

From CSR to Corporate Citizenship: Anglo-American and Continental European Perspectives

Alejo JoséG. Sison

ABSTRACT. Beginning with the question of who constitutes the firm, this article seeks to explore the historical evolution of concepts such as corporate social responsibility, corporate accountability, corporate social responsiveness, corporate social performance, stakeholder theory, and corporate citizenship. In close parallel to these changes are differences in interpretation from AngloAmerican and Continental European perspectives. The author defends that the ultimate reasons behind these differences are of a philosophical nature, affecting both the anthropology and the political theory dominant in each of these cultures. Philosophically, anglo-american culture may be described as individualistic, legalistic, pragmatist and with an understanding of rights as freedom from state intervention. Continental European culture, on the other hand, is more community-oriented, more dependent on unwritten laws or customs, less resultsdriven or more appreciative of the intrinsic value of activities and with an understanding of rights as freedom to participate in social goods and decisions. In the end, a twist is introduced in the meaning of corporate citizenship: beyond referring to the firm as a citizen of the state, it now signifies and analyzes the rights and responsibilities of the different “citizens” comprising the corporate pol-ity. This new proposal constitutes the author’s normative response to the initial research query.

KEY WORDS: Anglo-American, European, corporate social responsibility, corporate citizenship, firm

Alejo JoséG. Sison PhD, holds appointments from the Philosophy Department and the Institute for Enterprise and Humanism (University of Navarre), as well as accreditation from the Spanish state university system. He is also senior research fellow at the Center for Business and Society of IESE. His research deals with issues at the juncture of ethics with economics and politics. His book, “The Moral Capital of Leaders. Why Virtue Matters”(Cheltenham, UK/ Northampton, MA: Edward Elgar, Ltd., 2003), has been translated into Spanish and Chinese. He is also co-author and co-editor of “Global Perspectives on Ethics of Corporate Governance”(New York: Palgrave MacMillan, 2006). His latest work, “Corporate Governance and Ethics: An Aristotelian Perspective”(Cheltenham, UK/Northampton, MA: Edward Elgar, Ltd., 2008) with a foreword by Prof. Jeffrey Pfeffer, came out in July, 2008.

Introduction

Both shareholder theory and stakeholder theory have arisen as rival responses to the question of who properly constitutes the firm. Similarly, the concepts of corporate social responsibility (CSR), corporate citizenship and their minor variants have emerged as different manners of connecting the firm to wider society. We shall trace the evolution of each of these notions and, despite the risks of overstatement based exclusively on geography (Phillips, 2008), attempt to provide an account of the differences in their interpretation from the Anglo-American and Continental European viewpoints.

We follow Matten and Moon (2008) in their critique of the explanatory power of agency theory and agree with them that institutional theory could afford a more robust account of the interpretive differences, for example, between Anglo-American and Continental European perspectives on CSR. We feel, however, that attributing variances to differences in “national business systems” and their evolution to neoinstitutional mechanisms is a bit question-begging. Certainly, CSR in the United States and Europe are different and have evolved differently because of different “national business systems” compounded by the processes described by neoinstitutionalism. But could it not be, also, the other way around, that because of differences in CSR in the United States and Europe, they have different “national business systems” and different evolutionary paths?

For the above-mentioned reasons, in this article we choose to go down a different path and focus on deeper, philosophical ideas that have shaped Anglo-American and continental European images of human beings, society, and institutions. Particular attention is then paid to citizenship, from its Aristotelian formulation to more modern typologies, namely, the liberal-minimalist and the civic republican or communitarian models. Accordingly, liberal-minimalist citizenship is associated with Anglo-American culture and civic republican or communitarian with continental European.

While corporate citizenship is ordinarily understood as a firm’s membership in society, we propose – toward the end of the work – an alternative reading. The notion of corporate citizenship could also be used as an analytical tool to understand the rights and duties of the different constituents or stakeholders of the corporate polity. Here is where another of our distinct contributions lies, in nudging stakeholders to see themselves as citizens of the corporate polity and assume as such their corresponding rights and responsibilities.

Who constitutes the firm? From shareholders to corporate citizens

To the question of who constitutes the corporation, many would find “shareholders” a fitting initial response. Without their money, the funds necessary to support economic activity would be lacking. Although there will always be firms managed by shareholder-owners – think of IKEA with Ingvar Kamrad, Virgin with Richard Branson, and Benetton with Luciano Benetton, for example – among bigger corporations, this is more of an exception than the rule. The sheer size of the corporation requires that other people work for it, apart from the owner and family members. And these people normally work in exchange for a salary. Hence, while shareholders receive interests on capital, workers receive salaries for labor. All those who work for a corporation without owning shares belong to the professional or managerial class.

The division between shareholders and managers has been provoked, apart from company size, by the specialization of tasks (Berle and Means, 1932). Increased organizational size brings greater functional complexity. The division and specialization of labor becomes the corporation's response to complexity and to demands for greater productivity. The separation of tasks is the only way to produce goods on a certain scale: think of cars or airplanes, for instance. Some workers would concentrate on design, others on financing, and still others on sales and so forth.

After shareholders, managers and professional form the next important group of people within the corporation, and between them exists an "agency relation." Much has already been said about the "agency relation," its strengths and difficulties. In this regard, citing Friedman (1970), the primary duty of managers is purportedly to make as much money as possible for shareholders within the law.

Since Friedman's essay, parallel developments in CSR and stakeholder theory have pushed for a critical re-evaluation of the dominant view of the firm, based on agency relations and shareholder theory. Let us now turn to the first of these notions.

Within the Anglo-American tradition, the modern discussion of CSR may be traced to Bowen (1953), who first proposed that managers pursue policies, make decisions and follow lines of action in keeping with the values and objectives of society. A few years later, Eells and Walton (1961) developed the concept further by referring to CSR – among other things – as the ethical principles that should govern the relationship between corporations and society. It was McGuire (1963), however, who gave a sharper focus to the understanding of CSR as the set of company obligations beyond the economic and legal realms.

That corporations possess obligations outside of those defined by law could only have been considered a novelty within the Anglo-American tradition, characterized by individualism. Anglo-American business thinking was conflicted since the beginning with the acceptance of a "corporate responsibility" different from the responsibilities of individual workers (Sison, 2000, p. 288). Unlike individual persons, corporations are mere creatures of law "without bodies to be jailed nor souls to be damned." In consequence, would not attributing collective responsibilities to corporations – mere legal fictions – be foolish? Only in 1819 did the US Supreme Court explicitly recognize the corporation as a legal person in the *Dartmouth College v. Woodward* decision. It was established that, although the corporation is not an individual, physical person, before the law it, too, is a subject, albeit a collective one, of rights and responsibilities. Corporations are entitled to acquire or to sell property and to hire or to fire workers. Likewise, corporations are expected to pay taxes and to honor contracts. The ultimate rationale for these rights and responsibilities is to allow corporations to produce goods and services for the benefit directly of shareholders and indirectly of society at large.

The other obstacle in Anglo-American business thinking's adoption of CSR is legalism. The issue is to determine the nature and scope of a corporation's rights and duties. The tendency has always been to reduce rights and duties strictly to the minimum set by law (Sison, 2000, pp. 288–289). When a collective "corporate responsibility" was first defined in the US, it was understood to be exclusively of a civil nature, as an obligation to pay fines and damages. It took almost a century later, in the *New York Central Railroad v. United States* verdict of 1909, for the US Supreme Court to take a broader view and recognize a corporate "criminal responsibility." This opened up the possibility of a corporate criminal intent and likelihood that employees be imprisoned for involvement in corporate criminal actions.

By contrast, Continental European perspectives of business have been aware from the beginning that, insofar as firms are institutions embedded in society, they have duties apart from those enshrined in law. In fact, CSR has even been the object of definition by a European Commission document: "Corporate social responsibility 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. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to

address societal needs. Through CSR, enterprises of all sizes, in cooperation with their stakeholders, can help to reconcile economic, social and environmental ambitions. [...] In Europe, the promotion of CSR reflects the need to defend common values and increase the sense of solidarity and cohesion”(European Commission, 2006).

Continental European views are more in keeping with the Aristotelian conception of corporations as contingent intermediate associations, located between families and states, for the purpose of producing economic goods and services (Aristotle, 1990).

In the mid-seventies, two sets of authors made significant contributions to the development of CSR within the Anglo-American context. First, Davis and Blomstrom asserted that “social responsibility is the obligation of decision makers to take actions which protect and improve the welfare of society as a whole along with their own interests”(Davis and Blomstrom, 1975, p. 23). Their belief is that social responsibility accompanies corporate interests and corporate action affects society in two ways. CSR may be understood negatively, as the duty to avoid harm to society and positively, as the obligation to promote social well-being. In that same decade, Sethi advanced a standard against for corporate behavior: its congruence with prevailing social norms, values, and expectations (Sethi, 1975). Not only does this standard transcend the legal sphere, but it also enters into the domain of social expectations.

These two streams directly fed into Carroll’s definition, “The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of an organization at a given point in time”(Carroll, 1979, p. 500). This statement reflected a change of attitude in American courts and government agencies which began to accept cases against companies on social and ethical grounds, despite the absence of a legal basis. Such was the celebrated bribery case involving Lockheed and the Japanese Liberal Democratic Party, which led to the ouster of Prime Minister Kakuei Tanaka and the belated passing of the Foreign Corrupt Practices Act by US Congress in 1977 (Sison, 2000, pp. 288–289). It was an acknowledgement that corporations indeed had responsibilities apart from those contained in law and there was a corresponding public clamor for corporations to owe up to these.

Carroll divided CSR into four different categories – economic, legal, ethical, and discretionary – conceived as levels of a pyramid (Carroll, 1991). At the base are a business’ economic obligations, its duty to produce goods and services that society wants at a profit. Business must be effective, efficient, and follow the right strategy. When a company does not turn out a profit, not only does it fail to meet economic responsibilities, it would not be able to fulfill other responsibilities either. Next follows a corporation’s legal responsibilities, its obligation to obey the laws. These laws may be local, regional, national, or even transnational. Upholding the law is the “price” a company pays for its “license to operate” from the state. In third place are a company’s ethical obligations, its duty to comply with social customs even those not contained in law. Ethical responsibilities look more to achieving the spirit of the law than mere compliance with its letter. Ethical responsibility requires that corporate behavior be unquestionably above board, rather than just struggling or scraping to make the cut. Finally, at the top of the pyramid, are a corporation’s discretionary or philanthropic responsibilities. These are not duties or obligations; they are simply expectations, indicators of what society deems desirable: making donations to charitable causes, funding schools or sponsoring community events and programs. No legal action can be taken for failing to do any of these, and not even everyone will agree that they belong to a corporation’s ethical remit, but in themselves, they are choiceworthy actions. From Carroll’s perspective, the CSR ideal is for a company – while producing a society’s desired goods and services – to turn up a profit, obey the law, live up to ethical expectations, and contribute to philanthropic activities.

Carroll makes an invaluable contribution in mapping out the different areas which comprise CSR. However, neither the limits between the categories nor the relations among them are as clear as he initially described. Profit should not be understood in purely economic terms; otherwise, non-profits or not-for-profits – such as Caritas Internationalis, Oxfam, or Save the

children – would be paradigms of socially irresponsible organizations. Also, there may be compelling reasons to put legal obligations at the base. Corporations come into existence as creatures of law; so it would make sense for them to comply with legal requirements first before assuming any other kind of responsibility. Moreover, an excessively narrow concept of the ethical seems to be at work, pertaining to social expectations that have not been codified in law.

However, ethics covers the whole range of responsibilities. Responsibility is primarily an ethical concept. No amount of insistence by law on any kind of responsibility would hold, if it lacked an ethical basis. Ethics is where the law ultimately draws its strength, although conversely, good law above all serves to lend muscle to ethics. Responsibility is a consequence of free action. A free and rational agent – in this case, the collective represented by the corporation – must respond to society for its actions and their consequences. The consideration of ethical responsibilities on the part of the corporation should not be postponed only until economic and legal obligations have been met. Finally, philanthropic or discretionary responsibilities are better explained as a subclass of ethical responsibilities. They refer to the aspirational goals of excellence that cannot be demanded, but only encouraged. They represent the perfection of freedom because they are carried out under no obligation from law. Inasmuch as there is no legal coercion involved, philanthropic or discretionary actions carry greater responsibility. Far from being the least important component of CSR, it should probably be given the place of honor.

CSR has also received a lot of flak from the practical side. In response to criticisms regarding its lack of practicality, the notions of “corporate accountability,” “corporate social responsiveness,” and “corporate social performance” have been developed. “Corporate accountability” refers to the explicit recognition of the firm as a sociopolitical actor, just like government, with responsibilities not only to shareholders, but also to wider society (Crane and Matten, 2004, p. 55). Granted that corporations, willy nilly, assume functions previously attributed to government, privatizing tasks such as security and welfare provision, new mechanisms have to be introduced to hold them accountable to the public. Among these initiatives we find “triple bottom line” audits of a corporation’s impacts on people, the planet and profits; stakeholder dialogs, which create a venue for discussion among social actors; public–private partnerships, which allow companies to work hand in hand with government agencies on particular issues; and transparency policies, through which firms make relevant decisions known to society. Since corporate activities have social as well as economic impacts, there is also a need for “corporate social accounting,” the measurement and reporting, both internal and external, of information concerning an organization’s activities and impacts on society (Estes, 1976).

“Corporate social responsiveness” concentrates on the strategic and processual dimensions of CSR, manifested in a company’s ability to respond to social pressures (Crane and Matten, 2004, p. 48). Social pressures elicit four types of responses, ranging from the least to the most desirable: reaction, defense, accommodation, or proaction. Reaction means that the organization has been caught flat-footed and is hardly able to control events. Defense connotes an element of denial in assuming responsibility over a situation. Accommodation implies acceptance and assimilation of responsibility, and proaction signifies foresight and a capacity to maximize benefits and minimize damage. Nike, which at first denied or presented itself as a helpless client, almost a victim of unfair labor practices at its contractors’ factories, ended up spearheading the drive to upgrade working conditions in the sector upon behest – on occasions, in form of a boycott – of consumers and the general public (Bernstein, 2004; Vietnam Labor Watch, 1997). This clearly illustrates a migration from reaction to proaction in corporate social responsiveness.

“Corporate social performance” combines the principles of CSR with the processes of corporate social responsiveness and the outcomes of corporate behavior (Wood, 1991).

Outcomes are broken down into social policies (statements regarding the corporate mission, its values, beliefs, and goals), social programs (activities that materialize those policies), and social impacts (measurable changes brought about by those programs). For example, a company may include the protection of the environment in its mission statement. In consequence, it may enroll in the corresponding ISO certification program (ISO 26000, the social responsibility standard, will be published in 2010 as a voluntary standard. Although not a certification standard, it shall provide guidance for common concepts, definitions, and methods of evaluation). After a given period, the company could then cite positive pollution data that would lend substance to its claims. Recently “corporate social performance” has evolved into what is now known as “global corporate citizenship” (Wood et al., 2006). We shall return to this later.

Aside from CSR and its derivatives, the other concept that has contributed hugely to an altogether different understanding of the firm is “stakeholder theory.” The term “stakeholder” was first coined in a Stanford Research Institute document on corporate planning in 1963, designating “those groups without whose support the organization would cease to exist” (Freeman, 1998, p. 602). The intention of the article was to broaden the group of people to whom management could be held responsible. A stakeholder would then refer to “any group or individual which can affect or is affected by an organization” (Freeman, 1998, p. 602). Included among a company’s stakeholders are its employees, customers, suppliers, competitors, the government, and the community, apart from its shareholders. Each is characterized by “legitimate interests in procedural and/or substantive aspects of corporate activity” (Donaldson and Preston, 1995, p. 67).

Rather than being a mere pun, the purpose of stakeholder theory is something very serious. Stakeholder theory rejects that the sole criterion in management should be its fiduciary duty toward shareholders and suggests that the stakes of all interested parties be considered. Demands to maximize share price and shareholder wealth ought to be tempered by a concern for the welfare of other stakeholders.

Management’s striving to protect the interests of all stakeholders clashes with the American legal tradition, which heavily favors shareholders (Boatright, 1999, p. 172). However, granting priority to the financial interests of shareholders does not mean granting them exclusivity, for even these could best be served – arguably – when framed in the long term. Although shareholder interests dominate, adopting a long-term perspective requires that managers include inputs from all the other stakeholder groups. Business transactions do not occur in a void and success would always depend on the amount of cooperation obtained from relevant stakeholders. As the American Bar Association Committee on Corporate Laws clarified, “directors have fiduciary responsibilities to shareholders which, while allowing directors to give consideration to the interests of others, could compel them to find reasonable relationship to the long-term interests of shareholders” (Monks and Minow, 2001, p. 37).

Continental European business thinking, more cognizant of the social embeddedness of business institutions, has always taken the interests of other social agents into account. This is especially true in the case of German-speaking countries, with their tradition of co-determination (*Mitbestimmung*) in which labor representatives are granted the right to participate in high-level corporate deliberations (Charkham, 1995), as well as in Scandinavia, where industrial democracy has enjoyed a long and successful history (Nasi, 1995).

In the case of Germany, the idea of employee participation draws from different sources, ranging from Catholic Social Teaching to radical democratic and socialist perspectives (European Foundation for the Improvement of Living and Working Conditions, 2007). In essence, it consists in the right of employees, together with the corresponding duties, to participate in decision making at the plant level, through the Works Councils (*Betriebsräte*), and in the firm level, through representatives on the supervisory boards (*Aufsichtsräte*) (Hans Böckler Stiftung, 2004). First recognized by law in 1920, it has undergone modifications in

accordance with the sector and size of the firms, as well as with the changing business environments in 1950, 1951, 1976, and 2004 (Goßner and Bráunig, 2004; The Federal Ministry of Labor and Social Affairs, 1980). Depending on a host of factors, employee representation on the supervisory board could be a half or a third, although some suggest withdrawing it from the supervisory board and assigning it to an altogether different Consultative Council (Konsultationsrat). Nonetheless, the German law on co-determination currently serves as one of the models of the European Company (Societas Europea), together with the Dutch, French and minimalist or *à la carte* variants.

Stakeholder theory enjoys the advantage of a broader and more realistic view of the corporation as a socially embedded institution. It identifies all the relevant social actors or stakeholders with whom the firm interacts and describes their reciprocal relations. Stakeholder theory has exerted a strong influence not only in business ethics (Donaldson and Preston, 1995; Freeman, 1984, 1994), but also in organization theory (Dill, 1958; Thompson, 1967) and in finance and strategic management (Mason and Mitroff, 1982). Stakeholder theory encourages managers to strike a balance between long-term shareholder interests and the interests of all the other stakeholders. However, equilibrium is not always possible, nor should shareholder interests always have the priority.

Take for example the Tylenol case, where Johnson & Johnson ordered the massive recall of potentially tampered products, protecting consumers at the expense of shareholders (Mallenbaker.net, 2006). In 1982, Tylenol commanded 35% of the analgesic market in the US and represented 15% of Johnson & Johnson's profits. As a result of the scare, the company took a \$100 million charge against earnings and market value fell by a billion dollars. The rationale behind Johnson & Johnson's behavior is found in its credo: "We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services" (Johnson and Johnson, 2006). Although stakeholder theory could have contributed to raising awareness of the other parties affected by the company's activities, nothing in it indicated that customer interests should prevail. That requires something more than a "balancing of interests" and points out to what may be called a theory of the firm premised on the "common good." We have witnessed an ever-broadening understanding of the people who constitute a corporation. We began with owner-managers, then continued with the professional class of workers and managers, and ended with the whole range of stakeholder groups. We have also observed a change in the grasp of corporate responsibility, from a purely economic and legal one, directed exclusively toward shareholders, to one that encompasses social and ethical duties to other stakeholders. What we have gained in breadth we seem to have lost in clarity with regard to managerial decision-making, however. Simply "balancing out" different and oftentimes conflicting stakeholder interests does not guarantee good corporate decisions. Instead, these seem to require a more enlightened understanding of the "common good" and the business organization's specific contribution to it. Yet, to speak of the "common good" means to enter into the province proper of politics, and this leads us right into the discussion of "corporate citizenship." "Corporate citizenship" (CC) is a term first used by practitioners, by people working in corporations, and later popularized by American business press writers in the 1980s (Crane et al., 2003). It was originally meant to emphasize, broaden and redirect specific dimensions of CSR, and as such was adopted by the academy. Obviously, CC cannot be taken literally, meaning that corporations are real citizens vested with the corresponding rights and duties in the state. For that to be true, the corporation would have to be an individual, physical person. At most, it could only be a fictional, legal person. The term indicates, rather, that the being or identity and the activities of corporations within society could somehow be studied through the lens of citizenship. CC therefore borrows from political theory, the discipline in which the notion of citizenship is native, with the hope that it will shed light on the constitution and dynamics of corporations as social institutions.

Beyond the metaphor of corporate citizenship

Business theory borrowed the notion of citizenship from politics for several reasons. The major one is to highlight the social dimension of business organizations, and consequently, to analyze the role of power in resolving conflicts. Through the concept of citizenship, politics also lends to business firms a sense of identity, by way of membership in the community, and a justification for their rights and responsibilities as artificial or legal persons, being a channel for participating in community life. Wood and associates go as far as affirming that business organizations, in comparison to individual or physical persons, are “secondary citizens”(Wood et al., 2006, pp. 35–36). Although we normally treat business organizations as independent legal entities, they only exist thanks to the objectives and resources furnished by human incorporators. Corporations are collective instruments created by individual citizens to achieve ends which they, otherwise, would not be able to reach. Those ends are most likely to have a sociopolitical dimension and reflect the values of the community.

However, the notion of citizenship itself has had a long history, and to discover its potential in clarifying the status of corporations and the issues concerning how corporations ought to be governed, it would be convenient to have a look into its origins and evolution.

According to Aristotle, “a citizen in the strictest sense, against whom no such exception can be taken” is he who “shares in the administration of justice, and in offices”(Aristotle, 1990). The essential task of the citizen is to participate in deciding what is good and just in the state and in putting this into effect. A few lines later he specifies that a citizen is a “juryman and member of the assembly,” to whom “is reserved the right of deliberating or judging about some things or about all things”(Aristotle, 1990). Although many people in a state may actually participate in the process of deliberating and deciding on the public good, only citizens have the right to do so. What characterizes a citizen, therefore, is “the power to take part in the deliberative or judicial administration of any state”(Aristotle, 1990). This does not mean, however, that a citizen always has to hold state office. It would suffice that he at least has the power to occupy such a post, for citizenship requires “sharing in governing and being governed”(Aristotle, 1990). In other words, one does not lose citizenship when being governed and out of office, as long as he can also govern and hold office in turn at some other time.

Twenty-four centuries later, several models and typologies of citizenship – based on differences in the kinds of states – have been offered (Crane and Matten, 2004; Stokes, 2002; Wood et al., 2006). Closer scrutiny reveals that these categories could be collapsed into two: liberal-minimalist citizenship and civic republican or communitarian citizenship.

The liberal-minimalist ideal conceives citizenship as freedom from oppression and protection against the arbitrary rule of an absolutist government or state (Crane et al., 2003, pp. 7–9). Citizens are vested with political rights enabling them to choose their rulers, to vote and to be voted into public office. The duty of government is to secure these political rights which form the core of citizenship. For some, this minimum is composed of the rights to life, to liberty and to property (Locke); for others, in the right to a just share of the social product or utility (Smith, Bentham); while for still others, it consists in the universal rights to equality before the law and to free rational agency or autonomy (Kant). What is important is that this minimum be guaranteed. With a certain amount of latitude we can include in this group the libertarians (Wood et al., 2006, pp. 41–42, 44), who support a very limited state, and those who uphold a deliberative democracy (Crane et al., 2003, pp. 15–16), who may want a more robust form of government to safeguard conditions of equality in political discourse. Both persuasions are particularly concerned with rights.

Civic republican or communitarian citizenship emphasizes participation in the public good through the fostering of community ties and the practice of civic virtues (Crane et al., 2003, p. 9; Wood et al., 2006, pp. 42–43). While liberal-minimalist citizenship is marked off by “negative freedoms” or “freedoms from” state oppression and interference, civic republican

or communitarian citizenship is set apart by “positive freedoms” or “freedoms to” actively seek and work together with others for the common good. Liberal-minimalist citizenship stresses individual rights or state-guaranteed powers against all collectives; civic republican or communitarian citizenship underscores belonging to the group as the factor constitutive of identity and the element that lends meaning to action. It is the group or collective with its hierarchically ordered set of goods, rules, and practices that makes virtue or human excellence possible.

Within the civic republican or communitarian mindset, the role of government or the state is to strengthen institutions as families, neighborhoods, schools, churches, and so forth, such that the good is rewarded, rules upheld and practices allowed to flourish. Only when these institutions are lacking should government intervene, without losing sight of its subsidiary function. State coercive power should be used so that evil is minimized, sanctioned and punished. There is greater insistence on fulfilling obligations – to protect the family, obey the law, pay taxes and comply with jury or military service, and so forth – than on demanding rights, which separate the individual from the group. Developmental democracy (J. S. Mill) may be said to favor civic republican or communitarian citizenship in the understanding that ties and obligations link one more to civil society than to the state or government (Crane et al., 2003, pp. 14–15).

Liberal-minimalist citizenship guarantees one the right to stand up to the group; civic republican or communitarian citizenship admonishes one to participate in social affairs and contribute to the common good well beyond the periodic exercise of political rights or voting. Liberal-minimalist citizenship is limited with regard to rights; civic republican or communitarian citizenship, maximalist in terms of duties, obligations and virtues. Insofar as Aristotle accentuates the embeddedness of citizenship in a particular sociocultural and historical context, as well as the mutual dependence between the human excellence of the citizen and the excellence of polis or the state, he sides himself with the civic republican or communitarian model.

How do these different views of citizenship measure up with the notion of the corporation as a citizen, as a “corporate citizen”? As a citizen in the liberal-minimalist mold, a corporation would be expected, first and foremost, to zealously protect its “right to exist,” based on the freedom of association of its incorporators, and its “license to operate,” resting on the freedom of enterprise. A corporation would very much prefer “to stick to its own business” and embark on philanthropic activities only with reluctance. In such instances – necessarily few and far between – corporations could justify their behavior in the key of “enlightened self-interest”; that is, corporate philanthropy is all right because it ultimately benefits the economic bottom line, it’s just an additional “cost of doing business.” In all the other social and political issues, the corporation as liberal-minimalist citizen would be quite content to remain passive. This description of liberal-minimalist corporate citizenship would correspond to a mix of what other authors call limited and equivalent views of CC (Crane and Matten, 2004, pp. 63–67). Similarly, it would have great affinity with a shareholder view of the firm focused exclusively in increasing share price.

On the other hand, if a corporation were to follow the civic republican or communitarian type of citizenship, apart from exercising political, civil, and social rights, it would also strive to fulfill political, civil, and social obligations. Such a company would not hesitate to step in, harnessing resources and expertise, when it considers government or the state to be remiss in its duties. In particular, it could provide social rights (e.g., healthcare or housing), enable civil rights (e.g., be an “equal opportunity employer”) and serve as a channel for the exercise of political rights (e.g., host a forum for political debate on certain issues). This sort of company would not be troubled in justifying sociopolitical action because it thinks that its mission transcends purely economic goals. Active involvement in community affairs and uninhibited political activism characterizes the civic republican or communitarian corporate citizen. For the civic republican or communitarian corporate citizen, responsibility is not only of an

economic nature, but also sociopolitical as well; and it is owed not only to shareholders, but also to other stakeholder groups. A company of this type falls within the extended view of CC (Crane and Matten, 2004, pp. 67–70).

Citizens of the corporate polity

Finally, there is another possible interpretation of CC, different from the understanding of the corporation itself as a citizen of the state. It consists in the view of the corporation as an analog of the state and of the various stakeholder groups as potential citizens. The approach and intent is similar to that carried out by Manville and Ober (2003) who tried to draw management lessons from classical Athenian democracy, although the outcomes will be somewhat different.

Drawing inspiration from the study by Wood and associates on the different approaches to CC, we may link the liberal-minimalist perspective of citizenship to a notion of the corporation as a mere “civic association” and the civic republican or communitarian view to a more substantive idea of the firm as a corporate polity (Wood et al., 2006, pp. 41–45). The liberal-minimalist theory of citizenship insists, above all, on the value of individual freedom – dressed in the language of rights – in order to pursue one’s selfinterests. The satisfaction of these individual selfinterests, insofar as divergent or rivalrous, cannot constitute a corporate common good. The corporation is then reduced to a “civic association” or “clearing house” where the minimum restraints are applied to keep an individual from infringing on the rights of another. The different groups of people dealing with the corporation do not really behave as “citizens” but as mere “residents of a common jurisdiction.” They comply with the laws, but only as a means to reach individual goals, and not because it forms part of an excellence that is both personal and shared. For the liberal-minimalist citizens of such a corporation, coercive laws are the only forces that keep them together. Outside of this, there is no attachment or loyalty among themselves or between them and the corporation. Hence, relationships are purely contractual, and the corporation, essentially, becomes nothing more than a “nexus of contracts.” Shareholder-principals who provide capital are granted ownership rights and manager-agents are hired in the understanding that they will maximize the former party’s investment returns. The corporation is just an empty shell wherein investment, employment and sales contracts are negotiated and fulfilled: “The language of citizenship might even be used, but the motivation is not to provide a collective good or to contribute to society’s [or we may say in this case, the corporation’s] well being, but only to achieve a private end” (Wood et al., 2006, p. 42).

The demands of a civic republican or communitarian kind of citizenship on the stakeholders who comprise the corporate polity will be altogether different. In the premise that their personal flourishing is not independent from the flourishing of the corporate polity, they actively participate in the deliberation and execution of the corporate good. This does not mean that there would be no regard for individual rights; it simply means that those rights are neither supreme nor absolute goods. Rather, the recognition, enforcement and respect for those individual rights should always be done within the context of the corporate common good. The common good is not inimical to individual goods such as rights, properly understood. All that is needed is an order or hierarchy, such that “goods in respect of another” – for instance, rights – are subjected to “goods in themselves,” and the various “goods in themselves” subjected in turn to the supreme and absolute good which is the “common good” of the corporate polity. In all probability, the right to free enterprise would not include the right to buy and sell body parts, if only to safeguard the physical integrity of prospective suppliers, for instance.

A misconstrual of the common good and its relationship with individual goods is at the root of the conflict that Wood and colleagues detect between communitarian and global

citizenships (Wood et al., 2006, pp. 42–46). At a superficial level, a strong attachment to one's local community may be at odds with an equally robust relationship with a multicultural global society. But global society and the local community do not exist on the same level, no more than the local community and the family. No doubt serious conflicts among these different levels and forms of organization may arise. However, the strength and success of the superior levels in terms of human flourishing depends on the strength and success of the inferior levels, through an interplay of the principles of subsidiarity and solidarity.

To end, let us try to clarify this relationship further by means of an example. A corporation that applies pollution control measures in its home community but neglects them in other communities where it is a mere guest is simply not a good corporate citizen, even by the communitarian standard. It need not follow a free-standing "universalist" standard of global citizenship to recognize its duty to reduce pollution wherever it holds operations; it would be sufficient to become aware of the interdependence between its home and host communities, between its efforts to curb pollution locally and globally. Otherwise, the communitarian form of citizenship would fall into an incoherence. Only by identifying and fully integrating itself with the good of its home region – that is, by subscribing to the communitarian ideal of citizenship – can a corporation realistically contribute to the good of a wider global and multicultural society.

Conclusion

The introduction of CSR and stakeholder theory has triggered important modifications in response to the question of who constitutes the firm. CSR has widened the scope of the firm's obligations from the economic and legal spheres to the social and ethical ones. Stakeholder theory has broadened the groups to whom the firm is held accountable. Apart from the initial group of shareholders, among the firm's stakeholders we now include workers, customers, suppliers, competitors, government or the state, communities, and so forth.

There are significant differences in the manner in which both CSR and stakeholder theory have been understood, developed and put into practice in the United States and in Europe. Because of its tradition of individualism, legalism and pragmatism, business culture in the United States is more reluctant to accept the view of the firm as a socially embedded institution, unlike in Continental Europe, where this notion is welcome and prevalent despite variations.

Applying the political concept of citizenship to the corporation is useful in several ways. It highlights the social dimension of the corporation as an institution, it provides a source of identity or belonging, and it offers a justification of the different rights and responsibilities that the corporation possesses as an artificial or legal person.

In its origins, as explained to us by Aristotle, "citizen" preeminently applies to an adult, able-bodied male, himself the son of citizen-parents, who enjoys sufficient economic means to actively engage in the governance of his home city-state, by voting or being voted into office. Although a state may require other classes of people in order to be viable, citizens form the most important group among them all. The definition of a citizen may vary according to the regime or form of government – Aristotle's description best fits citizens in a democracy. However, in the best of states, the characteristics of a good citizen fully coincide with those of an excellent human being.

In more recent times, the discussion of citizenship has revolved around two distinct models. Liberal-minimalist citizenship stresses the "negative freedoms" – such as freedom from oppression or arbitrary rule, especially by the state – and its discourse is based on the language of rights. The primary duty of the state or government is to secure these rights. Civic republican or communitarian citizenship, on the other hand, focuses on active participation in the common good by fostering community ties and promoting civic virtues. The emphasis lies

in the fulfillment of duties and obligations toward the group. Government and the state are expected, above all, to act in a subsidiary manner and strengthen already existing institutions such as families, schools, churches, and so forth. Aristotelian doctrine undoubtedly comes closer to civic republican or communitarian citizenship than to the liberal-minimalist model.

There are at least two possible readings of the expression “corporate citizenship.” The more widely spread one consists in imagining the corporation as a citizen of the state where it operates. According to the liberal-minimalist perspective, such a corporate citizen will be primarily concerned with protecting its rights to pursue mainly economic interests, that is, those of its shareholders. This sort of company will be very reluctant to involve itself with broader social and political issues. From the civic republican or communitarian viewpoint, by contrast, the company as citizen should have no trouble engaging in sociopolitical actions because its mission transcends purely economic goals. The firm owes itself to many other people – the different stakeholder groups – besides its shareholders.

Accordingly, Anglo-American business culture defends corporate citizenship in this sense of a liberal-minimalist type, while continental European business culture is inclined toward a civic republican or communitarian type.

The second – and less conventional – understanding of “corporate citizenship” consists in taking the different stakeholder groups as potential citizens of the corporation, held to be an analog of the state. The liberal-minimalist persuasion in citizenship then conceives the corporation as a “civic association” formed by the “nexus of contracts” among different agents exercising their rights. Each of these agents has its own individual goal with respect to which the corporation is just a means. The civic republican or communitarian model of citizenship, for its part, perceives the corporation as a “corporate polity” whose flourishing is reciprocally dependent on the flourishing of its various stakeholder-constituents. In this regard, every stakeholder-constituent is admonished to actively take part in the deliberation and execution of the corporate common good. While there is certainly room to defend the rights of corporate citizens in this sense, as powers beyond the control of the state or its analogs, in line with the liberal-minimalist and Anglo-American traditions, we believe that the civic republican or communitarian and continental European traditions of corporate citizenship are superior, as it better facilitates the achievement of the corporate common good.

References

- Aristotle: 1990, *The Politics* (Stephen Everson, ed.) (Cambridge University Press, Cambridge).
- Berle, A. and G. Means: 1932, *The Modern Corporation and Private Property* (The Macmillan Company, New York) [Reprint, 1991, Transaction Publishers, New Brunswick, NJ].
- Bernstein, A.: 2004, ‘Online Extra: Nike’s New Game Plan for Sweatshops’, *BusinessWeek Online*, September 20. http://www.businessweek.com/magazine/content/04_38/b3900011_mz001.htm. Accessed 25 October 2006.
- Boatright, J.: 1999, *Ethics in Finance* (Blackwell Publishers, Malden, MA/Oxford).
- Bowen, H. R.: 1953, *Social Responsibilities of the Businessman* (Harper & Bros, New York).
- Carroll, A. B.: 1979, *Business and Society: Ethics and Stakeholder Management*, 2nd Edition (South-Western Publishing Co., Cincinnati, OH).
- Carroll, A. B.: 1991, ‘The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders’, *Business Horizons*, July– August, pp. 39–48.
- Charkham, J.: 1995, *Keeping Good Company: A Study of Corporate Governance in Five Countries* (Oxford University Press, Oxford/New York).
- Crane, A. and D. Matten: 2004, *Business Ethics: A Euro-pean Perspective* (Oxford University Press, Oxford/New York).

- Crane, A., D. Matten and J. Moon: 2003, 'Can Corporations be Citizens? Corporate Citizenship as a Metaphor for Business Participation in Society', International Center for Corporate Social Responsibility (ICCSR) Research Paper Series, No 13, ISSN 1479-5116.
- Davis, K. and R. Blomstrom: 1975, *Business and Society: Environmental Responsibility* (McGraw Hill, New York).
- Dill, W.: 1958, 'Environment as an Influence on Managerial Autonomy', *Administrative Science Quarterly* 2(4), 409–443.
- Donaldson, T. and L. Preston: 1995, 'The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications', *Academy of Management Review* 20, 65–91.
- Eells, R. and C. Walton: 1961, *Conceptual Foundations of Business* (Richard D. Irwin, Homewood, IL).
- Estes, R.: 1976, *Corporate Social Accounting* (John Wiley & Sons, New York/London/Sydney/Toronto).
- European Commission: 2006, *Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility*. http://ec.europa.eu/employment_social/social/csr/index.htm. Accessed 14 August 2006.
- European Foundation for the Improvement of Living and Working Conditions: 2007, *Co-determination*. <http://www.eurofound.europa.eu/emire/GERMANY/CODETERMINATION-DE.htm>. Accessed 7 October 2008.
- Freeman, R. E.: 1984, *Strategic Management: A Stakeholder Approach* (Pitman, Boston).
- Freeman, R. E.: 1994, 'The Politics of Stakeholder Theory: Some Future Directions', *Business Ethics Quarterly* 4(4), 409–421.
- Freeman, R. E.: 1998, 'Stakeholder Theory', in P. Werhane and R. E. Freeman (eds.), *The Blackwell Encyclopedic Dictionary of Business Ethics* (Blackwell Publishers, Malden, MA/Oxford).
- Friedman, M.: 1970, 'The Social Responsibility of Business Is to Increase Its Profits', *The New York Times Magazine*, 13 September.
- Goßner, R. and K. Bräunig: 2004, *Modernising Co-determination*. [http://www.bda-online.de/www/bdaonline.nsf/id/523B899F182B4D74C1256FAC003EA175/\\$file/ModernisingCoDetermination.pdf](http://www.bda-online.de/www/bdaonline.nsf/id/523B899F182B4D74C1256FAC003EA175/$file/ModernisingCoDetermination.pdf). Accessed 7 October 2008.
- Hans Böckler Stiftung: 2004, *Representing the Workers' Interest in the German Industry. Co-determination at Establishment and Board Level*. http://www.boeckler.de/pdf/mb_2004_12_folien_english.pdf. Accessed 7 October 2008.
- Johnson & Johnson: 2006, 'Our Credo', http://www.jnj.com/our_company/our_credo/index.htm. Accessed 25 October 2006.
- [Mallenbaker.net](http://www.mallenbaker.net): 2006, *Companies in Crisis. What To Do When It All Goes Wrong*. Johnson & Johnson and Tylenol. <http://www.mallenbaker.net/csr/CSRfiles/crisis02.html>. Accessed 25 October 2006.
- Manville, B. and J. Ober: 2003, *A Company of Citizens. What the World's First Democracy Teaches Leaders About Creating Great Organizations* (Harvard Business School Press, Boston, MA).
- Mason, R. O. and I. I. Mitroff: 1982, *Challenging Strategic Planning Assumptions* (John Wiley and Sons, New York).
- Matten, D. and J. Moon: 2008, '“Implicit” and “Explicit” CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility', *Academy of Management Review* 33(2), 404–424.
- McGuire, J. W.: 1963, *Business and Society* (McGraw-Hill, New York).
- Monks, R. and N. Minow: 2001, *Corporate Governance* (Blackwell Publishers, Oxford/Malden, MA).
- Nasi, J.: 1995, *Understanding Stakeholder Thinking* (LSRJulkaisut Oy, Helsinki).
- Phillips, R.: 2008, 'European and American Perspectives on Corporate Social Responsibility', *Business Ethics. A European Review* 17(1), 69–73.
- Sethi, S. P.: 1975, 'Dimensions of Corporate Social Responsibility', *California Management Review* 17, 58–64.
- Sison, A. J. G.: 2000, 'Integrated Risk Management and Global Business Ethics', *Business Ethics. A European Review* 9(4), 288–295.

- Stokes, G.: 2002, 'Democracy and Citizenship', in A. Carter and G. Stokes (eds.), *Democratic Theory Today* (Polity Press, Cambridge).
- The Federal Ministry of Labor and Social Affairs: 1980, *Mitbestimmung in der Bundesrepublik Deutschland*, Bonn.
- Thompson, J. D.: 1967, *Organization in Action* (McGraw Hill, New York).
- Vietnam Labor Watch: 1997, 'Nike Labor Practices in Vietnam', <http://www.saigon.com/nike/reports/report1.html>. Accessed 25 October 2006.
- Wood, D. J.: 1991, 'Corporate Social Performance Revisited', *Academy of Management Review* 16, 691–718.
- Wood, D. J., J. M. Logsdon, P. G. Lewellyn and K. Davenport: 2006, *Global Business Citizenship. A Transformative Framework for Ethics and Sustainable Capitalism* (M.E. Sharpe, Armonk, NY/London, England).

Philosophy Department, Edificio de Bibliotecas, Universidad de Navarra, 31080 Pamplona, Spain [E-mail: ajsison@unav.es](mailto:ajsison@unav.es)