

9 Business ethics, public relations and corporate social responsibility

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Chapter aims

This chapter introduces the reader to the conceptual and practical issues raised by the key ethical doctrines which have influenced debates in the field of business ethics and which have consequently had an impact on public relations theory and practice. Attention is focused on the significance of these theories in relation to corporate social responsibility (CSR). The chapter goes on to discuss the arguments for and against corporate social responsibility and places these perspectives in the broader context of debates surrounding business, society and ethics. Finally, with reference to key current debates and recent research, the chapter discusses how ethical concepts and the language used to express them relate to the actual practice of CSR.

Introduction

What is ethics? Anyone looking for a simple definition of 'ethics' will search long and hard to find it in a text on moral philosophy or business ethics. The term is derived from the classical Greek *ethos* meaning 'customs' and thus it may sometimes be taken to refer to the conventions or standards which a particular group or community acts upon. But this descriptive definition of ethics, while it may be useful to historians and anthropologists, does not equate with the kind of normative thinking which we usually consider to be at the heart of ethical questions (the 'what *ought* I to do in such and such circumstances' kind of questions). This kind of thinking is summarised by Holmes (1984): 'Ethics is about the good (that is, what values and virtues we should cultivate) and about the right (that is, what our moral duties may be).' One way to try to answer this question of what ethical behaviour is and what ethical action should consist of is to outline a number of different approaches to ethics in the manner set out in the next section of this chapter. Dienhart (2000) links this kind of approach to the practical question of how to apply ethics in the sphere of business. He notes: 'Business ethics focuses on how we use and should use traditional ethical views to evaluate how institutions orchestrate human behaviour' (p. xvi).

Public relations discourse in relation to CSR has unsurprisingly utilised language and concepts derived from the main ethical doctrines – *utilitarianism*, *deontology* and *rights* theories – which have dominated ethical debate in the West since the Enlightenment. This leads to significant claims for corporate social responsibility programmes. For example, companies may maintain that such activity is the fulfilment of the duties and responsibilities that they have to the wider community, or that they contribute to the common good by benefiting both the company and society. The ensuing discussion will explore the nature of the ethical doctrines which business appeals to, the debate concerning corporate social responsibility in particular, and how corporate social responsibility is justified and articulated in practice.

Moral rules

Societies have developed various kinds of *social rules*, such as legal rules, or even the rules of etiquette, which act as a framework or guide to behaviour. Moral rules are sometimes regarded as just another set of social rules, but societies are structured around moral rules in a peculiarly fundamental way. In fact, moral precepts are frequently used to criticise the other kinds of social rules which guide human conduct. While it must be acknowledged that moral rules and legal requirements have a very close relationship they are not necessarily synonymous and there can be clashes between moral rules and legal rules. The ‘race laws’ in the USA, for example, or the ‘apartheid laws’ in South Africa, were eventually perceived to be so immoral that the only moral course was to disobey them. Clearly, one may disagree with particular moral rules, or question the possibility that ‘definitive’ answers to ethical problems are possible. Nevertheless, it is the case that, in all societies, a great majority of people accept that they *should* adhere to certain fundamental moral rules. Breaking these rules will meet with sanctions of various kinds, from disapproval and ostracism to, in certain cases, legal penalties. Moral rules help to structure social relations and many of the decisions that individuals and businesses make must take account of them. However, behaving ethically in this basic, passive, sense is not normally what is meant by CSR.

Defining corporate social responsibility

Definitions of CSR differ widely – ranging from the idea of charitable giving to business helping meet government aims of social inclusion. Many definitions frame CSR activity as an intervention in society ‘To be socially responsible corporations must cooperate with other groups – such as competitors, non-profits and government agencies to help solve social problems’ (Bowie 1993, quoted in Daugherty 2001, p. 389). Other definitions, such as that offered by the UK government, extend the responsibility to include the environment, people (employees and customers) and the economy:

The Government sees CSR as the business contribution to our sustainable development goals. Essentially it is about how business takes account of its economic, social and environmental impacts in the way it operates – maximising the benefits and minimising the downsides. Specifically we see CSR as the voluntary actions that business can take, over and above compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society.

While some argue that the concept is defined in so many different ways that it is practically meaningless (Sen and Bhattacharya, 2001), we would suggest at the very least CSR involves the idea of business being proactive in its relationship with a range of social actors and doing more than just trying to avoid breaking ethical rules or obeying the law. The term 'social responsibility' implies that business is motivated by more than just self-interest and is, in fact, an activity that aims to promote the interest of society at large. This can be differentiated from, for example, corporate sponsorship where 'the company's managers will expect a tangible return for their money' (Varey 1997, p. 118).

Up until this point, we have been using the term 'ethical' as if it were an unproblematic concept about which there is widespread agreement. This is certainly not the case. It is important to clarify some of the language and concepts vis-à-vis ethical debates because, as we will see, public relations practitioners tend to discuss corporate social responsibility using language taken from ethical theories. The first section in this chapter will discuss several key ethical doctrines and frameworks which have emerged historically in Western thought. The next section will relate these ethical theories to debates surrounding whether or not CSR is desirable at all. The final section will discuss how ethical theories inform the language of public relations and impact upon the practice of CSR.

Ethical theories

In debates surrounding ethics, the first and most profound division is between the assumption that it is possible to know moral right from wrong and the denial of that assumption. *Cognitivism* is the term used by philosophers to describe the belief that there are objective moral truths which can be known and, consequently, that a statement of moral belief can be true or false. *Non-cognitivism* is the term used to describe the belief that morality is subjective or culturally relative, that is, in regard to moral right and wrong there are only beliefs, attitudes and opinions. Cognitivist perspectives such as *utilitarianism*, *Kantianism*, and *rights* theories, have had a significant impact on business ethics and the concept of corporate social responsibility in particular, but there have also been attempts to argue that business ethics is best seen from a *cultural relativist* standpoint.

Ethical theories, which argue that it is possible to know right from wrong, can be divided into two groups. There are those, such as utilitarianism, which assess moral right and wrong in terms of the consequences of actions – the *consequentialist* perspective – and those, such as Kantianism and 'rights' theories, which do not – the *non-consequentialist* perspective. From the consequentialist perspective, we look at the results of actions in order to make a moral judgement about those actions. From the non-consequentialist perspective, there is no immediate appeal to beneficial or harmful consequences to determine whether actions were morally right or wrong.

Utilitarianism

The classic consequentialist theory is *utilitarianism*, which states that actions are not good or bad in themselves, but only in so far as what they are good or bad *for*. Utilitarianism is the notion that an action is right only to the extent that it causes more good than ill to be produced. The classic formulation of this position is that of the English philosophers Jeremy Bentham (1748–1832) and John Stuart Mill (1806–1873). Bentham and Mill identified utility with happiness. Happiness is the only thing desirable as an end in itself and all other things are only desirable as a means to the end of happiness. From a

utilitarian perspective therefore, actions are right to the extent that they maximise happiness or, at least, minimise unhappiness. It is important to note that Bentham was not particularly concerned with the happiness or unhappiness of individuals, for him it is the 'common good' that is the arbiter of right and wrong. This is Bentham's *greatest happiness principle*, which proposes an action or process can be classified as good when it provides 'the greatest happiness for the greatest possible number'.

The standard objection to utilitarianism is that it requires the promotion or maximization of 'goods', such as economic growth, in order to achieve *utility* and permits the sacrificing of individuals and minorities 'for the greater good'. Donaldson (1992) notes that:

[Utilitarianism] begins with the impeccable principle of 'beneficence', and ends with the malevolence of the Victorian workhouse and the inability to prevent punishment of the innocent, or discriminatory application of the law, so that favoured groups are virtually immune, while disfavoured groups pay the price, as tends to happen in income policies, and sometimes, in the control of ethnic groups in the labour market (p.129).

It is conceivable that this ethic of welfare may, for example, allow the telling of lies to protect the reputation of the corporation and consequently the jobs of employees. So, for example, if a company was saved from bankruptcy because its image and reputation were enhanced by lies told by company representatives to journalists this may well be seen as a permissible act. From a utilitarian point of view, the welfare of those human beings whose jobs had been saved is weighed against the breaking of trust with other human beings.

Deontology: an ethic of duty

Utilitarianism can be contrasted with the non-consequentialist ethical position which argues that it is *motivation*, one's reason for acting, rather than *consequences* which is the determining factor in deciding whether actions are ethical or not. This perspective is generally referred to as *deontological*, from the Greek word for duty (*deon*), and is a doctrine that is primarily associated with the German philosopher Immanuel Kant (1724–1804). Kant argues that ethics are grounded in notions of duty and it follows from this that some actions are morally obligatory regardless of their consequences. According to Kant, an act is carried out from a sense of duty when it is performed in accordance with what he calls the 'categorical imperative'. Kant defines the categorical imperative in two separate but mutually supportive formulations.

I ought never to act except in such a way that I can also will [desire] that my maxim should become a universal law . . . Act in such a way that you always treat humanity . . . never simply as a means but always at the same time as an end (Kant, 1964, pp. 70–96).

Dienhart (2000) helpfully separates Kants's formulations into two versions of the categorical imperative:

Categorical Imperative: Version 1: An action is only moral if you can make your reason for acting into a rule that everyone can follow.

Categorical Imperative: Version 2: Never use people simply as a means to an end; always treat yourself and others as beings with infinite value (p. 117–118).

For Kant 'universalising' a maxim basically involves ensuring that the principle upon which we act should be one which we can recommend everyone else to act upon. The second formulation focuses on the relationship between human beings. If we consider the case of lying to protect the reputation of the company in order to secure jobs, a deontological

perspective would suggest firstly, that you shouldn't be prepared to act in this way unless you are willing to live in a world where everyone can lie if they think it is justified. Secondly, it is clear that, for Kant, lying in order to manipulate for your own purposes also transgresses the categorical imperative by treating another human being as merely a means to getting what you want.

The chief problem with the deontological doctrine is revealed where there is a clash of categorical imperatives. One has a duty never to lie but what if by lying one is fulfilling one's duty to preserve the life of another human being? The example that tends to be repeated in philosophy books is what do you do when the Gestapo ask you the whereabouts of the Jews you have hidden in your basement (Singer 1979). Kant actually insisted that if a murderer was to ask you the whereabouts of their intended victim you had a duty to tell them and not break the precept regarding lying. Kant would argue one cannot know the consequences but even when it *potentially* negatively affects the welfare of other human beings one must fulfil one's duty.

An ethic of rights

Kant's deontological doctrine has much in common with theories which proclaim that there are 'rights' to which every human being is entitled. In both doctrines there is a status common to all human beings which affords them protection from abuse by others. To infringe a person's human rights is to fail to treat them as a being with intrinsic value. Like Kant's position, this viewpoint is broadly non-consequentialist and adopts the position that we cannot sacrifice individuals and minorities to the common good when to do so would be to infringe their human rights.

Rights theories were developed during the political turmoil of the seventeenth and eighteenth centuries by radical thinkers who sought to change traditional hierarchical social structures which tended to be held together by notions of allegiance to an unelected sovereign. The foundational assumption of 'rights' theories is that over and above mere human law there is an objective moral order, the 'natural law', which sets limits to the power of rulers. In requiring justice of governments, the natural law conferred rights on the governed. The generally agreed list was life, liberty, and sometimes, property. These were proclaimed as 'natural rights' bestowed on people by the natural law. They were rights which the sovereign or government could neither grant nor take away, people possessed them by virtue of being human. Governments could rule but they were bound 'contractually' to honour these basic rights.

In the writings of the English philosopher John Locke (1632–1714) the 'contract' became 'social'. That is, it was no longer deemed to be a contract between government and people, but rather between the people themselves to set up and empower a government. This is an immensely influential concept and has tended to be enshrined in various 'declarations', from the United States 'Declaration of Independence' (1776) and the French 'Declaration of the Rights of Man' (1789) to Article 1 of the 'Universal Declaration of Human Rights' which states: 'All human beings are born free and equal in dignity and rights'.

Theories which claim that there are inalienable human rights suffer from a similar problem to the deontological position that human beings have duties and responsibilities which they must not disregard under any circumstances. What happens when two different 'rights' clash? In the case of lying to protect the reputation of the company and therefore jobs, how does one weigh the 'right' to work against the 'right' of people to be told the truth?

All of the classic ethical theories have inherent problems and it is fair to conclude that none of them seem satisfactory unless they are qualified by each other. Chryssides and

Kaler (1993) note: '[T]he the aim of serving the common good has to be tempered by the admission of rights and responsibilities. Likewise rights and duties cannot generally be examined separately and neither can they be pursued regardless of any consideration of collective welfare' (p. 103).

Cultural relativism: PR and intersubjectivism

Before turning our attention to the significance of these debates for corporate social responsibility it is important to note that there are perspectives on business ethics which reject the idea – maintained by the classic ethical theories – that there are 'objective' standards of right and wrong. Pearson (1989), in embracing the concept of *intersubjectivism*, offers an argument which places public relations at the centre of efforts to construct a business ethic. For Pearson, 'post-modern rhetorical theory offers a powerful and cogent theory with which to conceptualise public relations theory and business ethics' (p. 121). According to this view, which is ultimately a cultural relativist perspective, all 'truths', including moral truths, emerge out of a process of negotiation and debate. There are no objective standards of right and wrong only subjective views, shaped by the social and cultural environment, on what constitutes right and wrong. Moral rules are intersubjective in that they are arrived at through agreement between different subjective viewpoints. Pearson argues that this communication process is the key to business ethics for it is in this process 'that the moral truths shaping corporate conduct are grounded' (p. 122). According to Pearson, this approach offers equity, that is, the decision as to what actions are ethical emerges through the communicative interaction of all sides. Significantly, his view contains the suggestion that public relations, insofar as it plays 'the central role in corporate communication' also 'plays the major role in managing the moral dimension of corporate conduct' (p. 111). Pearson is obviously advocating a very important role to public relations practice and it is a conception of public relations with many similarities to Grunig and Hunt's (1984) two-way symmetrical model.

While a theory of public relations which emphasises the centrality of dialogue seems attractive, it should be pointed out that there are several issues here which need to be resolved. Firstly, the issue of 'power' seems to be largely ignored. It might be possible to think of a situation where all relevant groups are represented regarding an issue but it is difficult to imagine a situation where all the participants will be accorded equal status. There is an additional problem in that a process of dialogue has to stop somewhere and a resolution to which everyone agrees might not be possible. A decision might have to be made which is only in the interests of the majority and it is hard to see how one could prevent this from collapsing into utilitarianism, where you try to find solutions which maximise happiness for the greatest possible number.

Pearson's cultural relativism also suffers from the major conceptual stumbling block that all parties must agree that all actors involved in an issue are equal. Based on this foundational assumption all parties can then arrive at a mutually satisfactory outcome through dialogue. However, by insisting on this concept of equality it seems that Pearson is actually insisting on something similar to the notion that all human beings have 'rights' or that everyone should be treated as if they have an intrinsic and not merely an instrumental value. However, it is clear that these assumptions do not emerge out of the process of symmetrical dialogue; they are a prerequisite for it. By relying on these traditional cognitivist ethical doctrines to guarantee his model, Pearson has ended up in a rather awkward and contradictory position for it is precisely these approaches which he wished to replace with the 'post-modern rhetorical theory' he enthusiastically advocates throughout his text.

Up until now, we have reviewed key approaches regarding how to think about ethical issues. The rest of this chapter will now focus on the implications of these ethical theories for public relations, and more specifically, on their significance for debates surrounding CSR. One thing that is immediately apparent is that even a brief survey of the literature explaining most CSR programmes reveals that the language and concepts we have just discussed – the ‘common good’, ‘rights’, ‘duty’ and ‘responsibility’ – are all terms which tend to be used in describing or justifying this activity.

Should business be socially responsible?

In this section, two contrasting views of CSR will be discussed. In some senses, they represent the extreme poles of opinion on this issue. In practice, the attitude of most companies to CSR will occupy a position somewhere between the two. Ethical doctrines play a role in justifying both perspectives. For example, Friedman, who rejects the concept of CSR, attempts to justify his ‘free market approach’ to some extent from a utilitarian standpoint. On the other side of the debate, corporate social responsibility is viewed as a necessary and integral part of the ‘stakeholder approach’, an approach which is ultimately justified from a Kantian perspective.

The social responsibility of business is to increase profits

Milton Friedman, the economist and advocate of *laissez-faire* capitalism, argued against the idea that business has a social responsibility in the sense outlined in the introduction to this chapter. He claimed that ‘there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits’ (Friedman 1993, p. 254). Friedman insists that it is wrong to suggest that corporations can have social responsibilities, since for him, only individuals can have responsibilities. He claims that the actual responsibilities of the corporate executive should be narrowly defined:

In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom (Friedman 1993, p.249).

By claiming that businesses have only one social responsibility, to maximise their profits, Friedman is in effect saying they have no social responsibilities in the generally accepted sense of the term. He does not say that moral rules have no place in relation to business practice; in fact, while pursuing profits business must conform to what he refers to as ‘ethical custom’. As Chryssides and Kaler (1993) point out, he seems to be making a distinction between first and second-order ethical rules, the basic moral rules of society (an obligatory first order) and social responsibility precepts (an optional second order). He does not elaborate on what the rules based on ethical custom are, but he does give some indication as to what the second order rules might involve. For instance, Friedman (1993) castigates businessmen for ‘preaching pure and unadulterated socialism’ when they speak of ‘responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers’ (p.249).

According to Friedman, those who ‘preach’ the doctrine of social responsibility are making two claims, both of which he disagrees with. These are, firstly, that business must

actively seek to do good (that is, not just avoid transgressing 'ethical custom') and, secondly, this 'good' must not be done for profit, that is, it must not be done with self-interest in mind (if this was the motivation, Friedman would have no objection to it). This raises an important question, which is, is actively seeking to do good easily distinguishable from the mere avoidance of doing evil? Friedman seems to believe it is but it is difficult to see how the examples that he points to demonstrate this. It could be argued that some of the examples he lists, 'eliminating discrimination' or 'avoiding pollution' are doing 'good', but at the same time they are actions which are engaged in getting rid of what most people would perceive to be social or environmental evils. Ironically, what Friedman's own examples actually illustrate is that on many occasions the moral choice is between doing good or, by default, doing evil. Chryssides and Kaler (1993) note:

Friedman's assumption of a neat division between 'ethical custom' and business social responsibility takes too narrow a view of both. The first cannot be confined to simply the passive avoidance of evil or the second to just the active pursuit of good because very often good and evil are simply two sides of the same moral coin. Friedman is therefore wrong to assume that acceptance of 'ethical custom' has no implication for the adoption of socially responsible policies by business. Clearly it has; if only because such is the power of business over people's lives that its failure to do good will very often result in great evils being permitted to flourish (p. 232).

It is not only Friedman's conceptual understanding of CSR which is flawed, there are also problems with the arguments he presents in respect to what he perceives to be the responsibilities of a corporation. One of his key arguments, sometimes referred to as 'the agency argument' (Chryssides and Kaler 1993, p. 234), is that managers of corporations are merely *agents* of the shareholders in the companies they work for. The owners of businesses, the shareholders, are the only people to which managers are accountable and the only responsibility managers have is to act in their interests. This means maximising profits so that the shareholder will make as much money as possible from their shares. Friedman presents his premise about a manager's role vis-à-vis the shareholders as a 'statement of legal fact' (Chryssides and Kaler 1993, p. 234). While other interests may be taken into account, Friedman is largely correct in stating that the managers of a corporation must ultimately serve the interests of the shareholders. However, in British and US law the corporation is a separate legal entity and is not identified solely with any particular group – employees, shareholders or directors (Chryssides and Kaler 1993, p. 229). Managers, therefore, are not directly the agents of the shareholders in the way that Friedman wishes to imply, although shareholders are, in a roundabout way, the owners of the business. Friedman's assertion that the interests of the corporation ought to be exclusively identified with its shareholders must be seen in the context of his advocacy of the values of free enterprise. These values involve a combination of ethical egoism and classical utilitarianism and is a view that merely assumes if everyone pursues their own self-interest within a free market, the result is the greatest happiness, or economic well-being, for the greatest number of actors within that market. Friedman's argument that only the interests of shareholders are important is, of course, something upon which there is not universal agreement. There is, in fact, an argument that the managers should act as the agent of all groups associated with the corporation and not just the shareholders. Those who support this view reject Friedman's 'stockholder' or 'shareholder' model in favour of what usually referred to as the 'stakeholder' model.

Kantian capitalism and the stakeholder approach

The 'stakeholder' model is so named because those who propose it argue that the task of the corporate manager is to balance the interests of all the different groups who have a 'stake' in the company. These groups might include shareholders, employees, customers, suppliers, the local community and even broader society. The interest of the shareholders in increasing their profits is only one interest among many that the management must consider. This model requires the corporation to take account of its social responsibilities and to consider all of its stakeholders when developing business strategies. Evan and Freeman (1993) argue from a Kantian perspective for adoption of the stakeholder model. They employ Kant's categorical imperative to argue that all human beings have a right not to be treated as merely a means to some end but as ends in themselves. They go on to argue that all groups affected by a corporation should have a role in determining company policy. Evan and Freeman (1993) state their belief in a Kantian ethical doctrine explicitly:

We can revitalise the concept of managerial capitalism by replacing the notion that managers have a duty to stockholders with the concept that managers bear a fiduciary relationship to stakeholders. Stakeholders are those groups who have a stake in or claim on the firm. Specifically we include suppliers, customers, employees, stockholders and the local community, as well as management in its role as agent for these groups. We argue that the legal, economic, political, and moral challenges to the currently received theory of the firm, as a nexus of contracts among the owners of the factors of production and customers, require us to revise this concept along essentially Kantian lines. That is, each of these stakeholder groups has a right not to be treated as a means to some end, and therefore must participate in determining the future direction of the firm in which they have a stake (p. 255).

They argue that, in the US, changes in the legal system have been progressively circumscribing the idea that the corporation is only run in the interests of the 'stockholders'. They point to a number of legal cases in the US which show that although stockholders' interests are still paramount, other interests, customers, suppliers, local communities and employees have increasingly secured protection under the law (Evan and Freeman 1993, p. 255–257). Friedman's viewpoint, they would argue, is slowly being overtaken by changes – in business thinking and legislation – more in line with a stakeholder approach.

In the stakeholder model, the corporation coordinates stakeholder interests. It is through the corporation that each stakeholder group makes itself better off through voluntary exchanges. They argue that the 'corporation serves at the pleasure of its stakeholders, and none may be used as a means to the ends of another without full rights of participation in that decision' (Evan and Freeman 1993, p.262). From the stakeholder perspective, corporate social responsibility is not an optional extra. It is integral to the responsibilities of the company and the company must pay as much attention to its social duties as it does to maximising profits.

The practice of corporate social responsibility

This section will analyse the practice of CSR by examining the language corporations use to explain this increasingly important corporate activity and suggests that they tend to rely upon the language of the classic ethical theories to do so. It will then go on to discuss key recent issues and debates surrounding CSR reporting and evaluation, utilising

recent academic analysis and practitioner research. Firstly, however, it is important to locate the role of public relations within the practice of social responsibility. When business organisations decide to involve themselves in local community initiatives there is usually an attempt to construct a narrative to explain why they are doing what they are doing. This task of explanation is usually allocated to the company's public relations department. This is hardly surprising since public relations specialists tend to play a key role in setting up CSR programmes in the first place. It is also clear that the evaluation and reporting of CSR policies and practices is increasingly a function of the public relations departments or consultancies.

Public relations and corporate social responsibility

The practice of CSR is usually regarded as a public relations function because this is where the company meets the public outside of the usual roles of producers (or service providers) and customers. L'Etang notes that CSR 'is often managed by public relations practitioners for public relations ends, and therefore corporate social responsibility is seen as part of the public relations portfolio and as a technique to establish relations with particular groups (for example, in the local community) and to enhance reputation with key stakeholders' (2006, p. 414). There is, however, another key reason why public relations specialists have tended to be associated with CSR, namely, the claim that public relations can be a mechanism within liberal, pluralist society to enable the realisation of 'laudible social goals' (Gandy 1992, p. 133). For J.A. Pimlot, the historian of public relations in the US, public relations is intimately connected with what he views as democratic ideals. He writes: 'They [the public relations specialists] are experts in popularising information . . . the better the job of popularisation, the more smoothly will society function' (quoted in Pearson 1992, p. 257). Heath (1992) argues that 'professional communicators have a major voice in the marketplace of ideas' but that ultimately these voices 'compete to achieve cooperation – the collective and coordinated actions of people in society' (p. 20). Cutlip *et al.* (1995) go further and argue that public relations practitioners 'must operate as moral agents in society' and they must be prepared to place 'public service and social responsibility over personal gains and special private interests' (p. 134).

It is clear then that there is a significant strand within public relations theorising which claims that the practice can have a positive contribution within society, although this usually comes with the proviso that practice needs to be transformed (Grunig 1989). It almost goes without saying that there is bound to be a tension between this conception of public relations serving the interests of society and the requirement that it serves the interests of the corporation. L'Etang notes that the 'area of corporate social responsibility thus highlights a dilemma which arises generally in the role of public relations: the tension between organisational goals and declared responsibility for "the public interest"' (2006, p. 416). This tension between responsibility to the needs of the company and responsibility to the needs of society is sometimes revealed by the language used in corporate documents which attempt to explain the practice of CSR.

The language of corporate social responsibility

Companies frequently justify CSR programmes by referring to the notion of 'enlightened self-interest'. For example, community programmes may be justified with the utilitarian

argument that 'everyone benefits'. The company's reputation is enhanced and a local community materially benefited. Neil Shaw, former chairman of Tate & Lyle plc, explained the mutual benefits of community programmes:

Our community activities, both in the UK and abroad, focus particularly on initiatives in the localities of our plants and the provision of direct assistance for individuals seeking further educational attainment. In addition, we also encourage secondment of employees to particular projects in the belief that, not only can this make a worthwhile contribution to community activities, but in doing so, the experience will enable volunteers to develop their own management potential (Newman 1995, p.99).

Some commentators (L'Etang 2006) note that while CSR programmes are indeed justified on utilitarian grounds there is, in many instances, little attempt to actually measure and evaluate the effects of such programmes. L'Etang points out that if such evaluation is lacking then companies 'will not be in a position to claim that they have contributed to happiness. In short, CSR justified on utilitarian grounds needs to demonstrate cost-benefit analysis from the perspectives of donor, recipient and society in general' (2006 p. 415). Evaluating and reporting the effects of CSR practice is an exceptionally important issue and one we will return to in the next section because there is perhaps here an opportunity for public relations to fulfil the public service aspirations referred to above.

However it must be noted that in respect to CSR my companies frequently allude, in deontological language, to their responsibilities or duties to the community, or society as a whole. Lord Raynor, when he was Chairman of Marks and Spenser stated: 'There rests on all companies, particularly large organisations like ours, a responsibility to assist through donations and help, the charities and agencies which exist in the community' (quoted in L'Etang 1996, p. 91). L'Etang (2006) notes that such aspirational claims are seldom matched by the practice of corporations. She argues that a deontological approach to CSR would focus on the motivation behind the programme, because seeking benefit from carrying out your responsibilities would not be ethical. From this perspective, a CSR programme needs to demonstrate that it is motivated by duty, and not self-interest (enlightened or any other kind). If a company were attempting to improve its image or reputation via community involvement then it would be treating beneficiaries as a means and not as ends in themselves and thus breaking Kant's categorical imperative. L'Etang (2006) points out that if corporations took on board Kantian principles then their CSR programmes might be managed rather differently. If the beneficiaries of CSR are to be treated as ends in themselves then they should be accorded equal status in defining and developing their relationship with the corporation (p. 415). If the language of the classic ethical theories is adopted to explain and justify CSR but companies do not to fulfil the full implications of these ethical doctrines then they can leave themselves open to the charge of cynicism.

A further problem is that companies do not restrict themselves to justifying CSR solely from a utilitarian, or a Kantian perspective. Robert Clarke, Chairman of United Biscuits, states: 'Our commitment to community involvement stems from our strong sense of social responsibility combined with the realisation of the commercial benefits that it brings . . . a generous and far-reaching sense of community responsibility – are essential to effective long-term business performance' (Newman 1995, p. 99). L'Etang notes that in 'many cases corporate literature is confusing because it appears to appeal to both utilitarian and Kantian principles yet apparently delivers on neither' (L'Etang 1996, p.93). This point, while indisputable, can perhaps be explained to some extent by the fact, noted above, that the classic ethical doctrines need to be qualified by each other in order to arrive at an

ethic which balances rights and obligations with the 'greater good'. It could certainly be argued that given that moral philosophers have found it difficult to come to any kind of satisfactory resolution when debating the relative merits of these ethical doctrines it would be asking a lot to expect business managers or public relations practitioners to do so. Nevertheless, whether or not a company appeals to a combination of ethical doctrines to justify its CSR policies and practices it is to be expected that it will make a meaningful and committed attempt to fulfil the requirements of those ethical doctrines. Thus a deontological approach, motivated by the principle which regards others as intrinsically and not just instrumentally valuable, will entail a commitment to genuinely 'engage' with stakeholders to find out how the CSR process can really fulfil their needs rather than 'managing' them and ultimately exploiting the process for the reputational benefits of the corporation. A utilitarian approach which is meant to ensure benefit to all sides should be prepared to measure and demonstrate that benefit clearly and transparently. The final two sections of this chapter explores these two key issues of engagement and responsiveness with stakeholders and the measurement and evaluation of CSR practices in more detail.

Evaluating and reporting CSR policy and practice

L'Etang (2006) has noted that the need for PR practitioners to have much more developed research and evaluation skills has long been argued and this is particularly important in respect to CSR initiatives in communities. Recent commercial communications research and academic analysis has emphasised this point. For instance, Richard Coope, Head of CSR practice at CTN, commenting on the 2004 CSR Online Survey by CTN Communications notes:

The UK's top companies are still not taking CSR seriously, making little effort to improve their online communication of CSR to investors and other key stakeholders . . . Despite a lot of noise about the growing importance of CSR to reputation and brand, most companies still seem content to produce long-winded CSR reports. These are more often designed to meet the requirements of the regulators and specialist CSR agencies than to connect with the general public. Only the most committed net visitor will be prepared to plough through a 90-page-long PDF.

Owen (2005) also highlights this point commenting that recent years 'have witnessed a significant increase in the number of major companies in Europe, the USA and Australia proclaiming their social responsibility credentials, and backing up their claims by producing substantial paper, or web-based, environmental, and more recently, social and sustainability reports' (p. 1). Accompanying this expansion in the reporting of CSR activity, companies have also claimed that they now carry out much more research into stakeholder views and requirements. Scottish Power's statement in its 2003 CSR report is fairly typical. Scottish Power states that it: 'commissioned research to establish stakeholders' views on the relevant issues to cover in this report. We also incorporated multi-stakeholder feedback from previous Scottish Power Environmental Sustainability and Community reports' (quoted in Owen 2005, p. 7). This all seem very laudable; however, Scottish Power's own assurance process does tend to highlight that while the company's activity in regard to stakeholder research is to be commended, the actual use to which this research is being put is less clear. A recent trend in company CSR reporting is to have one of the specialist CSR bodies verify the report in much the same way as an accountancy company verifies the financial annual report. Interestingly, *csrnetwork's* Verification Statement for Scottish

Power's CSR report concludes: 'Commendably, formal dialogue is undertaken with selected stakeholder groups to understand the information they require. Future reports would benefit from an explanation of how this, and the constant dialogue that happens during the running of the business, informs the issues, actions and performance data included in the report' (quoted in Owen 2005, p.10). Carrying out research and reporting it has happened is all very well, but it is vitally important that a company spell out clearly and in detail how they are evaluating stakeholder feedback and what impact the results of this research actually has on corporate decision-making. There is an opportunity here for PR but practitioners need to do more to develop the research, evaluation and reporting skills which will enable them to monitor the attitudes and expectations of stakeholders more successfully. The same skills will also enable them to demonstrate how the company's CSR policies and practice have actually benefited stakeholders as well as the corporation in a much more transparent way. A recent initiative by Business in the Community sets out 'principles of measurement' which would make an excellent starting point for public relations practitioners wishing to develop more robust methodologies for both assessing stakeholder needs and measuring CSR impacts.

It is vitally important that public relations practitioners engage more competently in research and evaluation in this area because it is becoming clear that in the absence of wholly transparent corporate communication in this area stakeholders will increasingly today access alternative sources of information to find out about, and make up their own minds about, a company's activity. A recent (2006) major CSR survey carried out by Fleishman Hillard International Communications and the National Consumers League in the USA has shown that among consumers 'online sources' and 'word-of-mouth' vastly outweigh traditional media sources as preferred ways to learn about a company's CSR record. Responses indicated that consumers increasingly rely on the internet to find out about CSR-related information but not in ways that will provide much comfort for corporations. Only 7 per cent of respondents said they would rely on the company website, whereas 49 per cent said they would use internet search engines or the websites of discussion groups. Additionally, 77 per cent of consumers feel that word-of-mouth recommendations from peers are more powerful than recommendations from traditional media outlets. The authors of the report note that: 'These findings, taken together, may indicate that traditional media sources may be lacking in credibility because the information they disseminate is viewed as incomplete, censored, edited, and therefore tarnished in some way'.

In today's information society, the corporate website which seems to be the natural mechanism to use to report CSR policies and practices is thus in danger of being bypassed by consumers and other stakeholders. Coupland (2003) notes 'With interest from potential customers and employees to current shareholders, the remit of attracting, entertaining or satisfying the Website reader is a complex one . . . This has relevance as companies are increasingly competing in discursive space where winning the "argument" is important'. If, as seems to be the case, that consumers and other stakeholders are not engaged by current CSR reporting processes, then this is an issue that must be taken seriously by PR practitioners. A recent study of corporate websites by Capriotti and Moreno (2007) notes that in respect to CSR 'the websites assume a mainly unidirectional/expositive function, focusing on the presentation of the information content. A high predominance of expositive resources (graphic and audiovisual) rather than interactive resources is observed' (p. 89). Coupland (2003) alludes to the advocacy role of public relations and it is clear that there is nothing wrong with such a role in the reporting of CSR activities provided it is based on relevant research and pertinent evaluation which demonstrates transparently the mutual benefits to company and stakeholders. If a company is adopting the utilitarian perspective

that 'everyone benefits' from its CSR policies and practices then it must provide clear evidence that this is the case.

Engagement and responsiveness in CSR policies and practice

We noted above that simply publishing increasingly elaborate and lengthy CSR reports is not enough to convince stakeholders that their views are being taken into account and, more importantly, being acted upon at the corporate governance level. This means that the public relations role in CSR should not just be about presenting information; it is about engaging with stakeholders and, most importantly, it is about demonstrating responsiveness to stakeholder views. In the Accountability Rating Report 2006 of global corporations by AccountAbility, the global think tank on organisational and corporate accountability, and *csrnetwork*, the UK corporate responsibility consultancy, two of the key measurement factors they list in their analysis are 'stakeholder engagement' and 'governance'. They define these factors as follows:

Stakeholder engagement – Does the company engage in dialogue with people who have an interest in, may be affected by, or may affect its business?

Governance – Do senior executives and the advisory board properly consider stakeholder issues when setting strategy and formulating corporate policy?

In respect to the issue of stakeholder engagement, the study by Capriotti and Moreno (2007) would seem to indicate that the engagement process is lacking or at best in its infancy. In respect to the websites they studied:

[N]o evaluation tools (such as interactive opinion polls, opinion forms, etc.) are provided, nor are there interactive feedback tools (such as chatrooms, forums, blogs, etc.) that would allow visitors to interact with the companies or with other people about CSR topics in real time . . . They are in a very initial phase of interaction or dialogue with their publics, considering that the resources used to present the information are mainly expositive, and the feedback resources available are minimal. The use of corporate websites for CSR issues is partial and limited, focusing primarily on the dissemination of information, rather than favouring dialogue and interaction with different publics' (Capriotti and Moreno 2007, p. 89).

Owen (2005) suggests that the crucial question from a stakeholder accountability perspective has to be whether 'the engagement and dialogue processes they are invited to participate in do meaningfully influence specific aspects of corporate decision-making, and in particular can lead to situations where their interests prevail over those of shareholders in matters of distributional conflict' (p. 10–11). He notes that a particularly noteworthy level of responsiveness to stakeholder concerns appears in the Co-operative Bank's 2002 Partnership Report. The Co-operative Bank's approach is rare however and more typically, suggests Owen, commentary in CSR reports regarding responsiveness to stakeholder feedback is couched in more general and vague terms, making it impossible to gauge 'how, if at all, stakeholder feedback influences corporate strategic decision-making' (2005, p. 9).

CSR reports may devote significant space to describing the stakeholder dialogue processes that have taken place but according to Owen (2005): 'For stakeholder account-

ability to be established and associated reporting exercises to be meaningful in empowerment terms, a far more pluralistic form of corporate governance must be instituted' (p. 26). As we noted above, a key demonstration of goodwill from the deontological perspective is the demonstration that the company/stakeholder relationship in respect to CSR policies and activities is based on the mutual recognition of rights and responsibilities on both sides. In respect to this issue of corporate governance, many corporations report the inclusion of external members on their advisory panels (there are various names for these committees – e.g. at Camelot it is the Advisory Panel for Social Responsibility, at BT it is the Stakeholder Advisory Panel) which shape CSR policies and practices. While such measures are a step in the right direction toward more accountable and transparent corporate governance structures, Owen notes:

It is debatable as to how much such initiatives achieve in terms of empowering stakeholders and thereby democratising the whole CSR process. The crucial point here is that the external participants (as far as may be ascertained) are appointed by corporate management, rather than being elected by those they purport to represent. Quite bluntly, these individuals represent no one but themselves and are therefore directly accountable to no one but themselves. Significantly forums at which stakeholder groups (predominantly employee and local community groups) are directly represented are confined to consultative committee type structures, completely separated from the key strategic decision-making arena' (p. 14).

How a company responds to its stakeholders is key here. AccountAbility AA1000 issued an Assurance Standard for CSR relationships and it highlights the key principle of responsiveness which it states requires 'the Assurance provider evaluate whether the reporting organisation has responded to stakeholder concerns, policies and relevant standards and adequately communicated these responses in its report' (2003, p. 18).

Once again, it could be argued that this offers an important opportunity for PR representatives who can manage and facilitate a process which will offer stakeholders a meaningful voice in the corporate decision-making arena and thereby demonstrate concretely the deontological concepts of duty and responsibility which underpin many of the statements in CSR documentation. Indeed, it is a role they must fulfil in order to avoid the charge that their function and that of CSR activities are nothing more than the cynical instrumental exploitation of stakeholders for benefit of corporate reputation.

Conclusion

With regard to the role of public relations in CSR, there would appear to be two choices. Public relations practitioners can use CSR as just another element in the 'the creation, or "engineering" of consent' in order to foster 'a favourable and positive climate of opinion toward the . . . institution' (Steinberg 1975, p. 15 quoted in Gandy 1992, p. 133). Or they can try to realise the idea that public relations can also have a public service role (Grunig 1989, Cutlip, *et al.* 1995) by making genuine attempts to discover the requirements of community stakeholders and help companies be more responsive to social needs. To achieve the latter, the stakeholder model, built as it is upon deontological foundational assumptions, is a prerequisite. This model argues that a corporation should take account of the interests of all the groups which have a stake in it. In respect to CSR, it would mean that all stakeholder groups, including the potential beneficiaries of such programmes, should be able to engage in debates about CSR policy and ultimately contribute to the

decision-making process. This would demonstrate that companies are treating the beneficiaries of corporate social responsibility with 'goodwill' and as ends in themselves. When they first formulated it in 1988, Evan and Freeman admitted that a stakeholder approach may seem 'utopian' (1993, p. 265), but it would appear that more recently the tide has turned to an extent and the stakeholder concept has infiltrated business and political thinking to a remarkable degree.

It must be said, however, that while the stakeholder concept has achieved widespread acceptance much more needs to be done to put it into practice and that public relations – utilising new information and communication technologies – can and should play a key role in this task. As the key organisational group responsible for liaising with stakeholders, public relations practitioners are best placed to help design and shape the process to meet the differing needs of these stakeholders. They are also in a position to capture stakeholder views through qualitative and quantitative measurement. All this will involve developing more robust research methodologies for gathering stakeholder perspectives, a commitment to report and evaluate these viewpoints completely and truthfully and a willingness to engage with and respond to stakeholder needs and concerns.

Questions for discussion

1. What are the key strengths and limitations for business ethics and public relations practice of the utilitarian, deontological and human rights ethical doctrines?
2. Does 'intersubjectivism' offer a useful way of conceptualising the role of public relations in relation to ethical disputes?
3. Is it ever permissible for a public relations practitioner to lie to the public?
4. What are the key distinctions between a 'stockholder' (shareholder) and a 'stakeholder' model of modern capitalism?
5. When public relations practitioners employ different ethical doctrines to justify CSR programmes, is it fair to accuse them of cynicism?
6. Chose a company and examine the documentation (its website is a good place to start) 6. which outlines and explains its CSR programme(s). Assess the reporting and evaluation of the company's CSR activities. Is this clear, detailed and transparent?
7. Does the CSR report include research on stakeholder feedback? If so, how is this reported?
8. How does the company use its website to engage with stakeholders on CSR issues? For example, does the website include evaluation tools (e.g. online opinion forms, etc.)? Does the website incorporate interactive feedback tools (chatrooms, forums, blogs, etc)?
9. How are stakeholders included in corporate governance in respect to CSR, i.e. how do their views feed into decision-making surrounding policy and practice?
10. In respect to CSR, what do you think PR needs to do in order to achieve what some commentators would see as its public service role?

Endnotes

1. Similarly, the term moral is derived from the Latin *mores* meaning customs or habits.

2. There is, of course, also 'critical' or 'meta-ethical' thinking, which is concerned with such questions as: what is the meaning or use of the expressions '(morally) right' or 'good'? How can ethical and value judgements be established or justified? etc.
3. See www.csr.gov.uk/whatiscsr.html
4. For a comprehensive explanation of this terminology and a discussion of perspectives and issues relating to business ethics, see Chryssides and Kaler (1993).
5. This discussion does not assess the impact of religious morality, which obviously has a profound influence upon business ethics in many cultures and upon a significant number of people in our own culture. The theory that certain actions are right because God commands them – for example, in the Bible, the Qur'an or the Torah – is sometimes known as the *Divine Command* theory (Chryssides and Kaler 1993, p. 84). Occasionally, in discussions surrounding issues of corporate social responsibility, it is asserted that certain groups such as the Quakers displayed an altruistic approach in their business dealings and help to local communities. L'Etang (1996, p.84) notes that there is a confusion here between 'philanthropy' and 'social responsibility'. I would agree but would add that there also seems to be a fundamental misunderstanding of what motivates such religious groups who act in the way they do because certain kinds of behaviour, toward employees and society, are prescribed in the Bible.
6. Some authors refer to consequentialist theories as 'teleological' (Day, Dong and Robins 2001). These authors, among others (e.g. Curtin and Boynton 2001) discuss the concept of 'situational ethics' as a way of resolving the shortcomings of the classic ethical doctrines but it is difficult to see how one can prevent this approach from slipping into ethical relativism.
7. To suggest that we can measure happiness seems rather unrealistic but it could be argued that the discipline of economics 'has attempted, indirectly, to introduce an element of quantification in that consumption of goods and services is said to satisfy wants' (Chryssides and Kaler 1993, p. 92). It is certainly the case that economics and utilitarian ethical theory have a long historical connection and there is a degree of conceptual and terminological overlap. For example, Chryssides and Kaler (1993) note that 'in economics the capacity in goods and services to provide satisfaction is spoken of as their utility' (p.,93).
8. In an early work, Kant stated that he disallowed all lying. Some commentators argue that this view was qualified in his later work, *Groundwork of the Metaphysics of Morals*. For a fuller discussion of this point, see Chryssides and Kaler (1993, p. 100).
9. Interestingly, the 1980 Companies Act permits British company directors to have regard to the interest of employees, but this is an option they are legally free to exercise rather than a duty which has to be fulfilled (see Chryssides and Kaler 1993, p. 234).
10. See www.csr-survey.org.
11. See 'More than making money' at www.bitc.org.uk.
12. See *Rethinking Corporate Social Responsibility*, A Feishman-Hillard/National Consumers League Study, Executive Summary, p. 7 at – www.csresults.com.
13. See www.accountability.21net/aa1000/default.asp.
14. See www.accountabilityrating.com.
15. Evan and Freeman were the first authors to explicitly outline a stakeholder theory of the firm in their 1988 article 'A Stakeholder Theory of the Modern Corporation: Kantian Capitalism' in *Ethical Theory and Business* T.L. Beaucamp and N.E. Bowie, (eds) Engelwood Cliffs, NJ: Prentice Hall.

Further reading

- Capriotti, P. and Moreno, A. (2007) 'Corporate citizenship and public relations: The importance and interactivity of social responsibility issues on corporate websites' in *Public Relations Review* 33, pp. 84-91.
- Chryssides, G.D. and Kaler, J.H. (1993) *An Introduction to Business Ethics*, Chapman and Hall.
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Daugherty, E.L. (2001) 'Public relations and social responsibility', in R.L. Heath (ed.) *Handbook of Public Relations*, Sage.

Day, K.D., Dong, Q. and Robins, C. (2001) 'Public relations ethics: an overview and discussion of issues for the 21st century', in R.L. Heath (Ed.) *Handbook of Public Relations*, Sage.

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L'Etang, J. and Pieczka, M. (Eds) (2006) *Public Relations: Critical Debates and Contemporary Practice*, Lawrence Erlbaum Associates.

Moloney, K. (2006) *Rethinking Public Relations (2nd Edition)*, Routledge.

Owen, D. (2005) 'Corporate Social Reporting and Stakeholder Accountability: The Missing Link' at www.nottingham.ac.uk/business/ICCSR/research/paperseries.html.

Business Ethics. Defining and Prioritizing Stakeholders. Corporate Social Responsibility (CSR). Learning Objectives. By the end of this section, you will be able to: Define corporate social responsibility and the triple bottom line approach. Compare the sincere application of CSR and its use as merely a public relations tool. Explain why CSR ultimately benefits both companies and their stakeholders. Thus far, we have discussed stakeholders mostly as individuals and groups outside the organization. Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental. To engage in CSR means that, in the ordinary course of business, a company is operating in ways that enhance society and the environment, instead of contributing negatively to them. 1:37. Click Play to Learn What CSR Is. Understanding Corporate Social Responsibility (CSR). What Is Social Responsibility? Corporate social responsibility Approach that an organization takes in balancing its responsibilities toward different stakeholders when making legal, economic, ethical, and social decisions. deals with actions that affect a variety of parties in a company's environment. A socially responsible company shows concern for its stakeholders Parties who are interested in the activities of a business because they're affected by them. anyone who, like owners, employees, customers, and the communities in which it does business, has a stake or interest in it. We'll discuss corporate responsibility later in the chapter. At this point, we'll focus on ethics. How Can You Recognize an Ethical Organization? However, to public relations theorists, public relations is inherently about ethics, social responsibility, and sustainability. 2 In 1980, Edward L. Bernays, who was probably the first public relations theorist, told public relations educators meeting at the Association for Education in Journalism and Mass Communication that, "Public relations is the practice of social responsibility." 9 Before discussing problems of ethics and social responsibility in public relations, we need to define these two key terms. It is an umbrella term that includes such concepts as corporate social responsibility, corporate citizenship, corporate social performance, social accountability/triple bottom line, corporate governance, and corporate sustainability communication (Signitzer & Prexl, 2008). To sum up, Business ethics and social responsibility are two concepts in the business environment. Business ethics are the moral principles a company uses to ensure all employees act in an acceptable manner when completing business functions. Social responsibility is typically an ideological theory that governments and the general public hold. In other words, business ethics mainly are used in internal companies while CSR is pointed out in the public. Reason for picking the question: I was confused about business ethics and corporate social responsibility. So the relation cannot be established by simply taking into account CSR as a reference term. We also need to look into the fact as to how it is being perceived. Hope you try to make a little sense of this