Sorting out the mess
A Review of Definitions of Ethical Issues in Business

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Abstract

Hundreds of concepts have been proposed for describing how ethical issues in business should be defined. In this paper, I review how the six most commonly used concepts have been defined. This is a contribution to the international business ethics research, since hardly any academic work has reviewed more than one or two concepts simultaneously. The results from the review show that differences as well as similarities exist between the concepts in terms of context, content and perspectives. In terms of context, I find that the empirical version of Corporate Social Performance (CSP) is the only concept consistently used in a certain context. In terms of perspective, a normative perspective is present in all six concepts and a shareholder perspective in four of the six concepts. I also find that an overwhelming majority of the conducted research is based on a normative perspective. In terms of content, the review shows that it is becoming increasingly difficult to separate Sustainable Development (SD), Corporate Social Responsibility (CSR), Corporate Citizenship (CC) and Corporate Social Performance (CSP) from each other and that four of the six concepts have been vaguely defined and that all concepts have been inconsistently defined. Based on this, I conclude that the choice of perspective is more important than the choice of concept when defining ethical issues. I also conclude that lack of a consistent and coherent core definition in existing research makes it difficult to utilize the reviewed research for defining ethical issues in business, since it seems difficult to find a rationale for choosing between the different proposed definitions.
Introduction

In this paper, I analyze how ethical issues in business can be defined, by analyzing how they have been defined in international academic research. More specifically, I examine research into the six most commonly used concepts for describing ethical issues of business: Stakeholder Theory (ST), Corporate Social Responsibility (CSR), Corporate Citizenship (CC), Corporate Social Performance (CSP), Sustainable Development (SD) and Business Ethics (BE). There is a wide array of concepts used for defining ethical issues in business – some authors even claim there to be over a hundred different concepts (van Marrewijk 2003). However, the six chosen concepts are the most, or at least among the most, commonly used in business and ethics research (Carroll 1999). Articles appearing in the following journals have provided the data for this analysis (reviewed years within brackets): Journal of Business Ethics (1987-2004), Business Ethics Quarterly (1991-2004), Business Ethics: A European Review (1998-2003), Business & Society (1980-2003) and Academy of Management Review (1976-2004). The following research question has guided the review:

How has ethical issues in business been defined in international academic research?

I analyze this question in terms of three categories: context, content and perspective. In doing this, the paper provides a valuable contribution to the international research on ethical issues in business. Current research has only provided reviews of one, or in rare occasions two, concepts simultaneously, leaving the question of how different concepts relate to each other unanswered. By instead conducting a review of six concepts and structuring the review in three categories spanning over all the concepts, this paper provides us with a start in addressing the issue of how different concepts relate to each other.

Categories

To illustrate the differences between the six concepts, I analyze the concepts in terms of three different categories: context, content and perspective. I will here briefly explain what I mean by each of these categories.

**Context**

Under the heading “context”, I analyze the historical usage of the concept in order to outline where and by whom the concept has been used. This becomes important as certain concepts might be appropriate to use in some, but not other, situations.

**Content**

In terms of “content”, I analyze how the reviewed concepts are defined. With “content” I, hence, refer to the ascribed meaning of the concept given to it by the authors using it. When concepts have been ascribed a diverse range of meanings by different authors, I
have tried to identify main themes within the use of the concepts in order to provide a structured overview of the content.

**Perspective**

Thirdly, I analyze the underlying perspective researchers have adopted when utilizing the concept. The category “perspective” is related to the category “content”. However, “content” is a more detailed definition of the concept, while perspective refers to the underlying normative assumptions. It has been more difficult to analyze this category than the other two categories, since the authors themselves rarely identify what perspectives they utilize.

I have chosen to define two dominant perspectives – a shareholder and a normative perspective – that I found to influence and set the boundaries for how the content of the concepts is defined. In addition to these two perspectives, I identified a third descriptive perspective that will not be further analyzed in this paper (see Egels 2004a and Egels 2005 for a discussion of this descriptive perspective).

*Shareholder perspective*

The shareholder perspective has close links to neoclassical economic theory that has dominated business research and practice during the last decades. The foundation of the shareholder perspective is that the sole obligation of the corporation is to provide shareholder value and more specifically to maximize financial profits for shareholders (Stormer 2003). The shareholder perspective is linked to Milton Friedman’s phrase “the social responsibility of business is to increase profits” (Friedman 1962:133). Putting aside the extensive debate on what Friedman “actually” meant with this statement, we can conclude that researchers utilizing a shareholder perspective define the content of the concepts from a profit maximization perspective.

The important thing to notice about the shareholder perspective, as it is defined in this study, is that it allows, or actually demands, managers to make investments in ethical actions if it helps the company to maximize its long term profitability. The recent claims of “doing well by doing good” – stating that investments in ethical actions will increase profits – could be understood based on the shareholder perspective (Kaler 2000). The claim portrays the positive view that ethical and profitable actions go hand in hand. However, the shareholder perspective also implies that firms’ ethical behavior should cease as soon as these behaviors become unprofitable regardless of the impact on the rest of the society. In every instance where the notion of “doing well by doing good” does not hold true, companies should not act ethically. Talking about ethics within this perspective, hence, does not challenge the underlying logic of focusing on profits, a logic that arguably guides today’s companies.

In addition to this it is worth noting that the shareholder perspective is based on a notion of profit maximization for existing companies. It states that each firm should strive to maximize profits. By doing this the shareholder perspective runs the risk of leading to sub-optimal results in terms of financial returns for the entire set of current and potential
companies. In a sense this is like our current generation trying to maximize its own consumption with no regards taken to potential future generations’ consumption. It is of course possible that profit focused behavior of existing companies will lead to maximum long term profits for all current and future companies, but this is highly uncertain. The important thing to keep in mind is that the shareholder perspective does not address this issue of total societal profit maximization anymore than it addresses ethical issues other than maximizing profits. Instead it simply states that existing companies should maximize financial profits.

Normative perspective

While the shareholder perspective is fairly straightforward to define, the normative perspective entails much larger diversity. I, of course, acknowledge that the shareholder perspective is equally normative as the perspectives presented as “normative” here. However, in this study I use the term “normative” as a grouping of non-shareholder perspectives. This group includes perspectives that, for example, claim that corporations not only have a responsibility towards shareholders but also towards stakeholders as well as perspectives that claim that corporations have a responsibility for other issues than maximizing profits, e.g. environmental protection, upholding human rights and diversity. Examples of but a few of the extensive amount of normative perspectives that have been used in research is a Kantian perspective (Evan and Freeman 1983), a feminist perspective (Wicks et al. 1994), an ecological perspective (Gladwin et al. 1995) and a fairness perspective (Phillips 1997). From this we can conclude that a more correct denotation for this perspective is normative perspective(s) (Hendry 2001). For simplicity, I will continue to use the phrase normative perspective throughout this report.
Stakeholder theory

Stakeholder Theory (ST) is the first of the six concepts analyzed in this review. It is also one of the most widely used concept and framework for discussing how ethical issues relate to business and managerial practices (Gibson 2000; Heugen and van Oosterhout 2002; Orts and Strudler 2002). Even though it is unclear whether stakeholder theory in fact is a single theory, a genre of theories or an umbrella term for researchers utilizing a similar perspective and thus not a theory at all (Elms et al. 2002), I continue to refer to it as a theory in this paper.

DEFINITIONS

The most common definition of what a stakeholder is stems form Freeman’s classic definition:

A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization’s objectives.

Freeman (1984:46)

The definition of a “stakeholder” is, hence, very broad as it only excludes those actors in society that cannot affect the company and that are not affected by the company. Several other authors have made somewhat different and often more narrow definitions of what a stakeholder is (e.g. Clarkson 1995). However, the main notion in Freeman’s definition still seems to be present in these definitions.

CONTEXT

The debate on what purpose and whose interests corporations should serve go at least back to the beginning of this century and have more or less been present throughout the century (see for example Dodd 1932 for interesting reading). The use of the terms “stakeholder” and “stakeholder theory”, however, only became widespread after the publishing of Freeman’s Strategic Management: A Stakeholder Approach in 1984 (Näsi 1995). Freeman himself traces the origins of the stakeholder concept back to the 1960s and the Stanford Research Institute. Preston and Sapienza (1990), on the other hand, traces the historical roots of the concept back to the 1930’s. What can be agreed on is that Freeman’s seminal book built on the earlier works during the century and managed to present “stakeholder theory” in a way that attracted numerous researchers to continue to explore the concept. In Donaldson’s & Preston’s review of the concept in 1995, they found over a hundred articles on stakeholder theory and the use of the concept has increased even further since then.

Within the field of business and ethics, the utilization of a stakeholder analysis is sometimes taken as a guarantor for that social and ethical considerations influence managerial decision making. However, in its process focused form – i.e. in the process of identifying what and how stakeholders are effected by, and/or effect, corporate actions – stakeholder theory is neutral (Goodpaster 1991). Managers can, for example, make a
stakeholder analysis in order to evaluate the risk of running into a corporate “scandal” if the company starts to use child labor. If management finds that the risk of scandal is small while the savings from child labor are substantial, management might, perhaps due to the stakeholder analysis, decide to start using child labor. The decision criteria in a stakeholder analysis may have nothing to do with a moral concern for the children working in their production facilities and the decision outcome might be to act more immorally than before. Therefore, we can conclude that the process often proposed as central in the stakeholder theory in itself can be viewed as neutral and that the theory can be, and is, utilized in studies unrelated to the ethical dimension of business practice (Heugen and van Oosterhout 2002; Orts and Strudler 2002).

The context in which stakeholder theory is used is, thus, very wide and extends beyond the boundary of studies of ethics and business. It is, however, mainly used in studies related to ethics and business and in these studies it is not used in any particular strain of research but is rather utilized in almost all different types of studies.

**Perspectives – An interpretation triad**

The fact that stakeholder theory can be, and have been, utilized in many different ways has led to several interpretations of the model. Donaldson and Preston identifies three such different, and in their view complementary, interpretations of the stakeholder theory: a descriptive, an instrumental and a normative (Donaldson and Preston 1995). This categorization has more or less framed the subsequent debate on stakeholder theory (Hendry 2001; Kaler 2003), even though a number of researcher for different reasons have criticized it (e.g. Freeman 1999; Kaler 2003).

*Descriptive stakeholder theory*

In research utilizing the descriptive interpretation of the theory, stakeholder theory is presented as a model of what the corporate is and how it operates. The theory describes the corporation “as a constellation of co-operative and competitive interests possessing intrinsic value” (Donaldson and Preston 1995:66). Descriptive stakeholder studies have, for example, claimed that what strategy a firm uses to deal with stakeholders depend on the importance of that stakeholder to the firm (Jawahar and Mclaughlin 2001) and analyzed how managerial perception of stakeholders affects stakeholder salience (Mitchell et al. 1997). This version of stakeholder theory lies within a descriptive perspective and, therefore, falls outside the scope of this paper. A more extensive discussion of descriptive stakeholder theory is presented in Egels (2004a) and Egels (2005).

*Instrumental stakeholder theory*

The instrumental aspect of the theory “establishes a framework for examining the connection, if any, between the practice of stakeholder management and the achievement of various corporate performance goals” (Donaldson and Preston 1995:67). These goals are usually measured in terms of profitability or other financial goals. In practice there seems to exist two different versions of the instrumental stakeholder theory (Egels 2004b). One version is an extension of the normative core of stakeholder theory and
explores the financial effects of acting in accordance with normative stakeholder theory. This version is consistent with the original definition made in Donaldson & Preston (1995:67). The other version is an extension of the shareholder perspective and explores how a firm should act towards its stakeholders in order to maximize profits. This view can for example be found in Moore (1999) and partly in Berman et al. (1999). The confusing thing is that both these irreconcilable views claim adherence to the original definition of instrumental stakeholder theory made by Donaldson & Preston (1995). For the purpose of this paper, it is enough to conclude that instrumental stakeholder theory is used from both a normative and a shareholder perspective. Interested readers are advised to see Egels (2004b).

**Normative stakeholder theory**

Thirdly, there exists a normative interpretation of stakeholder theory. This interpretation is the most commonly used and has received extensive academic interest (Donaldson and Preston 1995; Jawahar and McLaughlin 2001; Jones 1995; Mellahi and Wood 2003). The reason for the almost exclusive focus on the normative version of the theory is probably related to Donaldson’s & Preston’s (1995) framing of normative stakeholder theory as the core and most central interpretation of the theory (Berman et al. 1999). Normative stakeholder theory is based on the acceptance of: a) that stakeholders “are identified by *their* interest in the corporation, whether the corporation has any corresponding functional interest in *them*” (Donaldson and Preston 1995:67 - emphasis in the original) and b) that the interest of each group of stakeholders should be considered for their own sake and not solely because of their potential to further interests of other stakeholders, e.g. shareholders. Hence, the normative interpretation implies that corporations have a moral obligation to consider the interests of all stakeholders regardless of their possibility to effect corporate performance goals. The foundation of the normative interpretation is moral reasoning and it opens up for an elaborate discussion on how to prioritize different stakeholder claims and how a company should act towards its stakeholders. Several different normative theories have been used as foundations for normative stakeholder theory – for example Kantian theory (Evan and Freeman 1983), a feminist theory (Wicks et al. 1994) and a fairness theory (Phillips 1997). The focus on morality also means that normative stakeholder theory, in sharp contrast to instrumental stakeholder theory, in itself have little to do with the financial performance of the company. It can, hence, be described as based on a normative perspective.

**Content**

The content of stakeholder theory varies somewhat between the research based on a shareholder perspective and the research based on a normative perspective. However, there is one main theme that unites these interpretations and it is the focus on whom rather than what.
To whom rather than for what

In the context of business and ethics studies, stakeholder theory is mainly utilized to operationalize the question of to whom business have a responsibility. While other concepts, as we will see below, focus on describing for what, e.g. human rights and climate change, corporations are responsible, stakeholder theory seems to deal little with this issue. Instead it deals with the equally important issue of to whom corporations are responsible, and states that firms are not responsible to society in general but only to their stakeholders (Clarkson 1995; Maignan and Ferrell 2000; Matten et al. 2003). This different focus has led several authors to conclude that stakeholder theory should be seen as a complement to rather than substitute for many of the other concepts analyzed in this paper (Matten et al. 2003).

To whom for what

The question of to whom is, however, not entirely separated from for what. This is shown in that most researchers utilizing stakeholder theory also links it to different assumptions of for what (especially evident in normative stakeholder theory). There have been a couple of concrete definitions of for what companies should be responsible that is based on stakeholder theory (e.g. Clarkson 1995; Kujala 2001; Moore 2001; Ruf et al. 2001). Looking at, for example, responsibilities towards employees, performance in the following aspects have been presented to constitute a definition of ethical: no layoff plan, hiring and promoting the disabled, cash profit sharing, good union relations, equal opportunities policy, promotion of women managers, proportion of ethnic minority managers, number of women on the board, right to just wage, right to privacy, right to participate, hiring policies, working conditions, stability, security, development possibilities, honesty, education, benefits, compensations, rewards, career planning, employee assistance program, health promotion, absenteeism, turnover, leaves of absence, day care, family accommodation, employee communication and contract employees. The same type of definitions of ethical are also made for other stakeholder groups such as customers, shareholders, suppliers, community, environment, competitors, government, banks, media and NGOs. All in all, we can conclude that stakeholder theory is used to mainly deal with to whom firms are responsible, but that it often also both implicitly and explicitly includes statements of for what the firm is responsible.

Conclusion (ST)

Stakeholder theory is being used in widely different contexts. It is mainly used in research on business and ethics, and then in almost all different strains of this research, but it is also used in research unrelated to ethical issues. In terms of perspectives, stakeholder theory exists in at least three different versions – a descriptive, an instrumental and a normative – where one version of instrumental stakeholder theory is based on a shareholder perspective and normative stakeholder theory is based on a normative perspective (descriptive stakeholder theory is based on a descriptive perspective and analyzed in Egels (2004a) and Egels (2005)). The content of stakeholder theory is somewhat dependent on if the researcher adopts a normative or shareholder perspective. However, we can conclude that the theory mainly is about operationalizing to whom corporation has responsibility, but in practice this is often implicitly or explicitly linked to statements of for what the firm is responsible.

1 These categories have been gathered from Clarkson (1995), Kujala (2001), Moore (2001) and Ruf et al. (2001) and are based on a normative, rather than shareholder, perspective.
Corporate Social Responsibility (CSR)

Besides stakeholder theory, the currently most popular concept in the field of business and ethics is probably Corporate Social Responsibility (CSR) (Matten et al. 2003). While stakeholder theory in some sense could be described as a “theory”, CSR is a vaguer concept.

Context

CSR was first used in the 1950s, but it was only in late 1970s that the academic debate started to form (Carroll 1999). It was originally used to refer to particularly the social aspects of the ethical responsibility of business. This could be contrasted with Sustainable Development (SD), discussed below, which has its roots in the environmental aspects. However, now-a-days CSR is often widened to include both the social and environmental aspects (Keijzers 2002 in van Marrewijk 2003). CSR is, thus, used in a wide array of contexts, but is mainly used in relation to social, rather than the environmental, aspects of ethical.

Content

Most researchers have concluded that the CSR-concept is often too loosely defined. Henderson (2001), van Marrewijk (2003), Votaw (1973) and Preston & Post (1975), for example, concludes that there is no solid and well-developed consensus on what the concept stands for. Furthermore, they conclude that the broad definition of the concept hampers the academic debate and ongoing research.

The overall notion seems to be that CSR refers to actions taken by companies to further some social good, beyond what is required of them by law (see for example McWilliams and Siegel 2001). CSR is, hence, focused on for what corporations are responsible either in terms of outcomes or in terms of processes (Carroll 1999; Jones 1980). A more elaborate definition is provided by Carroll’s four-part model, which is the most influential definition of CSR (Carroll 1979; Kaler 2000). According to this model companies have four types of responsibility. The first responsibility is an economic one to be profitable. The second is a legal responsibility to follow the laws. The third is an ethical responsibility to do what is right and the forth is a philanthropic responsibility to contribute resources to activities desired by society. It is the last two responsibilities that set aside CSR from an ordinary discussion on corporate compliance and profit maximization. The moral and philanthropic responsibilities are described by Carroll as voluntary actions by companies. However, the ethical responsibility, Carroll argues, is expected of business, while the philanthropic is not expected but something the company should do.

In terms of content, little focus seems to have been given to the first two parameters of Carroll’s definition, i.e. the economic and legal responsibility. Instead the CSR debate has centered around the moral and philanthropic responsibility and in particular the moral responsibility. Despite this few concrete definitions of the concept has been
presented, which becomes evident when reading the definitional review presented in Carroll (1999). It is, therefore, near impossible to provide any concrete conclusions of how CSR has been defined in academic research.

**Perspectives**

We can, though, find some structure in the jungle of CSR content if we instead turn our focus to perspectives in CSR research. In his review of the concept, Göbbels, among other authors, argues that there are three main perspectives in CSR (Göbbels 2002 in van Marrewijk 2003). The first is linked to Friedman’s classic view that “the social responsibility of business is to increase its profits” (Friedman 1962), and is, hence, in line with what I, in this study, characterize as the shareholder perspective. The second perspective could be equated with the stakeholder approach and more specifically with the normative interpretation of this approach. Finally, the third perspective states that companies have a responsibility to society as a whole and not just their stakeholders. This definition of CSR, thus, leads to a wider interpretation of ethical than the stakeholder approach. It is, however, still in line with the normative perspective, since it is based on a moral, rather than profit, argumentation. Carroll’s (1999) review of CSR seems to support this finding of both a shareholder and a normative perspective in CSR research. Among the authors that have, at least partly, presented a shareholder perspective of CSR are Davis (1960), Johnson (1971), Steiner (1971) and Drucker (1984), while the following authors among others have, at least partly, presented a normative perspective of CSR McGuire (1963), Johnson (1971), Backman (1975) and Carroll (1979).

**Conclusion (CSR)**

CSR was initially used in studies of the social aspects of business, but has recently been expanded to also include the environmental aspects. The context in which the concept is used has, thus, widened and it is currently used in most strains of business and ethics research. In terms of perspectives, we detect a similar duality as in stakeholder theory with a normative perspective on the one hand and a shareholder perspective on the other. Carroll’s (1979) definition of CSR – as a combination of economic, legal, moral and philanthropic responsibility – is perhaps still the most influential, even though it is hard to find any consistent core among the different CSR definitions. In terms of definitions of ethical issues, CSR, thus, gives us little concrete guidance.
Corporate Citizenship

A concept that has many similarities to CSR is Corporate Citizenship (CC). This section will deal with these similarities and also with the differences in terms of context, content and perspective.

Context

Many business leaders have never truly accepted the terms Business Ethics and CSR, depending partly on the fact that these terms imply that “ethics” and “responsibility” are currently not present in business or even worse are opposed to business (Matten et al. 2003). Business Ethics and CSR do in one sense proclaim that there is something additional that managers should or must do. Corporate Citizenship, on the other hand, places corporations as an actor among others in the society. Matten’s et al. (2003) extensive review of Corporate Citizenship also shows that development of the concept CC mainly has been driven by practitioners. This interest from practitioners for the concept has in turn generated increased interest in the academia for CC. It is now an accepted concept with, for example, an academic journal dedicated to it (Journal of Corporate Citizenship).

Content and Perspective

The usage of CC has in a similar manner as CSR been far from consistent, which makes it difficult to provide a clear definition of the concept. Matten et al. (2003) address this problem by providing the most promising categorization of CC that I have been able to find in existing research. I have therefore adopted their categorization and treat the content and perspective categories together in this section.

Limited view of CC

Initially CC was, and for some researchers still is, used to describe the philanthropic responsibility of business, i.e. to describe what Carroll called the forth responsibility of business in terms of CSR. This philanthropic giving back to the society is, however, assumed in this strain of CC literature to be based on self-interest. This has led to extensive writing on issues like “social investing” (Waddock 2000), and “reputational capital” (Fombrun et al. 2000) in connection to CC. Based on the wording in this paper, we can conclude that this strain of CC research builds on a shareholder perspective.

CC = CSR

The second categorization of CC utilizes the concept as interchangeable with CSR. Carroll (1998), for example, does this when he basically equates CC with the definition he made of CSR in 1979 (see Maigan and Ferrell 2000 for a similar approach). An important difference is, however, that CC is often focused on meeting the four CSR-responsibilities rather than on the responsibilities in themselves. It also seems that the normative perspective, so often present in CSR literature (e.g. in Carrol’s (1979) definition), is toned down in the CC literature.
**With the focus on citizenship**

Finally, Matten et al. (2003) present a framework that is fairly different from the two others in the fact that it focuses on the “citizenship” part of the CC. By analyzing the power relationships in society they conclude that if business is to play a part in society it is rather in the sense of taking a role similar to that of government than that of an average citizen. The problem is of course that if corporations assume the role of government based on a shareholder perspective they will stop playing this role if it becomes unprofitable. Given the vitality of these functions for society Matten et al. (2003), therefore, conclude that this is unacceptable and moves to a normative perspective stating that businesses should be “approved or discharged of their responsibilities trough the electoral process” (Matten et al. 2003:118).

**Conclusion (CC)**

Corporate Citizenship as a concept seems to have a strong appeal for practitioners intrigued by ethical issues in business and is an appropriate concept to use if one wants to address this audience. Recently the concept has also received attention from the academia and is seemingly starting to become more accepted. As with most concepts discussed in this paper, CC has been vaguely defined. In general two of three strains of CC research seem to show many similarities to CSR with slightly more focus on the shareholder perspective and practical focus. The third strain links closely to the normative perspective and offers a content with a clearer focus on the “citizenship” aspect than CSR. In terms of content, this third strain seems to be the most interesting, since it provides a somewhat different approach than CSR.
Corporate Social Performance

A concept that sounds similar to CSR is Corporate Social Performance (CSP). However, as will be shown in this section CSP has been defined in a fairly different way compared to CSR and is now-a-days used in a more specific context than Stakeholder Theory, CSR and CC.

Context

There is a theoretical and an empirical strain of research on CSP. The theoretical strain has many similarities to the CSR research both in terms of context, content and perspective and will therefore not be further analyzed here (see for example Wood (1991) and Wood and Jones (1995) for the best known examples of the theoretical strain of CSP research). The empirical strain, on the other hand, is mainly concerned with the relationship between corporate social performance (CSP) and financial performance (FP) (Rowley and Berman 2000). CSP is without comparison the most commonly used concept in these studies and is in this research taken to include both the social and environmental aspects of ethics. These studies, in turn, make up the bulk of the empirical research on ethical issues in business. Interestingly, CSP does not seem to be much used outside these studies and is in comparison to most other concepts analyzed here used in a fairly narrow context.

If we analyze the CSP-FP texts we find that there are two main types of CSP-FP studies, i.e. two main contexts in which CSP is used. First, a quite large body of studies compare the FP of so-called ethical funds, i.e. funds that perform some sort of ethical screens, with non-ethical funds, i.e. funds that do not perform such screens (see for example Cummings (2000), Guerard Jr and Stone (2002), Mallin et al. (1995) and Wilson (1997)). In these studies, researchers almost exclusively take the funds definition of CSP, for granted, which given the aim of these studies seems reasonable. Second, there has been fewer, but still a fair amount, of studies on the relationship between CSP and FP on an individual corporate level (e.g. Diltz 1995), on an industry level (e.g. Simpson and Kohers 2002) and on an issue/ethical category level (e.g. Diltz 1995). These studies have almost exclusively utilized well-known databases in their definition of CSP, e.g. KLD, Council on Economic Priorities, and Community Reinvestment Act. To further understand how content and perspectives are defined in CSP studies, we need to look more in depth at how CSP is defined among ethical funds and well-known databases.

Perspective (1) – Defining ethics in studies of ethical funds

The “ethics” of ethical investments has been highly questioned. Anderson (1996), for example, argues that these funds are not based on ethical reasoning, but rather on opinions (see also Schwartz 2003). Mackenzie (1998) and Cowton (1999) have, on the other hand, argued that their empirical studies show that ethical funds in reality do put sincere efforts into making ethical considerations. With this empirical support in mind it is interesting to notice that despite these seemingly sincere and time consuming efforts by the funds, an analysis made by Damato found that the major ethical funds in the
U.S. made split decisions in 40% of the 50 largest U.S. stocks (Damato 2000). It, thus, seems like even if the funds utilize ethical reasoning the conclusions from this reasoning highly differs between funds. This picture is further supported when we consider that Damato simply was comparing the decisions of four of the major U.S. ethical funds. Add to this funds like Islamic-based Amana Growth Fund, the Methodist Pax World Fund and the Ave Maria Catholic Values Fund, and it becomes evident that it will be difficult, or even impossible, to reach a consensus concerning what is to be characterized as ethical within these funds.

Dunfee (2003) builds on this reasoning and concludes that it is not desirable with a single definition of CSP or ethical in these funds. Instead diversity in values among funds should be valued in itself. It is, thus, highly debated if ethical funds are in fact acting in accordance with ethical reasoning or rather “just” in accordance with social, political and religious values. Furthermore, it is also questioned whether or not ethical funds are in fact acting in accordance with ethical reasoning or rather “just” in accordance with social, political and religious values. Furthermore, it is also questioned whether it is even desirable for the funds to strive for a single definition of ethical.

The most important thing to notice is that whether or not ethical funds in fact utilize ethical reasoning they are clearly operating within a normative perspective. The above described debate is centered around whether or not ethical funds are about ethics or political, social and religious values and/or opinions. All of these options are, though, an expression of the normative perspective, shown also in the fact that no fund or research on funds seem to use a shareholder perspective when defining CSP. It would not be impossible to define CSP from a shareholder perspective, by for example utilizing instrumental stakeholder theory, but this has clearly not been done in either ethical funds or the conducted CSP studies. What we instead find are only definitions of CSP from a normative perspective.

PERSPECTIVE (2) – DEFINING ETHICS IN FIRM SPECIFIC STUDIES

The second line of CSP research is focused on comparing the relationship between CSP and FP for industries or individual companies rather than for ethical funds in general. These studies, as noted above, almost exclusively utilize already existing databases, such as KLD and Community Reinvestment Act, to define CSP in their particular study. If we analyze how these commercial databases are structured, we find that they define ethical issues in a similar way as the definitions of ethical issues made by ethical funds. We, hence, find a similar unanimous focus on the normative perspective in these definitions of CSP. We can, therefore, conclude that CSP studies, both those looking at ethical funds and those looking at individual companies/industries, seem to adopt a normative perspective. However, there seems to be a more homogenous definition of what is ethical in the databases compared to the ethical funds. The funds seem to incorporate a larger diversity of definitions, which perhaps is due to the simple fact that there is a much larger amount of funds compared to databases.

CONTENT

Given the similarities of the definitions of CSP in the two contexts in which CSP is used, I will analyze the content of CSP for both these studies similarly. In comparison to most other concepts, CSP is often explicitly defined. The reason for this is probably...
that in order to conduct credible empirical and statistical studies of the CSP-FP relationship researchers must present an explicit definition of the concept. Even though often explicitly defined in each separate study, CSP has not been consistently defined and measured between the different studies (Griffin and Mahon 1997; Maignan and Ferrell 2000; Ullman 1985). According to some authors this inconsistency is one of the main reasons that studies of the link between FP and CSP has reached contradictory finding.

**Conclusion (CSP)**

In terms of context, the empirical version of CSP is mainly used in studies of the relationship between ethical and financial performance. CSP is also in these studies the by far most commonly used concept for ethical issues. The empirically focused context in which CSP has been used, have led to concrete definitions of the content of ethical. The definitions are mostly based on the definitions of ethical made by commercial databases, reputational indexes or ethical funds. Despite this no consensus seems to exist concerning how to define the content of CSP. Finally, we can conclude that CSP, in contrast to CSR, CC and ST, is not used from a shareholder perspective.
Sustainable Development (SD)

If we move our attention away from CSR, CC and CSP, which arguably are mainly rooted in the social aspects, into the realm of environmental aspects, we find the concept Sustainable Development (SD). Within the field of environment and business this is probably the most commonly used concept. In the conducted review few studies were found that either discussed or utilized SD. This is likely highly dependent on the selection of journals included in the review.

**Context**

The concept of sustainable development emerged in the 1970’s to describe the relationship between development on the one hand and environment on the other (Sum and Hills 1998). It has from then on grown and is now found in studies both related to business and other areas. In terms of context, it seems safe to conclude that SD today is by far the most commonly used concept for describing the environmental responsibilities of business and it is also the most commonly used concept used to describe ethical issues in journals traditionally focused on environmental issues (Sum and Hills 1998).

**Perspectives – Three paradigms**

In terms of perspectives Gladwin et al. (1995) present, in their review of research on sustainability, a categorization of different interpretations of SD. The authors identify two currently dominant paradigms – technocentrism and ecocentrism – and propose a third paradigm – sustaincentrism – as a synthesis of these two contradictory paradigms.

*Technocentrism*

The authors trace the origins of the technocentric paradigm back to the 17th century and claim that the technocentric paradigm today represents the dominant paradigm within the field of management studies. The paradigm has a strong focus on economic growth and generating shareholder value in terms of profits. Social and environmental issues are not perceived as a severe problem, but are rather neglected and seen as outside the realm of business.

*Ecocentrism*

Ecocentrism is presented in sharp contrast to technocentrism. In this paradigm, which is presented as the antithesis to technocentrism (in line with Kuhn’s (1970) reasoning), the humans are placed in a subordinate position to nature. The focus is, hence, on the survival of nature and the role of business is dictated based on the needs of the ecosystem. Profits, economic growth and other similar concepts are, thus, treated as subordinate within this paradigm. Other concepts that have been used to describe the ecocentric interpretation of SD are, for example, “deep ecology” and “preservation”.
Sustaincentrism

Gladwin et al. (1995) then present a third paradigm as the synthesis of these opposing paradigms. This sustaincentric paradigm tries to combine the strive for economic growth and profits with the environmental reality of our planet. The paradigm places humans above the biosphere in intellectual terms, but still acknowledges that humans are a part of that biosphere. It also claims that this intellectual supremacy gives humans a moral responsibility for the welfare of human and non-human future generations.

**THREE PARADIGMS – TWO PERSPECTIVES**

**Technocentrism = Shareholder perspective**

When analyzing the technocentric paradigm and the research categorized within this paradigm, it becomes clear that it is based on what I in this paper have labeled a “shareholder perspective”. However, the technocentric paradigm is a more elaborate definition of the shareholder perspective than the one made in this study, since it not only claims that the role of business is to maximize profits but also makes statements about technological development, growth patterns, value of nature, human nature etc. Given the dominance of the technocentric perspective in research on SD, this means that much of the academic writing on SD is set within very narrow boundaries. We can, hence, imagine research on SD from a shareholder perspective that treats the environment with more “respect” than the identified studies within the technocentric perspective. This could, for example, take the form of seeing natural capital as limited and only partially substitutable for human capital, while still proposing corporate actions solely aimed at maximizing profits.

**Ecocentrism = Normative perspective**

The ecocentric paradigm can be interpreted as a specific normative perspective. Rather than focusing on religious or “social” reasoning, as some normative perspectives do, the ecocentric paradigm is based on ecological reasoning. As noted above the normative perspective has little to do with businesses financial performance, which also is well in accordance with the reasoning in the ecocentric paradigm. The focus is, hence, on environmental sustainability and business is viewed, at best, as a mean for achieving this aim.

**Sustaincentrism = Normative perspective**

While Gladwin et al. (1995) see sustaincentrism as a way to solve the dead-lock between the technocentric and ecocentric paradigm, it will not solve the dead-lock between the normative and the shareholder perspective. When analyzing the sustaincentric paradigm it becomes clear that it is, at least partly, based on normative reasoning, e.g. “waste emissions should not exceed natural regeneration rates /…/ consumption in developed countries must be scaled down” (Gladwin et al. 1995:891 – emphasis added). As I have defined the shareholder perspective, i.e. that businesses sole responsibility is to maximize profits, it becomes evident that sustaincentrism’s wording of should and must concerning other issues than profitability is inconsistent with the shareholder perspective and therefore must be labeled as yet another version of the normative perspective.
Overall definitions

Given the popularity of sustainable development, it is not surprising that numerous definitions of the concept have been made. There are today over one hundred definitions of sustainable development (Holmberg and Sandbrook 1992). Among these, the most commonly used is:

*Sustainable development is development which meets the needs of the present without compromising the ability of future generations to meet their own needs.*

World Commission on Environment and Development (1987)

This definition is, as many of the definitions of the other concepts dealt with in this paper, extremely broad. This is true not only about this statement, but about much of the writing about the concept in general (Adams 1993). Some would even argue that this vagueness is a major contributing factor for making SD a commonly used concept, since it by being vague has allowed researchers and practitioners to personalize its content (Sum and Hills 1998). The flip side of this is, not surprisingly, that controversies and considerable disagreement have arose concerning how to operationalize and measure SD. Perhaps the only real consensus is that most authors today argues in favor of having three different aspects included in the content of SD: an economic, an environmental and a social (Harris 2003). The concept has in terms of content, consequently, started to become interchangeable with CSR and has, thus, moved away from its narrow focus on the environmental aspects (Keijzers 2002 in van Marrewijk 2003).

To whom for what?

If Stakeholder Theory was mainly concerned with *to whom* and CSR, CC and CSP with *for what* corporations have a responsibility, Sustainable Development entails a focus on both *for what* and *to whom*. To whom is answered a bit differently in different strains of research. Dobson (1996) provides a typology of the concept and concludes that “to whom” could be anything from present generation human needs to future generation human wants and non-human needs.

There also exist numerous definitions of *for what* business is responsible in the normative research strain of SD. In comparison to the concepts Business Ethics, CSR or CC, these definitions are well defined and relatively operationalized. In this aspect SD, thus, has many similarities with CSP. As an example of one specific definition of SD, Daly’s (1992) definition of the concept serves well. Daly (1992) presents three requirements of global carrying capacity, justice and efficiency, which relate well to environmental, social and economical requirements generally proposed when defining SD. The author then gets into lengthy definitions of these three requirements by an almost natural scientific approach. This reliance on natural science also seems to be more commonly present within SD than the other reviewed concepts.
CONCLUSION (SD)

Sustainable Development is a concept that has received a lot of attention during the last decades. It is mainly used in research that focus on environmental, rather than social, aspects of ethical issues. However, recently the concept has been expanded to include social aspects as well. This has led to a widening of the context in which SD is used and moved it closer to the realm of CSR, CC, CSP, ST and BE. In terms of perspectives we find the same duality in SD as we did in ST, CC and CSR – i.e. the duality of the shareholder and normative perspective. In terms of content SD has been given over a hundred different definitions. It is, however, also a concept that has, in similarity with CSP, been given narrow and relatively concrete definitions by researchers both concerning for what and to whom business is responsible. While operational and explicit, these definitions are, however, not consistent so it is difficult to find any core in how ethical issues are defined within SD research.
Business Ethics (BE)

While the other commonly used concepts utilize words like “social”, “sustainable”, “citizenship” and so on, Business Ethics (BE) is one of the few concepts that explicitly utilize the word “ethics”. This section will analyze how this has affected the definition of the concept.

Context

Sethi and Sama (1998) argue that the research under the label “business ethics” developed fairly independently from the research on CSR. The former was mainly dominated by researchers from the disciplines of philosophy, theology and law, while the latter was dominated by management theorists, economists, sociologists and corporate legal researchers. This has affected the context in which BE is used, making it less common in management research and less used by managers. On the other hand, “business ethics” is commonly used in the journals included in this review. These journals also feature a large portion of academics with a philosophical background.

Perspective

Perhaps due to BE’s origin and context it is rarely used from a shareholder perspective. This might be due to the fact that the term “ethics” is present in the concept, making authors writing from a shareholder perspective favoring different concepts like CSR, SD or CC when defining ethical issues in business.

Content

De George (1999) defines business ethics as the interaction of ethics and business. The more specific content of BE is often vaguely defined in individual studies and it is also often inconsistently and sometimes contradictory defined in different studies. In comparison to the other concepts, it has been extensively difficult to find any studies reviewing or organizing the research on business ethics in terms of either perspective or content. In general, the research focus seems to be on defining ethical issues based on “classic” ethical theories, e.g. consequentialism, duty ethics, virtue ethics and Rawlsian ethics. Given the span of these different ethical theories, it is difficult to provide any coherent definitions of business ethics.

Conclusion (BE)

Business ethics is mainly used in contexts of ethical issues in business dominated by academics with a background in philosophy and religion. Although commonly used in these studies, business ethics is rarely explicitly defined and it is difficult to find any concrete definitions of the concept. In terms of perspective, we can though conclude that business ethics is almost exclusively used from a normative, rather than shareholder, perspective.
Bringing it all together

We can now summarize the similarities and differences found between the six concepts analyzed above, i.e. Stakeholder Theory (ST), Corporate Social Responsibility (CSR), Corporate Citizenship (CC), Corporate Social Performance (CSP), Sustainable Development (SD) and Business Ethics (BE), in terms of the three categorized that have guided this analysis, i.e. context, perspective and content. Table 1 below provides this summary.

<table>
<thead>
<tr>
<th>Concept</th>
<th>Context</th>
<th>Shareholder perspective</th>
<th>Normative perspective</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST</td>
<td>All strains of business and ethics studies, but also in general business studies.</td>
<td>YES</td>
<td>YES</td>
<td>Focused on “to whom” and operationalizing societal responsibility.</td>
</tr>
<tr>
<td>CSR</td>
<td>Mainly in studies with a social focus, but recently also in environmental studies. Wide range of uses.</td>
<td>YES</td>
<td>YES</td>
<td>Diverse, but mainly four types of responsibility: economic, legal, moral and philanthropic.</td>
</tr>
<tr>
<td>CC</td>
<td>Practitioners but also academics. Wide range of uses.</td>
<td>YES</td>
<td>YES</td>
<td>Two research strains - one linked to CSR and one focused on the “citizenship aspect.</td>
</tr>
<tr>
<td>CSP</td>
<td>In studies regarding the CSP-FP relationship. Narrow range of use.</td>
<td>NO</td>
<td>YES</td>
<td>Dependent upon diverse definitions made by commercial databases, reputational indexes and ethical funds.</td>
</tr>
<tr>
<td>SD</td>
<td>Mainly in studies with environmental focus. But recently also in social studies. Wide range of uses.</td>
<td>YES</td>
<td>YES</td>
<td>Diverse but concrete definitions. Varies somewhat between shareholder and normative perspective.</td>
</tr>
<tr>
<td>BE</td>
<td>In contexts dominated by researchers with a philosophic or religious background. Relatively wide range of uses.</td>
<td>NO</td>
<td>YES</td>
<td>Vaguely and inconsistently defined with focus on “classic” ethical theories.</td>
</tr>
</tbody>
</table>

*Table 1: Definitions of ethical issues in business in international academic research*

**Context**

As we can see in table 1, the only concept that is relatively consistently used in a certain context is the empirical version of CSP. In comparison Stakeholder Theory seems to be the most widely used concept occurring in both ethical and “non-ethical” studies of business. Furthermore, BE, CSR and CC seems to be mainly used in studies focusing on social aspects of ethical issues, while SD seems to be the preferred concept in studies focusing on environmental aspects.
PERSPECTIVE

CSP and BE are also the only concepts that are rarely used from a shareholder perspective. In all of the other concepts, we find a duality between the shareholder and normative perspective. As could be expected from the contexts in which the concepts are used, SD incorporates a higher degree of normative perspectives based on ecological or environmental reasoning compared to CSP, CC, BE and CSP. In terms of diversity of normative perspectives, stakeholder theory seems to portray the richest flora, which probably is partly explained by the fact that it has been the most commonly used concept of the six analyzed in this paper.

Finally, we can conclude that most of the reviewed research is based on a normative, rather than shareholder, perspective and that it, hence, is a strong focus on how firms ought to act from a moral, rather than shareholder, perspective. As I briefly argued when introducing the two perspectives, I believe that the shareholder perspective more correctly describes how managers of corporations perceive their reality and define their own responsibilities. I, therefore, believe that the focus on a normative perspective has made much of the present academic research fairly unrelated to managerial practice. If we like, we could say that this research is most likely seen as somewhat irrelevant by many managers.

CONTENT

In terms of content, we can conclude that it is becoming increasingly difficult to separate SD, CSR, CC and CSP, since all of these concepts are dealing with both the social and environmental aspects of business. However, it seems like the concepts to a degree still have retained their historical roots, making SD more focused on environmental aspects in terms of content compared to CC, CSR and CSP. It also seems like CC has a greater focus on either philanthropic issues or governmental/citizenship aspect of ethics. We can also conclude that while most, if not all, of the concepts, at least implicitly, deals with the question of to whom business is responsible, stakeholder theory provides the most elaborate and in depth coverage of this issue. Finally, the answers to either “to whom” or “for what” business are responsible, or if we like how ethical issues in business are to be defined, seem to be inconsistent and conflicting both within and between research on different concepts. No core in terms of content is, hence, to be found in any of the concepts and even less among the six different concepts.

SUMMARY

This paper has analyzed how ethical issues in business has been defined in existing international academic research by reviewing the six most commonly used concepts for defining these issues. I have showed that there exist differences between the concepts in terms of context, perspectives and content, but that most of the concepts are fairly similar. An important observation was made in that most research seems to be based on a normative perspective, while most managers of corporations likely mainly operate within a shareholder perspective.
Although not rigorously outlined in the above review, I believe that we could tentatively conclude that the choice of shareholder or normative perspective is more important than the choice of concept for how ethical issues in business are defined. This is in a sense not necessarily a surprising conclusion, since the chosen perspective frames much of the following reasoning.

A disappointing conclusion from this review is that there hardly exists any core definition of ethical issues in academic business studies. We find hundreds of proposed definitions of how ethical issues should be defined (mainly based on a normative perspective), but we find little consensus and coherence between these different definitions. It, thus, seems like this research provides little guidance on how to define ethical issues in business, since it seems impossible to find a rationale to choose between the different proposed definitions. If this paper is to teach us anything, it is that it is very difficult to define what ethical issues in business are or should be.

This conclusion might have important implications for managers. It indicates that managers cannot solely rely on a predefined notion of ethical to justify their organizations’ actions, since all such definitions can be criticized from other perspectives. Rather, managers need to be sensitive to different perceptions of for what and to whom their organizations are responsible. The art of management is, in this case, to handle and balance the complicated and often conflicting myriad of stakeholder opinions, and to continuously identify an, in practice rather than in theory, satisfactory definition of ethical issues in business.
References


