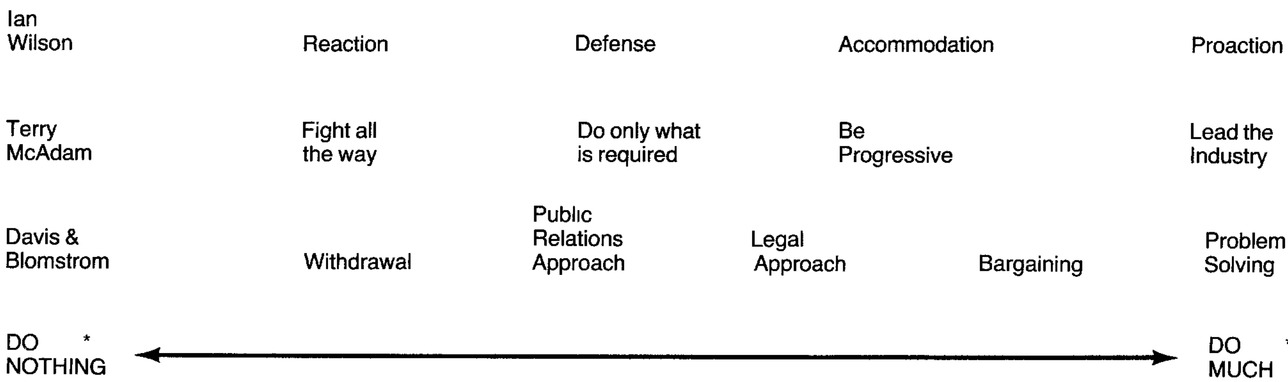

Figure 2
Social Responsiveness Categories

Several writers have provided conceptual schemes that describe the responsiveness continuum well. Ian Wilson, for example, asserts that there are four possible business strategies — reaction, defense, accommodation, and proaction [1974]. Terry McAdam has, likewise, described four social responsibility philosophies that mesh well with Wilson's strategies and, indeed, describe the managerial approach that would characterize the range of responsiveness. His philosophies are (1) "Fight all the way," (2) "Do only what is required," (3) "Be progressive," and (4) "Lead the industry" [1973]. Davis and Blomstrom, too, describe alternative responses to societal pressures as follows: (a) withdrawal, (b) public relations approach, (c) legal approach, (d) bargaining, and (e) problem solving [1975]. These correspond, essentially, with the above schemas. Figure 2 plots these responses on a continuum:

Corporate social responsiveness, which has been discussed by some as an alternate to social responsibility is, rather, the action phase of management responding in the social sphere. In a sense, being responsive enables organizations to act on their social responsibilities without getting bogged down in the quagmire of definitional problems that can so easily occur if organizations try to get a precise fix on what their true responsibilities are before acting.

The responsiveness continuum presented here represents an aspect of management's social performance that is distinctly different from the concern for social responsibility. CSR_1 (corporate social responsibility), as Frederick [1978] terms it — our first aspect of the conceptual model — has ethical or moral threads running through it and, hence, is problematical. In contrast, CSR_2 (corporate social responsiveness) — our third aspect — has no moral or ethical connotations but is concerned only with the managerial processes of response. These processes would include planning and social forecasting [Newgren, 1977], organizing for social response [McAdam, 1973], controlling social activities [Carroll & Beiler, 1975], social decision making, and corporate social policy [Bowman & Haire, 1975; Carroll, 1977; Fitch, 1976; Post & Mellis, 1978; Preston & Post, 1975; Steiner, 1972; Sturdivant & Ginter, 1977]. Figure 3 puts the three aspects together into a conceptual social performance model.

The social issues identified in Figure 3 are illustrative only. Each organization should carefully assess which social issues it must address as it plans for corporate social performance.

Uses of the Model

This corporate social performance conceptual model is intended to be useful for both academics and managers. For academics, the model is primarily an aid to perceiving the distinction among definitions of social responsibility that have appeared in the literature. What heretofore have been regarded as separate definitions of social responsibility are treated here as three separate issues pertaining to corporate social performance.

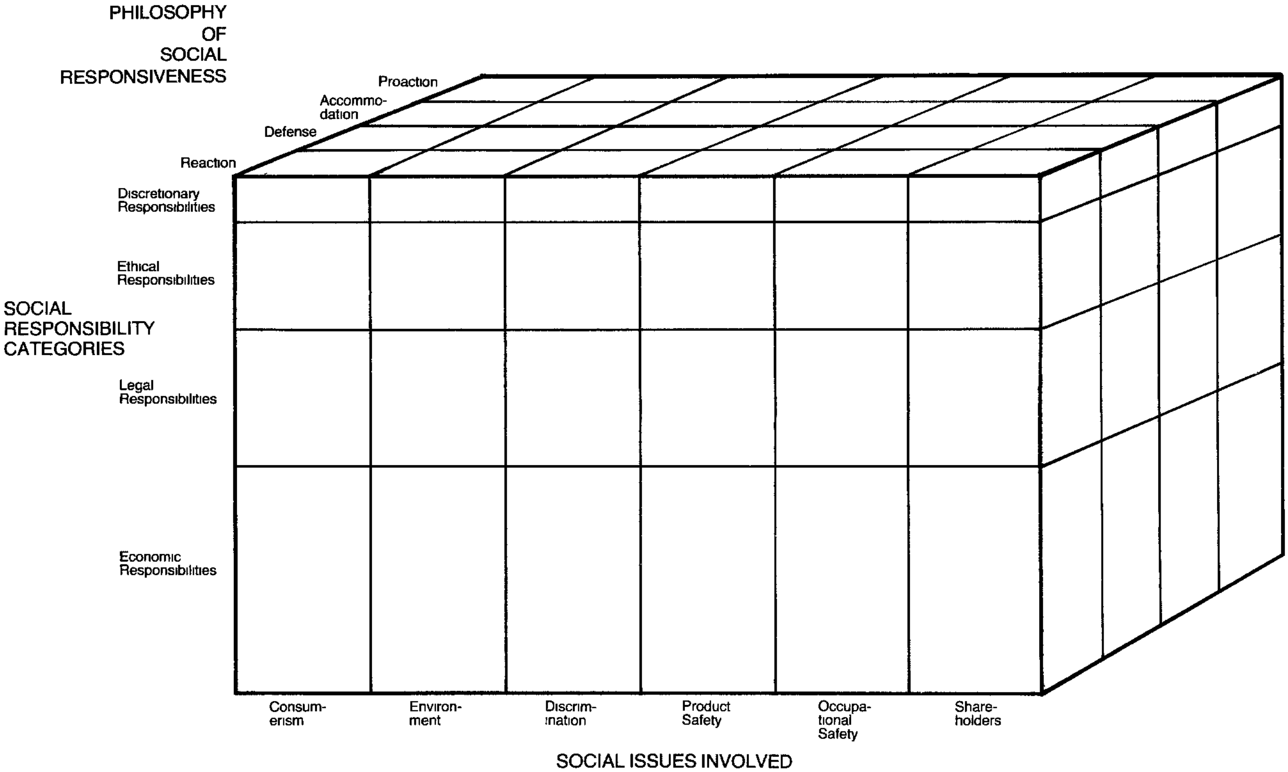

Figure 3
The Corporate Social Performance Model

One aspect pertains to all that is included in our definition of social responsibility — the economic, legal, ethical, and discretionary components. The second aspect concerns the range of social issues (e.g., consumerism, environment, and discrimination) management must address. Finally, there is a social responsiveness continuum. Although some writers have suggested that this is the preferable focus when one considers social responsibility, the model suggests that responsiveness is but one additional aspect to be addressed if corporate social performance is to be acceptable. The three aspects of the model thus force us to think through the dominant questions that must be faced in analyzing social performance. The major use to the academic, therefore, is in helping to systematize the important issues that must be taught and understood in an effort to clarify the social responsibility concept. The model is not the ultimate conceptualization; it is, rather, a modest but necessary step toward understanding the major facets of social performance.

The conceptual model can assist managers in understanding that social responsibility is not separate and distinct from economic performance but rather is just one part of the total social responsibilities of business. The model integrates economic concerns into a social performance framework. In addition, it places ethical and discretionary expectations into a rational economic and legal framework.

The model can help the manager systematically think through major social issues being faced. Though it does not provide the answer to how far the organization should go, it does provide a conceptualization that could lead to a better-managed social performance program. Moreover, it could be used as a planning tool and as a diagnostic problem-solving tool. The model can assist the manager by identifying categories within which the organization can be situated.

An illustration will perhaps be helpful for an organization attempting to categorize what it has done according to the cubic space in Figure 3. Recently, Anheuser-Busch test-marketed a new adult beverage called "Chelsea." Because the beverage contained more alcohol than the average soft drink, consumer groups protested by calling the beverage "kiddie beer" and claiming that the company was being socially irresponsible by making such a drink available to youth. Anheuser-Busch's first reaction was defensive — attempting to claim that it was not dangerous and would not lead youngsters to stronger drink. The company's later response was to withdraw the beverage from the marketplace and reformulate it so that it would be viewed as safe. The company concluded this was the socially responsible action to take, given the criticism.

According to the social performance model in Figure 3, the company found itself in the consumerism segment of the model. The social responsibility category of the issue was ethical (the product being introduced was strictly legal because it conformed to the maximum alcoholic content standard). As it became clear that so much protest might be turning an ethical issue into an economic one (as threats of product boycotts surfaced), the company moved along the responsiveness dimension in the model from reaction and defense to accommodation.

This example shows how a business's response can be positioned in the social performance model. The average business firm faces many such controversial issues and might use the conceptual model to analyze its stance on these issues and perhaps help determine its motivations, actions, and response strategies. Managers would have a systematic framework for thinking through not only the social issues faced but also the managerial response patterns contemplated. The model could serve as a guide in formulating criteria to assist the organization in developing its posture on various social issues. The net result could be more systematic attention being given to the whole realm of corporate social performance.

Summary

Corporate social performance requires that (1) a firm's social responsibilities be assessed, (2) the social issues it must address be identified, and (3) a response philosophy be chosen. The model presented attempts to articulate these key aspects in a conceptual framework that will be useful to academics and managers alike. The conceptual model is intended to help clarify and integrate various definitional strands that have appeared in the literature. Also, it presents the notions of ethical and discretionary responsibilities in a context that is perhaps more palatable to those who think economic considerations have disappeared in discussions of social responsibility. The model can be used to help managers conceptualize the key issues in social performance, to systematize thinking about social issues, and to improve planning and diagnosis in the social performance realm. To whatever extent the model helps accomplish these objectives, it remains but a modest step toward the refinement of the corporate social performance concept.

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